



INSTITUTE OF STRATEGIC &
INTERNATIONAL STUDIES
(ISIS) MALAYSIA

Deepening intra-ASEAN trade

How to build regional resilience in a fragmented world

Policy paper

By

Jaideep Singh

Foreword by

Datuk Prof Dr Mohd Faiz Abdullah

ISIS Malaysia

The Institute of Strategic & International Studies (ISIS) Malaysia was established on 8 April 1983 with a mandate to advance Malaysia's strategic interests. As an autonomous research organisation, we focus on foreign policy and security; economics and trade; social policy and nation-building; cyber and technology; and climate and energy.

We actively conduct track-two diplomacy, promoting the exchange of views and opinions at the national and international levels. We also play a role in fostering closer regional integration and international cooperation through various forums, such as the Asia-Pacific Roundtable, ASEAN Institutes of Strategic & International Studies network, Council for Security Cooperation in the Asia-Pacific, Pacific Economic Cooperation Council, Network of East Asian Think-Tanks, Network of ASEAN-China Think-Tanks and ASEAN-Australia-New Zealand Dialogue.

Contributor

Jaideep Singh is an analyst in the Economics, Trade and Regional Integration team at ISIS Malaysia. His research focuses on industrial and trade policies, including their interplay in geoeconomics. His work has been featured in *The Diplomat*, *Washington Post*, *South China Morning Post*, *Al Jazeera* English and Lowy Institute's *The Interpreter*. He served as a former special officer to Malaysia's deputy investment, trade and industry minister and a former Overseas Development Institute fellow in Zanzibar, Tanzania.

© ISIS Malaysia 2026

All rights reserved. This paper, or parts thereof, may not be reproduced in any form or by any means, electronic or mechanical, including photocopying, recording or any information storage and retrieval system now known or to be invented, without written permission from the publisher.

Foreword

Through the latter decades of the 20th century and the early years of the new millennium, ASEAN benefited from an international environment characterised by expanding trade, deepening multilateralism and growing economic interdependence. Export-oriented development strategies enabled Southeast Asian economies to integrate into global markets and value chains, helping transform the region into one of the world's most dynamic economic centres. Today, as the world's fifth-largest economy, ASEAN punches well above its weight in trade and investment, with its member states playing important roles in global value chains across a range of industries.

Nearly six decades after its establishment, however, ASEAN faces a markedly different international landscape. Open trade can no longer be taken for granted. Supply chains face growing disruptions, while protectionism, strategic competition and geo-economic fragmentation are placing new pressures on the international economic order that has served the region well for much of its development journey. As economic security becomes an increasingly important policy priority worldwide, ASEAN must consider how best to strengthen its resilience in a more uncertain environment.

One important starting point is deeper regional economic integration. Under Malaysia's chairmanship in 2025, strengthening intra-ASEAN trade emerged as a key priority in support of the broader ambition of building a more integrated regional market by 2045. Yet, as Prime Minister Dato' Seri Anwar Ibrahim noted, intra-ASEAN trade has remained relatively modest despite decades of integration efforts.

It is against this backdrop that this policy paper examines the prospects for strengthening intra-ASEAN trade as a means of enhancing regional resilience. Drawing on extensive trade data and informed by economic history, development theory and practical policy considerations, it analyses the structural barriers constraining intra-regional trade and offers recommendations for moving ASEAN's integration agenda forward.

ASEAN has repeatedly demonstrated its capacity to adapt to changing circumstances. The challenge now is to ensure that regional integration continues to serve as a source of resilience, prosperity and strategic relevance in an increasingly fragmented world.

Datuk Prof Dr Mohd Faiz Abdullah

Executive Chairman

Institute of Strategic & International Studies (ISIS) Malaysia

Executive summary

Background

- **In 2025, the pursuit of intraregional trade became a core priority to fulfil ASEAN's vision of a single integrated market and production base by 2045.** While ASEAN has focused on integration for years with mixed results, boosting intra-ASEAN trade became an explicit imperative only in 2025 ([Section 2.1](#)).
- **To date, intra-ASEAN trade has fallen short of expectations and targets.** The share of intraregional trade to ASEAN's total trade has declined steadily in the last 15 years, falling from 24% in 2010 to 20% in 2024. Absolute intra-ASEAN trade was US\$375 billion in 2024, below earlier targets ([Section 2.2](#)).
- **Recent geopolitical developments have made deepening intra-ASEAN trade more critical to build resilience.** As small open economies, ASEAN member states are highly exposed to disruptions in external demand and global supply chains. Rising global protectionism and geoeconomic fragmentation threaten to upend ASEAN's longstanding growth strategy centred on global value chains and foreign direct investment (FDI). Regional integration is ASEAN's most pragmatic option to diversify and build resilience, thanks to proximity, potential market size and an established institutional structure ([Section 2.3](#)).

Challenges

- **First, trade within ASEAN is heavily concentrated in a few nations and existing initiatives to address gaps are inadequate.** Malaysia-Singapore trade alone accounts for a quarter of all intra-ASEAN trade while the contributions of Brunei, Cambodia, Laos and Myanmar are negligible, despite the existence of subregional corridors to stimulate trade ([Section 3.1](#)).
- **Second, ASEAN countries exhibit limited trade and economic complementarities.** In ASEAN, there is weak alignment between what one country exports and what another nation imports. ASEAN member states have large developmental disparities that create a mismatch in import demand and export supply, particularly in manufacturing trade ([Section 3.2](#)).
- **Third, there is inadequate domestic and intraregional value addition in ASEAN, making the regional sourcing of inputs difficult.** ASEAN's integration into global value chains has not translated into substantial regionalisation because member states participate mainly as assembly bases for global markets. Intraregional FDI is low and less than 15% of ASEAN's foreign value-added in exports has inputs sourced from elsewhere in the region ([Section 3.3](#)).

- **Fourth, ASEAN has persistent and pervasive non-tariff measures (NTMs).** Prevalence of NTMs in ASEAN exceeds global averages, increasing uncertainty and raising the cost of doing business ([Section 3.4](#)).

Policy recommendations

- **In the short term, ASEAN should review and implement its existing frameworks, strengthen the utilisation and scope of its free trade agreements (FTAs) and reduce gaps in trade facilitation.** ASEAN should finalise the official end-term review of the Economic Community Blueprint 2025 to evaluate progress towards the implementation of the bloc's 150-odd legal instruments already in force ([Section 4.1](#)). ASEAN should lead the review and enforcement of FTAs like RCEP to ensure they fulfil critical but neglected provisions around NTM management and economic cooperation ([Section 4.2](#)). ASEAN should aim to establish a harmonised customs environment through participation of all members in existing arrangements and expanding the scope of cooperation in digital trade ([Section 4.3](#)).
- **In the medium term, ASEAN should prioritise specialisation in sectors with high intra-industry trade, reinvigorate subregional growth triangles and bridge regional developmental gaps.** ASEAN should encourage vertical integration in machinery and electronics through targeted joint industrial programmes to expand intraregional trade in intermediate goods. This is because these sectors have the highest intensities of intra-industry trade in ASEAN with the best potential for regional specialisation, the driving force of trade ([Section 4.4](#)). ASEAN should create an enabling environment for subregional value chains by improving trade routes, harmonising regulations and linking cross-border businesses, reviving its 90s-era growth triangles or subregional economic corridors ([Section 4.5](#)). ASEAN should intensify capacity building for its economically lagging members through trade facilitation and industrial upgrading, led by its more developed states ([Section 4.6](#)).
- **In the long term, ASEAN should strengthen indigenous investment, consider upgrading to a customs union and shape the next generation global trading order.** ASEAN could introduce a new and improved industrial coordination scheme to promote intra-ASEAN FDI and facilitate regional joint ventures in strategic industries, correcting past failures in implementation and private sector engagement ([Section 4.7](#)). ASEAN should consider transitioning to a customs union with a common external tariff, as an economic community will struggle to succeed in the distant future if it remains a loose coalition without binding regulations and enforceable formal agreements ([Section 4.8](#)). Finally, the pursuit of intraregional trade does not imply a more insular and inward-looking ASEAN. Instead, ASEAN should drive collaboration on emerging issues that the old multilateral system is not equipped to handle, such as climate and trade or digital commerce, using plurilateral coalitions to reach consensus and set standards ([Section 4.9](#)).

1 Introduction

Economic cooperation has been a central feature of ASEAN since its establishment in 1967. In the past seven decades, the bloc has introduced successive declarations and initiatives to strengthen trade and industrial linkages, with the twin objectives of promoting economic growth and creating interdependencies between member states for greater political stability.¹ Despite a mixed track record in its early years, the global wave of multilateralism and globalisation in the 1990s gave ASEAN sufficient momentum to shift its regional priority from cooperation to economic integration by its 30th anniversary.

Since then, ASEAN has centred its rhetoric and activities on building an economic community with a single integrated market. At the same time, it continued its trajectory of open markets and export-oriented development to promote foreign direct investment (FDI). For a while, the bloc seemed able to balance these concurrent objectives, pursuing tariff cuts and piecemeal harmonisation of rules while strengthening involvement in global value chains. As late as the 2010s, there was confidence that Southeast Asia could become a global trading hub, thanks to rapid economic growth and a large population, needing just a push from free trade within ASEAN.²

Today, however, ASEAN faces a difficult external environment that necessitates a rethinking of its priorities. Geopolitical rivalry, rising protectionism and supply chain disruptions have upended the multilateral, rules-based trading order that was instrumental in ASEAN's industrialisation journey. The next generation trading order has not been written, but what is clear is that governments must now treat economic security as an existential priority, beyond considerations of economic efficiency, to build resilience and reduce vulnerabilities to external shocks.

For ASEAN, regional economic integration is the most practical way to strengthen resilience because of the proximity of trading partners and its established institutional structure, however imperfect it may be. Accordingly, in 2025, the bloc made explicit reference to the strategic imperative of increasing intra-ASEAN trade, through the 47th ASEAN Summit and its work plan for 2026-30. The challenge is that the intraregional flow of trade in ASEAN has declined steadily in the last 15 years, falling from 24% of total trade in 2010 to 20% as of 2024. Despite an extensive ecosystem of regional frameworks geared towards the harmonisation of standards and reduction in trade barriers, ASEAN has not deepened regional trade substantially in line with its targets.

As external pressures make the need for deeper economic integration increasingly urgent, this policy paper revisits the debate on intra-ASEAN trade under the new imperative of economic security by offering three contributions to the literature. First, it unpacks the historical evolution of ASEAN integration from qualitative and quantitative perspectives, with a discussion of where intra-ASEAN trade stands now and why we should care about it more than ever (Section 2). Second, it identifies ASEAN's structural barriers and examines why

decades of regional integration initiatives have not translated into a higher intra-ASEAN trade share (Section 3). Third, it provides short-term, medium-term and long-term recommendations to address these barriers so that ASEAN will be better prepared to navigate an increasingly fragmented world (Section 4).

2 Background

2.1 Historical overview of intra-ASEAN trade

Since its establishment in 1967, ASEAN has focused on the promotion of regional cooperation to achieve “peace, progress and prosperity” in Southeast Asia.³ However, the pursuit of intraregional trade as an existential priority began only after the global recession of 1973-75. At the time, the region’s economies were dependent on exports of primary commodities, such as rubber, sugar and tin, to industrialised markets. The economic downturn sharply reduced demand for these exports, culminating in a regional food and energy crisis.⁴

In response, ASEAN convened a regular meeting of economic ministers to build regional resilience through cooperation.⁵ The inaugural meeting in 1975 endorsed a draft of the Declaration of ASEAN Concord, which called for an “expansion of trade among member states” in food, energy and industry.⁶ The ASEAN Preferential Trading Arrangements agreement, signed two years later, attempted to put this newfound objective into practice through various instruments of trade liberalisation, including tariff preferences and long-term quantity contracts.⁷

The agreement ultimately failed to promote substantial trade creation across member states, which at the time comprised the ASEAN-5 countries of Indonesia, Malaysia, the Philippines, Singapore and Thailand. This is because of extensive exemptions to protect domestic industry, resulting in ceremonial tariff cuts that were confined to goods with minimal trade value, such as snow ploughs and nuclear reactors.⁸ In the 1970s and 1980s, the region also focused heavily on imports of capital goods from developed countries, reducing the scope for intraregional trade.⁹ By 1990, ASEAN acknowledged that its successes in political consensus did not translate into regional economic cooperation, which then Malaysian finance minister Daim Zainuddin described as “more a recipient of platitudes”.¹⁰

In response, the bloc launched the ASEAN Free Trade Area (AFTA) in 1993, with a commitment to reducing tariffs on most intra-ASEAN imports to 0-5% by 2008.¹¹ More importantly, AFTA instituted the Common Effective Preferential Tariff (CEPT) scheme, which entailed a common tariff within ASEAN for all qualifying goods.¹² On this front, ASEAN exceeded expectations. By the late 1990s, member states agreed to bring forward the deadline for tariff reductions to 2002, helped by the global embrace of multilateralism and free trade following the establishment of the World Trade Organisation (WTO) in 1995.¹³ Between 1993 and 2010, ASEAN successfully brought

down its average tariff rate from nearly 13% to around 1%.¹⁴ ASEAN then set its sights on the elimination of nearly all tariffs by 2010 for ASEAN-5 plus Brunei and by 2015 for Cambodia, Laos, Myanmar and Vietnam, except for an approved list of sensitive products.

The impact of AFTA-CEPT on intra-ASEAN trade is harder to ascertain because of data constraints. A 2025 literature review found mixed results across a range of econometric studies depending on the estimation techniques, data sources and time periods considered.¹⁵ Research from the early years of AFTA-CEPT found a positive overall or bilateral effect on interregional trade, with only one paper concluding that there was no causal increase in intra-ASEAN trade. Meanwhile, more recent research has been more ambivalent about the benefits of AFTA-CEPT for regional integration, with one paper demonstrating no evidence of trade creation or diversion while another study found a statistically significant positive impact on trade.¹⁶

With the straightforward gains from tariff cuts exhausted, ASEAN turned its attention towards broader and deeper regional integration. In 2007, the bloc adopted the ASEAN Charter, a legally binding constitutional framework that explicitly highlights the creation of a “single market and production base” as one of ASEAN’s purposes.¹⁷ Three years later, the bloc introduced the ASEAN Trade in Goods Agreement (ATIGA) to supersede AFTA-CEPT, codifying the regional commitment to tariff elimination by 2015 and incorporating provisions on rules of origin, trade facilitation, customs and standards.¹⁸ In 2015, the ASEAN Economic Community (AEC) was launched, which envisioned the free movement of goods, services, capital, investment and skilled labour. A 10-year blueprint was established, covering 517 measures, including agreements in investment and services trade.¹⁹ In 2025, ASEAN replaced the blueprint with a five-year strategic plan, with the expansion of intra-ASEAN trade in goods outlined as the first objective under the realisation of an “integrated” single market.²⁰

2.2 Intra-ASEAN trade today

In practice, intra-ASEAN trade has grown from US\$230 billion in 2010 to US\$375 billion in 2024 in absolute terms, peaking at just above US\$400 billion in 2022 (Fig. 1).²¹ While ASEAN has not set an explicit target for total intraregional trade flows, AEC previously called for “doubling of intra-ASEAN trade” between 2017 and 2025 under the supporting ASEAN Trade Facilitation Framework.²² Given that trade only grew 1.3-fold up to 2024 (the most recent year with complete data), it is highly unlikely that this objective was met. Therefore, the expansion of intra-ASEAN trade remains a work in progress.

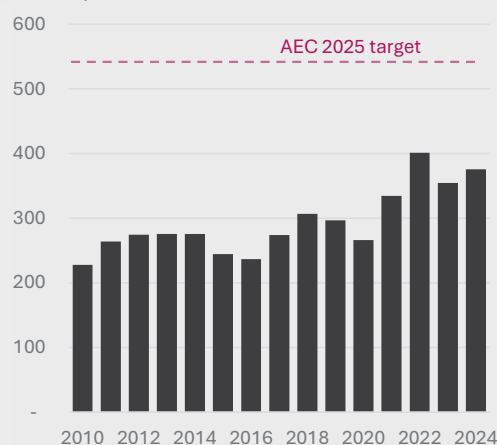
In relative terms, ASEAN’s performance has been significantly weaker. The share of intra-ASEAN trade to total trade has consistently declined in the last decade and a half, from a high of 24% in 2010 to just above 20% in 2024 (Fig. 2).²³ While there is

a lack of directly comparable, high-quality data from earlier periods, evidence from ASEAN Statistical Yearbooks published in the 2000s indicates that the intra-ASEAN trade share grew from 17% in 1993 and was already hovering close to a quarter of total trade in 2005, where it remained until 2009.²⁴ This suggests that ASEAN's economic integration, measured on the basis of the intra-ASEAN trade share, has been stagnant for more than two decades, despite efforts to liberalise and facilitate trade.

Therefore, since 2010, intra-ASEAN trade has grown at a slower pace than extra-ASEAN trade. ASEAN's pursuit of intraregional trade has come up against the bloc's competing concurrent priority of deepening engagement with its external dialogue partners. Between AFTA-CEPT and AEC's launch, ASEAN signed FTAs with China, Japan, South Korea, Australia and New Zealand and India. In practice, between 2010 and 2024, ASEAN recorded substantial growth in trade with China and the United States at the expense of intra-ASEAN trade, in relative terms (Appendix A). Beyond ASEAN's two-tracked approach to trade, this is attributable to Southeast Asia's greater participation in global value chains, which are centred on North America and Northeast Asia as key nodes.²⁵

Fig. 1. Total intra-ASEAN trade grew but remains below AEC 2025 targets

Absolute value of total intra-ASEAN trade (US\$ billions), 2010-24

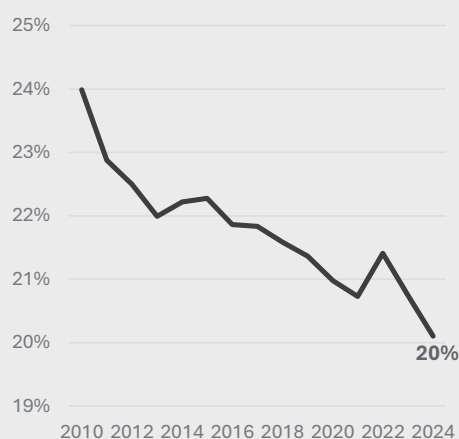


Source: author's calculations based on UN Comtrade (2026)

Note: calculated as the sum of all bilateral imports of each ASEAN country from every other ASEAN member state, to avoid double counting. Intraregional imports are chosen over exports, even though both should roughly balance in theory, to reduce interference from potential reexports or transshipments. See endnote 23 for more details.

Fig. 2. Relative importance of intra-ASEAN trade has declined since 2010

Share of intra-ASEAN trade (% of total trade), 2010-24



Source: author's calculations based on UN Comtrade (2026)

Note: calculated as percentage share of intra-ASEAN trade (from Fig. 1) to the sum of ASEAN member states' total trade with the world.

2.3 Why should we care about intra-ASEAN trade?

Structurally, ASEAN differs from other regionalism projects like the European Union in that it is “outward rather than inward looking”.²⁶ Total trade exceeds output in six ASEAN member states, giving an average trade-to-GDP ratio of 128% in 2024, about two-fifths higher than the EU average.²⁷ Nearly two-thirds of the bloc’s annual exports are manufactured goods destined for extra-ASEAN trading partners.²⁸ This can be traced back to export-oriented industrialisation in ASEAN-5 in the 1980s and 1990s (and later Vietnam and Cambodia), which prioritised FDI and labour-intensive manufacturing amid globalisation.²⁹ Even AFTA-CEPT was built with “multilateralisation” in mind, using region-wide tariff reductions to bring about multilateral trade liberalisation.³⁰ Indeed, an econometric study found that between 1980 and 1995, ASEAN-5 reported growth in trade with the Asia-Pacific Economic Cooperation bloc but not with ASEAN.³¹ Despite its flaws, this combination of industrialisation and multilateralisation helped integrate most of Southeast Asia into global value chains, particularly in electronics and automobiles.³² Why, then, should ASEAN care about intraregional trade?

The reason is that the foundations of the liberal international order, including external conditions that supported ASEAN’s export-led growth model, are under threat. The order rested on the assumption that globalisation would reduce the likelihood of conflict by creating deeper interdependencies between countries.³³ For decades, ASEAN was a beneficiary of this approach, chiefly the internationalisation of supply chains to increase efficiency and reduce cost. Today, however, multilateralism is giving way to geopolitical fragmentation, forcing ASEAN to pursue diversification to strengthen regional economic security.

This is relevant as Southeast Asia becomes increasingly ensnared in the broader trade war between the US and China, particularly given its position as a net importer of Chinese parts and components processed for the American market. In 2025, the White House imposed “reciprocal” tariff rates of 19% and above on all ASEAN member states (AMSS) except Singapore, among the highest in the world after mainland China.³⁴ After the US Supreme Court repealed President Donald Trump’s reciprocal tariffs in February 2026, Washington targeted six AMSS, alongside 10 others, with joint investigations into purported discriminatory trade practices through excess manufacturing capacity and forced labour.³⁵ These investigations, conducted under Section 301 of the US Trade Act of 1974, are underway at the time of writing and could lead to fresh tariffs for ASEAN. The US has also repeatedly raised concerns over the transshipment through ASEAN of Chinese goods destined for the American market, whether illegally through falsified declarations of origin or legally via minimal processing.³⁶

In addition to protectionism, recent supply chain vulnerabilities, as evidenced by the Covid-19 pandemic and West Asia conflict, have made economic security a major policy objective for governments.³⁷ Even as ASEAN tries to diversify to alternative markets, such as the Gulf, to build resilience, regional integration remains its best bet because there is an established institutional structure to work with.³⁸ According to ISEAS-Yusof

Ishak Institute's 2026 *State of Southeast Asia* survey, ASEAN was ranked the top choice for the first time in response to the question of which actor respondents had the "most confidence" in to "maintain the rules-based order".³⁹ Further, Southeast Asia has the gravity model of trade on its side, which shows empirically that economic size and proximity are positive determinants of trade between trading partners.⁴⁰ AMSs already have distance in their favour and the region is projected to be the world's fourth largest economy by 2040.⁴¹ At the same time, a rising Southeast Asian middle class, currently 190 million, could stimulate internal demand for goods, provided that ASEAN can address structural challenges impeding intraregional trade, as highlighted in Section 3.⁴²

3 Challenges impeding intra-ASEAN trade

3.1 Geographic concentration of trade flows

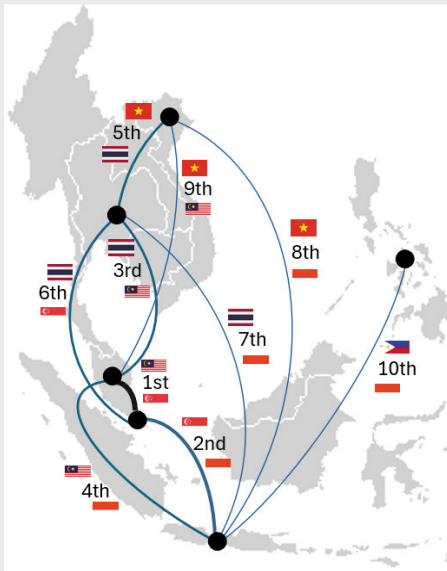
Intra-ASEAN trade is heavily concentrated in the ASEAN-5 – Indonesia, Malaysia, the Philippines, Singapore and Thailand – and Vietnam (henceforth ASEAN-6). The 10 largest bilateral trading routes within ASEAN, which make up three-quarters of total intra-ASEAN trade as of 2024, all involve these six member states in some form (Fig. 3). In addition, only 12% of all intraregional trade flows covers bilateral trade among Brunei, Cambodia, Laos and Myanmar (BCLM).⁴³

The largest bilateral trading route in ASEAN is between Malaysia and Singapore, which alone contributes to nearly a quarter of total intra-ASEAN trade at US\$88 billion as of 2024 (Fig. 4). This is comparable to the next three largest trading pairs – Indonesia-Singapore (10% of intra-ASEAN trade or US\$37 billion), Malaysia-Thailand (7%, US\$26 billion) and Indonesia-Malaysia (7%, US\$24 billion). Along with Thailand-Vietnam (6%, US\$22 billion), these top five trading routes account for more than half of all intraregional trade. Therefore, "intra-ASEAN trade" in practice refers to export and import flows among a narrower set of economies, chiefly Malaysia and Singapore, followed by Indonesia and Thailand, and to a smaller extent, Vietnam and the Philippines.

This concentration of trade reflects two economic features of the region. First, ASEAN-6 is home to larger economies than BCLM, which creates more opportunities for trade in line with the literature.⁴⁴ Second, ASEAN-6 is more diversified in trade and economic activity than the commodity-dependent BCLM economies (Appendix D). The higher intensity of manufacturing in ASEAN-6 creates greater scope for specialisation, a driving force of the gains from trade (Box 4, Section 4.4). This is particularly salient in the electrical and electronics (E&E) industry, where Malaysia and Singapore have forged close trade and business linkages over decades of investment, resulting in substantial midstream trade in components, such as integrated circuits, for consumer electronics.⁴⁵ Even so, the figures above are likely to overstate the true value of intraregional trade, given Singapore's role in regional entrepôt trade. This is because member states' exports are often handled or transhipped through the Port of Singapore before heading to their intended destination.⁴⁶

Fig. 3. Most trade within ASEAN is among ASEAN-5 and Vietnam

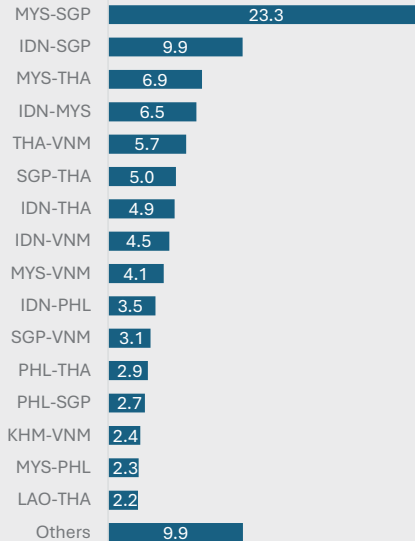
10 largest bilateral trading routes in ASEAN by trade value (country pairs and rank), 2024



Source: author's calculations based on UN Comtrade (2026)
Note: for convenience, this map omits outlying areas in Southeast Asia. This map is without prejudice to the status of any territory and to the delimitation of international boundaries.

Fig. 4. Malaysia-Singapore trade alone is a quarter of regional trade

Intra-ASEAN trade by bilateral country pairs (% share of total intra-ASEAN trade), 2024



Source: author's calculations based on UN Comtrade (2026)
Note: henceforth, country codes reflect ISO-3 standards. Each country pair represents combined imports reported by both countries. E.g. MYS-SGP trade is the sum of Malaysia's imports from Singapore and vice versa.

While there is acknowledgment within ASEAN of the economic and trade disparities between member states, initiatives to deepen regional cross-border linkages remain underdeveloped, particularly in BCLM. In the 1990s, as part of efforts to bridge developmental gaps and strengthen regional connectivity, ASEAN introduced five subregional corridors, namely the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Greater Mekong Subregion (GMS) and Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA). However, despite piecemeal progress in improving border checkpoints and road linkages, these growth triangles have mostly not succeeded in promoting cross-border trade or investment, with substantial regulatory barriers still in place (Table 1).

The most successful of these is IMS-GT, which came in tandem with investment incentives in Johor and Batam, Indonesia, through industrial parks and free trade zones. However, the corridor has been de facto supplanted by the Johor-Singapore Special Economic Zone (JS-SEZ), established in 2025. Given that Malaysia-Singapore trade is already the strongest bilateral link in ASEAN, JS-SEZ is unlikely to stimulate further intra-ASEAN regional integration unless its regulatory and logistical structures are emulated in other cross-border regions in Southeast Asia.

Table 1. ASEAN's 1990s growth triangles have not moved the needle in cross-border trade, except IMS-GT, which was already integrated

Summary of subregional corridors in ASEAN by impact and status

Subregional corridor	Areas in ASEAN covered	Impact and status
Indonesia-Malaysia-Thailand (established 1993)	 Sumatra  Peninsular Malaysia  Southern Thailand	Improved road connectivity but weak multimodal trade facilitation (via rail and sea) and limited cross-border trade. ⁴⁷
Indonesia-Malaysia-Singapore (established 1994)	 Riau Islands  Johor  Singapore	Enhanced land and maritime connectivity with Singapore. ⁴⁸ Industrial parks and free trade zones established, particularly in Batam, Riau. ⁴⁹ Supplanted by Johor-Singapore Special Economic Zone in 2025.
Brunei-Indonesia-Malaysia-Philippines (established 1994)	 Brunei  Kalimantan, Sulawesi  Sabah, Sarawak  Mindanao, Palawan	Completed 94 projects to improve farmers' access to markets, deliver rural energy and open new border checkpoints. ⁵⁰ However, customs regulations remain tedious. ⁵¹
Greater Mekong Subregion (established 1998) ⁵²	 Laos  Myanmar  Thailand  Vietnam	Improved north-south and east-west physical connectivity. ⁵³ However, cross-border freight costs remain high due to regulatory barriers. ⁵⁴
Cambodia-Laos-Vietnam (established 1999)	 Northeast Cambodia  Southern Laos  Central Highlands	Aimed to improve transportation linkages between landlocked areas and Vietnamese ports. ⁵⁵ Defunct since 2024. ⁵⁶

Source: author's tabulations based on various reports and corridor plans

Note: Greater Mekong Subregion also covers Guanzhi and Yunnan in China. Table excludes subregional cooperation initiatives that heavily involve non-ASEAN parties, such as Timor-Leste-Indonesia-Australia Growth Triangle.

3.2 Inadequate trade and economic complementarities

On average, ASEAN countries exhibit limited complementarities in trade, meaning there is weak alignment between what an AMS exports and what another AMS imports. This matters because strong complementarities between two economies make them “natural trading partners” that are better positioned to create trade through an FTA while weak complementarities imply fewer opportunities for regional sourcing.⁵⁷ Table 2 shows the trade complementarity index (TCI) for every bilateral trading pair in ASEAN as of 2023, which captures the similarity in the structure of a reporter's exports and its partner's imports on a scale of 0 to 100 (Appendix B).

ASEAN's average TCI is low at 25 points, indicating that only a quarter of an AMS's export profile matches the import structure of another AMS in the aggregate. This is lower than the TCIs in the EU and East Asia, which exceed 40 points according to the ASEAN+3 Macroeconomic and Research Office (AMRO).⁵⁸ At the bilateral level, complementarity is strongest in trade involving five of the ASEAN-6 countries – Malaysia, the Philippines, Singapore, Thailand and Vietnam. Conversely, across the BCLM economies, imports overlap very little with exports in all instances, except for Brunei's imports from Myanmar, while in terms of their exports to the ASEAN-6, only

four trading pairs exhibit moderate TCIs, including Laos-Thailand.⁵⁹ These findings imply that linkages in regional demand and supply of goods remain inadequate.

Table 2. Trade complementarity is low across most ASEAN bilateral pairs, with only a quarter of exports matching a partner's import profile on average

Trade complementarity index (TCI) by exporter-importer country pair in ASEAN, 2023

Importer \ Exporter	BRN	IDN	KHM	LAO	MMR	MYS	PHL	SGP	THA	VNM
BRN		19	7	8	6	27	14	26	26	16
IDN	19		12	13	11	45	27	40	47	32
KHM	12	25		11	7	31	17	27	34	23
LAO	21	22	11		6	29	18	29	37	22
MMR	34	21	7	5		32	11	29	25	18
MYS	20	29	13	13	10		46	59	46	33
PHL	15	33	13	13	10	52		44	48	34
SGP	23	22	12	9	8	64	46		40	30
THA	20	31	14	12	14	48	37	42		36
VNM	8	26	11	12	10	51	41	47	43	

Source: author's calculations based on UN Comtrade (2026). TCI formula derived from Michaely (1996)

Note: green cells indicate high complementarity (TCI of 50 and above), orange cells indicate medium complementarity (TCI of 30-49.9), light pink cells indicate low complementarity (TCI of 10-29.9) and red cells indicate very low complementarity (TCI below 10), adapted from thresholds defined by Asian Development Bank (2018). TCI measures overlap between a reporter's exports and a partner's imports, calculated here at the 4-digit level of the Harmonised System (HS) tariff nomenclature (Appendix B).

To explain this finding, some researchers have resorted to the argument that AMSs compete in global export markets, resulting in export profiles that are not conducive for regional trade.⁶⁰ However, it is important to note that the country pairs with the highest TCIs, such as Malaysia-Singapore, also exhibit high similarities in the goods they export to the rest of the world, suggesting that this reasoning is flawed (Appendix C). This is line with econometric studies of the determinants of ASEAN trade using the gravity model, which found that both export similarity and trade complementarity between two AMSs were positively associated with export growth.⁶¹

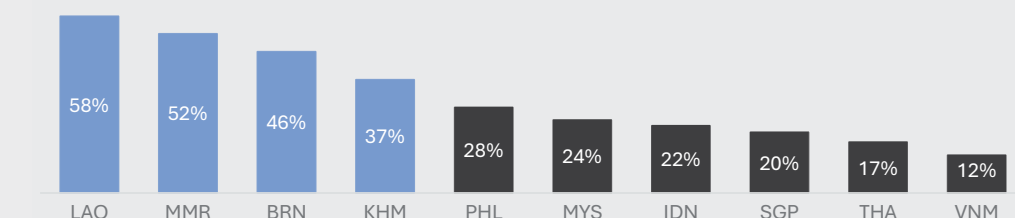
The more plausible account lies in the underlying structures of AMS economies. Differences in AMSs' development levels create a mismatch in demand and supply that cannot be met through regional sourcing alone. According to an AMRO report, "higher-income members demand sophisticated goods... that lower-income partners cannot yet supply, while lower-income members lack the purchasing power to absorb higher-value exports."⁶² This is supported by the complementarity gaps between the ASEAN-6 and BCLM countries in Table 2.

Nevertheless, the lack of trade complementarity is an incomplete justification at best. While it may account for misalignments in trade between ASEAN-6 and BCLM, it does not suffice in describing the relatively low share of intraregional trade among the

ASEAN-6 economies. Indeed, the average trade-weighted share of intra-ASEAN trade is below 20% for ASEAN-6 compared with 48% for BCLM (Fig. 5). Given the differences in export composition between ASEAN-6 and BCLM, this suggests that there are sectoral factors that influence intraregional trade shares above and beyond TCI alone.

Fig. 5. ASEAN-6 economies trade significantly less with the region in relative terms than Brunei, Cambodia, Laos and Myanmar

Intra-ASEAN trade share by member state, 2024



Source: author's calculations based on UN Comtrade (2026)

Note: mirror trade data used for Laos because of the absence of official data.

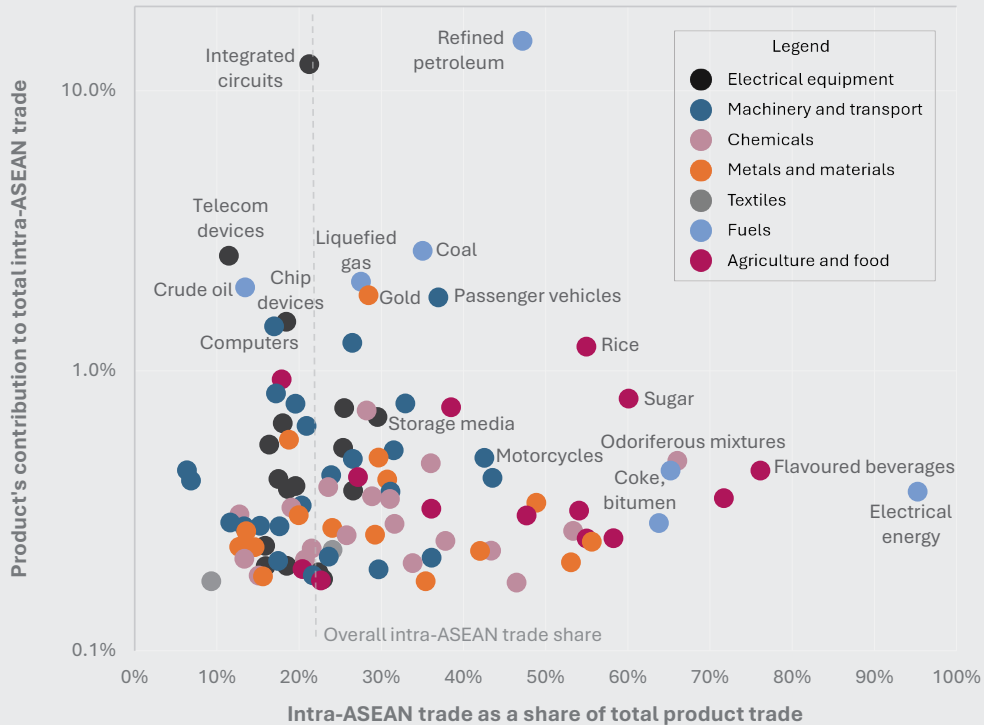
To resolve this discrepancy, it is necessary to broaden the discussion from trade complementarity to economic complementarity. In this regard, a sectoral analysis of intraregional trade by product serves as a more holistic heuristic. Fig. 6 plots the share of intra-ASEAN trade for the 100 largest tradeable products in the region by value as of 2023. The x-axis shows the percentage of intra-ASEAN trade to total trade for all these products. The y-axis tracks the contribution of each product to total intra-ASEAN trade in percentage terms.

At the sectoral level, the share of intra-ASEAN trade tends to fall with the level of product processing and complexity. Electrical equipment and machinery largely exhibit lower shares of intraregional trade than primary commodities, such as food and fuels, while mid-tier industrial goods, including chemicals and metals, are in between. At the same time, manufactured and capital goods feature more prominently in the trade baskets of the ASEAN-6 economies while the BCLM countries trade more intensively in fuels and agriculture (Appendix D).

Most electrical equipment and machinery have intra-ASEAN trade shares that are less than one-fifth of total trade, effectively below the overall regional average. These products are often highly processed and deeply embedded into global value chains, such as semiconductor devices, integrated circuits and electronic components. At the other end of the spectrum, the goods traded most intensively within ASEAN tend to be minimally processed or are primary commodities, namely fuels and food. For instance, most of the rice, sugar, electrical energy and bitumen is traded within the bloc rather than outside it.

Fig. 6. Manufactured goods, such as electrical equipment and machinery, exhibit lower shares of intra-ASEAN trade than primary commodities

Intra-ASEAN trade share and contribution by product, 2023



Source: author's calculations based on UN Comtrade (2026)

Note: vertical axis uses a logarithmic scale. Analysis covers the 100 largest products by value at the HS 4-digit level. Product categories defined as follows: electrical equipment (HS 85); machinery and transport (HS 84, 86-92 plus 4011); chemicals (HS 28-39, plus 4811); metals and materials (HS 25-26, 68, 71-83); textiles (HS 42, 60); fuels (HS 27); and agriculture and food (HS 1-24 and 4001). In this figure only, intra-ASEAN trade is calculated as the sum of each AMS' exports and imports with every other AMS across nearly 5,000 products. This approach prevents upward bias in product-specific shares for commodities produced almost exclusively in certain AMSs but exported globally.⁶³

To explain these findings in relation to complementarity, there are two distinct phenomena at play, depending on the sector. For agricultural products and commodities, trade across ASEAN is typically conducted in line with differences in comparative advantage. What this means is that different AMSs export distinct commodities based on their respective resource endowments, such as Thai and Vietnamese rice or Indonesian coal. Even with diverging income levels, regional demand for these goods can be satisfied by regional suppliers, particularly once geography and direct trade costs arising from distance are considered. For instance, Indonesia and the Philippines import mainly Thai and Vietnamese rice while Malaysia and the Philippines procure a large amount of their imported coal from Indonesia. The result is higher complementarity in primary goods and, by extension, higher intra-ASEAN trade shares than in the aggregate.

By contrast, for manufactured and capital-intensive products, trade patterns follow a different logic. Differences in comparative advantage across ASEAN exist just as they do for non-manufactured goods, but these are not sufficient to promote intraregional trade. Instead, intra-ASEAN trade shares are relatively low for manufactured products because there is insufficient domestic demand for these goods. In manufactured goods, especially electrical equipment and machinery, Southeast Asia is highly integrated into global value chains, but these activities are ultimately in service of final demand in the rest of the world or otherwise serve as intermediate inputs in final products coming out of Northeast Asia. As it stands, AMSs have neither sufficient scale nor consumption patterns to supply these products to one another. This is consistent with economist Staffan Linder's hypothesis that divergences in the "demand structures" of two countries, as is the case in ASEAN, lead to less "intensive" trade between them.⁶⁴

3.3 Insufficient regional value addition

Intra-ASEAN trade, particularly in manufactured goods, is also weak because of inadequate domestic and intraregional value addition. This means that AMSs do not supply many inputs for their manufacturing production to one another, relying instead on external sourcing from Northeast Asia and the rest of the world. ASEAN's close integration into global value chains is often in the form of participation near the downstream as an assembly base for global markets, which inhibits the regionalisation of production through intra-ASEAN trade in intermediate goods.

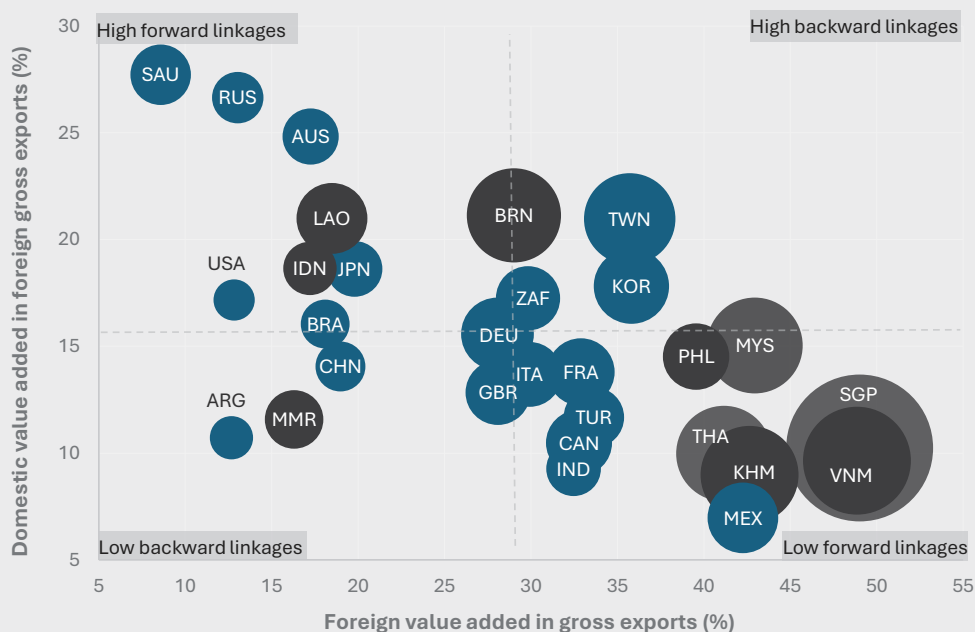
Fig. 7 plots the integration of ASEAN and major economies into manufacturing global value chains for 2018-22. The x-axis tracks backward linkages or the share of foreign value added in gross exports. Foreign value added refers to the portion of a country's exports consisting of inputs produced in other countries. The y-axis captures forward linkages or the share of domestic value added in foreign gross exports. Domestic value added in this case refers to how much a nation's exports are used as inputs for other countries' exports.⁶⁵

The majority of AMSs – chiefly those that are not commodity exporters – are in the bottom right quadrant, associated with substantial backward linkages but insufficient forward linkages.⁶⁶ Cambodia, Malaysia, the Philippines, Singapore, Thailand and Vietnam all have shares of foreign value added in gross exports exceeding 40%, well above the global average. In other words, more than 40% of the value embedded in their manufacturing exports originate from foreign production, including imported inputs and raw materials. For example, in the electrical and electronics sector, Malaysia is involved in the assembly, testing and packaging of microchips for exports, derived from American research and development (R&D), specialised Japanese and Dutch technology and upstream manufacturing in Northeast Asia.⁶⁷

At the same time, Cambodia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam have low forward linkages, given by low shares of domestic value added in foreign gross exports below the average of 15%. This means that relative to the value of their total exports, less than 15% of the seven economies' own value added is embedded in the exports of other countries. Thus, only a small share of domestic inputs from ASEAN's highly open economies are used to help produce the exports of third countries.⁶⁸

Fig. 7. Most ASEAN countries, except commodity-rich Brunei, Indonesia, Laos and Myanmar, exhibit strong backward but weak forward linkages

Foreign value added and domestic value added in gross exports by country (%), manufacturing sector, 5-year average for 2018-22



Source: author's calculations based on Trade in Value Added (TIVA) database, OECD Data Explorer (2026)

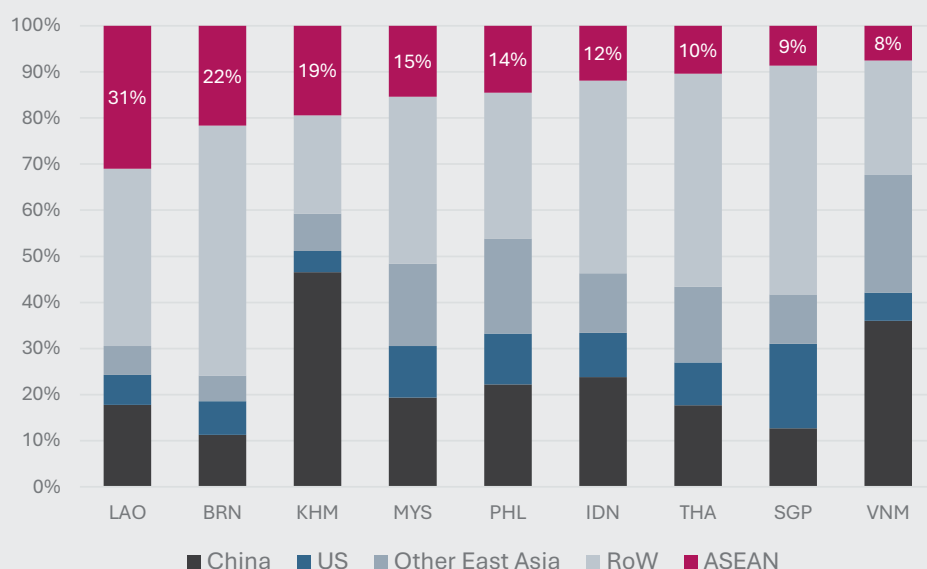
Note: bubble sizes represent countries' trade to GDP ratios as a measure of openness. Sample covers all ASEAN member states (in black) as well as the G20 countries and Northeast Asian economies for comparison (in blue).

This largely reflects the trajectory of ASEAN's export-oriented industrialisation since the late 20th century.⁶⁹ In effect, AMSs are highly integrated into global value chains, particularly in electronics, automobiles and chemicals, at the expense of weak and underdeveloped regional value chains.^{70,71} AMSs neither produce sufficient manufacturing inputs for use in regional production nor do they source enough such inputs from within the bloc for exports. Indeed, in terms of regional value addition, less than one-eighth of ASEAN's average foreign value added in exports contains inputs sourced from the region (Fig. 8).

The share of foreign value added attributable to ASEAN inputs ranges from less than 10% of exports in Singapore and Vietnam to 31% in Laos. In almost all countries, Chinese production constitutes the biggest individual source of foreign value added, followed closely by the rest of Northeast Asia (Japan, South Korea and Taiwan). The only exceptions are Brunei and Laos and Singapore, in which ASEAN and the US represent the largest source respectively. This is in line with older input-output analyses in the literature, which found that ASEAN's average ratio of regional to global value added remained stagnant in manufacturing between 2000 and 2017, while the corresponding ratios for primary industry and services grew but remained below 20%.⁷² Thus, ASEAN's production and export activities are highly dependent on external inputs, complicating the pursuit of intraregional trade, especially in manufacturing.

Fig. 8. Less than one-eighth of ASEAN's foreign value added in exports contains inputs sourced from elsewhere in ASEAN

Source of foreign value added in gross exports by member state (%), 5-year average for 2020-24



Source: author's calculations based on ADB multi-regional input-output dataset (2026)

Note: Myanmar omitted due to lack of data. Other East Asia = Japan, South Korea and Taiwan. RoW = rest of the world

Integration into global value chains did not promote and possibly even inhibited the development of regional value chains for ASEAN. In addition, the regionalisation of manufacturing supply chains remains underwhelming in ASEAN economies, a symptom of weak intraregional trade in the sector, except in specific cases like Malaysia-Singapore E&E trade.⁷³ To a large extent, this is because Southeast Asia has relied heavily on attracting FDI and non-equity modes of investment from multinational

corporations on the back of outsourcing practices. Accordingly, ASEAN facilities typically operate as original equipment manufacturers (OEMs), which assemble and package goods using extra-regional blueprints and for extra-regional markets.⁷⁴ Unlike original design manufacturers (ODM) or original brand manufacturers (OBM), most of an OEM's revenue does not accrue from in-house design or branding.⁷⁵

While such investments do not preclude the emergence of large local players and domestic value addition, such as China's Haier and Huawei, the model on its own offers limited scope for industrial upgrading into original brand or design manufacturers.^{76,77} It also disincentivises intra-ASEAN investment, thereby complicating the region's efforts to overcome the diseconomies of scale that inhibit the growth of regional value chains. Low intraregional FDI represents missing opportunities to create ASEAN-wide production networks, which could boost intra-ASEAN trade in intermediate goods, including exports of capital equipment and machinery from the investing AMS and exports of assembled components or final goods from the host AMS. Indeed, intra-ASEAN FDI stands at only 10% of the region's total FDI stock as of 2023 and has been identified by AMRO+3 as a "binding constraint" on regional integration.⁷⁸

3.4 Prevalence of non-tariff measures

While ASEAN has been successful in the reduction and virtual elimination of tariffs in the region, its track record on NTMs has been lacklustre. Despite ongoing efforts to streamline regional NTMs, ASEAN has not succeeded in reducing them to a meaningful and sustained degree and the number of NTMs has in fact more than doubled since the late 2000s.⁷⁹ This acts as a disincentive to economic integration by raising the cost of trade and business (Box 1).

Box 1. Overview of NTMs

NTMs are policy instruments other than tariffs that affect trade. There are two types of NTMs that governments can impose: at-the-border measures on imported goods at the port of entry or behind-the-border measures that affect incentives to trade. Some examples include: (i) sanitary and phytosanitary standards, such as food and health safety standards; (ii) technical barriers to trade, such as labelling or quality standards; (iii) pre-shipment inspection, such as quality and quantity control checks prior to import; (iv) contingent trade-protective measures, such as anti-dumping measures; (v) quantity control measures, such as import quotas; (vi) price control measures, such as customs surcharges, stamp taxes or excise taxes; and (vii) other behind-the-border measures, such as local content requirements or subsidies.⁸⁰

It is not always straightforward to identify if an NTM is a legitimate measure to protect domestic consumers or an attempt to discriminate against imports. International trade rules do not expressly forbid NTMs because they can be implemented in service of justifiable public policy objectives, such as safeguarding domestic health, safety, security and culture. However, when they act as non-tariff barriers (NTBs), they can increase the cost of importing and exporting goods to a greater extent than tariffs themselves.⁸¹

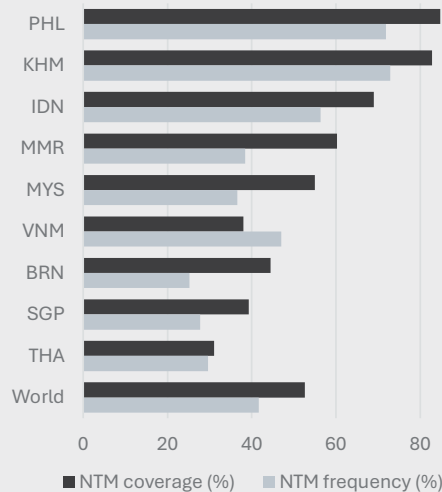
In ASEAN, the recent seafood trade issue between Malaysia and Thailand shows the inherent complexity in the debate on NTMs. In June 2026, Malaysia temporarily restricted imports of Thai seabass and selected shrimp species while Thailand imposed additional checks on Malaysian seabass imports, both over alleged biosecurity concerns. As of mid-July 2026, the two countries have signed a memorandum of understanding to resolve the issue and strengthen food security, which suggests that NTMs in ASEAN are not insurmountable if there is sufficient goodwill between governments.⁸²

To its credit, ASEAN has had a longstanding recognition of the need to strengthen the “transparency and management” of NTMs and reduce their “trade-distortive effects”, both in the form of non-binding frameworks and commitments in the various FTAs to which AMSs are party, such as the Regional Comprehensive Economic Partnership (RCEP).^{83,84} The ASEAN Secretariat and equivalent bodies have also undertaken considerable research to identify and manage NTMs.⁸⁵ However, by and large, the prevalence of NTMs in ASEAN remains high, exceeding global averages (Fig. 9). The coverage of NTMs – the proportion of total trade subject to at least one such measure in US dollars – is above the global average of 53% in five AMSs. Similarly, the frequency of NTMs – the share of total products incurring at least one NTM – is higher than the global mean of 42% in four AMSs.

As of May 2026, behind-the-border NTMs outnumber at-the-border measures in all AMSs, except Brunei and Vietnam (Fig. 10). Behind-the-border measures, such as local content requirements, state loans and export bans, are generally more difficult to streamline than traditional at-the-border measures, such as quotas and other import-focused regulations. In addition, about 85% of all the active NTMs in ASEAN affect at least one other AMS, suggesting that membership in the bloc has not offered a significant premium in NTM reduction.⁸⁶

Fig. 9. Prevalence of NTMs is higher in ASEAN than global average

Prevalence of NTMs by coverage and frequency ratios (%), 2015

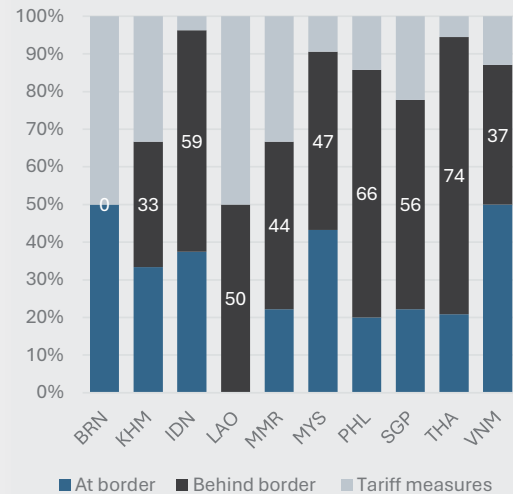


Source: author's calculations based on WITS (2026)

Note: coverage refers to the share of trade subject to at least one NTM. Frequency refers to the share of tradable products subject to at least one NTM. Figures for 'World' reflect the simple averages of NTM coverage and frequency ratios respectively across 76 countries in the dataset.

Fig. 10. Most of ASEAN's non-tariff barriers are enacted behind rather than at the border

Distribution of discriminatory measures in force by type, May 2026



Source: author's calculations based on Global Trade Alert (2026)

Note: 'at border' covers import quotas, bans and licensing requirements as well as anti-dumping measures, 'behind border' covers FDI measures, local content requirements, state loans, public procurement and export quotas, taxes and bans. Only measures designated 'red' (for harmful) in Global Trade Alert's database have been considered for this analysis. Figures reflect the absolute number of measures rather than their relative cost. Analysis only considers measures affecting at least one AMS.

NTMs are a key concern because they tend to be opaque as well as harder to quantify and track than tariffs, which raise the cost of trade through uncertainty. To promote transparency, in 2010, ASEAN institutionalised the establishment of an ASEAN Trade Repository (ATR), requiring all member states to publish and update “trade and customs laws and procedures”, including NTMs, on its website.⁸⁷ However, ATR has not been updated since the early 2020s and many of its entries are incomplete.⁸⁸ At the same time, the bulk of ASEAN's toolkit of frameworks and declarations to address NTMs have focused on at-the-border rather than the more persistent behind-the-border instruments.

As a result, the ASEAN Geoeconomics Report (AGR) 2025 considers NTMs to be the “biggest barrier” to intra-ASEAN trade, a finding reinforced by private sector surveys.⁸⁹ In particular, both ASEAN and foreign businesses consider NTM reduction to be among the top three priorities to improve regional integration, along with the simplification of custom procedures (Appendix G).⁹⁰

4 Policy recommendations

This section identifies policy recommendations that ASEAN member states, both individually and collectively, may undertake to promote intraregional trade in line with the broader imperative of strengthening resilience and economic security. The recommendations are divided into three categories by time horizon: short, medium and long term. Short-term measures are low-hanging fruit or existing proposals that should take one or two years to operationalise. Medium-term recommendations should be addressed, if not fully implemented, within five years in accordance with the ASEAN Economic Community Strategic Plan 2026-30. Finally, long-term measures are more comprehensive structural reforms that would likely take more than five years to implement.

Short term

4.1 Review and implement existing frameworks

ASEAN should start implementing the extensive frameworks already in force rather than introducing new modalities without reflection. As of June 2026, ASEAN has about 150 active legal instruments under AEC, including at least 20 frameworks, agreements and initiatives that are explicitly or implicitly related to intraregional trade (Appendix G).⁹¹ These instruments, previously under the AEC Blueprint 2025, are now informed by the AEC Strategic Plan 2026-30 as part of the next stage of regional integration.

To make this happen, the ASEAN Secretariat should finalise the official end-term review of the 2025 blueprint and make it publicly accessible as soon as possible, as this will provide the information needed for evidence-based policymaking. Currently, the only available resource is the 2021 mid-term review, which suggested that 46% of the proposed action items were either incomplete, not started or withdrawn, including streamlining NTMs, regional investment promotion and regulatory cooperation.⁹² This review is now outdated, as ASEAN has backtracked on some initiatives marked as “completed”, such as ATR (Section 3.4). The end-term review will offer an updated baseline of implementation success and allow policymakers to operationalise the new strategic plan more effectively.

Further, it is important to critically evaluate what is meant when an activity is completed. In some instances, the level of commitment is low by virtue of vagueness. For example, the 2026-30 strategic plan has two measures under the objective of bolstering intra-ASEAN trade that call for strengthening “existing customs initiatives” and “regional trade facilitation measures” without highlighting how success is measured. In other cases, work simply ends with establishing a legal instrument without further monitoring and evaluation.⁹³ Indeed, former ASEAN secretary-general Surin Pitsuwan remarked in 2017 that the bloc had already “established most of the legal instruments

set out ... in the various blueprints” but lacked the “will” for national implementation and faced “frequent delays”.⁹⁴ More recently, the ASEAN Geoeconomics Task Force noted in its AGR 2025 that “too many commitments remain unfulfilled”.

To strengthen intra-ASEAN trade, the short-term priority should be for member states to use the existing frameworks to guide reforms. According to AGR 2025, the low-hanging fruit includes “streamlined cross-border measures and domestic regulations” as well as “visible implementation of commitments already signed” (Table 3). This is because “credible reforms at home... are worth more than aspirational new initiatives.”⁹⁵

Table 3. ASEAN should focus on implementing short-term recommendations and low-hanging fruit outlined in AGR 2025

Selection of key recommendations by ASEAN Geoeconomics Task Force

Area	Recommendation
Mechanisms	Stronger monitoring of implementation of commitments, particularly of the required follow-up by member states
Internal strategies	Fast-track implementation of ATIGA upgrade and ensure effective socialisation
	Ensure swift entry into force of Digital Economy Framework Agreement (DEFA)
	Streamlining NTMs with more effective compliance, utilisation and enforcement
	Improve ASEAN Single Window (ASW) and ensure systems interoperability
External strategies	Lead full implementation and boost utilisation of RCEP agreement, aligning with upgraded ASEAN+1 FTAs
	Increase awareness and utilisation of existing FTAs / tools

Source: adapted from ASEAN Geoeconomics Task Force (2025)

4.2 Strengthen utilisation and scope of free trade agreements

ASEAN should broaden the scope of its FTAs and improve their use among member states (Box 2). FTAs, particularly RCEP, can help address regulatory barriers to intraregional trade, including NTMs and trade facilitation issues (Section 3.4).

With the general review of RCEP mandated to take place by 2027, this is an opportunity to upgrade the FTA to improve utilisation, which should encompass the following five steps:

1. RCEP parties should act on the technical recommendations proposed in AGR 2025 regarding the simplification of rules of origin.
2. RCEP’s provisions on NTM management require a clear implementation pathway and enforcement power beyond simply reaffirming WTO standards.⁹⁶
3. RCEP needs an active full-time secretariat, potentially funded through annual contributions from all member states weighted by economic size, population

and development. A well-resourced RCEP secretariat would have the capacity to enforce the agreement, resolve disputes and handle accession of new states.

4. Economic and technical cooperation should be given greater importance, with increased scope for responsibility among the more developed ASEAN member states to assist Cambodia, Laos and Myanmar through capacity building, knowledge exchange and technology transfer (Section 4.6).
5. Line ministries should conduct regular workshops and socialisation with local firms, especially SMEs, to raise awareness and assist them in navigating the documentary requirements of RCEP and other FTAs, building on preliminary outreach efforts by Malaysia's Ministry of Investment, Trade and Industry in 2023.⁹⁷

Finally, apart from RCEP, ASEAN must aim for the timely entry into force of upgrades to ATIGA and the ASEAN-China FTA, as well as finalising the overdue review of the ASEAN-India FTA and ensuring all other FTAs are updated to address emerging trends around digitalisation, green trade and economic security, which can be regional trade enablers if managed well.

Box 2. Overview of RCEP and ASEAN's other FTAs

ASEAN currently has eight active FTAs: ATIGA, RCEP and six ASEAN+1 FTAs with Australia and New Zealand, China, India, Japan, South Korea and Hong Kong. Beyond tariff cuts, these agreements were designed with regionalism in mind through chapters on region-wide rules of origin, trade facilitation and investment.

As ASEAN's "flagship initiative", RCEP was intended to promote the "opening up of regional value chains" by streamlining rules in the region.⁹⁸ The consistent decline in intra-ASEAN trade and continued existence of regulatory gaps in trade governance suggests RCEP's incomplete implementation. Utilisation among ASEAN exporters also remains weak. In Malaysia, for example, RCEP was the least used regional FTA between early 2023 and mid-2025, measured by either the number of certificates of origin issued or export value.⁹⁹ One contributing factor is lack of awareness among businesses of RCEP's additional benefit over the "noodle bowl" of ASEAN FTAs, i.e. the complex web of different rules and standards across different agreements.

4.3 Reduce gaps in trade facilitation

ASEAN should aim to establish a fully harmonised environment for customs and logistics by closing any remaining gap in trade facilitation between member states (Appendix G). In the short run, there are two concurrent priorities to make this happen.

First, there must be full participation of all AMSs in existing arrangements. The bare minimum is the complete mutual recognition of customs administrations across ASEAN, which currently excludes Vietnam.¹⁰⁰ Subsequently, the ASEAN Customs Transit System, which permits regional freight to travel freely across borders under a single customs formality, should come online as soon as possible for the three nations that have not acceded, namely Brunei, Indonesia and the Philippines.¹⁰¹ This would save cost and time in intraregional trade by eliminating the need for separate customs declarations at every border checkpoint.

Further, ASEAN needs to revive ATR so that it can fulfil its purpose as a transparent and up-to-date catalogue of prevailing NTMs, consistent with APEC's cross-cutting principles on NTMs.¹⁰² The bloc should also improve ASEAN Solutions for Investment, Services and Trade (ASSIST), an online advisory platform launched in 2016 to lodge trade-related complaints for the review and action of ASEAN governments. Modelled after the EU's SOLVIT tool, ASSIST remains ineffective because of slow response times and lack of awareness, but greater socialisation could help the portal achieve its goal of helping businesses address practical issues faced in pursuing intra-ASEAN trade.¹⁰³

Second, ASEAN should expand the scope of cooperation in digital trade. Digital tools, such as paperless trade, e-commerce and the ASEAN Single Window (Box 3), can facilitate economic integration by reducing trade costs and physical barriers to entry into export markets for SMEs. However, Southeast Asia's current participation in digital trade is low outside of Singapore, owing to constraints around digital literacy, infrastructure and governance.¹⁰⁴ To address these constraints, the bloc should finalise DEFA by late 2026 to provide a common set of binding regulations for all member states to follow.¹⁰⁵ OECD estimates suggest that an "extensive" DEFA could raise intra-ASEAN trade by 20%, with the largest relative gains projected to accrue to Cambodia, Laos and Myanmar.¹⁰⁶ Further, financial integration via linkages in cross-border digital payment systems should cover all of ASEAN.¹⁰⁷

Box 3. Overview of ASEAN Single Window (ASW)

ASW is a regional initiative aimed at streamlining the electronic exchange of documents needed for businesses to engage in trade. The legal framework to establish this platform was instituted in 2006 as part of the AEC toolkit and it has been online for all AMSs since 2019. It allows exporters to submit electronic certificates of origin (e-Form D) rather than paper documents to prove their goods qualify for preferential tariffs under ATIGA.

Estimates suggest that up to 2024, the regional single window contributed to US\$6 billion in cost savings for traders and reduced the average transit time required to process each transaction by four days.¹⁰⁸ However, an important consideration is the capacity of member states to maintain the platform. Malaysia's single window

portal, for example, has experienced four disruptions since 2025, which forced exporters to revert to paper certification for days.¹⁰⁹

Beyond e-Form D, ASW now also accepts electronic customs declaration documents. ASW's scope should be expanded to cover more documents, including phytosanitary certificates (currently active only in Indonesia, the Philippines and Thailand), food safety and animal health.¹¹⁰ In comparison, the comparable single window initiative in the Pacific Alliance trade bloc of Chile, Colombia, Mexico and Peru, known as Ventanillas Únicas de Comercio Exterior, has fully operationalised the electronic exchange of phytosanitary certificates since 2018.¹¹¹

Medium term

4.4 Prioritise specialisation in sectors with high intra-industry trade

In the medium term, ASEAN should focus its joint industrialisation efforts on sectors characterised by high intra-industry trade, which offer the largest opportunities for specialisation. This aligns with the bloc's proposed measure to "strategically cultivate new sectors to invigorate intra-ASEAN trade landscape" in the AEC Strategic Plan 2026-30.

In trade theory, specialisation is a driving force for trade between two economies, which can take place through inter-industry or intra-industry trade (Box 4). Though both take place in the real world, it is intra-industry trade that has become increasingly relevant in sophisticated manufacturing processes. With intra-ASEAN trade still weak in manufacturing (Section 3.2), the region should build specialisations in sectors characterised by high intra-industry trade.

Box 4. Inter-industry and intra-industry trade in economic theory

Traditional models of trade theory, such as the Ricardian and Heckscher-Ohlin models, emphasise the gains from trade arising from differences in technology and resource endowments. For instance, Ethiopia has an abundance of arable land and low-cost labour while lacking capital and a skilled workforce. Accordingly, Ethiopia exports labour-intensive coffee to and imports capital-intensive aeroplane parts from capital-abundant economies, like the US and EU. This conception, which rests on comparative advantage, is characteristic of inter-industry trade. In other words, two countries trade largely because they are good at different activities in different industries.

Meanwhile, the new trade theory, as popularised by Paul Krugman, posits that trade is driven by increasing returns to scale.¹¹² In Krugman's model, even countries with similar endowments trade because within any industry, there is a wide range of potential goods. In each industry, countries specialise in the production of a specific set of goods at a larger scale to benefit from lower per unit costs, while importing others. This gives rise to intra-industry trade, which has been identified in the literature as the predominant form of trade taking place among industrialised nations.¹¹³ For example, in the semiconductor industry, Japan exports chipmaking machines to and imports the memory chips themselves from South Korea. Such trade can also take place in the same product space through differentiation, such as when Germany and Japan export different car models to one another, on the back of heterogeneity in consumer demand and supply.¹¹⁴

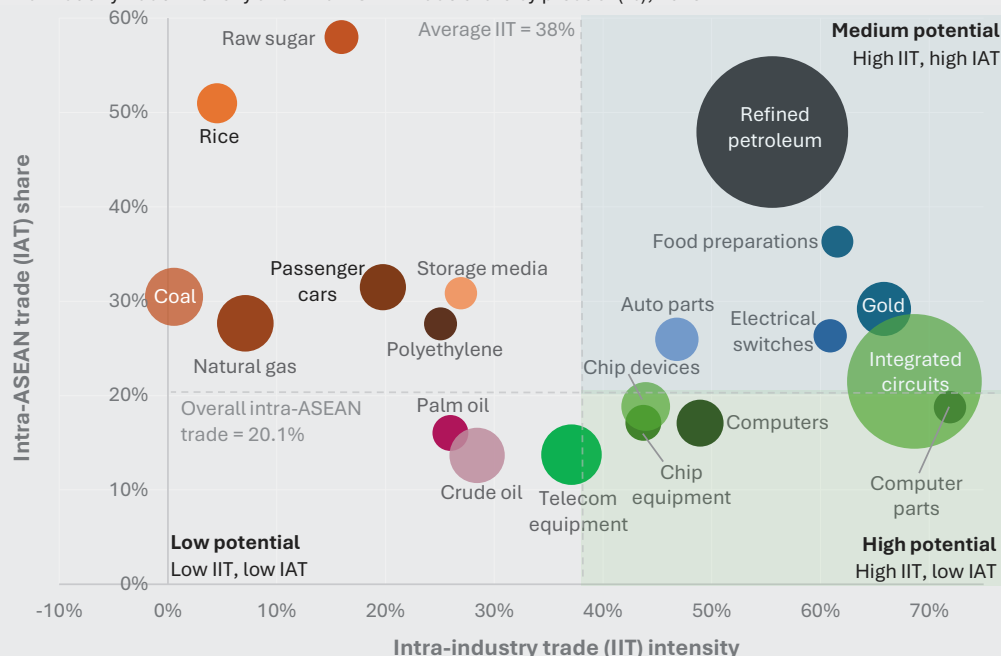
Fig. 11 provides a schematic of where the greatest opportunities for specialisation exist among ASEAN's largest product groups by trade value. The x-axis tracks the intensity of intra-industry trade in each product using the Grubel-Lloyd index (GLI). In line with the literature, GLI measures the share of intra-industry trade to total trade within ASEAN for each product, where a higher percentage indicates greater intensity of intra-industry trade (Appendix F). The y-axis shows the percentage of intra-ASEAN trade to total trade for all these products.

ASEAN's specialisation efforts should focus on products in the bottom right quadrant, which exhibit high intra-industry trade intensities (above the sample average of 38%) and below average shares of intraregional trade. The strategic products in this quadrant are mainly in the machinery and electronic sectors, including integrated circuits, computer parts and telecommunications equipment. The top right quadrant may also provide opportunities to deepen intra-ASEAN trade through specialisation in segments, such as food preparations and auto parts. Conversely, the top left and bottom left quadrants offer limited additional gains from regional trade because many of the goods therein benefit little, if at all, from greater returns to scale. For example, there are natural limits to how much rice and raw sugar can be processed or traded within ASEAN.

In practical terms, ASEAN could develop a joint industrial policy programme that prioritises the expansion of production and trade in product groups within manufacturing that exhibit high intra-industry trade intensities. This requires a coordinated approach centred on vertical integration, in which member states specialise in different segments of the machinery and electronics sectors, promoting greater trade in intermediate goods and forward linkages within ASEAN. The ASEAN Framework for Integrated Semiconductor Supply Chain (AFISS), introduced in 2025, is a step in the right direction as it captures this ethos for the semiconductor industry, but it needs to be beefed up with more specific growth areas for different member states to develop in parallel.

Fig. 11. Opportunities to promote intraregional trade through specialisation are highest in sectors with high intensities of intra-industry trade, such as machinery and electronics

Intra-industry trade intensity and intra-ASEAN trade share by product (%), 2023



Source: author's calculations based on UN Comtrade (2026)

Note: bubble sizes reflect absolute values of intra-ASEAN product trade. Products correspond to headings at the HS 4-digit level. Analysis is limited to the 20 largest tradable products by value in ASEAN as of 2023.

4.5 Reinvigorate growth triangles

ASEAN should devote more attention to reviving its subregional corridors or “growth triangles” that have largely been sidelined since their introduction in the 1990s (Section 3.1). This is important because such corridors, which cover specific states or provinces in each participating country, represent a bottom-up approach to policymaking that could, if given adequate attention, cater to the area’s unique challenges better than the central government acting in isolation. If done well, growth triangles could stimulate intraregional trade by capitalising on geographical proximity and economic complementarities in neighbouring areas across borders.

The promotion of cross-border trade is a critical pillar of all the growth triangles in the region, but the actual volume of trade that takes place across border areas in every corridor remains underwhelming, except IMS-GT, despite the benefits of geographical proximity. To resolve this issue, physical infrastructure is a prerequisite. Many of the proposed trade routes across borders remain incomplete and need to be developed first, such as the spur line from Arau to Bukit Kayu Hitam in northern Peninsular

Malaysia to improve connectivity to Songkhla, Thailand, and roll-on roll-off ferry services between Malacca and Dumai, Indonesia, under IMT-GT.^{115,116,117}

Once the physical infrastructure is in order, member states then need to pay attention to matching geographical proximity with a reduction in the regulatory distance across borders that would otherwise inhibit trade. This entails the simplification of customs procedures and ensuring alignment in policies around trade facilitation, investment and industrial linkages. The standards adopted in JS-SEZ, including a one-stop investment facilitation centre and the recognition of a single transshipment permit across Malaysia and Singapore, could serve as a model of the level of integration that ASEAN growth triangles should aim to achieve.¹¹⁸

Apart from harmonising regulations, growth triangles need to create and expand complementarities in border regions. Growth triangles can generate agglomeration economies and create economies of scale important for the growth of intraregional trade, given that they often straddle neighbouring areas across national borders. In areas with similar endowments, such as Southern Thailand and northern Peninsular Malaysia in IMT-GT, growth triangles can promote the creation of subregional value chains. There is potential, for instance, to build an end-to-end palm oil value chain in IMT-GT linking existing piecemeal activities, such as upstream production in North Sumatra, midstream refining in Peninsular Malaysia and downstream palm-derived personal care products in Thailand.¹¹⁹

Meanwhile, in areas with different endowments, such as Riau and Singapore in IMS-GT, growth triangles can promote inter-industry trade in line with each region's comparative advantage. It is self-evident that growing cross-border trade in subregional corridors requires close coordination between and within governments, both at the federal and state levels in coverage areas. Government-to-business and business-to-business cooperation are also crucial factors in ensuring that these corridors continue to be successful. For example, IMT-GT and BIMP-EAGA are already engaging in small-scale business matching activities involving SMEs, but these need to be expanded.

To improve linkages, growth triangles could establish regional trade offices that consolidate the work done in isolation across different agencies in different countries, such as state-level investment promotion agencies or provincial commercial offices. The offices should serve as a contact point for businesses to obtain information about incentives and address bottlenecks, as well as a coordinating body responsible for subregional export promotion through trade shows and expos. Sarawak's trade offices in Brunei and Singapore are examples worth emulating to materialise collaboration beyond "meeting after meeting", according to Abdul Karim Rahman Hamzah, a minister in Sarawak.¹²⁰

Recent developments show promise. In May 2026, IMT-GT established a cooperative joint committee to formalise the participation of cooperative SMEs in the organisational structure of the growth triangle, which could help identify measures to facilitate small business trade across borders. The same month, the BIMP-EAGA summit in the

Philippines saw the renewed commitment of the parties to strengthening the growth triangle through the launch of the BIMP-EAGA Vision 2035 Guiding Framework.¹²¹ However, it is critical to build on this momentum and move beyond ASEAN's usual summitry and framework fatigue.

4.6 Bridge development gaps between richer and poorer nations

Regional trade integration must be concomitant with efforts to reduce development gaps between ASEAN's richer and poorer nations. The AEC Strategic Plan 2026-30 devotes an entire objective to the need to "proactively narrow the development gap", given the disparities in ASEAN, from high-income Singapore to the least developed countries of Cambodia, Laos, Myanmar and newest member Timor-Leste (CLMT). This matters for intra-ASEAN trade because greater emphasis on inclusive regional growth could promote lagging trade complementarities, particularly by stimulating regional demand and building regional capacity to supply sophisticated goods with a larger scope for intra-industry trade (Sections 3.2 and 4.4).

ASEAN must intensify capacity building for its less developed and least integrated economies. This entails greater fiscal and technical responsibility on the part of the ASEAN-6 in streamlining ongoing trade facilitation work. One supporting institution that can be strengthened is the ASEAN Infrastructure Fund (AIF), administered by the Asian Development Bank (ADB). While it largely focuses on developmental gaps in physical infrastructure, the Economic Research Institute for ASEAN and East Asia has proposed expanding AIF's mandate to cover digital infrastructure and trade facilitation more broadly through fiscal support from more developed member states and ADB.¹²²

The bloc should also take leadership in coordinating existing integration work programmes under the Initiative for ASEAN Integration (IAI). Within ASEAN's institutional structure, IAI has focused on narrowing regional development gaps through five work plans since its launch in 2000. However, external donors remain the driving force of many IAI projects, such as Germany in technical training for food testing and Japan in training on e-commerce.¹²³ This may reduce ASEAN's accountability in ensuring transparency in disbursement and implementation.¹²⁴

ASEAN member states should co-lead IAI's programmes alongside external parties through triangular cooperation. To affirm ASEAN centrality in IAI, the region could consider reviving the ASEAN Development Fund (ADF), which was established in 2005 but has been defunct since the early 2010s, as a one-stop resource mobilisation package that consolidates intraregional and external sources of funding to support regional integration. As a proposed "common pool of financial resources", ADF called for each member state to contribute an initial sum of US\$1 million, followed by any additional voluntary contributions, but it may be more appropriate for the fiscal responsibility to be weighted according to the economic size and development of member states.¹²⁵ ASEAN must also ensure that IAI activities are consistent with

subregional initiatives in BIMP-EAGA, IMT-GT and GMS, account for the different needs and circumstances of CLMT countries and align with member states' national development plans.¹²⁶

Finally, ASEAN's integration plans should focus more heavily on upgrading CLMT's trade and industrial capabilities. In the medium term, the bloc should assist in building their competitive advantages in agribusiness and agrifood systems.¹²⁷ This is because the CLMT countries remain highly agrarian, and agricultural processing has higher value addition than primary commodities as well as lower barriers of entry for CLMT into industry than advanced manufacturing. The agrifood sector can also stimulate integration into regional value chains, given that food preparation activities exhibit high intra-industry and intra-ASEAN trade (Fig. 11).

Long term

4.7 Strengthen indigenous investment

In the long run, AMSs should focus on strengthening indigenous capabilities in manufacturing and industry. This requires industrial upgrading in all AMSs at different paces, amounting to nothing short of a structural transformation. For the region's larger and more advanced economies, industrial policy beyond 2030 should focus on shifting from OEM to ODM and OBM activities, that is from making parts and components for external firms to creating designs and homegrown brands. For CLMT, industrial production should take shape through outsourced OEM activities once conducted in ASEAN-6.¹²⁸

A large part of this effort must take place domestically through national industrial policies in individual member states. Industrial policy should promote domestic investment that leads to innovation and technological upgrading, as opposed to perpetuating political patronage and permanent protection (Box 5).

At the regional level, ASEAN needs to coordinate industrial policies across diverse member states. To do this, the bloc should consider facilitating regional joint ventures in strategic industries through an industrial scheme. Such an initiative could help the region attain economies of scale that would be difficult for any individual country to acquire through resource sharing and market consolidation among ASEAN-based firms. It should build on the Framework of ASEAN Industrial Projects Based Initiative launched in May 2025, which acknowledges ASEAN's potential to "pool its strengths" and "develop regional industrial champions" but lacks implementability.¹²⁹

Box 5. How AMSs can promote industrial upgrading through domestic policy

First, incumbent firms should be disciplined through conditional and revocable access to incentives, such as low-interest loans for SMEs to purchase advanced manufacturing equipment and tax credits, based on interim performance. This is line with “reciprocal control mechanisms” in the industrial policy literature.

Second, governments should ensure that FDI creates domestic linkages with sufficient spillovers to local businesses, through active encouragement of joint ventures that promote learning by doing and knowledge diffusion. Tax holidays for foreign firms should not be permanent and instead could be made renewable, subject to the creation of sufficient high-skilled local talent and adequate procurement involving domestic SMEs. While modern FTAs prohibit forced technology transfer and WTO regulates the use of local content requirements, countries can still use carrots and sticks to pursue localisation without violating international trade law.

Third, as they grow, AMSs need to ensure industrial policy encompasses technology policy, with the overarching goal of increasing gross expenditure on R&D.¹³⁰ Beyond subsidies, this entails strategic intervention to promote public-private R&D for product and process innovation. Taiwan’s Industrial Technology Research Institute, a consortium focusing on incubation in high-tech manufacturing activities through co-funding from the public and private sectors, could be a model for ASEAN’s upper-middle income economies. This is line with “innovation-development detours” proposed by economist Keun Lee.¹³¹

The institutional memory of ASEAN’s past industrial schemes could serve as a guide (Table 4). Between 1976 and 1996, ASEAN introduced four successive industrial cooperation programmes including ASEAN Industrial Joint Ventures (AIJV) and ASEAN Industrial Cooperation (AICO), which were designed to “broaden the complementarities” of member states.¹³² Firms were incentivised to partner up and manufacture jointly, particularly in industries with high fixed costs, such as ferro-alloys, chemical projects and tractor production, through entitlements to considerable tariff cuts.¹³³ While well intentioned, these initiatives failed because of cumbersome approval procedures, significant delays and political differences, and became redundant once ASEAN achieved full tariff elimination.¹³⁴ ASEAN should learn from past mistakes and explore the strategic revival of these schemes, ensuring there is political will to overcome miscoordination.

Table 4. ASEAN's past industrial cooperation measures failed but are worth reviving, provided there is political will to overcome miscoordination

Assessment of ASEAN's past industrial development schemes

Scheme	Years	Mechanism and outcome
ASEAN Industrial Projects	1976-1981	Each member state would host one large-scale industrial project to serve ASEAN, e.g. diesel engines in Singapore and soda ash in Thailand. ¹³⁵ Only two projects were ultimately implemented because of disagreements over location and financing difficulties. ¹³⁶
ASEAN Industrial Complementation	1981-1995	Each member state assigned specific processes or components for manufacture, with time-bound preferential tariffs for export to ASEAN. ¹³⁷ Limited success because of disagreements over product allocation and weak private sector interest, except in automobiles. ¹³⁸
ASEAN Industrial Joint Ventures	1983-2002	Government-approved private sector joint ventures, in which products manufactured by firms with majority equity participation from at least two AMSs would receive preferential tariffs. Few projects materialised because of limited private sector buy-in and bureaucracy in application process. ¹³⁹
ASEAN Industrial Cooperation	1996-2011	Companies operating in at least two AMSs with at least 30% national equity would receive preferential tariffs for approved products and components. Successful in automobiles and electronics but superseded by tariff elimination under AFTA-CEPT. ¹⁴⁰

Source: author's compilation based on various reports

A new and improved industrial coordination scheme should focus on promoting intra-ASEAN FDI. To do this, it should offer more meaningful incentives than obsolete tariff preferences, including streamlined and transparent regulations. Investment screening and approval must be seamless to attract investors. Public-private partnerships could be explored as a modality to promote buy-in, which hampered the success of AIJV.

Most importantly, the region must be prepared to prioritise regionalism and overcome the territoriality that defined its historical forays into industrial policy. Rather than the naïve abandonment of national interests, this entails an alignment of domestic imperatives, such as food or energy security, with region-wide economic security considerations. Granted, this is a complex and longstanding collective action problem, but the first step would be to strengthen ASEAN's dispute-resolution mechanisms to disincentivise "defection".¹⁴¹ ASEAN should consider acting on its own proposal for "consultative and adjudicatory" mechanisms that have been dormant for the last two decades. In particular, the bloc was intended to implement the ASEAN Compliance Body and Enhanced ASEAN Dispute Settlement Mechanism by 2004, but the former never materialised while the latter was never utilised.¹⁴² While there is a general aversion among member states to the delegation of decision-making powers to an EU-style supranational body, these institutions could help overcome structural problems in collaboration and coordination through peer pressure and conflict mediation.

4.8 Transformation to customs union

In the distant future, ASEAN should study the possibility of transitioning to a customs union with a common external tariff (CET). Despite the bloc's ambitions to build a cohesive economic community, its identity as a loose collection of Southeast Asian economies bound together by an ad hoc free trade area remains a structural constraint to deeper integration. In effect, efforts to fulfil AEC's vision of free regional movement of goods, services, capital, investment and skilled labour will continue to come up against diverging national interests and the slow pace of consensus building under the present arrangement.

An economic community will struggle to succeed in the long run without binding regulations and enforceable formal agreements.¹⁴³ Rather than trying to have its cake and eat it, too – pursuing integration without clear commitments – an ASEAN that is serious about economic integration should begin preparatory analysis for the next natural stage of its evolution. As it stands, this entails an upgrade of ASEAN from a free trade area to a customs union, which would require member states to agree to a CET for all trading partners outside the bloc, beyond the free movement of goods within it.

There are several key questions to be resolved beforehand, including the collection of external tariff revenues and the exact mechanism for harmonising uneven external tariff levels. Income gaps across member states must also be addressed to strengthen the case for a customs union, as it would necessitate reduced dependence on tariffs as a source of government revenue. More existentially, ASEAN will need to decide if it wants to be more than a “quasi-preferential trading bloc” or move towards an EU-style model with a full economic union or towards the Southern Common Market (Mercosur) or Gulf Cooperation Council with a customs union and economic bloc.¹⁴⁴

Notwithstanding these concerns, AGR 2025 considers a customs union to be an “old idea worth reviving” as the binding nature of such a CET would deepen integration automatically without the longstanding implementation issues and delays that characterise the ASEAN process. A customs union would also prevent both internal and external parties from perpetuating trade diversion of exports, a phenomenon that came to light in 2025 when AMSs negotiated separate trade deals with the US to reduce Washington's “reciprocal” tariff rates.

If a full-fledged CET is unfeasible, there are intermediate steps that can be taken. For instance, AMSs could first work towards a common tariff schedule in FTAs, such as RCEP. ASEAN could also establish a separate, slower track for less developed member states to converge towards a CET, like its approach to AFTA-CEPT's tariff reductions.

4.9 Redefine global trade order

The pursuit of intraregional trade does not imply a more introverted and inward-looking ASEAN. After all, Southeast Asia is home to small open economies whose lifelines

depend on trade with both the region and the outside world. ASEAN's efforts to build an integrated market should not come through autarkic policies that merely encourage trade diversion from other countries.

ASEAN should be proactive in redefining the global trade order that has faltered in recent years on the back of rising protectionism and the collapse of WTO's appeals process. Even as the bloc rightly reaffirms its commitment to the rules-based order in declaration after declaration, it is important to note that these rules themselves are no longer sacrosanct. For one, WTO's impotence is an opportunity for ASEAN to revisit instruments of international trade law that have unfairly eroded the policy space of developing countries.¹⁴⁵ As the scope of trade extends to emerging areas from climate to digitalisation, ASEAN and its partners should demand more inclusive platforms to guide their application. The absence of global guidance on digital commerce, for example, could be addressed with guidance from DEFA, as the world's first regional digital economy agreement.¹⁴⁶

ASEAN must present a unified voice to ensure it has credibility as a shaper of the next trade order. As a stopgap measure, all ASEAN member states should join the Multi-Party Interim Appeal Arbitration Arrangement and help develop it as an alternative to WTO's defunct appeals process. Further, the Future of Investment and Trade Partnership (FIT), which was established in September 2025 to discuss rules-based trade and supply chain resilience, counted Brunei and Singapore among its founding members, and should be expanded to the rest of ASEAN.

Ultimately, ASEAN cannot go it alone and should promote coalitions of the willing – plurilateral groupings of like-minded partners – wherever multilateralism is unfeasible. New fora like FIT should institute practical working groups to encourage collaboration on contemporary issues that the old trading order is not equipped to handle, such as climate and trade. ASEAN and other small states can thus band together to identify solutions in specific work streams that can benefit from scale-agnostic knowledge exchange, according to economist Danny Quah.¹⁴⁷ An open question is whether these arrangements would represent "WTO Plus" enhancements to the existing trade architecture or should instead form part of an alternative architecture, which can only be answered on a case-by-case basis. At any rate, the eventual goal is an inclusive, iterative process of shaping standards, even without initial buy-in from major powers, in line with the "ASEAN Way" of *musyawarah* (dialogue) and *muafakat* (consensus).¹⁴⁸

5 Conclusion

Seven decades ago, it was far from self-evident that Southeast Asia would overcome its reputation as a "cockpit of struggle and tension".¹⁴⁹ In the days of the Vietnam War, Konfrontasi and endless territorial disputes, any semblance of lasting political and economic stability – crucial conditions for trade to flourish – appeared elusive. In 1968, Swedish economist Gunnar Myrdal remarked that the region's newly independent

countries lacked economic dynamism and good export prospects, with persistent colonial-era networks biased against intraregional trade.¹⁵⁰

ASEAN's developmental journey since its establishment in 1967 has all but proved Myrdal wrong in his pessimistic diagnosis of the region's economic fate. Beginning in the 1970s and 1980s, rapid growth accompanied industrialisation in most ASEAN economies and enabled a decoupling of exports from colonial systems of economic extraction. By the close of the millennium, what had once been an existential preoccupation with survival gave way to a desire to enhance resilience through economic integration. Today, strengthening intra-ASEAN trade has become an explicit policy priority in the bloc's ongoing work to build a single market.

However, with a stubbornly low share of intraregional trade for the last two decades, ASEAN's regionalism project is far from complete. As the region sets its sights on expanding the intra-ASEAN trade share to 30% by 2030, the structural challenges that impede trade complementarity and, by extension, regional integration need to be addressed.¹⁵¹ As global discontent with free trade and globalisation grows, it would be remiss for member states to rest on their laurels now. As global discontent with free trade and globalisation grows, it would be remiss for member states to rest on their laurels now.

The good news is that many of these barriers are not insurmountable, so long as the region makes a concerted effort to implement the host of agreements its members have signed. But for deeper integration that genuinely moves the needle, there are two necessary conditions.

First, ASEAN must overcome its natural tendency to sideline the regional common good in favour of unbridled self-interest. There is no easy fix beyond going against the global grain of rising protectionism and beggar-thy-neighbour policies at home. Second, ASEAN nationals must continue to demand continuous improvements in living standards throughout the region without exception. A sizeable educated middle class is the only sustainable way to tip regional supply and demand complementarities towards goods made and more importantly, designed, within ASEAN borders.

Regional integration is a slow and messy process by design. However, the ASEAN Way of driving consensus through flexibility does not make perpetual division a foregone conclusion. Not too long ago, ASEAN managed to eliminate nearly all tariffs ahead of schedule despite the initial implausibility of this endeavour. The level of commitment needed for a single market by 2045 will be even more demanding, but the stakes make this pursuit non-negotiable. What this ultimately entails for ASEAN is that it must move beyond the current hodgepodge of non-binding frameworks and uneven integration if it is to build agency and autonomy in a world defined by fragmentation.

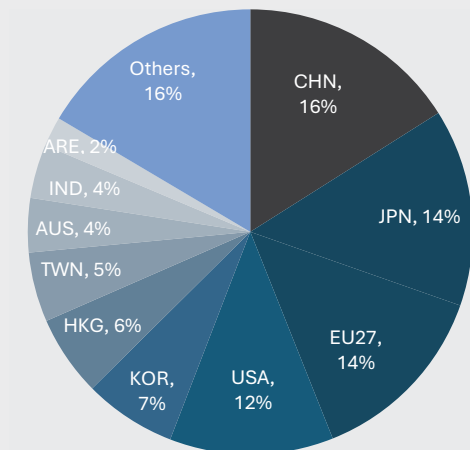
Appendices

Appendix A: Composition of extra-ASEAN trade by partner, 2010-24

Between 2010 and 2024, the share of intra-ASEAN trade to total trade declined in favour of extra-ASEAN trade. Fig. 12 and 13 show the evolution in ASEAN's external trade across this period to identify the primary sources of trade growth. Across 15 years, ASEAN recorded substantial growth in trade with China and the US.

Fig. 12. In 2010, China, Japan, EU and US had similar shares of ASEAN's external trade

ASEAN's top 10 external trading partners (% of total extra-ASEAN trade), 2010

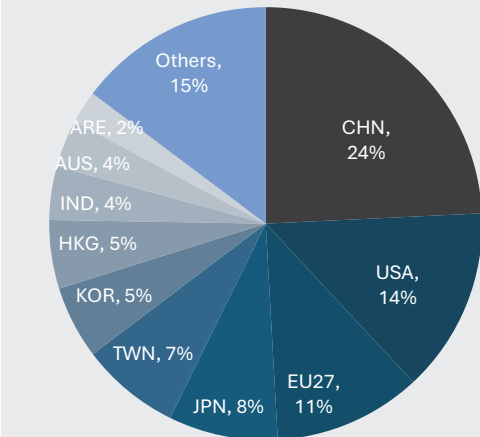


Source: author's calculations based on UN Comtrade (2026)

Note: extra-ASEAN trade is calculated as the sum of exports to and imports from all external trading partners. Data for ASEAN as a reporter exclude the Philippines due to missing data. Data for China refer to mainland China only.

Fig. 13. By 2024, China's share of ASEAN's external trade had grown significantly

ASEAN's top 10 external trading partners (% of total extra-ASEAN trade), 2024



Source: author's calculations based on UN Comtrade (2026)

Note: extra-ASEAN trade is calculated as the sum of exports to and imports from all external trading partners. Data for ASEAN as a reporter exclude Laos and Vietnam due to missing data. Data for China refer to mainland China only.

In 2010, China's contribution to extra-ASEAN trade was about 16%, placing it only slightly above Japan (14%), the EU (14%) and the US (12%). By 2024, the Chinese share of ASEAN's external trade had grown by half, with China now accounting for nearly a quarter of the bloc's trade with non-ASEAN partners. The US rose to second place among ASEAN's external partners, with a trade share of 14%. At the same time, the EU and Japan's contributions to extra-ASEAN trade declined to 11% and 8% respectively compared with 2010.

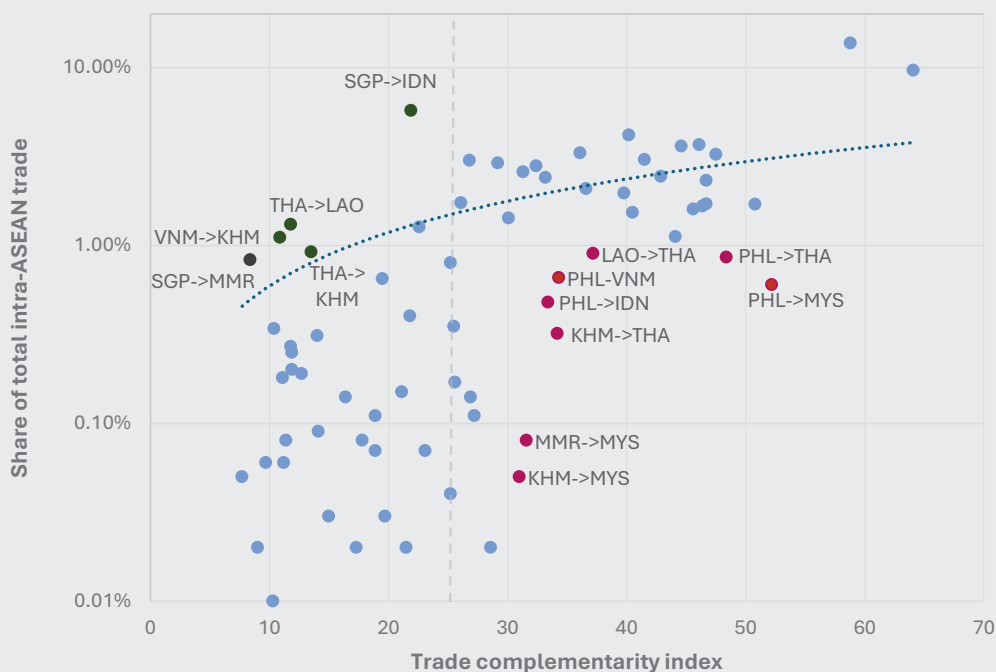
Appendix B: Explanation of the trade complementarity index (TCI)

TCI is calculated as follows: $TCI_{ij} = 100 \times \left[1 - \frac{1}{2} \sum_{k=1}^N |m_k^i - x_k^j| \right]$, where m_k^i is the share of product k in total global imports of country i while x_k^j is the share of product k in total global exports of country j for N products. Products $k = 1, 2, 3, \dots, N$ can be defined at any level, but some degree of granularity, which may be achieved by considering goods at the 4-digit level of the HS classification or smaller, is preferred for greater accuracy. TCI is intended to capture the extent to which countries i and j are “natural trading partners” in terms of how much country j ’s exports overlap with country i ’s imports. TCI is normalised on a scale of 0 to 100, where 0 indicates no complementarity and 100 indicates perfect complementarity.

It is important to note that complementarity and trade volumes are only moderately positively correlated. In other words, high complementarity does not necessarily imply strong trade linkages (Fig. 14). For instance, Malaysia’s import profile from the Philippines exhibits a high TCI of 52, but imports from the Philippines to Malaysia account for just 0.6% of total intra-ASEAN trade, the 37th largest bilateral trading pair

Fig. 14. TCI and trade shares have a moderate correlation of 62%, so strong complementarity does not imply high trade volumes, particularly for the Philippines

Relationship between TCI and trade intensity for all ASEAN bilateral pairs, 2023



Source: author's calculations based on UN Comtrade (2026)

Note: vertical axis uses a logarithmic scale. Bilateral pairs are expressed with the exporter's ISO code written first, followed by the importer. For example, PHL->MYS refers to the Philippines' exports to Malaysia.

out of 90. This suggests that Philippines-Malaysia trade is underperforming given the level of complementarity observed. Other notable bilateral pairs in ASEAN that are below potential, relative to their moderately high TCI, include the Philippines' exports to Indonesia, Thailand and Vietnam; Cambodian and Lao exports to Thailand; and Cambodia and Myanmar's exports to Malaysia.

On the other hand, overperformance, in which trade shares are higher than expected for a TCI below the ASEAN average, is observed in only five trading pairs. Four of these involve exports to a BCLM economy, namely Singapore-Myanmar, Vietnam-Cambodia, Thailand-Cambodia and Thailand-Laos, each of which already contributes to roughly 1% of total intraregional trade each.

Appendix C: Relationship between export similarity and trade complementarity

Some researchers associate the lack of complementarity with the notion that AMSs export similar products globally, resulting in competition for external markets. For instance, Eduardo Climaco Tadem of the University of the Philippines remarked that “economic cooperation has been a tough goal mainly because AMSs are not complementary, i.e., they compete with each other.”¹⁵²

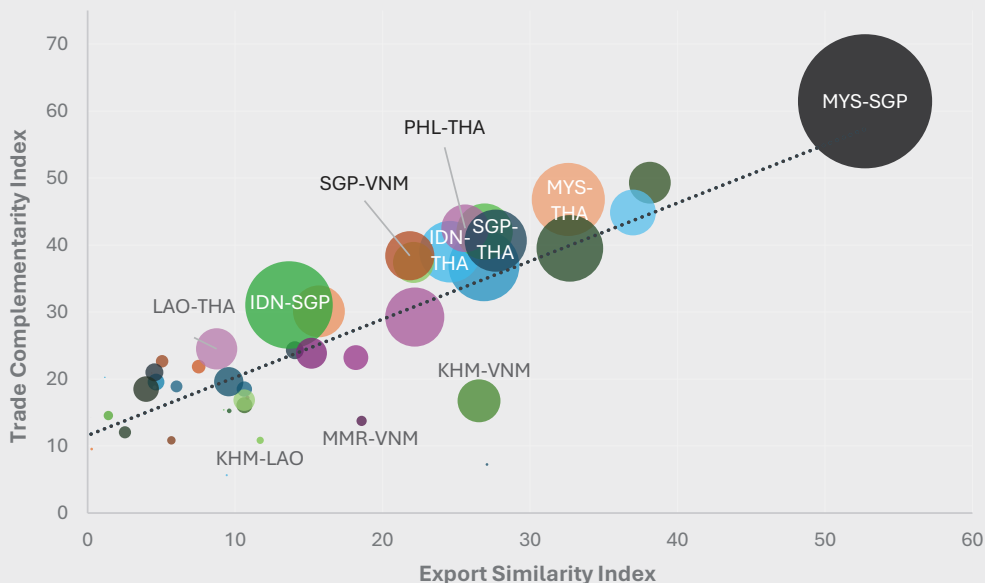
However, an analysis of ASEAN's export similarity index (ESI), which measures the overlap in two trading partners' exports to the world, does not necessarily support this claim. ESI is calculated as follows: $ESI = 100 \times \sum_i \min \left[\frac{X_i(a)}{X(a)}, \frac{X_i(b)}{X(b)} \right]$, where $\frac{X_i(a)}{X(a)}$ refers to share of product i in country a 's total exports, and similarly for country b . By taking the sum of the minimum of the export shares for a specified range of products across two countries, the index tracks the overlap in these nations' exports, which can serve as a proxy for substitutability between markets. The ESI is normalised on a scale of 0 to 100, where 0 indicates no overlap between country a and b 's export profiles while 100 indicates that the export profiles are identical in distribution.

In ASEAN, ESI is strongly positively correlated with TCI, with significant and complementary nodes like Malaysia-Singapore, Thailand-Vietnam and Philippines-Singapore also recording ESIs above 30. Put simply, for these pairs of countries, at least a third of their export profiles are similar in distribution (Fig. 15). Therefore, export similarity between two AMSs does not preclude trade complementarity.

Fig. 15 is a rudimentary heuristic of correlations and does not constitute a rigorous econometric decomposition, which would be beyond the scope of this policy paper. However, at the very least, the existence of a strongly positive correlation between TCI and ESI suggests that “lack of complementarity” and “high export competition” are not interchangeable. Instead, the trade dynamics in ASEAN are likely to be more sophisticated and merit further investigation.

Fig. 15. Trade complementarity and export similarity are positively correlated in ASEAN

Scatterplot of trade complementarity and export similarity indices for bilateral trading pairs, 2023



Source: author's calculations based on UN Comtrade (2026)

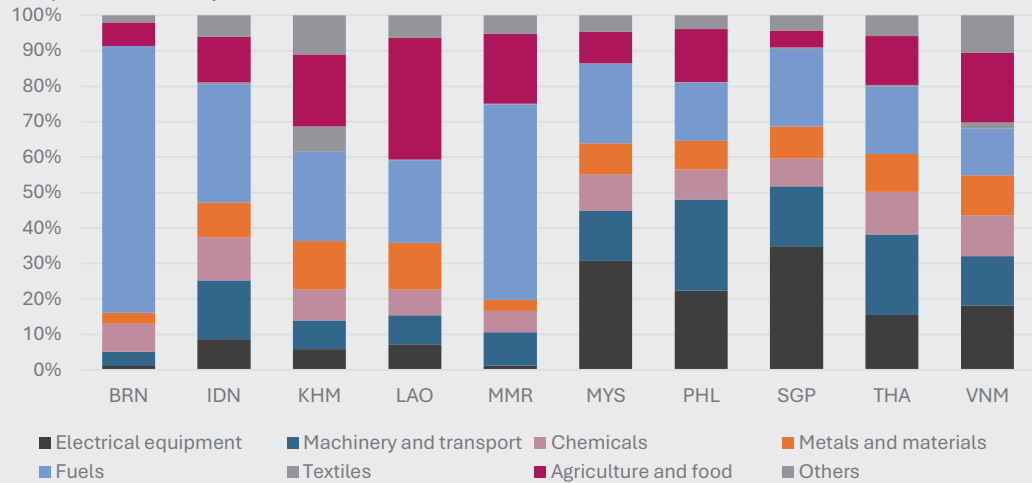
Note: bubble sizes reflect absolute values of intra-ASEAN bilateral trade. TCIs for all country pairs are averaged to produce one figure for each bilateral pair (e.g. TCIs for Singapore's exports to Malaysia and Malaysia's exports to Singapore are averaged to produce one common TCI for Malaysia-Singapore trade).

Appendix D: Sectoral composition of trade by country

In the ASEAN-6 nations, highly processed and industrial goods, including electrical equipment, machinery and transport, chemicals and metals and materials, make up about half to two-thirds of total trade. For BCLM, these products contribute to less than 40% of total trade. At the same time, primary commodities and less sophisticated manufactures, namely agriculture and food, fuels and textiles, constitute a significantly smaller share of the trade profile of the average ASEAN-6 country compared with BCLM (Fig. 16).

Fig. 16. ASEAN-6 economies are more engaged in trade involving highly processed and industrial goods while BCLM is more oriented towards trade in commodities

Composition of trade by sector in ASEAN, 2023



Source: author's calculations based on UN Comtrade (2026)

Note: mirror trade data used for Laos because of the absence of official reported data.

Appendix E: Uneven trade facilitation outcomes in ASEAN

Reinforcing NTMs are ASEAN's disparities in trade facilitation outcomes. Beyond NTMs, this is an important consideration because more than half of the proposed activities under the bloc's objective of bolstering intraregional trade in the AEC Strategic Plan 2026-30 cover trade facilitation and customs processes.¹⁵³ Table 5 shows member states' uneven performance in terms of the full implementation of trade facilitation measures across nine areas, as defined by the United Nations Survey on Digital and Sustainable Trade Facilitation.¹⁵⁴ The measures covered include the online publication of import-export regulations (under "transparency"), pre-arrival processing and expedited shipments ("customs formalities"), electronic exchange of certificates of origin ("paperless trade") as well as access for small and medium enterprises (SMEs) and e-commerce goods.

While all ASEAN member states score well on transparency, performance in other areas varies widely by economy. On the one hand, Malaysia and Singapore score above 80% in almost every area, except measures for SMEs and e-commerce, women and green trade. This gives them an overall score of 82% and 84% respectively, comparable to Japan, South Korea and Western Europe. On the other hand, Brunei, Laos and Myanmar score less than 50% in four out of the nine areas. Overall, they have implemented only about half of all measures, putting them on a par with low-income and lower-middle income countries like Ethiopia, Nigeria and Sudan.¹⁵⁵

Table 5. Disparities in ASEAN's implementation of trade facilitation measures reinforce ongoing challenges in streamlining NTMs

Implementation scores for trade facilitation measures in ASEAN by area (%), 2025

Country and area	BRN	KHM	IDN	LAO	MYS	MMR	PHL	SGP	THA	VNM
Transparency	87	80	93	100	100	80	100	100	93	87
Customs formalities	96	92	100	79	96	79	100	100	100	75
Institutional arrangement	67	87	87	87	87	33	100	87	80	73
Paperless trade	79	71	85	64	88	65	83	94	85	75
Transit facilitation	50	100	92	75	92	58	N/A	100	83	75
Trade facilitation for SMEs and e-commerce	33	73	63	20	67	27	43	63	47	33
Agricultural trade facilitation	33	50	83	33	100	58	92	100	83	67
Trade facilitation for women	27	80	60	20	47	27	40	67	47	20
Green trade facilitation	17	25	50	8	50	33	58	50	58	25
Overall	59	72	78	56	82	51	76	84	75	60

Source: author's calculations based on United Nations Survey on Digital and Sustainable Trade Facilitation dataset (2025)

Note: green cells indicate values at or exceeding 90%, red cells indicate values below 50%. The full dataset covers 62 measures in 12 sub-groups, which are then collapsed into the nine areas listed above. These measures reflect commitments outlined in the WTO's Trade Facilitation Agreement as well as additional measures addressing digital and sustainable trade facilitation. Scores are numerically assigned based on extent of implementation of the measures as follows: 3 – fully implemented, 2 – partially implemented, 1 – planning stage, 0 – not implemented or unknown. Countries' scores are then normalised on a scale of 0 to 100%, where 100% corresponds to a maximum score of 186 (i.e. fully implemented all 62 measures). N/A = not available.

Appendix F: Explanation of the Grubel-Lloyd index (GLI)

In each economy, GLI is calculated as follows: $GLI_a = \left[1 - \frac{\sum |X_k - M_k|}{\sum (X_k + M_k)}\right] \times 100$ where X_k is exports of product k in sector a while M_k captures imports of product k from country j . Products $k = 1, 2, 3, \dots, N$ in sector can be defined at any level, but some degree of granularity, which may be achieved by considering goods at the 4-digit level of the HS classification or smaller, is preferred for greater accuracy. For the purposes of this paper, X_k and M_k refer exclusively to intra-ASEAN exports and imports respectively. Sector a refers to one of the 20 largest tradable goods in ASEAN at the HS 4-digit level, meaning products $k = 1, \dots, N$ refer to the HS 6-digit codes under each of these 20 goods.

Appendix G: List of active agreements and frameworks in ASEAN

Table 6. ASEAN has more than 20 active agreements and frameworks to promote intraregional trade across five key areas

List of active initiatives in ASEAN to promote economic integration by area and year of adoption

Area	ASEAN initiative	Year adopted
Overall	ASEAN Economic Community Strategic Plan 2026-30	2026
Trade in goods	ASEAN Trade in Goods Agreement	2010*
	ASEAN Framework Agreement for the Integration of Priority Sectors	2005
Trade facilitation and customs procedures	ASEAN Customs Transit System	2020
	ASEAN Single Window	2019
	ASEAN Trade Facilitation Framework	2016
	ASEAN Agreement on Customs	2014
	ASEAN Framework Agreement on the Facilitation of Inter-State Transport	2011
	ASEAN Framework Agreement on Multimodal Transport	2008
	ASEAN Framework Agreement on the Facilitation of Goods in Transit	2000
Trade in services	ASEAN Services Facilitation Framework	2024
	ASEAN Trade in Services Agreement	2021
Investment	ASEAN Investment Facilitation Framework	2021
	ASEAN Comprehensive Investment Agreement	2012
Non-tariff measures and technical standards	ASEAN Guidelines on Non-Tariff Measures	2011
	ASEAN Framework Agreement on Mutual Recognition Arrangements	2009
	ASEAN Consultative Committee on Standards and Quality	1992
Other supporting initiatives	ASEAN Protocol on Enhanced Dispute Settlement Mechanism	2022
	ASEAN Agreement on Electronic Commerce	2021
	ASEAN Trade Repository	2017
	ASEAN Solutions for Investments, Services and Trade	2016

Source: author's tabulations based on ASEAN Secretariat (2026) and various reports

Note: list is not exhaustive. Where applicable, 'year adopted' refers to the year the initiative officially entered into force. For non-binding instruments, it refers to the year the framework was endorsed or signed. Excludes memoranda of understanding in specific sectors and other granular arrangements.

* Upgraded in October 2025, but the amended agreement has not entered into force at the time of writing.

Notes and references

¹ Hew, D. & Lee, S.-H. (2026). Introduction: Revisiting economic security in Southeast Asia. *Contemporary Southeast Asia*, 48(1), pp. 1–22

² BERNAMA (2015). “Intra-ASEAN trade seen to hit 30% by 2020”. *BERNAMA*, 3 August. <https://asean.bernama.com/news.php?id=2554305>

³ ASEAN (1967). *The ASEAN Declaration (Bangkok Declaration)*. <https://agreement.asean.org/media/download/20140117154159.pdf>

⁴ Severino, R.C. (2006). *Southeast Asia in Search of an ASEAN Community*. Singapore: ISEAS–Yusof Ishak Institute. At the time, ASEAN’s main exports were agricultural and forestry products in Indonesia; palm oil, rubber and tin in Malaysia; copra, coconut oil and sugar in the Philippines; and rice and tapioca in Thailand.

⁵ Intal, P. (2017). The Road to ASEAN Economic Community. In: S. Pitsuwan, H. Nishimura, P. Intal, K. Chongkittavorn and L. Maramis, eds. (2017). *The ASEAN Journey: Reflections of ASEAN Leaders and Officials*. Jakarta: Economic Research Institute for ASEAN and East Asia, pp. 269–300

⁶ ASEAN (1976). *The Declaration of ASEAN Concord, Bali, Indonesia, 24 February 1976*. <https://asean.org/the-declaration-of-asean-concord-bali-indonesia-24-february-1976/>

⁷ ASEAN (1977). Agreement on ASEAN Preferential Trading Arrangements. <https://asean.org/wp-content/uploads/2021/05/D-0002.pdf>

⁸ Bista, N. K. (1991). *PTA in Intra-ASEAN Trade: Issues of Relevance to SAARC*. Singapore: ISEAS–Yusof Ishak Institute

⁹ Severino (2006)

¹⁰ Zainuddin, D. (1990). *ASEAN Economic Co-operation: Agenda for the 1990s*. Singapore: ISEAS–Yusof Ishak Institute

¹¹ ASEAN (1992). *Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA)*. <https://asean.org/agreement-on-the-common-effective-preferential-tariff-cept-scheme-for-the-asean-free-trade-area-afta/>

¹² For more information on the mechanics of the CEPT scheme, including the stages of liberalisation, see Cuyvers, L. (2025). *The Impact of the ASEAN Free Trade Agreement on Intra-ASEAN Trade: A Review of Empirical Literature*. Bruges: United Nations University Institute on Comparative Regional Integration Studies. https://unu.edu/sites/default/files/2026-04/UNU-CRIS_Insight-Brief_25.02_Cuyvers_0.pdf

¹³ Thongpakde, N. (2001). ASEAN Free Trade Area: Progress and Challenges. In: M. Than, ed. (2001). *ASEAN Beyond the Regional Crisis: Challenges and Initiatives*. Singapore: ISEAS–Yusof Ishak Institute, pp. 48–79.

¹⁴ ASEAN (2015). *Information on Average Tariffs*. https://www.asean.org/wp-content/uploads/images/2015/april/information_on_average_tariffs/average%20CEPT-ATIGA%20tariff%20rates%201993-2015_1.pdf

¹⁵ Cuyvers (2025)

¹⁶ Ibid

¹⁷ ASEAN (2007). *ASEAN Documents Series 2007*. <https://asean.org/wp-content/uploads/2021/08/asean-documents-series-2007.pdf>

¹⁸ Nguyen, M. H., Elms, D. and Lavanya, N. (2019). The ASEAN Trade in Goods Agreement: Evolution and Regional Implications. In: P. L. Hsieh and B. Mercurio, eds. (2019). *ASEAN Law in the New Regional Economic Order: Global Trends and Shifting Paradigms*. Cambridge: Cambridge University Press, pp. 22–45

¹⁹ ASEAN (2021). *Mid-Term Review ASEAN Economic Community Blueprint 2025*. <https://asean.org/wp-content/uploads/2021/04/mid-term-review-report.pdf>

²⁰ ASEAN (2025a). *ASEAN Economic Community Strategic Plan 2026-2030*. <https://asean.org/wp-content/uploads/2025/06/AEC-Strategic-Plan-2026-2030.pdf>

²¹ For the purposes of this policy paper, “trade” refers to trade in goods only. Trade in services is not considered because of data and capacity constraints. “Intra-ASEAN trade” excludes Timor-Leste because it has not formally participated in ASEAN’s regional integration measures.

²² ASEAN (2022). *AEC 2025 TRADE FACILITATION STRATEGIC ACTION PLAN*. <https://asean.org/wp-content/uploads/2022/03/AEC-2025-Trade-Facilitation-Strategic-Action-Plan.pdf>

²³ These figures are lower than the absolute and relative values of intra-ASEAN trade that are often cited in the literature, i.e. more than US\$800 billion and about 22.5% respectively. This is because the main external data source – the ASEAN Statistics Division – erroneously sums up the total values of exports and imports within ASEAN in its calculation of intra-ASEAN trade. Such an approach leads to double counting because each bilateral trading pair is effectively counted twice if all bilateral exports and imports are considered. For example, in calculating Malaysia-Singapore trade, it is sufficient to consider either: (i) the sum of Malaysia’s imports from Singapore and Singapore’s imports from Malaysia, or (ii) the sum of Malaysia’s exports to Singapore and Singapore’s exports to Malaysia. The ASEAN Statistics Division’s methodology in effect inaccurately sums up (i) and (ii) above for all bilateral pairs. By contrast, the EU’s statistical counterpart Eurostat uses just the sum of intra-EU exports in its reporting of intraregional trade. Eurostat (2026). *Intra-EU trade in goods - main features*. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU_trade_in_goods_-_main_features

In theory, (i) and (ii) should be roughly equivalent, but because of differences in the measurement of exports and imports as well as the substantial volume of transshipment and re-exports in ASEAN (particularly from Singapore), intra-ASEAN exports tend to be higher than intra-ASEAN imports. To reduce bias arising from the potential inclusion of re-exports, this paper therefore uses the sum of all bilateral intra-ASEAN imports in its calculation of intra-ASEAN trade.

²⁴ ASEAN (2009a). *ASEAN Statistical Yearbook 2008*. https://www.aseanstats.org/wp-content/uploads/2017/07/ASYB_2008.pdf

²⁵ Mikic, M., Sacerdoti, G., Villafuerte, J. and Zara, D. (2023). *ASEAN and global value chains*. Manila: Asian Development Bank. <https://www.adb.org/sites/default/files/publication/871976/asean-global-value-chains-resilience-sustainability.pdf>

²⁶ Menon, J. (2021). *Using Regionalism for Globalisation: The ASEAN Way*. Singapore: Singapore: ISEAS–Yusof Ishak Institute. <https://www.iseas.edu.sg/wp-content/uploads/2021/01/ISEASEWP2021-2Menon.pdf>

²⁷ World Bank (2026). *Trade (% of GDP)*. <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>

²⁸ Author’s calculations based on UN Comtrade data (2026). “Manufactured goods” refers to all products bearing the two-digit HS codes ranging from 29 to 99.

²⁹ Kuroiwa, I. (2009), *Industrial Development Strategy in CLMV*. In: A. Kuchiki and S. Uchikawa, eds. (2008) *Research on Development Strategies for CLMV Countries*. Jakarta: Economic Research Institute for ASEAN and East Asia, pp.13–32

³⁰ Menon, J. (2018). *How should we measure ASEAN's success?* Canberra: East Asia Forum. <https://eastasiaforum.org/2018/04/10/how-should-we-measure-aseans-success/>

³¹ Sharma, S. C. and Chua, S. Y. (2000). ASEAN: Economic Integration and Intra-Regional Trade. *Applied Economics Letters*, 7, pp. 165–169. <https://doi.org/10.1080/135048500351726>

³² These include the middle-income trap in the ASEAN-5 countries except Singapore, as well as premature deindustrialisation. For a discussion of these challenges, see Ke, Y. (2024). ASEAN Four's middle income trap dilemma: evidence of the middle technology trap. *Asian Review of Political Economy*, 3(14). <https://doi.org/10.1007/s44216-024-00033-5>

³³ Hew and Lee (2026)

³⁴ Singh, J. and Cheng, C. (2025). *Trump, trade and tariffs: impact on Malaysia*. Kuala Lumpur: Institute of Strategic & International Studies (ISIS) Malaysia. <https://www.isis.org.my/2025/06/06/trump-trade-and-tariffs-impact-on-malaysia/>

³⁵ United States Trade Representative (2026). *USTR Initiates Section 301 Investigations Relating to Structural Excess Capacity and Production in Manufacturing Sectors*. <https://ustr.gov/about/policy-offices/press-office/press-releases/2026/march/ustr-initiates-section-301-investigations-relating-structural-excess-capacity-and-production>. The full list of economies investigated in both instances are China, the European Union, Singapore, Switzerland, Norway, Indonesia, Malaysia, Cambodia, Thailand, Korea, Vietnam, Taiwan, Bangladesh, Mexico, Japan, and India.

³⁶ Storey, H. (2026). *ASEAN's rules- of-origin problem*. Sydney: Lowy Institute. <https://www.lowyinstitute.org/the-interpreter/asean-s-rules-origin-problem>

³⁷ OECD (2025). *Economic Security in a Changing World*. Paris: OECD Publishing. <https://doi.org/10.1787/4eac89c7-en>. For further reading on supply chain vulnerabilities, see Singh, J., Tan, A., Chauhan, R., Moran, D. and Salisbury, B. (2025). *Supply chains and geopolitical crisis*. Kuala Lumpur: Institute of Strategic & International Studies (ISIS) Malaysia. <https://www.isis.org.my/wp-content/uploads/2026/01/KCL-Semicon-Policy-Brief-Web.pdf>

³⁸ For more information, see Singh, J. (2026). *ASEAN's Gulf ties put diversification to the test*. Canberra: East Asia Forum. <https://eastasiaforum.org/2026/04/10/aseans-gulf-ties-put-diversification-to-the-test/>

³⁹ Lin, J. et al. (2026). *The State of Southeast Asia: 2026 Survey Report*. Singapore: ISEAS–Yusof Ishak Institute. <https://table.media/assets/documents/the-state-of-southeast-asia-2026-survey-final-single.pdf>

⁴⁰ Ekanayake, E. M., Mukherjee, A. and Veeramacheneni, B. (2010). Trade Blocks and the Gravity Model: A Study of Economic Integration among Asian Developing Countries. *Journal of Economic Integration*, 25(4), pp. 627–643. <https://www.e-jei.org/upload/9180KU76078V3656.pdf>

⁴¹ Department of Foreign Affairs and Trade, Government of Australia (2023). *Why Southeast Asia?* https://www.dfat.gov.au/countries-economies-and-regions/southeast-asia/invested-australias-southeast-asia-economic-strategy-2040/chapter-1-why-southeast-asia#_ednref1

⁴² Park, C. and Yeung, B. (2021). *An Integrated and Smart ASEAN: Overcoming Adversities and Achieving Sustainable and Inclusive Growth*. Tokyo: Asian Development Bank Institute. <https://www.adb.org/sites/default/files/publication/705221/adbi-wp1267.pdf>

⁴³ By itself, this is not necessarily an unexpected finding, as the ASEAN-6 are larger economies, which are likely to have larger volumes of trade by design than the BCLM nations. However, the concern lies in the disproportionate concentration of trade flows in a handful of country pairs, including Malaysia-Singapore.

⁴⁴ Sharma and Chua (2000)

⁴⁵ Monetary Authority of Singapore (2020). *Special Feature A: Asia's Electronics Supply Chains and Global Trade Corridors*. https://www.mas.gov.sg/-/media/mas/epg/mr/2020/apr/mrapr20_sf_a.pdf

⁴⁶ The Department of Statistics Singapore distinguishes between “domestic exports” and “re-exports” but includes the latter in its total figure for merchandise exports. There is insufficient data to account for the share of re-exports in intra-ASEAN trade because it is not adequately recorded in global trade datasets. However, an interpolation of export data from the Department of Statistics Malaysia suggests that about 3-4% of Malaysia’s gross exports are transhipped in Singapore. For specific goods, such as mobile phones or computer parts, the share of Malaysian goods exported via Singapore rises to 10-15%. See Department of Statistics Malaysia (2026). *Monthly External Trade Statistics, December 2025*. <https://www.dosm.gov.my/portal-main/release-content/monthly-external-trade-statistics-december-2025> and Monetary Authority of Singapore (2020)

⁴⁷ Guina, C. S. (2023). *Review and Assessment of the Indonesia-Malaysia-Thailand Growth Triangle Economic Corridors*. Manila: Asian Development Bank. <https://www.adb.org/sites/default/files/publication/873371/imt-growth-triangle-economic-corridors-integrative-report.pdf>

⁴⁸ Xiaodong, X. (2019). The SIJORI Growth Triangle: Progress, Problems and Prospect. *Journal of Maritime Studies and National Integration*, 3(1), pp. 1-13 <https://pdfs.semanticscholar.org/3a85/b6c8dc59c1ffd583c5375d3d71b0a8d0f721.pdf>

⁴⁹ Hutchinson, F. E. (2025). *Batam Struggles to Up the Ante as Johor-Singapore Special Economic Zone Rises*. Singapore: Fulcrum. <https://fulcrum.sg/batam-struggles-to-up-the-ante-as-johor-singapore-special-economic-zone-rises/>

⁵⁰ BIMP-EAGA (2026a). *What is BIMP-EAGA?* <https://www.bimp-eaga.asia/about-bimp-eaga/what-bimp-eaga>. BIMP-EAGA (2023). *BIMP-EAGA Vision 2025 Midterm Review: Progress and Prospects*. https://www.bimp-eaga.asia/sites/default/files/publications/PRF14-IP%20ACT%20BIMP-EAGA%20Vision%202025_WEB_09Oct23.pdf

⁵¹ BIMP-EAGA (2026b). *Trade and Investment Facilitation and Promotion*. <https://bimp-eaga.asia/goals/trade-and-investment-facilitation-and-promotion>

⁵² GMS was initially launched as a development programme in 1992, but it was established as a network of economic corridors in 1998.

⁵³ GMS Secretariat (2018). *Assessment of Greater Mekong Subregion Economic Corridors*. <https://www.greatermekong.org/sites/default/files/Assessment%20of%20GMS%20Economic%20Corridors%20IR%20%28web%29.pdf>

⁵⁴ GMS Secretariat (2024). *Trade and Investment Facilitation*. <https://greatermekong.org/g/ttf>

⁵⁵ Khanal, B. R. and Tongsiri, W. (2007). *The Cambodia, Lao PDR, and Vietnam (CLV) Development Triangle: Opportunities, Challenges and Options for Future*. <https://cuts-hrc.org/pdf/PB-3-07.pdf>

⁵⁶ Giang, N. K. (2024). *Triangle Trouble: What’s Next for Vietnam’s Indochina Strategy?* Singapore: Fulcrum. <https://fulcrum.sg/triangle-trouble-whats-next-for-vietnams-indochina-strategy/>

⁵⁷ Schiff, M. (2001). Will the real ‘natural trading partner’ please stand up? *Journal of Economic Integration*, 16(2), pp. 246–61. <https://doi.org/10.11130/jei.2001.16.2.246>

⁵⁸ Ng, A., Andhare, K., Ang, Y., Inayoshi, N., Kho, C., Wang, H. and Wu, Y. (2026). *ASEAN at a Crossroads: Pathways for Deeper Economic Integration*. Singapore: ASEAN+3 Macroeconomic Research Office. https://amro-asia.org/wp-content/uploads/2026/03/Working-Paper_ASEAN-at-a-Crossroads_Passways-for-Deeper-Economic-Integration_publication.pdf

⁵⁹ The general divergence between the core and periphery countries in trade complementarity is consistent with older findings in the literature using TCI data for the early to mid-2010s. See, for example, Asian Development Bank (2018). *Building Complementarity and Resilience in ASEAN amid Global*

Trade Uncertainty. <https://www.adb.org/sites/default/files/publication/456931/adb-brief-100-asean-resilience-global-trade-uncertainty.pdf> and Menon, J., Todd, L., Wan Hashim, A. and Wan Alias, A. (2019). ASEAN Integration Report 2019. https://www.ideas.org.my/?smd_process_download=1&download_id=5519

⁶⁰ See, for example, Tadem, E. C. (2014). *Asean's Elusive Integration*. Manila: The Inquirer. <https://opinion.inquirer.net/74164/aseans-elusive-integration>; and Saptowalyono, C. A. and Anwar, L. A. (2023). "Intra-ASEAN Trade Remains Stagnant". Kompas, 30 January. <https://www.kompas.id/artikel/intra-asean-trade-remains-stagnant>

⁶¹ Hapsari, I. M. and Mangunsong, C. (2006). *Determinants of AFTA Members' Trade Flows and Potential for Trade Diversion*. Bangkok: United Nations Economic and Social Commission for Asia and the Pacific. <https://www.unescap.org/resources/determinants-afta-members%E2%80%99-trade-flows-and-potential-trade-diversion-awp-no-21>

⁶² Ng et al. (2026)

⁶³ For instance, in palm oil, Indonesia and Malaysia supply about 80% of world exports while the largest importers are outside of ASEAN. While intra-ASEAN exports of palm oil are below 15%, intra-ASEAN imports are nearly 100% because ASEAN's palm oil importers source almost entirely from within the bloc. The methodological decision to sum exports and imports in Fig. 6 provides a more balanced measure of product-level trade shares. Any double counting this introduces is obviated by using shares rather than absolute values and focusing on cross-product comparisons.

⁶⁴ Linder, S. B. (1961). *An Essay on Trade and Transformation*. Uppsala: Almqvist & Wiksell. <https://ex.hhs.se/dissertations/221624-FULLTEXT01.pdf>

⁶⁵ ASEAN-Japan Centre (2021). *Global Value Chains in ASEAN: Malaysia*. https://www.asean.or.jp/main-site/wp-content/uploads/2024/03/GVC_Malaysia_Paper-6_WEB_full.pdf

⁶⁶ By contrast, Brunei, Indonesia and Laos are in the top left quadrant with high forward and low backward linkages. This is associated with their resource endowments, in which they act as upstream suppliers of natural resources and commodities for manufacturing exports elsewhere. For Indonesia in particular, beyond commodities, low backward and high forward linkages could reflect the large domestic economy and efforts to maintain local content in manufacturing processes. Myanmar is in the bottom left quadrant because it is a comparatively less open economy with limited production networks. See, for example, ASEAN-Japan Centre (2019). *Global Value Chains in ASEAN: A Regional Perspective*. https://www.asean.or.jp/main-site/wp-content/uploads/2024/03/GVC_A-Regional-Perspective_Paper-1-Revised_2019_full_web.pdf and Shrestha, R. and Winkler, D. (2021). *The Link Between Global Value Chain Activity and Local Human Capital: Evidence from Indonesia's Manufacturing Sector*. Jakarta: Economic Research Institute for ASEAN and East Asia. https://www.eria.org/uploads/media/discussion-papers/The-Link-Between-Global-Value-Chain-Activity-and-Local-Human-Capital_Indonesia.pdf

⁶⁷ For a detailed decomposition of Malaysia's semiconductor trade, see Singh et al. (2025)

⁶⁸ Based on intuition in Bank Negara Malaysia (2025). *Disentangling Malaysia's Value Chains in the Age of Turbulence*. <https://www.bnm.gov.my/publications/emr2025/box1>

⁶⁹ For an overview, see ASEAN+3 Macroeconomic Research Office (2019). *Global Value Chains in the Post-Pandemic "New Normal"*. <https://www.amro-asia.org/wp-content/uploads/2021/04/AMRO-AREO-2021-C2-rev.pdf>

⁷⁰ Share of foreign value added in exports in manufacturing is highest in the following sectors: motor vehicles and other transport equipment (59%); electrical, electronic equipment and machinery (50%) and petroleum, chemical and non-metallic mineral products (47%). See ASEAN-Japan Centre (2019)

⁷¹ AMRO+3's calculations indicate that ASEAN's regional value chain participation ratio is 7%, which is the sum of foreign value added created within ASEAN and domestic value added in foreign gross exports incorporated within the region as a share of total foreign and domestic value added. See ASEAN+3 Macroeconomic Research Office (2019)

⁷² Zhong, S. and Su, B. (2021). Investigating ASEAN's Participation in Global Value Chains: Production Fragmentation and Regional Integration. *Asian Development Review*, 38(2), pp. 159–188. <https://dx.doi.org/10.1142/S0116110521500025>

⁷³ ASEAN+3 Macroeconomic Research Office (2019)

⁷⁴ According to a report by the ASEAN Secretariat, 30% of large importers and 23% of large exporters (i.e. with more than 200 employees) in ASEAN are foreign-owned. It is unclear how foreign ownership is defined, but it reinforces the notion that a sizeable share of ASEAN's trade involves multinational companies plugged into global supply chains. OECD and ASEAN (2022). *ASEAN SMEs' Integration in Global Value Chains (GVCs): Opportunities and Challenges in Response to COVID-19*. <https://asean.org/wp-content/uploads/2022/11/ASEAN-SMEs-Integration-in-GVCs.pdf>

⁷⁵ Rattanakhamfu, S. and Tangkitvanich, S. (2018). Innovation Policy in Thailand. In: M. Ambashi, ed. (2018). *Innovation Policy in ASEAN*. Jakarta: Economic Research Institute for ASEAN and East Asia, pp. 218–246

⁷⁶ ASEAN+3 Macroeconomic Research Office (2019)

⁷⁷ For further reading, see Azizi, A. H. (2025a). Increasing Intra-ASEAN Trade (Part 1): The Production Logic. Kuala Lumpur: Khazanah Research Institute. <https://www.krinstitute.org/publications/increasing-intra-asean-trade-part-1-the-production-logic>

⁷⁸ Ng et al. (2026)

⁷⁹ CARI Southeast Asia (2021). *The ASEAN Non-Tariff Measures, Services and Investment Restrictiveness Tracker*. <https://cariasean.org/the-asean-non-tariff-measures-services-and-investment-restrictiveness-tracker/>

⁸⁰ United Nations Conference on Trade and Development (2013). *Classification of Non-Tariff Measures*. https://wits.worldbank.org/wits/docs/multi-agency_classification_of_ntms.pdf

⁸¹ United Nations Conference on Trade and Development (2019). *Trade costs of non-tariff measures now more than double that of tariffs*. <https://unctad.org/news/trade-costs-non-tariff-measures-now-more-double-tariffs>

⁸² Yuvejwattana, S. and Kok, L. C. (2026). "Thailand and Malaysia Reach Deal to End Seafood Trade Spat". *Bloomberg*, 9 July. <https://www.bloomberg.com/news/articles/2026-07-09/thailand-and-malaysia-reach-deal-to-end-seafood-trade-spat>

⁸³ ASEAN (2018). *Guidelines for the Implementation of ASEAN Commitments on Non-Tariff Measures on Goods*. <https://asean.org/wp-content/uploads/2022/03/Guidelines-for-the-Implementation-of-ASEAN-Commitments-on-Non-Tariff-Measures-on-Goods.pdf>

⁸⁴ For an exploration of ASEAN's commitments to reducing non-tariff measures in the context of RCEP and related FTAs, see Singh, J. (2022). *RCEP: One Small Step, not a Giant Leap, for Trade and Growth in Malaysia*. Kuala Lumpur: Research for Social Advancement (REFSA). https://refsa.org/wp-content/uploads/2022/02/REFSA-Brief_Issue-13_RCEP.pdf

⁸⁵ See, for example, Ing, L. Y., Fernandez de Córdoba, S. and Cadot, O. (2018). *Non-Tariff Measures in ASEAN*. Jakarta: Economic Research Institute for ASEAN and East Asia; and Asian Trade Center (2019). Non-Tariff Barriers (NTBs) in ASEAN and their elimination from a business perspective. <https://trungtamwto.vn/file/19104/NTBs-Study%20Report%20June%202019.pdf>

⁸⁶ Author's calculations based on UNCTAD TRAINS database.

⁸⁷ ASEAN (2009b). *ASEAN Trade in Goods Agreement*. <https://asean.org/wp-content/uploads/2021/09/22223.pdf>

⁸⁸ Christy, J., Vergano, P. R. and Dolle, T. (2026). *The ASEAN Trade in Goods Agreement gets an 'upgrade': Meaningful change or less commitment to regional integration?* Brussels: FratiniVergano. <https://www.lexology.com/library/detail.aspx?g=03824a86-ecc1-430a-897f-aa738461e54d>

⁸⁹ ASEAN Geoeconomics Task Force (2025). *This Time It Is Different: ASEAN's Agency in Shaping The New Global Agenda*. asean.org/wp-content/uploads/2026/01/AGR-Final-190126_260119_121311_-upload.pdf

⁹⁰ ASEAN (2021)

⁹¹ ASEAN (2026a). *ASEAN Legal Instruments*. <https://agreement.asean.org/>

⁹² ASEAN (2021)

⁹³ ASEAN Geoeconomics Task Force (2025)

⁹⁴ Pitsuwan, S. (2017). ASEAN After 50 and Beyond: A Personal Perspective. In: S. Pitsuwan, H. Nishimura, P. Intal, K. Chongkittavorn and L. Maramis, eds. (2017). *The ASEAN Journey: Reflections of ASEAN Leaders and Officials*. Jakarta: Economic Research Institute for ASEAN and East Asia, pp. 139–146

⁹⁵ ASEAN Geoeconomics Task Force (2025)

⁹⁶ As covered in chapters on technical barriers to trade and sanitary and phytosanitary standards.

⁹⁷ EUROCHAM Malaysia (2023). *MITI Outreach Session on Advantages of CPTPP and RCEP*. <https://www.eurocham.my/past-events/?pagedetail=4593>

⁹⁸ ASEAN Geoeconomics Task Force (2025); Singh (2022); and Armstrong, S. and Drysdale, P. (2022). *The Implications of the Regional Comprehensive Economic Partnership (RCEP) for Asian Regional Architecture*. Jakarta: Economic Research Institute for ASEAN and East Asia. [https://www.eria.org/uploads/The-Implications-of-the-Regional-Comprehensive-Economic-Partnership-\(RCEP\)-for-Asian-Regional-Architecture.pdf](https://www.eria.org/uploads/The-Implications-of-the-Regional-Comprehensive-Economic-Partnership-(RCEP)-for-Asian-Regional-Architecture.pdf)

⁹⁹ From January 2023 to June 2025, RCEP accounted for less than 1% of total export value and certificates of origin issued respectively across all of Malaysia's regional. Author's calculations based on data from Ministry of Investment, Trade and Industry, Government of Malaysia (2026a). *Stats@MITI: Preferential Certificates of Origin*. <https://www.miti.gov.my/index.php/pages/view/8789>

¹⁰⁰ ASEAN (2026b). *Joint Media Statement of the Thirty-Fifth Meeting of the ASEAN Directors-General of Customs*. <https://asean.org/wp-content/uploads/2026/06/Joint-Media-Statement-35th-ASEAN-Directors-General-of-Customs-Meeting-Adopted.pdf>

¹⁰¹ ASEAN (2020). *ASEAN Customs Transit System (ACTS)*. <https://acts.asean.org/acts>

¹⁰² This includes the following key principle that has not been comprehensively internalised in recent trade disputes in Southeast Asia: “processes to develop non-tariff measures should be transparent, consultative (including with business and other affected stakeholders) and timely, resulting in predictable, coherent, and non-discriminatory application; and information about non-tariff measures should be publicly available.” Asia-Pacific Economic Cooperation (2018). *Annex A: Cross Cutting Principles on Non-Tariff Measures (NTMs)*. <https://www.apec.org/meeting-papers/annual-ministerial-meetings/2018/2018-amm/cross-cutting-principles-on-non-tariff-measures>

¹⁰³ Ministry of Industry and Trade, Government of Vietnam (2024). *ASEAN looks to improve the “ASEAN Solutions for Investment, Services and Trade (ASSIST)”*. <https://vntr.moit.gov.vn/news/asean-looks-to-improve-the-asean-solutions-for-investment-services-and-trade-assist?page=8>

¹⁰⁴ OECD (2026). *Digital Trade Review of the Association of Southeast Asian Nations*. <https://doi.org/10.1787/abd6f44a-en>

¹⁰⁵ ASEAN (2026c). *ASEAN e-commerce: key documents*. <https://asean.org/our-communities/economic-community/asean-e-commerce/key-documents/>

¹⁰⁶ OECD (2026)

¹⁰⁷ Purwanto, N. M. A. and Xu, Y. (2026). *ASEAN’s Digital Payment Revolution: A New Frontier for Regional Integration*. Washington, D.C.: International Monetary Fund. <https://www.imf.org/en/-/media/files/publications/selected-issues-papers/2026/english/sipea2026013.pdf>

¹⁰⁸ United States Department of State (2024). *The United States-ASEAN Relationship*. <https://2021-2025.state.gov/the-united-states-asean-relationship-3/>

¹⁰⁹ Ministry of Investment, Trade and Industry, Government of Malaysia (2026b). *Preferential Certificate of Origin (PCO)*. <https://www.miti.gov.my/index.php/pages/view/3911>

¹¹⁰ ASEAN (2026d). *ASEAN Single Window: Overview of the Sector*. <https://asean.org/our-communities/economic-community/asean-single-window/>

¹¹¹ EY (2018). *Guia de Negocios e Inversion de La Alianza del Pacifico 2018–2019*. https://cdn.www.gob.pe/uploads/document/file/205437/Guia_de_la_Alianza_de_Pacifico_2018-2019.pdf?v=1594247895

¹¹² “New trade theory” is a composite of theories on intra-industry trade and strategic trade developed by several economists, including James Brander, Barbara Spencer, Herb Grubel, Peter Lloyd and Avinash Dixit, but popularised by Paul Krugman in the 1970s. For more information on the development of the theory, see Kibritcioglu, A. (2002). On the Smithian origins of “new” trade and growth theories. *Economics Bulletin*, 2(1), pp. 1–15. <http://www.accessecon.com/pubs/EB/2002/volume2/EB-02B00001A.pdf>

¹¹³ Krugman, P. (1983). New Theories of Trade Among Industrial Countries. *The American Economic Review*, 73(2), pp. 343–347. <https://www.jstor.org/stable/1816867>

¹¹⁴ Havrylyshyn, O. and Engin, C. 1985. Intra-industry trade among developing countries. *Journal of Development Economics*, 18(2-3), pp. 253–271. [https://doi.org/10.1016/0304-3878\(85\)90057-4](https://doi.org/10.1016/0304-3878(85)90057-4)

¹¹⁵ Augustin, R. (2019). “Kedah-Perlis rail link better than ECRL to boost trade, expert says”. *Free Malaysia Today*, 9 January. <https://www.freemalaysiatoday.com/category/nation/2019/01/09/kedah-perlis-rail-link-better-than-ecrl-to-boost-trade-expert-says>

¹¹⁶ Songkhla province has the largest economic output of any first-level subdivision in southern Thailand and is responsible for half of Thailand’s border trade through two customs houses in Padang Besar and Sadao. Romyen, A., Liu, J., Sriboonchitta, S., Cherdchom, P., and Prommee, P. (2019). Assessing Regional Economic Performance in the Southern Thailand Special Economic Zone Using a Vine-COPAR Model. *Economies*, 7(2), 30. <https://doi.org/10.3390/economies7020030>

¹¹⁷ BERNAMA (2026). “Melaka Reaffirms Commitment to Expedite Port Development for RoRo Service to Dumai”. *BERNAMA*, Jan 27. <https://www.bernama.com/en/news.php?id=2517513>

¹¹⁸ Enterprise Singapore, Government of Singapore (2026). *About the Johor-Singapore Special Economic Zone*. <https://www.enterprisesg.gov.sg/js-sez/about>

¹¹⁹ Guina (2023)

¹²⁰ Ten, M. (2026). “Abd Karim: BIMP-EAGA should adopt S’wak’s Statos model, consider regional offices to boost economic, tourism devt”. *Borneo Post*, 24 June. <https://www.theborneopost.com/2026/06/24/abd-karim-bimp-eaga-should-adopt-swaks-statos-model-consider-regional-offices-to-boost-economic-tourism-devt/>

¹²¹ BIMP-EAGA (2025). *Joint Statement*. <https://asean.org/wp-content/uploads/2025/06/FINAL-27-MAY-2025-16th-BIMP-EAGA-SUMMIT-JOINT-STATEMENT-noheader.pdf>

¹²² Shepherd, B. (2025). Trade Facilitation in ASEAN: Achievements and Challenges. In: A.D. Rillo and B. Shepherd, eds. (2025). *Where Next? Priorities for the ASEAN Economic Community Post-2025*. Jakarta: Economic Research Institute for ASEAN and East Asia, pp. 258–279

¹²³ ASEAN (2024a). *Strengthening the Quality Infrastructure in ASEAN*. <https://asean.org/wp-content/uploads/2024/09/2.-Strengthening-the-Quality-Infrastructure-in-ASEAN-.pdf> and ASEAN (2024b). *Enhancing Capabilities of Public and Private Sector to Implement Regional Digital Agenda for CLMV Countries*. <https://asean.org/wp-content/uploads/2024/04/3.-Enhancing-Capabilities-of-Public-and-Private-Sector.pdf>. At the same time, the more developed ASEAN nations appear to be involved mainly in one-off workshops at best. For instance, Singapore is leading a small-scale series of workshops to equip policymakers in Cambodia, Laos, Myanmar and Vietnam with tools to navigate international standards in digital trade.

¹²⁴ Jhamb, H. and Singh, M. (2018). An Analysis of ASEAN Initiatives for Narrowing the Development Gap: Issues and Challenges. *International Journal on Arts, Management and Humanities*, 7(1), pp. 136–143

¹²⁵ ASEAN (2012). *Terms of Reference of the ASEAN Development Fund (ADF)*. https://www.asean.org/wp-content/uploads/images/2013/political/revised%20adf%20tor%20-%20endorsed%20by%2019_2012%20cpr%20meeting.pdf

¹²⁶ Thanh, V. T. (2013). Effectiveness of Initiative for ASEAN Integration. In: Das, S. B. (2013). *ASEAN Economic Community Scorecard: Performance and Perception*. Singapore: ISEAS–Yusof Ishak Institute, pp. 182–203; and Asian Development Bank (2023). *Narrowing the Development Gap*. <https://www.adb.org/sites/default/files/publication/884656/narrowing-development-gap-asean-framework.pdf>

¹²⁷ For reading on specific opportunities and challenges in agricultural processing in CLM economies, see ASEAN-Japan Centre (2020). *Global Value Chains in ASEAN: Agribusiness*. https://www.asean.or.jp/main-site/wp-content/uploads/2024/03/GVC_Agribusiness_Paper-15_full_-web.pdf

¹²⁸ For further reading on this vision, see Azizi, A. H. (2025b). Increasing Intra-ASEAN Trade (Part 2): The Developmental Strategy. Kuala Lumpur: Khazanah Research Institute. <https://www.krinstitute.org/publications/increasing-intra-asean-trade-part-2-the-developmental-strategy>

¹²⁹ ASEAN (2025b). *ASEAN Industrial Projects Based Initiative*. <https://asean.org/wp-content/uploads/2025/05/Public-version-AIPBI-brochure-vShared3.pdf>

¹³⁰ Lee, K. (2020). Diverse tools of industrial policy in Korea: A Schumpeterian and capability-based view. In: A. Oqubay, C. Cramer, H.-J. Chang and R. Kozul-Wright, eds. (2020). *The Oxford Handbook of Industrial Policy*. Oxford: Oxford University Press, pp. 661–677

¹³¹ Lee, K. (2024). *Innovation–Development Detours for Latecomers: Managing Global-Local Interfaces in the De-Globalization Era*. Cambridge: Cambridge University Press

¹³² ASEAN (1983). *Basic Agreement on ASEAN Industrial Joint Ventures*. <https://agreement.asean.org/media/download/20190208084721.pdf>

¹³³ Sheng-Yi, L. (1982). *ASEAN Industrial Joint Ventures (AIJV) in the Private Sector*. Vienna: United Nations Industrial Development Organization. https://downloads.unido.org/ot/47/92/4792135/10001-15000_11323.pdf

¹³⁴ Akrasanee, N. and Stifel, D. (1992). The Political Economy of the ASEAN Free Trade Area. In: P. Imada and S. Naya, eds. (1992). *AFTA: The Way Ahead*. Singapore: ISEAS–Yusof Ishak Institute, pp. 27–47

¹³⁵ Naya, S. and Moncur, J. E. T. (1978). Systems modelling for optimum plant location: ASEAN regional industrial projects. *The Developing Economies*, 16(4), pp. 373–384

¹³⁶ Suriyamongkol, M. L. (1988). *Politics of ASEAN Economic Co-operation: The Case of ASEAN Industrial Projects*. Singapore: Oxford University Press

¹³⁷ United Nations Economic and Social Commission for Asia and the Pacific (2009). *Asia-Pacific Trade and Investment Report 2009*. https://www.unescap.org/sites/default/files/0%20-%20Full%20Report_32.pdf

¹³⁸ United Nations Economic and Social Commission for Asia and the Pacific (1999). *Technology Transfer and Technological Capability-Building in Asia and the Pacific*. <https://repository.unescap.org/server/api/core/bitstreams/3793e753-9854-4540-85ee-ed013a75794f/content>

¹³⁹ Ibid

¹⁴⁰ Menon, J. and Lee, C. (2019). *An Evolving ASEAN: Vision and Reality*. Manila: Asian Development Bank

¹⁴¹ Yoshimatsu, H. (2006). Collective Action Problems and Regional Integration in ASEAN. *Contemporary Southeast Asia*, 28(1), pp. 115–140

¹⁴² Ibid

¹⁴³ Das, S. B., Sen, R. and Srivastava, S. (2015). The Feasibility of an ASEAN Customs Union Post-2015. Singapore: ISEAS–Yusof Ishak Institute. https://www.iseas.edu.sg/wp-content/uploads/pdfs/ISEAS_Perspective_2015_13.pdf

¹⁴⁴ Hill, H. and Menon, J. (2010). *ASEAN Economic Integration: Features, Fulfillments, Failures and the Future*. Manila: Asian Development Bank. <https://www.adb.org/sites/default/files/publication/28551/wp69-hill-menon-asean-economic-integration.pdf>

¹⁴⁵ For example, restrictions on technology transfer within the WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights, which are used as a basis for even further constraints in regional free trade agreements. Page, S. (2007). *Policy space: Are WTO rules preventing development?* London: Overseas Development Institute. <https://media.odi.org/documents/106.pdf>

¹⁴⁶ Wolff, A. W. (2026). *Can smaller economies really create a new world trade order? Yes, they can*. Washington, D. C.: Peterson Institute for International Economics

¹⁴⁷ Quah, D. (2026). *Asia’s Evolving Development Landscape: The International Economics of Strategic Interdependence*. <https://www.dannyquah.com/Storage/1772716075-DannyQuah-Asia-Evolving-Landscape-IESI.pdf>

¹⁴⁸ According to international relations professor Mely Cabarellero-Anthony: “*Musyawarah* refers to the process of discussion and consultation; and *muafakat* is decision by consensus reached through the process of *musyawarah* ... Decision-making through *musyawarah* and *muafakat* have been practised by ASEAN particularly in coming out with common stance on regional affairs. For political issues, *muafakat*

is strictly adhered to while a modification of this consensus through a 10-x formula ... is adopted in economic matters. ... The process of decision-making naturally tends to be a long-drawn affair as it can involve a myriad of new positions, proposals, and initiatives, even just on a single issue, being floated for extensive consultations in several informal meetings to ensure that consensus can be reached. Note, however, that disagreements are not totally eliminated.

The importance of this process cannot be ignored ... It provides a way for a minority state to affirm its position without having to be dominated by the views of the majority. It is also valuable when one recognizes the fact that each member state has an equal voice, regardless of its size and economic power.”

For further reading, see Caballero-Anthony, M. (2005). *Regional Security in Southeast Asia: Beyond the ASEAN Way*. Singapore: ISEAS–Yusof Ishak Institute.

¹⁴⁹ Gange, J. (1964). The Southeast Asian Cockpit. *The Annals of the American Academy of Political and Social Science*, 351(1), pp. 58–71

¹⁵⁰ Myrdal, G. (1968). *An Asian Drama. An Inquiry into the Poverty of Nations*. New York: Pantheon Books

¹⁵¹ Khoo, L. (2026). “ASEAN Targets Intra-regional Trade To Reach 30 Pct By 2030 - Mohamad Hasan”. *BERNAMA*, 8 May. <https://asean.bernama.com/news.php?id=2554305>

¹⁵² Tadem (2014)

¹⁵³ ASEAN (2025a)

¹⁵⁴ UN Global Survey on Digital and Sustainable Trade Facilitation (2026). *Digital and Sustainable Trade Facilitation*. <https://www.untfsurvey.org/>

¹⁵⁵ Ibid



INSTITUTE OF STRATEGIC &
INTERNATIONAL STUDIES
(ISIS) MALAYSIA

Address 1, Persiaran Sultan Salahuddin,
50480 Kuala Lumpur, Malaysia
Phone 603 2693 9366
E-mail info@isis.org.my

 www.isis.org.my |  [ISIS_MY](#)

 [ISISMalaysia](#) |  [isis-malaysia](#)

 [isis_malaysia](#)