

A decorative background image featuring a blue-toned, futuristic cityscape with glowing lines and structures, overlaid on a circuit board pattern.

ASEAN between the US and China

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Regional Outlook Forum, Singapore, 10 January 2024

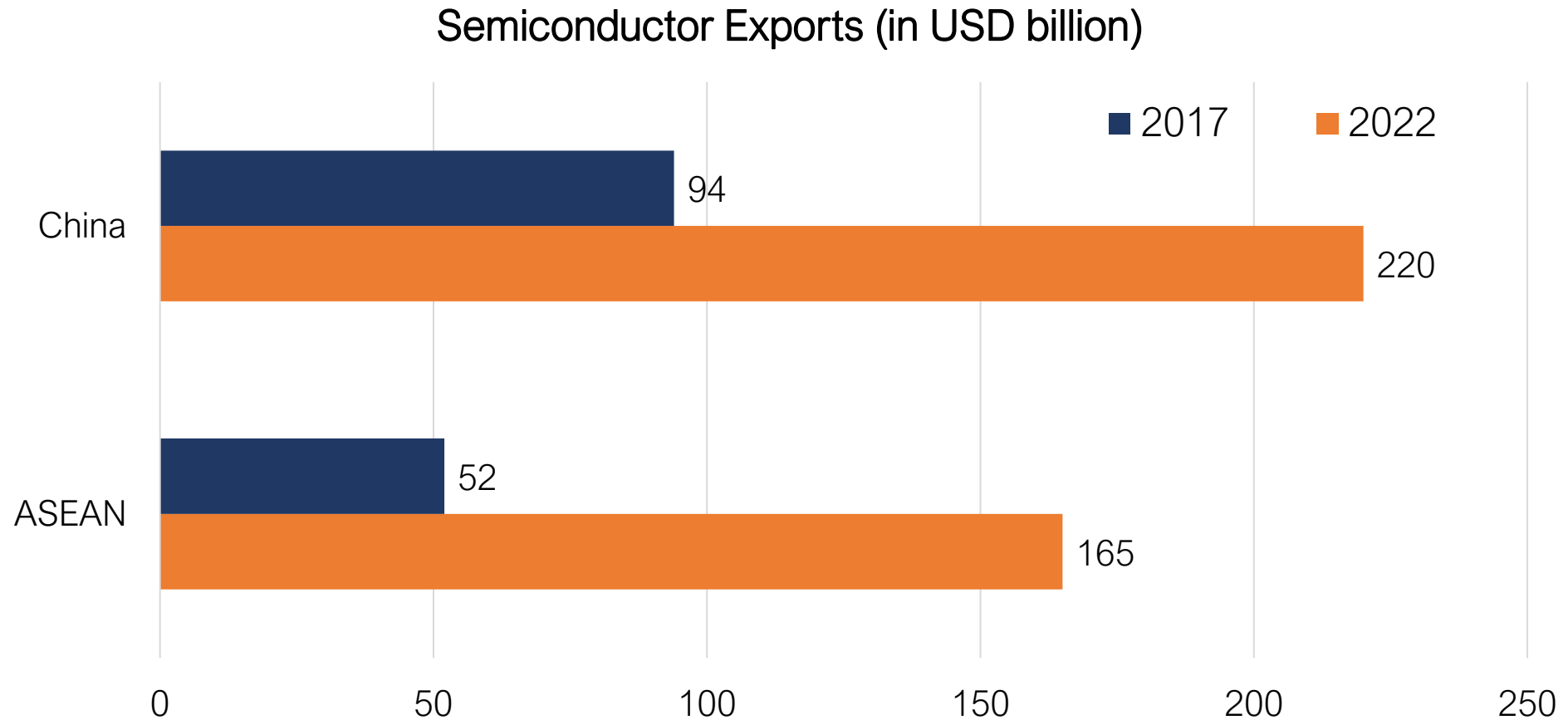
Global Trade Outlook

Rising protectionism continues...

- Geopolitical tensions
 - US —China trade tensions (now extended to technology, strategic industries, and security)
 - US's Friend shoring strategy—China's Dual Strategy
- Rising anti-globalization and protectionism
 - Stalled Multilateral Trading System (WTO)
 - Trade coercions, sanctions, and protectionism
 - Fragmented Value Chains

ASEAN's Potentials

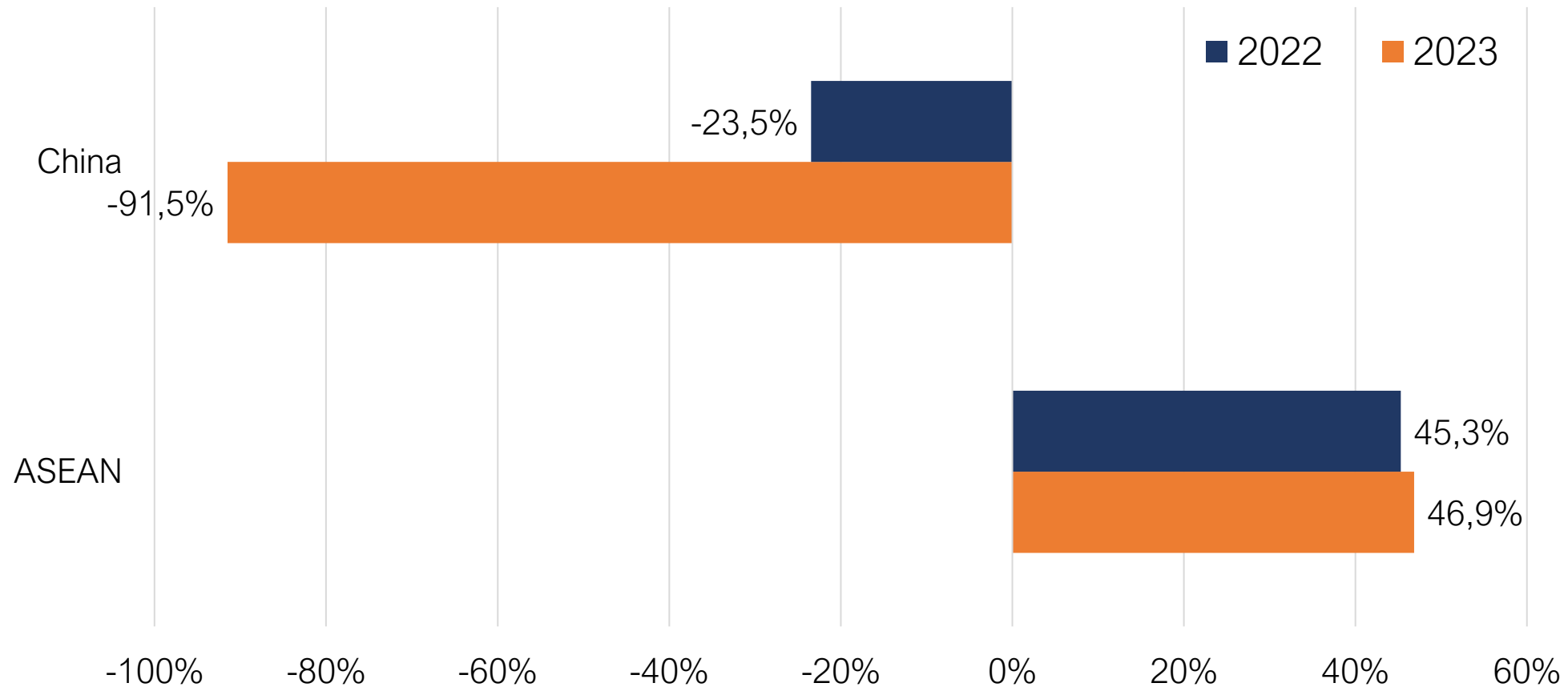
ASEAN's Potential in Semiconductor



Source: WITS Database [accessed 12 September 2023], semiconductor exports: HS 8541 and 8542

Changes in FDI, after and before US—China tensions

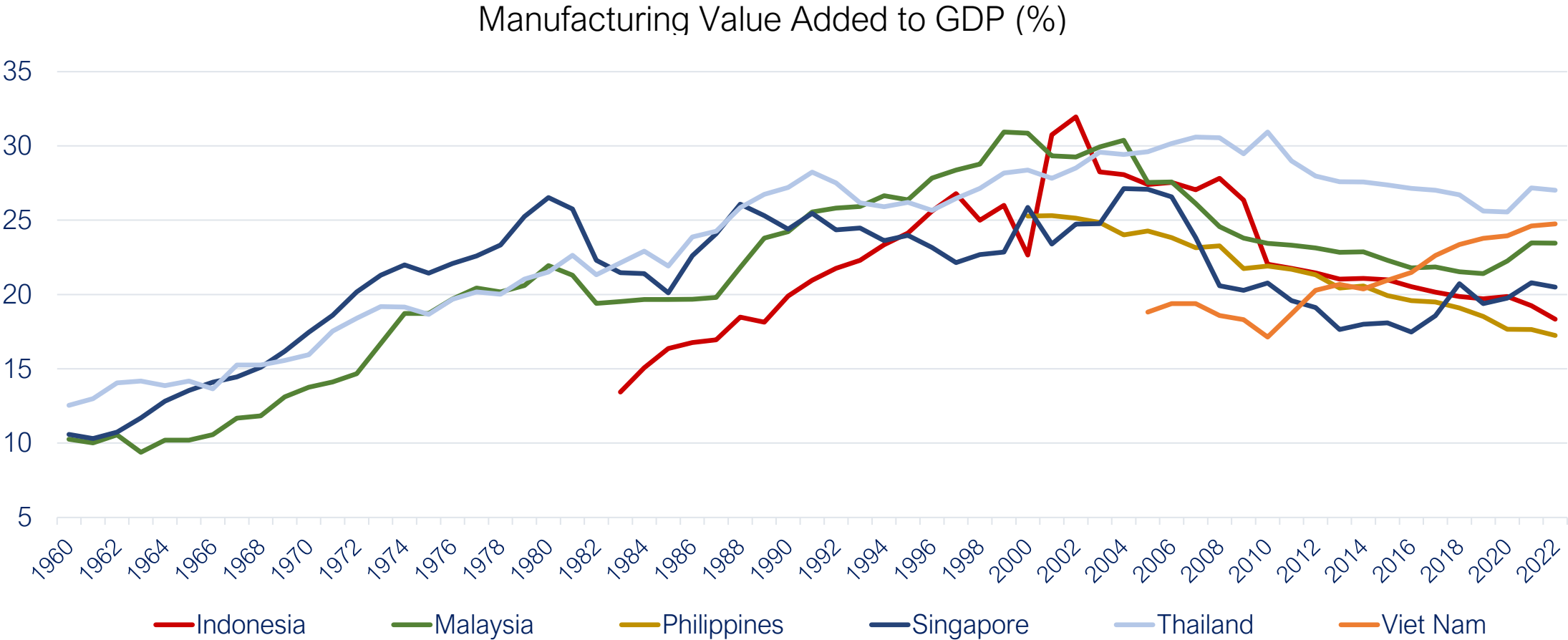
2022 and 2023 compared to 2018



Source: ERIA Staff Calculations from EIU Database [accessed 8 January 2024]

Challenges for ASEAN

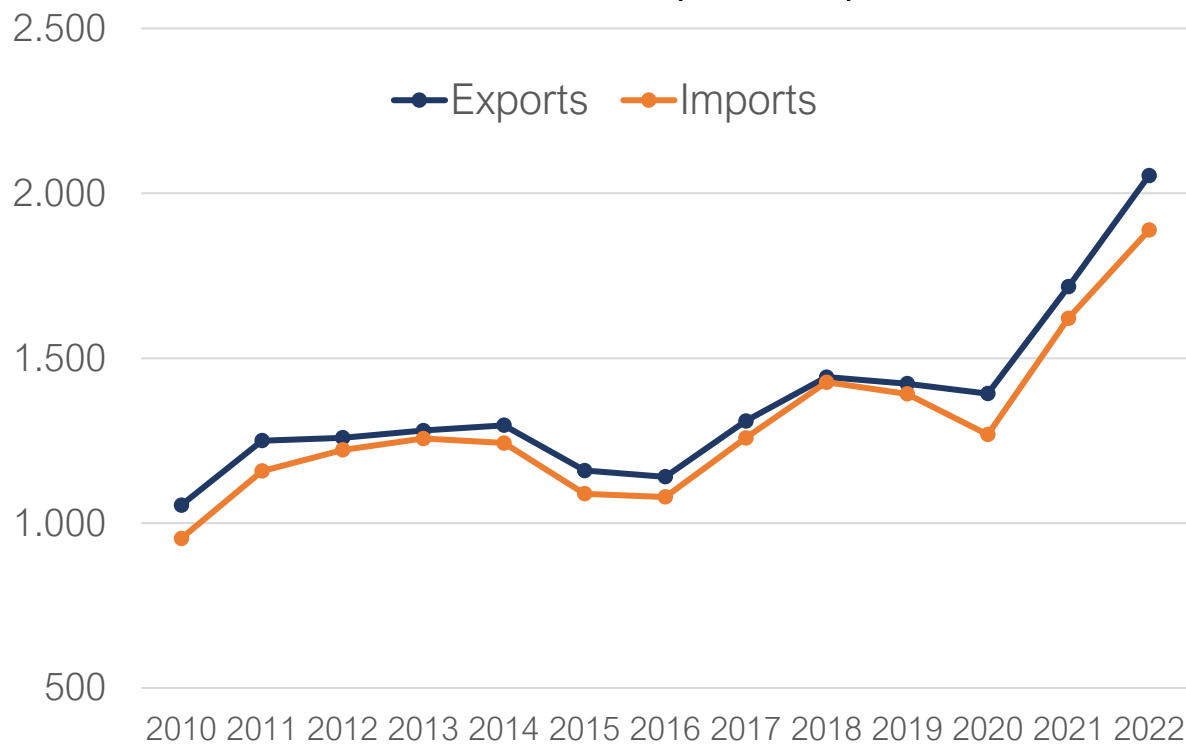
Challenge 1: Level up manufacturing value added?



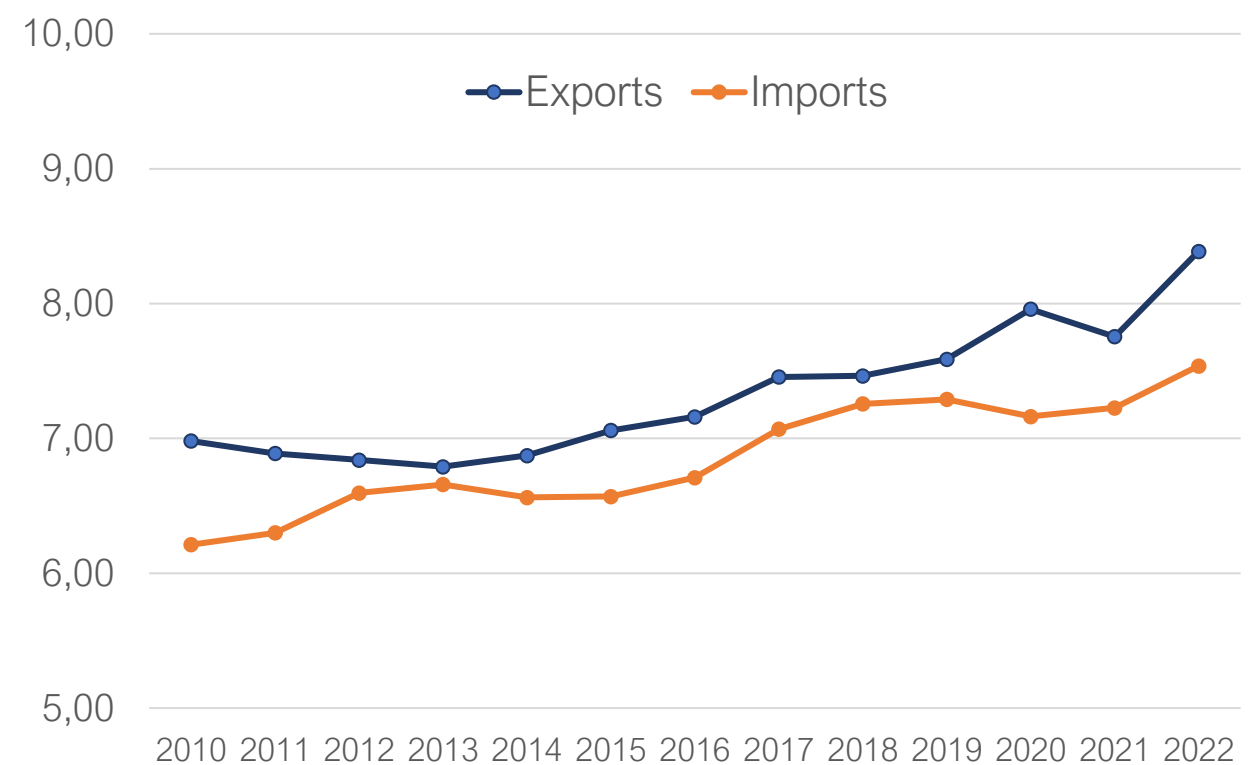
Source: World Development Indicators, World Bank [accessed 31 October 2023]

30% of ASEAN's exports are still resource intensive

Value of Total ASEAN's Exports and Imports to the World (USD bn)



ASEAN's Shares to the World Trade (%)



Source: International Trade Center, 2023 [accessed 23 October 2023]

Challenge 2: ASEAN Self Inflicted Political Pain

Consequences on economic policies

Despite ASEAN promising economy and potentials, there have been growing concerns on ASEAN trade and investment policies and regulations

- Export and import bans
- Local Content Requirements (LCRs)
- Investment barriers (foreign equity and board of directors)
- Picking Winner policies (prioritizing specific industries)
- Non-automatic licensing system

Way Forward

Way Forward

Maintain neutral ground of ASEAN and improve cooperation

1. Deepen trade and investment ties with existing and potential partners

- Ensure the effective functioning of the multilateral trading system
- Optimize the use of ASEAN FTAs: Intra ASEAN, ASEAN+1 FTAs, and the RCEP

2. Improve trade and investment climate

- Create conducive environment to all sectors and industries (*Not picking the winners*)
- Improve transparency in licensing, permits, and regulatory process by implementing corporate governance standards

3. Optimize the use of digital technologies and ensure sustainability

- Optimize the use of digital technologies to increase productivity
- Invest in physical and digital connectivity (develop, upgrade, and decarbonize ports, shipping, logistics, electricity, and data center infrastructure)



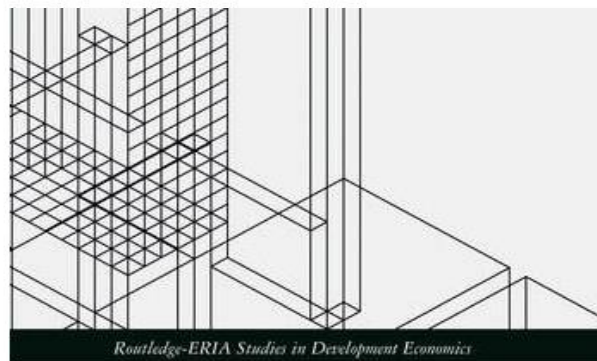
New Normal, New Technologies, New Financing

Edited by Lili Yan Ing and Dani Rodrik



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Thank You

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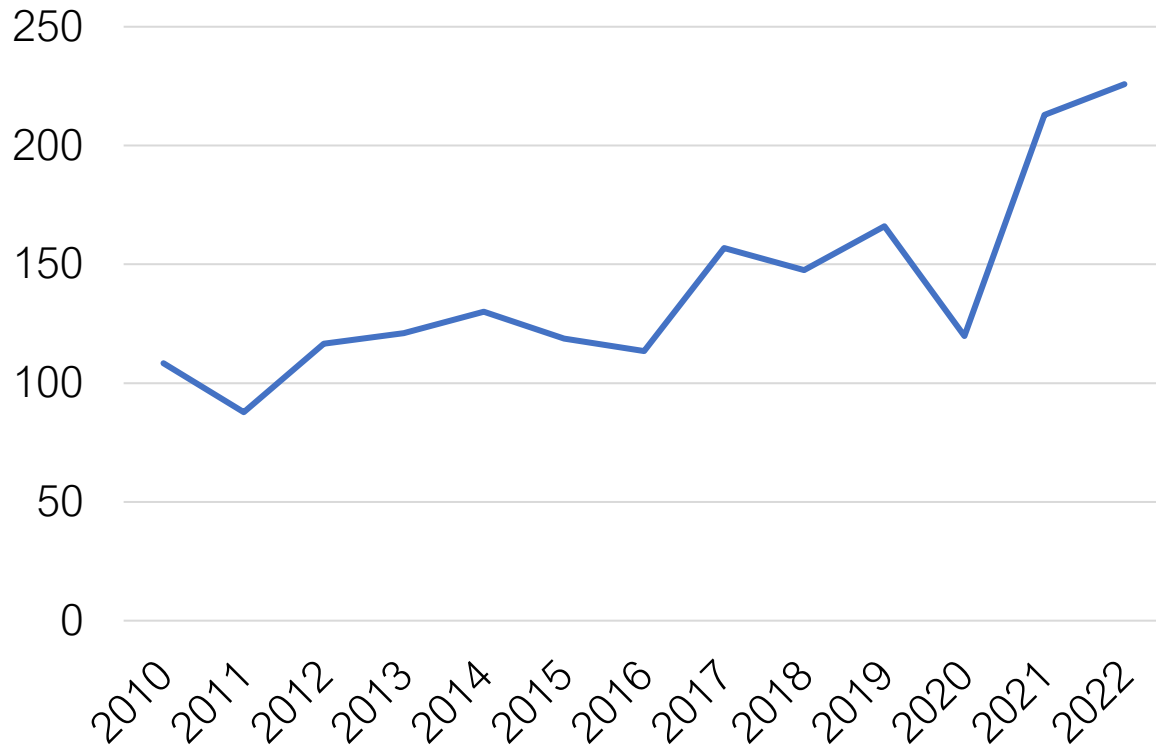
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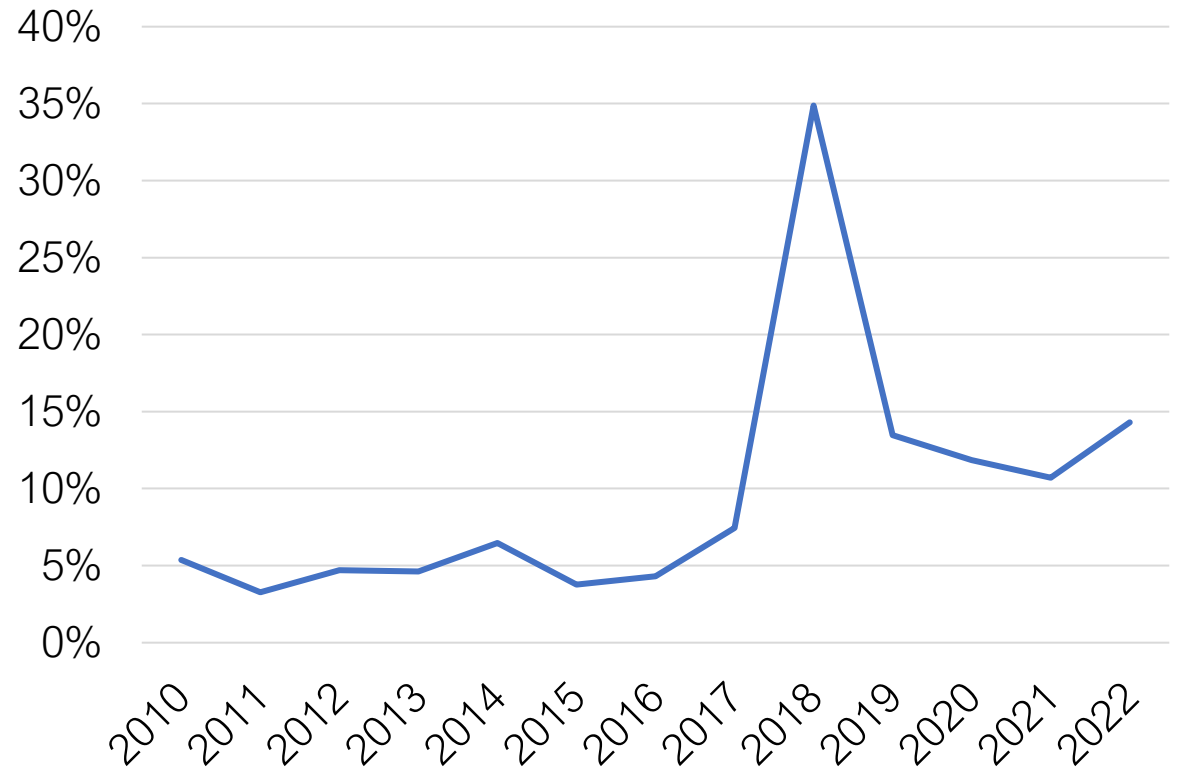
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ASEAN's Foreign Direct Investment

Value of Total ASEAN's FDI from the World
(USD bn)



Share of ASEAN FDI to World's Total FDI
(%)



Source: ASEANStat [accessed 8 January 2024]

Challenges (1): Level up Value Added of ASEAN Exported Products

Main Exported Products of Selected ASEAN Countries in 2023*

Thailand:



Electronic machinery	(18%)
Nuclear reactors	(14%)
Vehicle	(12%)
Rubber	(6%)
Pearls, stones, metals	(5%)
The rest	(45%)

Viet Nam



Computer products	(16%)
Telephones, mobile phone	(15%)
Machine equipment	(12%)
Textile and garments	(9%)
Footwear	(6%)
The rest	(42%)

Cambodia:



Articles of apparel, knitted	(24%)
Electronic machinery	(14%)
Articles of apparel, not knitted	(10%)
Cereals	(7%)
Articles of leather	(7%)
The rest	(38%)

Singapore:



Electronic machinery	(29%)
Petroleum products	(13%)
Oil bunkers	(6%)
Telecommunications & sound	(4%)
Professional scientific instruments	(4%)
The rest	(45%)

Malaysia:



Electronic machinery	(38%)
Mineral fuels/oils	(17%)
Nuclear reactors	(8%)
Animal or vegetable oils	(5%)
Optical, photographic	(4%)
The rest	(28%)

Philippines:



Electronic components	(45%)
Electronic data processing	(6%)
Other manufacturers	(5%)
Mineral products	(5%)
Ignition wiring sets	(4%)
The rest	(35%)

Indonesia:



Mineral fuels, oils	(20%)
Mineral exc. oils/gas	(14%)
Animal or vegetable oils	(10%)
Iron and steel	(9%)
Electronic machinery	(5%)
The rest	(43%)



Source: ERIA Staff Calculations based on Statistics Office of each country and CEIC Database [accessed January 2024]
Notes: *Data for Indonesia, Malaysia, Singapore, and Thailand are from Jan-Nov 2023; for Philippines are from Jan-Oct 2023; and for Viet Nam are from Jan-Dec 2023.