

IIMA's International Financial Symposium

Fragmenting Global Economy:
Opportunities and Challenges for Asean

Tokyo

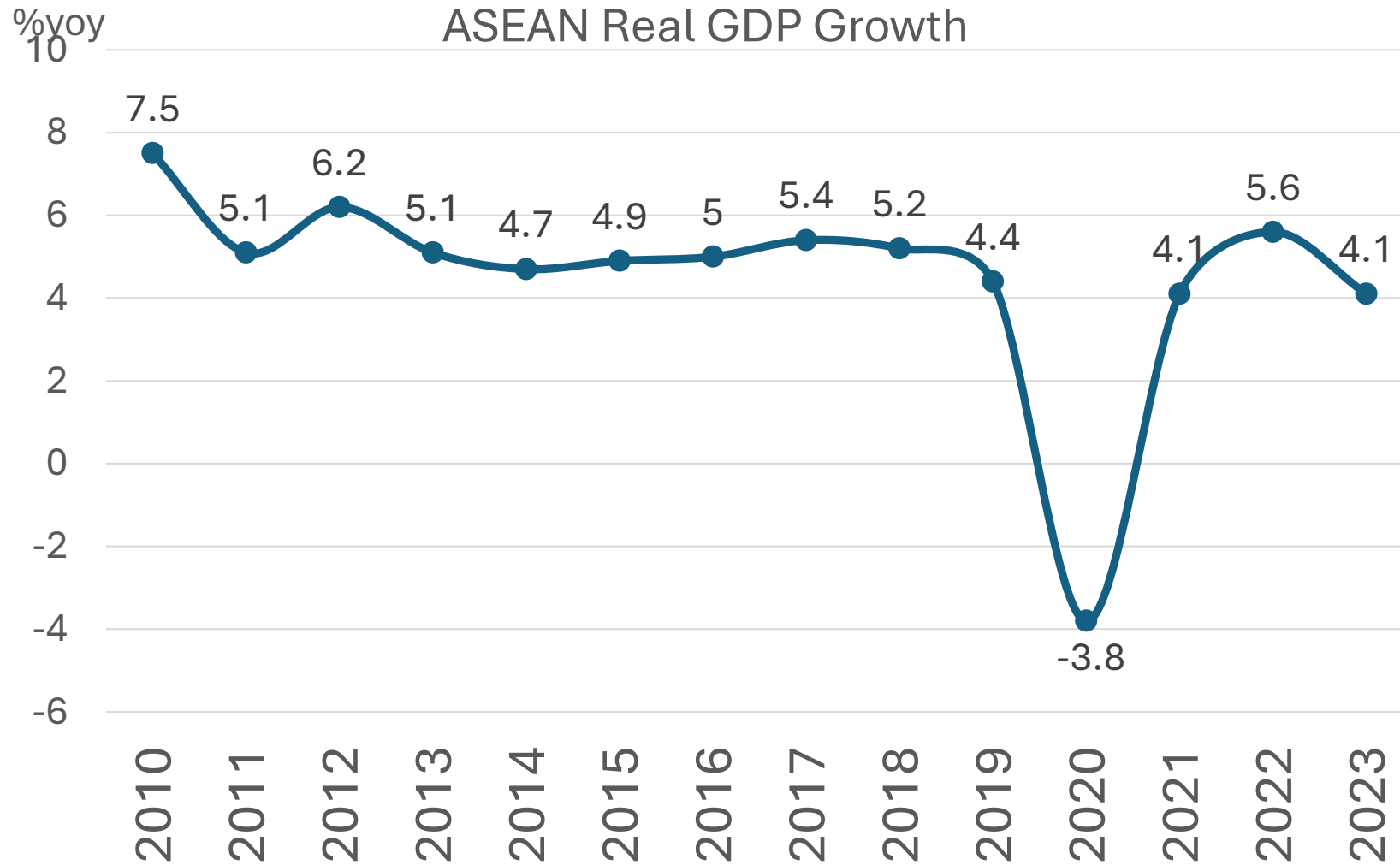
3 March 2025

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Some salient features of Asean

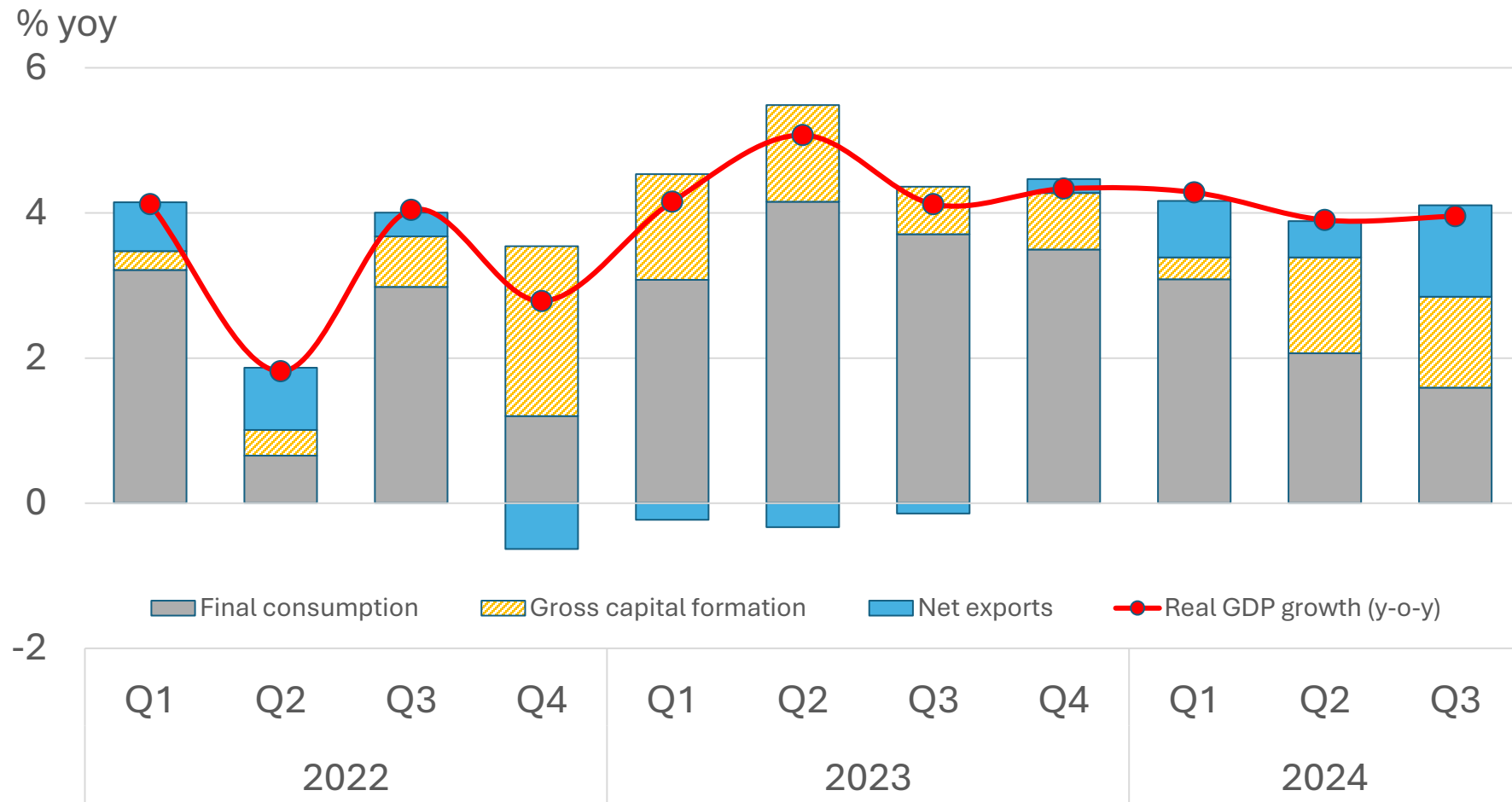
- big market with 670 million population and gdp of \$3.8tril in 2023, 3th and 5th largest in the world respectively
- resilient economies from major reforms after Asian crisis.
- strategic location with trading as a major driver, trade in goods \$3.5 tril, trade in services 1tril in 2023
- no major conflicts internally nor externally in the last 50 years. The last war was the Vietnam war, ended in 1975
- navigated through geopolitical conflicts throughout the years
- extra Asean FDI flows reach over \$200 billion in 2023, about 17% of global FDIs

ASEAN Real GDP Growth



Source: ASEAN Statistical Highlights 2024

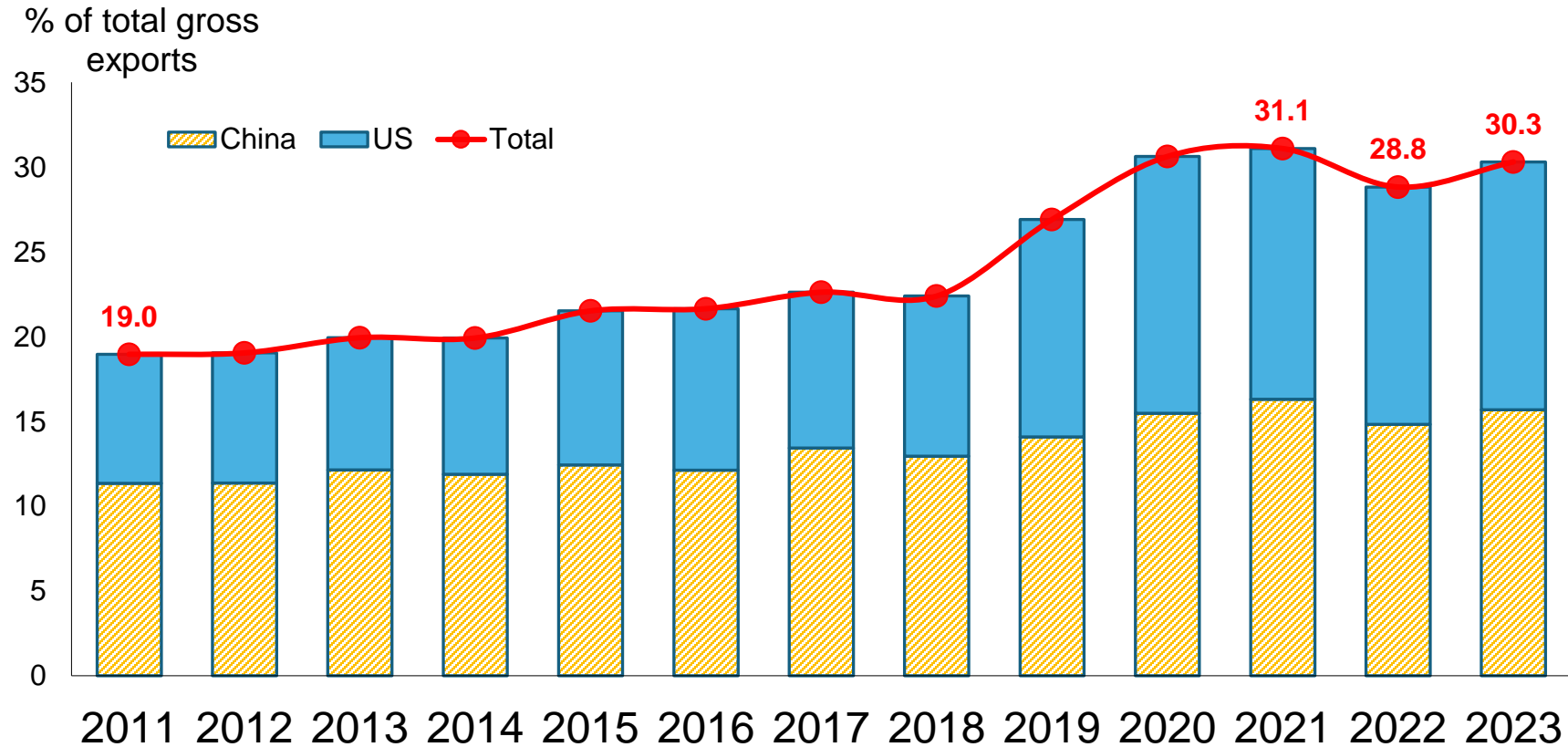
Selected ASEAN: Contribution to Real GDP Growth



Source: AMRO

Note: Excludes Cambodia, Lao PDR, Myanmar, and Vietnam.

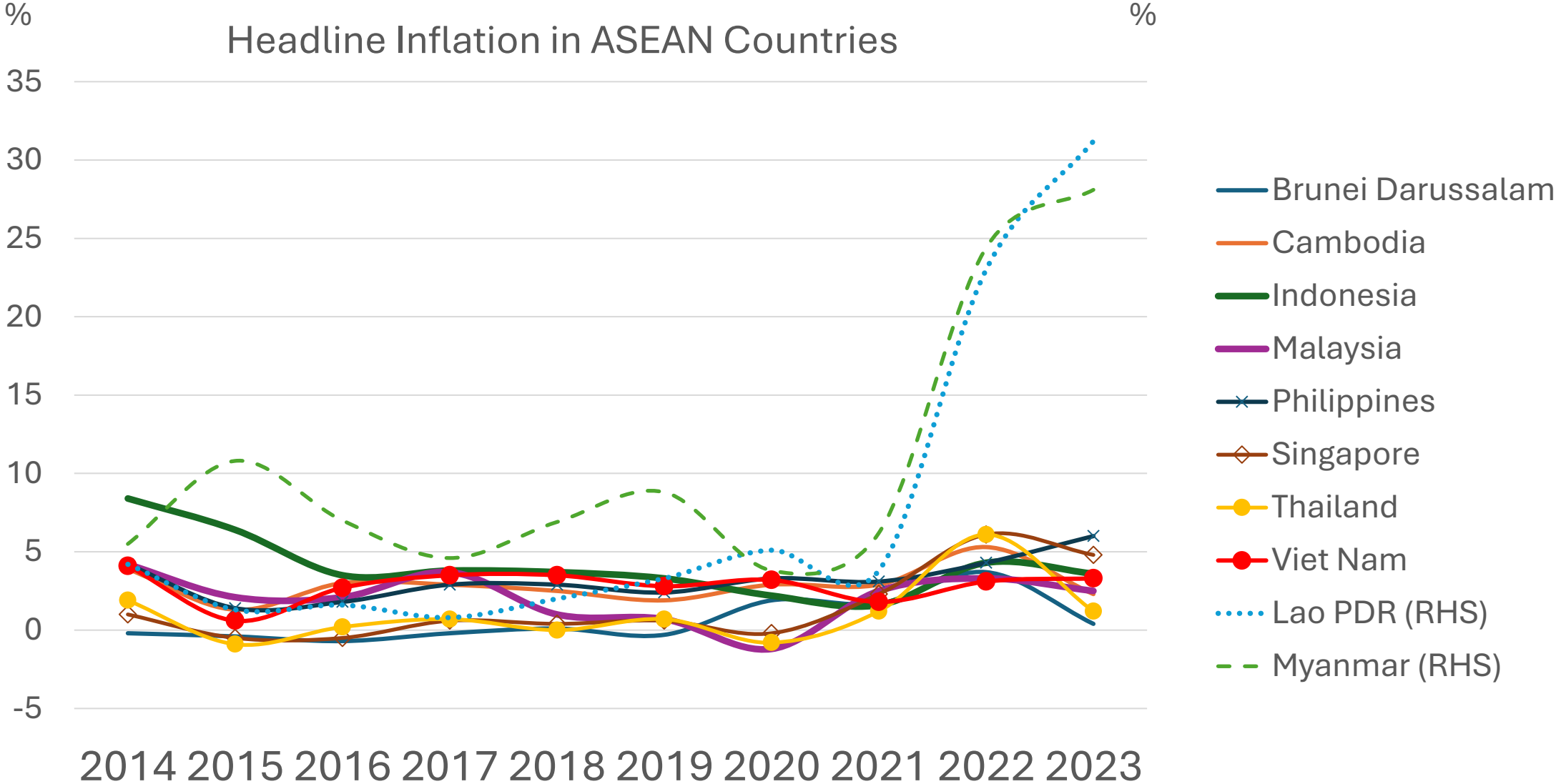
Selected ASEAN: Exports to US and China



Source: AMRO

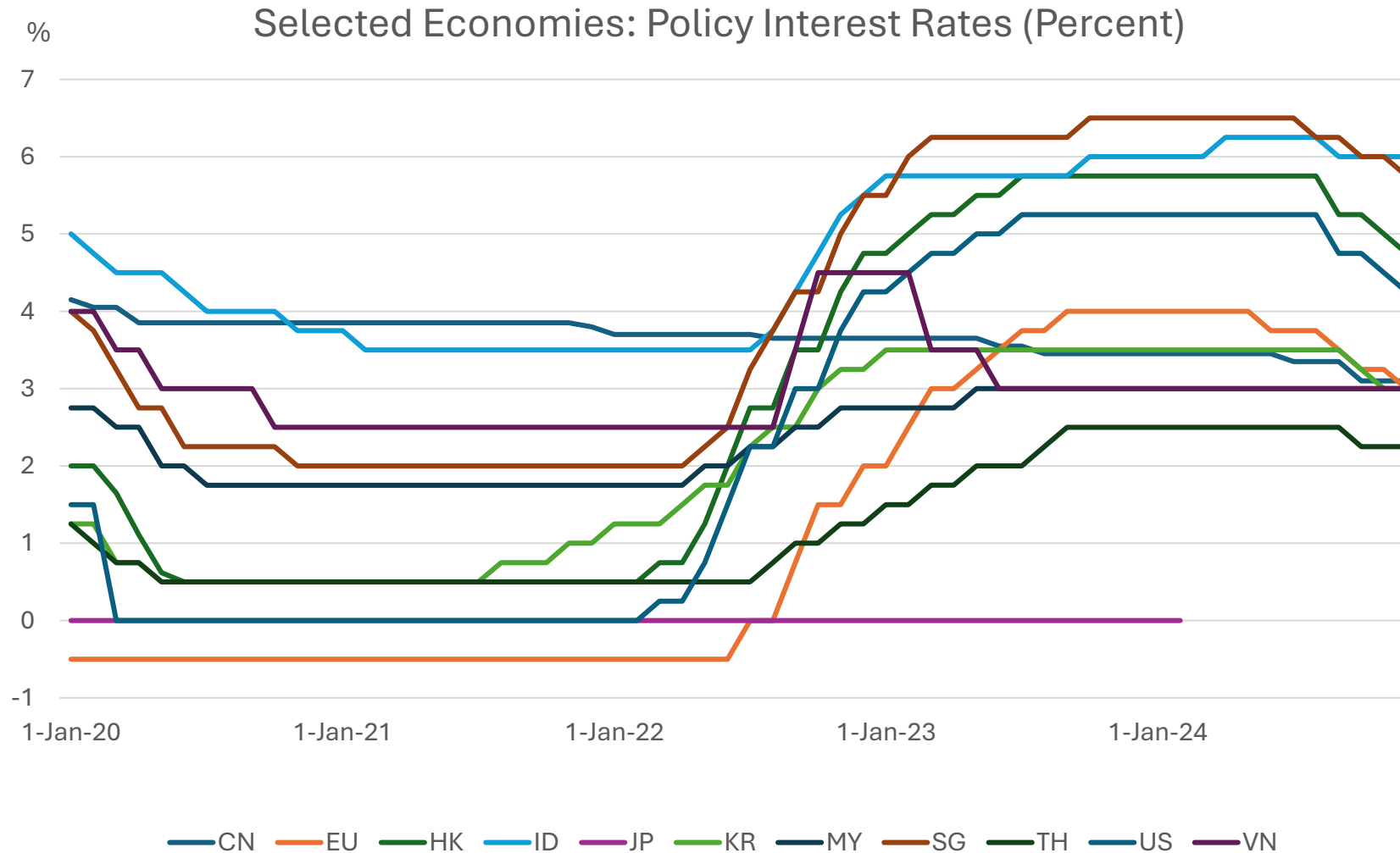
Note: Selected ASEAN refers to Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

3. ASEAN Headline Inflation



Source: ASEANstats database

Policy Rates



Source: AMRO

Global and Asean FDI

	Global		Asean	
2021	1,622 bil		208 bil	
2022	1,356	-16.4%	229	10.3%
2023	1,332	-1.8%	230	0.3%

Source: Asean Investment Report 2024

List of unknowns/uncertainties

- Scales and timing of tariffs/retaliation
- success of using tariffs as negotiation tool
- scope of countries targeted, preparedness of targets
- immigrant deportation and labor condition
- fiscal, reshoring measures
- Fed reaction
- speed of supply chain adjustment/realignment
- market confidence, inflation expectations
- etc.

Immediate challenges for Asean

- exports slow down along with trading partners and global economies; and from likely tariffs on exports from relocated Asean based Chinese companies
- domestic production faces stiff competition from diverted products, esp. cheap ones from China. Probable sizable impacts on SMEs of small open economies
- broken supply chains due to plausible constraints/ restriction on regig/realignment

Medium term opportunities

- productive, financial capacity increases from FDI
- plausible inflows of talents
- productivity surge from new waves of technologies and green transition
- window to get out of middle income trap

Policy challenges

- maintain economic agility, resilience, fiscal and monetary policy space
- strengthen ecosystems to ride the waves of changes:
 - structural and institutional reforms
 - improve infrastructure (physical, digital, logistic, financial) for new technologies and green transition
 - invest in human resources

Policy challenges, cont.

- maintain/ boost Asean's attractiveness as business, trading, logistic hubs and investment destination:
 - continue to navigate through political tensions
 - pursue open trade policy through multilateral agreements/frameworks
 - expand ties with other regions/countries: global south, India
 - strengthen cooperation both internally and externally to boost Asean's collective voice