



Opinions

Towards Advanced Korea-ASEAN Economic Cooperation in Turbulent Times



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As Trump, who has promised to impose 60% tariffs on Chinese imports, takes office, the US-China trade war and the fragmentation of the global economy are expected to intensify. At this point of heightened global uncertainties, it is necessary to examine the future of Southeast Asia's economy and the direction of future cooperation between Korea and ASEAN.

Under the Trump administration, Southeast Asian countries are expected to face both opportunities and risks. In a scenario where the U.S. is expected to strengthen its policy to contain China, Southeast Asia may emerge as a China's bypass export destination or a production base replacing China, while also potentially becoming a target for U.S. containment measures against China. In reality, it is observed that Southeast Asia countries are moving to taking advantage of this opportunity. Leveraging the US-China competition, these countries are putting forward policies to attract foreign direct investment (FDI) as an alternative investment destination for China. However, it is necessary to reconsider the economic effects of attracting FDI in these turbulent times.

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Meanwhile, major Southeast Asian countries have experienced economic growth driven by foreign direct investment (FDI) from multinational companies, recognizing it as a key factor in their development. However, in the process of supply chain decoupling, FDI from certain countries could determine which side of the supply chain Southeast Asian countries join, possibly contrary to its intention. For Southeast Asian nations, excluding Singapore, which lack advanced technologies and high-quality human resources, their participation in global supply chains largely depends on the countries from which they attract investments.

In relation to the risks that may arise from the U.S.-China conflict, some of the concerns are already becoming a reality. For example, the U.S. government has been monitoring a surge in solar imports from Southeast Asia following its decision to raise tariffs on Chinese solar modules. Moreover, the U.S. has not extended tariff exemptions to four Southeast Asian countries—Thailand, Vietnam, Malaysia, and Cambodia—in an effort to block indirect exports. As a result, Chinese companies that set up solar module factories in Southeast Asia to bypass sanctions have reportedly been considering suspending or relocating their operations. In another example, the U.S. is considering additional sanctions that would impose export quotas on AI semiconductors to countries in the Middle East and Southeast Asia, excluding close US allies, due to concerns about the leakage of advanced semiconductor technologies to China. This could disrupt the industrial plans of countries like Malaysia, which are striving to position themselves as AI data center hubs.

Currently, Southeast Asian countries are highly dependent on external trade and foreign investments, making the region vulnerable to global uncertainties. The trade pattern in the region is primarily characterized by importing intermediate goods from China and exporting final goods to the United States. For Southeast Asia, therefore, maintaining economic cooperation with both the U.S. and China is crucial to ensure the stability of international trade. The escalating U.S.-China trade conflict inevitably leads to instability in the region's supply chain. Additionally, since the region's trade structure results in a trade surplus with the U.S. and a trade deficit with China, trade pressures are expected to intensify on countries with trade surpluses with the U.S., such as Vietnam, Indonesia, Malaysia, and Thailand under the administration of President Trump. Southeast Asia's high reliance on intermediate goods imports from China suggests that they will likely be included in U.S. policies aimed at containing China.

After all, it is important to increase the proportion of intra-ASEAN trade amid rising U.S.-China tensions. As global uncertainties grow, advancing the ASEAN Economic Community (AEC) becomes increasingly critical. To secure the resilience of the supply chains Korea participate in, the advancement of the AEC must be a prerequisite. However, despite ongoing efforts to

build the AEC as a single market and product base, the share of intra-ASEAN trade has remained largely unchanged over the past two decades, accounting for about 22% of total trade in 2023, with non-ASEAN trade making up the remaining 78%.

Against this backdrop, the main focus of our strategy toward ASEAN should be to support the construction of the ASEAN Economic Community. Our government should emphasize its commitment to the realization of the ASEAN Community on the global stage and contribute substantially to its achievement. Japan has strongly emphasized its support for the ASEAN Community as a central diplomatic strategy. In contrast, the previously announced Korea-ASEAN Solidarity Initiative (KASI) lacks specific proposals for supporting the realization of the ASEAN Economic Community (AEC). Our government needs to make it more explicit that KASI will support the AEC. For instance, we could explore options such as providing financial support for feasibility studies and pilot projects aimed at linking supply chains within ASEAN. It is essential to promote practical contributions to the AEC's progress and seek more specific cooperation between Korea and ASEAN in such a process.

At another level of supporting AEC, it is important to focus on cooperation related to human resource development in Southeast Asia. The region faces the dual challenge of achieving economic growth while addressing its rapidly aging population. To tackle this issue and promote the AEC, facilitating labor mobility within ASEAN is crucial. Therefore, we need to consider ways to increase labor exchanges between Korea and Southeast Asia while supporting the facilitation of labor movement within ASEAN. These efforts will not only strengthen supply chain cooperation with Southeast Asia, but also help us address our aging problem. A priority should be to support local workforce development programs in sectors where Southeast Asia's labor demands align with the needs of Korean businesses. To enhance human exchanges between Korea and ASEAN, it is recommended to include provisions for the mobility of skilled professionals in the Korea-ASEAN FTA upgrade negotiations. Furthermore, cooperation on human resource training and expert exchanges should be integrated into the "Economic Cooperation" chapter of the agreement. This would help build a more integrated labor market and foster deeper economic ties. [KIEP](#)