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Evaluating Intra-ASEAN Trade as a Pillar of Strategic Regional Autonomy in Post-Global Economy

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Introduction:

A Fractured World

In the aftermath of U.S President Donald Trump's tariff threat in April 2025, the post-war international economic order and globalization has never been so fragile and increasingly questioned. Trump's re-election and his subsequent tariffs are all indicators that the contemporary political landscape reflects a decisive departure from the ideological optimism of the post-Cold War era, which posited liberal democracy as the final form of humanity's ideological evolution governance. This assumption, once influential, has become increasingly untenable in light of current developments. The landscape is now empirical evidence that nationalism, economic protectionism, and ethnically inflected identity politics have not only persisted but continue to function as salient and mobilizing frameworks in international and domestic affairs.

Trump's foreign policy represents a marked shift from the collaborative norms of post–World War II internationalism. It is characterized by an unpredictable fusion of economic unilateralism and strategic retrenchment. The imposition of tariffs on traditional allies, the withdrawal from foundational multilateral institutions like the World Trade Organization and the World Health Organization, and a preference for transactional diplomacy over alliance-based coordination signal a deliberate pivot away from collective global engagement. In this shifting paradigm, the pursuit of a unified global moral order is eroding. Rather than promoting common ideals such as peace, stability, and mutual prosperity, international politics is increasingly shaped by a self-serving moral framework, a system that foregrounds national interest and majoritarian values under the banner of sovereignty, heritage, and identity.

To the untrained eye, Trump's reshaping of the international order may signal that isolationism in world affairs will increase. Instead, Trump's efforts to reshape the world order paradoxically facilitates a more fragmented and multipolar global system. As the United States withdraws from its traditional role as a normative leader, other global and regional powers are redefining their diplomatic strategies. Diplomatic strategy is now recalibrated around economic pragmatism rather than humanitarian values. The emerging global order is shaped less by collective ideals and more by mutual self-interest.

Amid shifting global power dynamics, ASEAN finds itself at a crossroads that demands more than incremental adjustment. ASEAN must face a fundamental reassessment of its strategic posture. The Trump administration's shift toward economic unilateralism, marked by trade conflicts and a deliberate weakening of multilateral institutions, has laid bare ASEAN's exposure to external economic disruptions. This period revealed the extent to which ASEAN economies remain susceptible to policy swings initiated by larger geopolitical actors. In this volatile climate, the drive toward deeper regionalization is no longer a matter of strategic preference. Regionalization has become an imperative tied directly to economic resilience and long-term viability. With traditional export destinations growing increasingly unpredictable and internal demand patterns undergoing transformation, there is an imperative that ASEAN must act decisively to enhance regional integration. Doing so would not only enable the bloc to benefit from collective efficiencies and improved global competitiveness but also help steer its member states away from the persistent threat of the middle-income trap. Strengthened intra-regional collaboration stands as both a buffer against external economic turbulence and a proactive pathway to sustainable development.

Yet a question rarely asked in practice is whether ASEAN has the infrastructure and capability to foster deeper levels of regionalization. Despite notable advancements in institutional development and policy coordination, intra-ASEAN trade remains below its full potential. Persistent structural challenges continue to hinder deeper economic integration across the region. Among these are significant disparities in economic development between member states, the presence of non-tariff barriers that complicate cross-border commerce, and the enduring influence of the "ASEAN Way." This guiding principle of emphasizing consensus, non-confrontation, and non-interference in domestic affairs, while foundational to regional cohesion, often constrains timely and bold collective action. As a result, ASEAN's ability to respond swiftly to emerging economic and geopolitical pressures remains limited, undermining its efforts to build a more integrated and resilient regional economy.

This paper sought to understand where intra-level ASEAN trade stands at this important junction in history. This analysis will uncover ASEAN's preparedness to deepen regionalization against the backdrop of a rapidly evolving geopolitical environment. It pays particular attention to intra-ASEAN trade, treating it as a key measure of the bloc's progress toward meaningful regional integration. The study opens by identifying the forces behind the renewed push for regional approaches. A key aspect among them is the instability of the global trading system and the shifting balance of influence among major world powers. It then turns to a critical assessment of ASEAN's trade infrastructure, evaluates ongoing efforts to align regulatory frameworks across member states, and reviews the practical impact of institutional mechanisms aimed at promoting commerce within the region.

‘Regionalization’ vs ‘Regionalism’

Trump's tariffs threat ushered in a new era of geopolitical shifts and opened the door towards changing geopolitical alliances. In describing these shifts, however, analysts and pundits often use the words 'regionalization' and 'regionalism' interchangeably. In fact, these are two very different concepts.

In today's fragmented geopolitical environment, the distinction between regionalism and regionalisation is not simply academic debate, it carries real implications for how ASEAN sustains its strategic relevance, cohesion, and resilience. Understanding and aligning these two processes is essential if ASEAN hopes to respond effectively to both top-down policy imperatives and bottom-up regional realities. Regionalism is a state-centric, top-down framework. It is driven by governments through formal treaties, structured cooperation, and institutional mechanisms. Its objectives are typically political, economic, and security-oriented, and it operates through clear channels of diplomacy and intergovernmental consensus. This model emphasizes predictability, cohesion, and coordinated action. ASEAN has long epitomized this approach, relying on formal instruments to advance its goals of peace, economic development, and regional integration. Since its establishment in 1967, ASEAN has embodied this approach with mechanisms aimed at promoting peace, integration, and economic growth. Institutions like the ASEAN Regional Forum (ARF) and ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus) underscore ASEAN's diplomatic maturity, especially in areas such as security cooperation and conflict management. Forums such as the ASEAN Foreign Ministers' Retreat and Senior Officials' Meetings (SOMs) help ensure consistent policy dialogue, while the ASEAN Secretariat in Jakarta maintains the organizational coherence essential for multilateral function.

Yet institutional strength alone is not enough. Regionalism's formal nature often struggles to adapt swiftly to evolving conditions on the ground. Regionalisation, by contrast, is organic and bottom-up. It arises from the interactions of non-state actors: businesses, civil society, local communities, universities, and informal networks. Instead of operating through official treaties or top-level summits, regionalisation manifests through trade relationships, cross-border investment, cultural flows, and people-to-people exchanges. It is less about control and more about momentum, often evolving in parallel with or even ahead of government-led efforts. ASEAN's recent embrace of Track II diplomacy through platforms such as the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS) and the ASEAN People's Assembly (APA), illustrates a growing recognition of this reality. These informal networks enable deeper dialogue, allow for fresh policy input, and reflect the importance of integrating grassroots perspectives into broader regional agendas.

The path forward for ASEAN lies in balancing the institutional strength of its well-established regionalism with the adaptive momentum of regionalisation. ASEAN's long-term success depends not merely on preserving political consensus among its member states, but on evolving as a flexible, inclusive community that incorporates the interests and energy of its citizens, businesses, and social actors.

“Assessing” ASEAN’s Readiness for more Regionalization

A clear demarcation of 'regionalization' and 'regionalism' brings us next to what is arguably a rarely asked question. Is ASEAN ready as a whole to support the wave of regionalization and have it as a bulwark for uncertain geopolitical situations?

Regionalisation and regionalism aren't competing forces. These two work best when they complement each other. One grows organically from market activity, while the other is built through policy and diplomacy. But the real question isn't whether both exist in a region but rather how well they work together. That interaction determines whether a region like ASEAN becomes a cohesive player or stays fragmented and vulnerable to outside influence. This is where the idea of readiness comes in. It acts as the balancing point, by bridging grassroots economic momentum with top-down institutional coordination. When they fall out of sync, the system either stalls or spins into dysfunction.

A good example of this dynamic is the surge in e-commerce across Southeast Asia, which has been growing at around 22% annually since 2020. This growth didn't come from government policy, but rather it came from private platforms and consumer demand. That's regionalisation in action. In response, ASEAN has tried to catch up on the governance side through regionalism, most visibly with efforts like the 2025 Master Plan on Connectivity, which outlines steps for harmonizing digital standards, aligning infrastructure, and coordinating regulations across member states. But if the institutional pace can't match the speed of market growth, or if policy frameworks don't evolve with real-world demand, tensions start to emerge.

To understand how ready ASEAN is for this kind of deep integration, it helps to break down a few key variables. Regional readiness isn't just a metric but it's a way to assess whether momentum from the ground is being matched with the right kind of support from above. It looks at whether the region is equipped to benefit from economic connectivity while also managing the risks that come with it, especially in today's unpredictable global environment.

For this to work in practice, several moving parts need to come together. First, there's infrastructure, both physical and digital. Without the systems to support trade and mobility, regionalisation hits a wall. That's why investments like the ASEAN Smart Logistics Network matter as they work to reduce friction, cut costs, and make cross-border commerce more feasible. But infrastructure alone isn't enough. Regulatory alignment plays a determining role. Trust in the system, and the ability to move across borders smoothly, depends on having synchronized standards and procedures. ASEAN has made progress here, but it still struggles with follow-through. For example, the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) is a promising agreement, but ratification and implementation remain uneven, leaving non-tariff barriers in place and slowing momentum.

The third piece of the puzzle is resilience. In this sense, resilience looks at how well the region can manage external shocks or pressure from larger powers. In a world where geopolitical rivalries play out through trade and supply chains, this matters more than ever. Weak enforcement of trade rules or gaps in customs protocols can lead to issues like transshipment circumvention, which undermines trust and invites scrutiny. Measures like harmonizing rules of origin are a step forward, but they need consistent application to be effective.

Ultimately, regional readiness isn't about ticking off a checklist. It's about ensuring that infrastructure, regulation, and resilience are working together. When that alignment happens, regionalisation and regionalism move in sync. Markets push forward, and institutions step in to support and stabilize. When it doesn't, integration loses traction, either getting pulled off course by external forces or bogged down by policy that doesn't match the pace of change.

General Scenario of ASEAN' Integration

Understanding the potential integration scenarios of ASEAN offers a clear lens for evaluating ASEAN's readiness, not as a fixed state but as a balance under constant negotiation. These scenarios highlight how misalignment between policy and market integration creates specific vulnerabilities that outside powers can exploit. Recognizing these extremes helps clarify where the real gaps are, whether in enforcement, innovation, or alignment, and shows that ASEAN's readiness is best understood not in absolute terms, but as a measure of how effectively it navigates between these two risks:

1 Regionalization > Regionalism

In this case, integration driven by market forces outpaces the institutions tasked with managing it. As physical and digital infrastructure scales up, harmonized standards often lag behind, leading to inefficiencies and confusion. Incompatible customs systems across ASEAN, for example, create friction at borders despite increased trade volume. These mismatches not only slow down the very flow regionalisation aims to encourage, they also create governance without clear oversight where manipulation or illicit activity can take root. This imbalance also risks skewing the distribution of benefits. When infrastructure and policy are not aligned, dominant players such as multinational corporations are better positioned to navigate complexity and extract value, while smaller actors. struggle to access cross-border opportunities. The result is integration that looks successful on paper but fails to deliver equitable outcomes.

2 Regionalism > Regionalization

The issue in this scenario, where regionalism advances without taking notice of regionalization trends, ASEAN risks not institutional weakness, but institutional irrelevance. Agreements are signed and celebrated, yet they fail to address on-the-ground realities. A striking example is ASEAN's uneven ratification of frameworks like AFAFGIT, which are meant to streamline trade but fall short when member states lack the political will or logistical capacity to implement them fully. In these cases, institutions may exist, but without enforcement, coordination, or alignment with business and community needs, they remain largely symbolic. This gap can also generate misaligned incentives. Policies may emphasize high-level diplomatic gestures or strategic alignments while neglecting practical obstacles such as the financing constraints that limit SME participation in regional markets. As these institutions drift from their constituencies, they risk losing legitimacy. Regionalism starts to appear detached, elitist, and unaccountable, in the process fueling public skepticism and non-compliance.

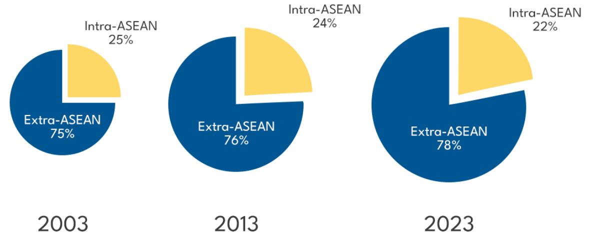
Ideally, ASEAN's regionalization readiness is most effective not when regionalisation and regionalism simply coexist, but when they actively reinforce one another, creating a feedback loop that deepens integration and strengthens institutional capacity. In this ideal state, synergy between market forces and policy frameworks becomes the engine of regional cohesion, not its byproduct. At its best, this interaction creates an adaptive equilibrium. Institutions anticipate new pressures before they become urgent, while market dynamics continuously stress-test and refine governance structures. Readiness, then, is not a one-time achievement but a continuous process of alignment.

The Current Landscape of Intra-ASEAN Trade

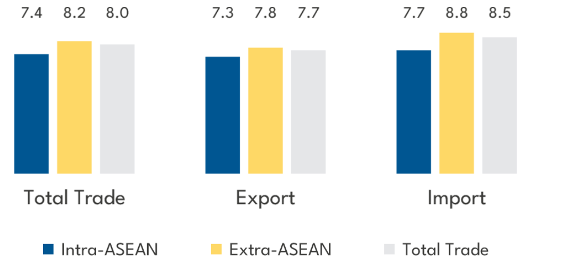
Trade Trends

Despite all of the work that ASEAN put in boosting its economic community pillar, a curious fact remains that intra-ASEAN trade remains a stagnant and suprisingly an underperforming pillar in ASEAN.

Intra and Extra ASEAN Trade: Share to Total
2003, 2013, and 2023 (in Percent)

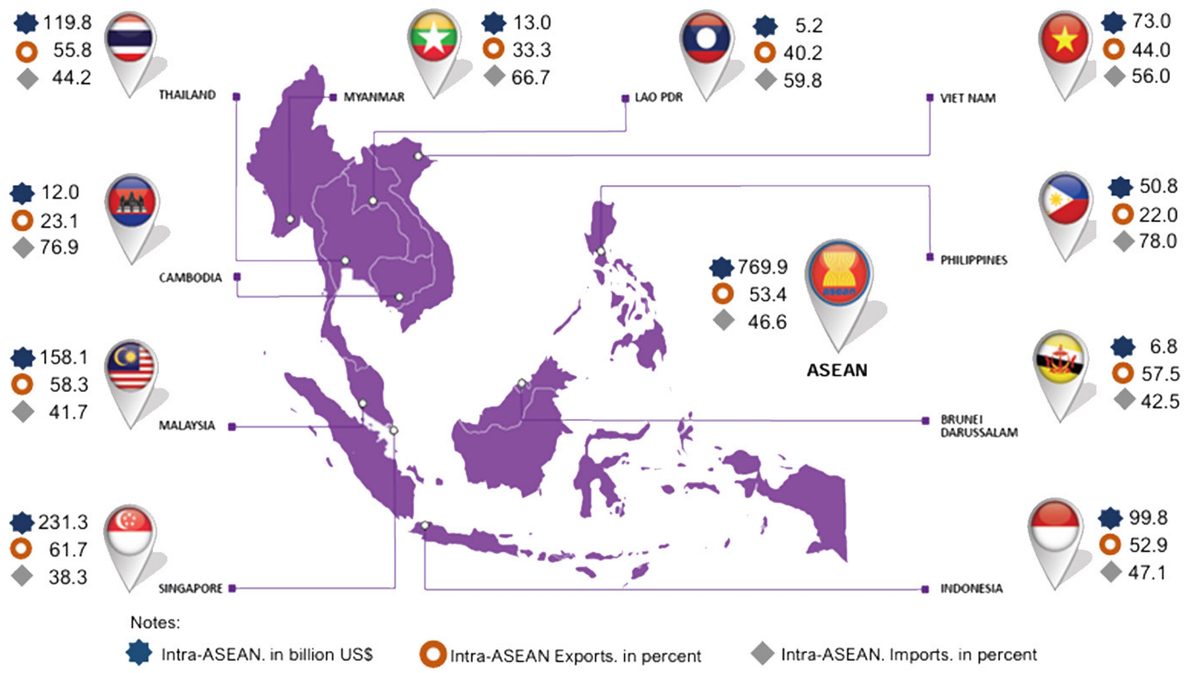


Intra and Extra ASEAN Trade: Average Annual Growth Rate
2003 - 2023 (in Percent)



This decline was sharper than the 6.7% dip in trade with external partners, signaling weaknesses in ASEAN's internal supply chains, especially under pressure from global uncertainty and geopolitical shifts. Looking at the broader trend, ASEAN's total trade has grown significantly, rising from USD 2.4 trillion in 2012 to USD 3.8 trillion in 2022, a 54% increase over the decade. But intra-regional trade hasn't kept pace, growing at an average of 7.4% annually, slightly behind the 8.2% rate for trade with non-ASEAN partners. Despite repeated diplomatic and institutional efforts to strengthen regional connectivity, ASEAN's internal trade links remain underdeveloped. The gap underscores that while regional integration is progressing, the pace is not as quick as even as extra-ASEAN trade.

Intra-ASEAN Trade by ASEAN Member States, 2023



Intra-ASEAN trade is built on only a handful of dominant sectors, the biggest of which are electronics and machinery. In 2023, electronics made up a substantial share of regional exports for countries like Singapore and Malaysia, accounting for USD 53.5 billion and USD 33.0 billion respectively, which is over a third of each country's intra-ASEAN trade. Mineral fuels also plays a role in increasing ASEAN's trade growth, followed by automotive parts. These sectors, however, are prone towards external shocks that affected the broader regional economy.

For example, the global dip in semiconductor demand during 2023, triggered by slowing orders from China and the U.S., led to an 8.4% decline in ASEAN's electronics exports. Mineral fuel exports contracted sharply when energy prices collapsed in late 2023 due to geopolitical tensions and the shift toward renewables. This hit countries like Indonesia and Brunei particularly hard, wiping out billions in export revenue. Machinery exports also became stagnant, held back by waning demand from China and mounting competition from Indian suppliers. Thailand, long considered the region's automotive hub, saw its exports plunge 25% in 2024 largely due to the accelerating shift toward electric vehicles. With traditional internal combustion engine (ICE) components making up the bulk of Thailand's exports, demand fell as Malaysia and Indonesia leaned into domestic EV production. Vietnam, though smaller in scale, saw a similar drop in ICE part exports. All of these instances point to the fact that ASEAN's key industries are increasingly exposed to external market volatility and internal technological transitions, with regional trade patterns struggling to keep pace with the scale of change.

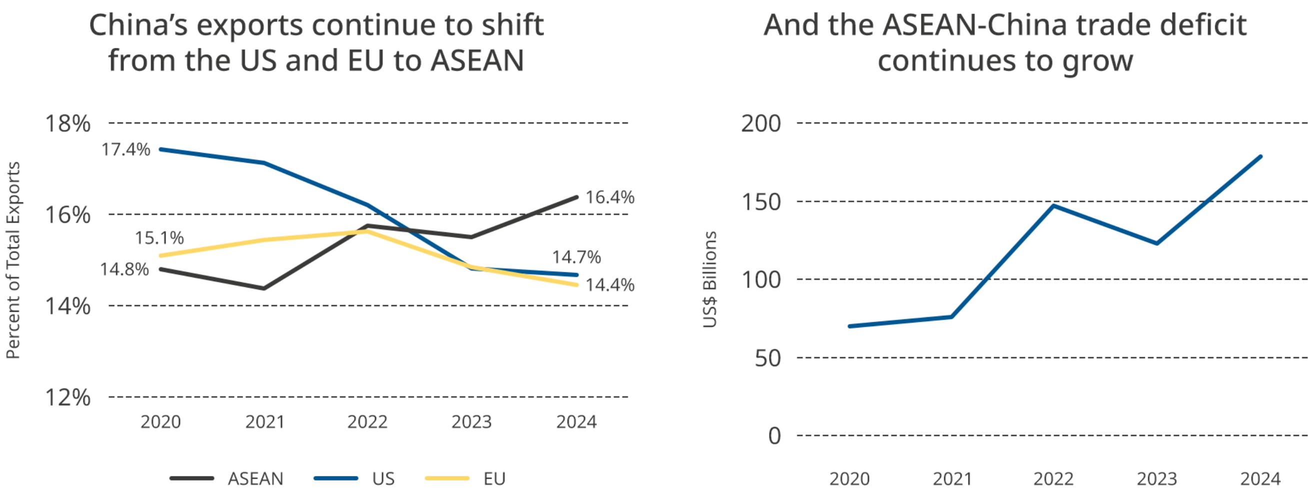
Besides export commodities that are vulnerable to geopolitical shocks, ASEAN's intra-trade volume is hampered by structural disparities between its member states. ASEAN's intra-regional trade flows reveal significant imbalances at the country level, highlighting a "hub-and-spoke" dynamic that concentrates trade activity in a few dominant economies while leaving others on the margins. In 2023, Singapore led regional trade with USD 231.3 billion, which is nearly a third of total intra-ASEAN trade, largely due to its strength in electronics re-exports and maritime logistics. Malaysia followed with USD 158.1 billion, sourcing over 40% of its imports from within the region, particularly electronics from Singapore and Thailand. These two economies function as key trade hubs, but this centralization comes with vulnerabilities. Around 80% of intra-ASEAN maritime trade flows through Singapore's port, making the system susceptible to chokepoints and giving disproportionate influence to external players over regional shipping routes. Meanwhile, smaller economies like Laos and Brunei remain on the fringes. Intra-ASEAN trade for both remained under USD 7 billion, and their trade structures highlight dependency rather than integration. Laos relies heavily on Thailand and Vietnam, serving more as a transit route for raw materials than a contributor to regional value chains.

As a result of these limitations, intra-ASEAN trade still has not been able to recover its pre-pandemic levels. Although there was a temporary rebound in 2021 and 2022, with growth hitting 25.5%, the 10.1% contraction in 2023 exposed deeper structural weaknesses that continue to weigh on regional integration. The region's overconcentration on electronics and fuel trade makes the system highly sensitive to global market cycles. Logistics infrastructure is another weak point. Around 80% of trade still moves by sea, with much of it funneled through Singapore's port, creating a single point of strain. Overland and rail links remain underdeveloped; the Singapore-Kunming Rail Link, for instance, is only 70% complete, pushing trade between Malaysia and Thailand onto more expensive road networks. Digital customs coordination is also lagging.

Most critically, these shortcomings affected ASEAN's ability to weather external shocks, most notably from the US-China geoeconomic competition. Southeast Asia arguably has more at stake in defending a rules-based multilateral trading system than any other global region. ASEAN economies are deeply embedded in international trade. The region's trade-to-GDP ratio, at around 90%, far exceeds the global average of 45%. As such, with this level of external dependency, ASEAN could not afford to get entangled in any costly geoeconomic competition between Beijing and Washington. The reality, however, paints a starkly different picture.

For starters, it is not a stretch to label that ASEAN states have lopsided economic relations with Beijing. While China's economic rise has fueled demand for ASEAN goods, it has also created structural imbalances. China has outcompeted ASEAN in both domestic production and third-market exports, reinforcing its dominance in the manufacturing value chain. Although ASEAN exports to China grew from US$ 140 billion in 2011 to US$ 218 billion in 2020, this growth pales in comparison to the expansion of China's domestic economy, which nearly doubled over the same period. The marginal propensity of China to import from ASEAN is alarmingly low, estimated at only about US$ 1 in imports for every US$ 100 of GDP growth. In contrast, ASEAN's imports from China nearly doubled from US$ 155 billion to US$ 300 billion during the same timeframe. For every US$ 100 increase in ASEAN GDP, US$ 20 went toward imports from China. This asymmetry has driven a sharp increase in ASEAN's trade deficit with China, rising from US$ 15 billion in 2011 to US$ 82 billion in 2020, which is now amounting to 2.7% of ASEAN's GDP.

The asymmetry is also driven by China's industrial policies. Fueled by state-driven subsidies, weak domestic demand, and import substitution strategies, China's expanding production surplus, particularly in sectors such as electric vehicles, solar panels, semiconductors, and steel, is increasingly spilling over into the ASEAN market. This trend has made ASEAN not just a critical transit point for Chinese exports, but also an end market, exacerbating trade imbalances and threatening regional industrial development. As trade conflict grows between Beijing and Washington, Chinese companies shifted production to ASEAN to circumvent Western trade restrictions and reduce costs, while also flooding the region with low-cost finished goods. ASEAN's dual role as both a manufacturing base for Chinese firms and a target market for Chinese exports is generating internal contradictions: governments welcome investment but face mounting pressure from SMEs and workers hit by competition.



Source: China Custom

Other examples of external shocks to ASEAN include the 2023 tech decoupling between the U.S. and China, which disrupted semiconductor supply chains, slashing Malaysia's chip exports by USD 2.4 billion. At the same time, disruptions in the Red Sea from the Houthi conflict drove up shipping costs for Indonesia's fuel exports to the Middle East, indirectly affecting intra-ASEAN energy flows.

ASEAN Trade Infrastructure

ASEAN's trade infrastructure tells a story of both ambition and imbalance. While the region has pushed forward with several large-scale connectivity projects, progress remains uneven, leaving behind a patchwork system where high-performing hubs sit alongside major gaps. This disparity reflects ASEAN's broader integration challenges and exposes structural weaknesses that can be leveraged by outside powers.

On the physical front, land transport is still playing catch-up. The ASEAN Highway Network stretches across the region, but key sections remain incomplete or underdeveloped. In places like Myanmar, Cambodia, and Laos, missing links and substandard road conditions delay cargo flows and force overreliance on road transport, particularly in areas lacking reliable rail options. The Singapore-Kunming Rail Link illustrates the divide. While Thailand has moved ahead with a high-speed segment, Cambodia's crucial connection remains under construction, forcing 80% of regional cargo onto maritime routes. That overdependence on sea freight, especially through Singapore, raises both logistical costs and exposure to external control. The ports themselves reflect the same uneven pattern. Singapore is the region's logistics giant, handling hundreds of millions of containers annually. However, congestion and overuse are driving up costs. Malaysia's ports are growing quickly, yet they remain tied to transshipment flows largely dictated by China. At the other end of the spectrum, port facilities in the Philippines are underperforming and overcrowded, with little room for increased trade volumes. As a result, intra-regional trade remains funneled through a few chokepoints, magnifying the risk of disruption and dependency.

Digitally, ASEAN has made clear strides, but they're not yet transformative. The ASEAN Single Window has cut customs processing times and delivered significant savings, but integration is still partial. Not all member states exchange documents at the same level, and technical shortfalls, such as insufficient bandwidth in Laos, continue to create friction at key border points. Smart logistics efforts, while promising, remain confined to pilot programs with limited scale. Even the ASEAN Customs Transit System, which could simplify cross-border trucking, is only functional in parts of the region, and its design still presents financial and regulatory barriers for smaller businesses.

This paints the fact that ASEAN's trade infrastructure is in essence a paradox. On one hand, ASEAN boasts world-class nodes such as Singapore's ports and Thailand's electronics corridor. On the other, a significant share of the region's roads and railways fall below standard, and much of the digital ecosystem depends on foreign platforms and funding. China's dominance in financing key infrastructure via the BRI gives it influence over routing and strategic priorities. China also creates digital dependencies on ASEAN's digital trade infrastructure, as illustrated by heavy reliance on Alibaba Cloud for hosting critical trade data. This raises valid concerns around digital sovereignty, let alone trade dependencies.

ASEAN's Trade Regulations

ASEAN's efforts to harmonize trade rules present a paradox. On paper, tariff elimination is nearly complete, and headline figures suggest strong progress. But beneath the surface, gaps in non-tariff barrier (NTB) reduction, uneven implementation, and regulatory fragmentation continue to slow meaningful integration. These inconsistencies limit the bloc's ability to fully leverage regionalisation.

Tariff liberalization, spearheaded by the ASEAN Trade in Goods Agreement (ATIGA), is the clear success story. As of 2023, nearly 99% of intra-ASEAN tariff lines are duty-free, with countries like Singapore, Malaysia, and Thailand leading the way. This has underpinned ASEAN's trade growth, from just over $44 billion in 1993 to nearly $770 billion in 2023. Yet, the benefits are uneven. Global agreements like the WTO's Information Technology Agreement have already zeroed out many tariffs in key sectors like electronics, making ASEAN's tariff preferences less impactful in high-volume industries.

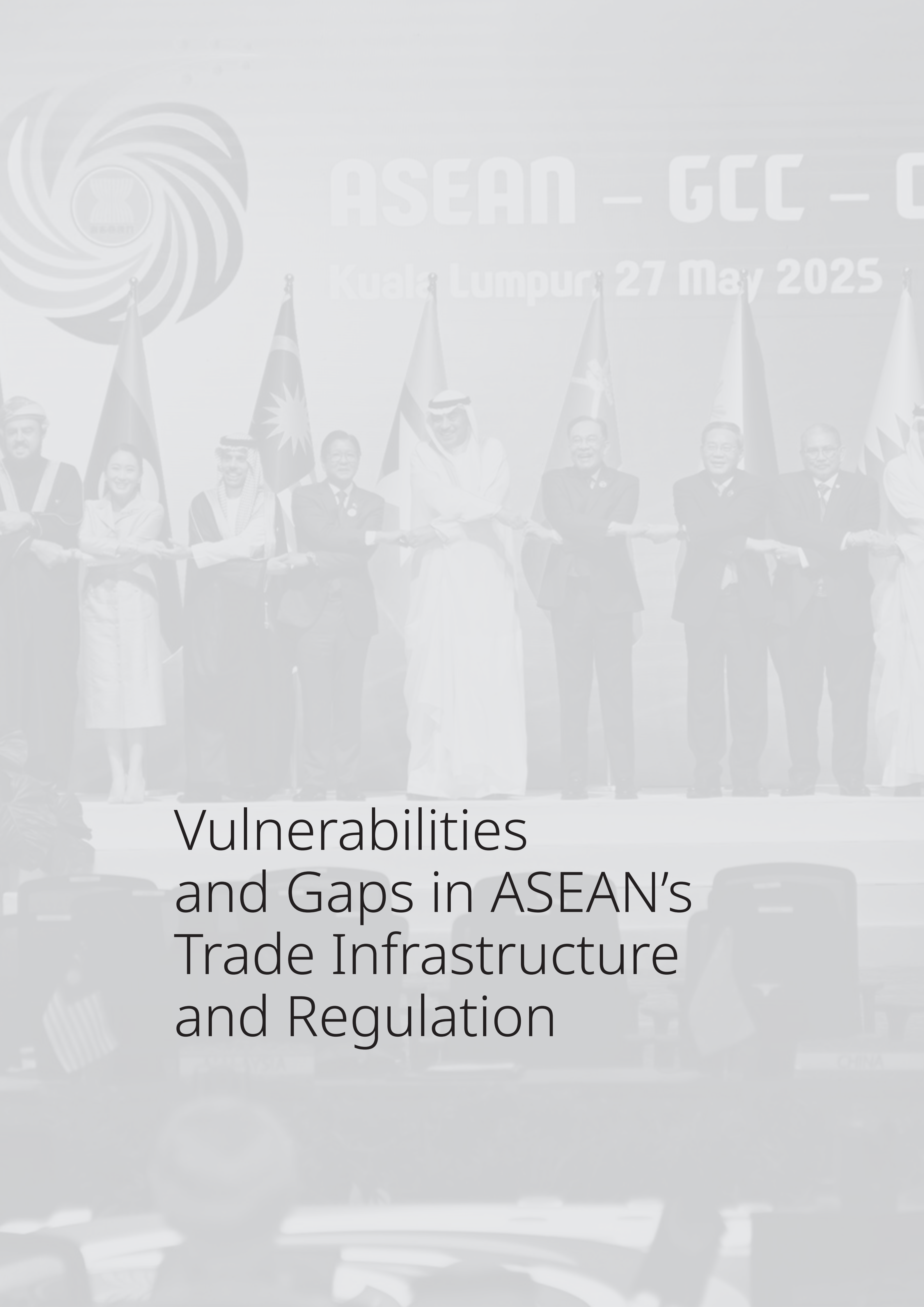
However, nontariff barriers continue to hold the bloc back. Fragmented regulations, inconsistent customs systems, and complex rules of origin all contribute to friction that tariff elimination alone can't fix. For example, Thailand's surcharges on palm oil and Indonesia's export bans distort regional trade patterns. Customs integration through the ASW still faces technical limitations, particularly in less connected economies like Laos. Meanwhile, rules of origin often discourage smaller businesses from participating, especially when the cost of compliance outweighs the tariff savings. This has real consequences. The decline in Thailand's automotive exports and Malaysia's chip sales are partly tied to these unresolved regulatory mismatches.

Trade facilitation tools like ASW and the ACTS have saved time and money but suffer from limited reach and slow uptake. ASW, for instance, is widely used but only supports full document exchange among nine member states and has limited external interoperability. ACTS remains underutilized due to high financial guarantees and inconsistent national rules. These inefficiencies mirror broader infrastructure challenges, where incomplete rail links and overburdened ports constrain the potential gains from digital systems.

Institutional shortcomings also weigh heavily. Complaint mechanisms like ASSIST see minimal use, particularly among SMEs, and ASEAN's consensus-driven governance model slows resolution of NTB-related disputes. Strategic plans, such as those aimed at reducing trade costs, have had little impact and costs actually rose in the years following the pandemic.

The effects of these gaps are visible in key sectors. Electronics exports are hampered by differing standards under ATIGA and RCEP. Agriculture faces protective barriers dressed up as technical standards. And the automotive sector continues to lose ground to outside players, especially as electric vehicle supply chains emerge with no unified ASEAN approach to regulation.

These harmonization shortfalls don't just affect trade, but they create strategic vulnerabilities. Weak enforcement allows transshipment practices that blur the origin of goods, distorting trade balances and attracting scrutiny, especially in politically sensitive corridors like Vietnam-U.S. trade. Meanwhile, infrastructure built with external funding with bilateral terms operates outside ASEAN's governance frameworks, giving external actors leverage over regional logistics.



Vulnerabilities and Gaps in ASEAN's Trade Infrastructure and Regulation

Infrastructure Remains a Glaring Chokepoint

ASEAN's intra-regional trade remains constrained by entrenched infrastructure limitations and persistent chokepoints that expose the bloc's structural vulnerabilities. Despite long standing connectivity ambitions, progress remains uneven and fragmented, undercutting ASEAN's capacity to function as a cohesive economic region.

One broken infrastructure in ASEAN's trading node can cripple an entire region. The stark example is the closure of the Myawaddy–Kawkareik stretch of Asian Highway 1 in conflict-affected Myanmar, which effectively severed a major trade artery to Thailand between 2023 and 2024. This disruption not only diverted shipments onto dangerous backroads but also inflicted an estimated $722 million in trade losses during just the first half of 2024. It underscores how a single missing link can derail the movement of agricultural and consumer goods across western ASEAN. Even where new transport links are introduced, such as the Laos–China railway and the newly launched Thai–Laos rail corridor, regional connectivity remains incomplete. These railways have yet to deliver seamless freight integration due to absent final-mile linkages and incompatible technical standards. This limits their practical utility for heavy manufacturing sectors, particularly in machinery and electronics.

Imbalance in the quality of trade infrastructure also plays a huge role. The Port of Singapore handles millions of tons of cargo annually with world-class efficiency, but other ports in developing ASEAN economies face bottlenecks and limited route diversity, relying on rerouting through major transshipment hubs. The result is elevated logistics costs and prolonged transit times that undercut supply chain efficiency for time-sensitive sectors such as automotive parts and semiconductors. These infrastructure imbalances are reflected in broader logistics performance indicators. Singapore tops the World Bank's 2023 Logistics Performance Index (LPI) with a score of 4.3, while countries like Indonesia lag significantly, with logistics costs still consuming up to 23% of GDP when factoring in export-related expenses. Indonesia's archipelagic geography compounds these costs, making it more expensive for firms to ship goods within ASEAN than to distant markets like the EU, particularly in sectors like agriculture and light manufacturing. As a result, trade f lows increasingly funnel through a few well-equipped economies, sidelining less-connected regions such as eastern Indonesia and the rural Mekong, and fragmenting the broader production network.

Digital infrastructure gaps further amplify these inefficiencies. The rapid expansion of e-commerce during the pandemic revealed stark disparities in ICT capacity. Lower-income ASEAN states face internet speeds up to five times slower than wealthier neighbors, and several still struggle to achieve universal broadband coverage. These deficiencies disproportionately affect rural producers and SMEs, preventing them from participating effectively in digital trade platforms and electronic customs systems. Although the ASEAN Single Window (ASW) has made strides, real-time document exchange (crucial for rule of origin certification) remains incomplete. Differing technical standards, bandwidth constraints, and outdated national systems have hampered the rollout of electronic sanitary and phytosanitary certificates, crucial for agricultural trade.

A 2024 review by the Asian Development Bank found that fewer than 15% of Asia-Pacific economies have fully enabled SME access to single-window systems, a shortcoming mirrored in ASEAN. These gaps not only delay border processing but also increase risks for perishable shipments, as physical congestion compounds digital downtime. For sectors relying on synchronized production cycles and just-in-time logistics these inefficiencies undermine the potential gains of deeper regional integration.

Regulatory and Enforcement Woes

Despite nominally free trade under the ASEAN Economic Community, non-tariff barriers and regulatory misalignments persist across the region. Nearly all intra-ASEAN tariffs have been eliminated under the ASEAN Trade in Goods

Agreement, but NTBs have in many cases replaced tariffs as obstacles to trade. This is reflected in the fact that ASEAN's intra-regional trade remains stubbornly low, holding at just 21.2% of total trade in 2024, a figure that has barely moved in more than two decades. This stagnation, especially when compared to the EU's 60% intra-bloc trade share, reflects not only longstanding structural constraints but also a series of newer, more fragmented policy developments.

Nontariff barriers common in ASEAN include export restrictions, local content rules, and import licensing regimes that operate largely at the discretion of national governments. In recent years, unilateral decisions, such as Indonesia's 2023 export ban on bauxite to spur domestic refining, or Malaysia's abrupt halts on poultry exports during food inflation spikes, have disrupted regional supply chains without prior coordination. These actions not only undermine market integration but also foster a sense of unpredictability that deters investment and cross-border sourcing. Policies rooted in domestic political pressures, like Malaysia's pro-Bumiputera procurement rules, further complicate regional commerce by creating de facto barriers to entry for firms from neighboring countries.

NTB's reflects a 'balkanization' of ASEAN's regulatory framework on trade. Rather than a unified market, ASEAN businesses face a patchwork of inconsistent rules, which raises compliance costs and discourages f irms from treating ASEAN as a cohesive economic space. Efforts to deepen legal harmonization, especially through the ATIGA have made some progress in eliminating tariffs. In 2023 for example, nearly all intra-ASEAN trade was duty-free, but this formal liberalization has done little to address deeper coordination challenges. In fact, non-trade barriers have continued to proliferate, ranging from differing standards in automotive safety to divergent Halal certification protocols.

There is not much that ASEAN as a whole can do for these restrictions, however. Beyond technical barriers, the institutional mechanisms meant to enforce ASEAN's trade rules remain weak. The bloc's reliance on consensus for decision-making and dispute resolution has resulted in a slow and often ineffective enforcement environment. There is no binding supranational tribunal to adjudicate trade disputes quickly or penalize non-compliance. Instead, aggrieved members must rely on protracted bilateral negotiations or escalate issues to the WTO. This lack of legal recourse has allowed backsliding to occur with few consequences. For example, during the COVID pandemic export bans on medical supplies violated open-market pledges, yet none of the offending countries faced any penalties.

External Pressures are Ramping Up

As a result of unequal infrastructure and weak regulatory frameworks, extra-ASEAN powers are increasingly capitalizing on ASEAN's internal vulnerabilities to advance their strategic and commercial agendas. These external maneuvers, far from incidental, reveal a pattern of calculated engagement with the region's weakest links, from regulatory gaps to infrastructural chokepoints, exposing ASEAN to economic manipulation and political pressure.

In recent years, China has markedly expanded its export footprint within Southeast Asia, filling demand vacuums left by contracting Western markets. By 2024, ASEAN had overtaken both the European Union and the United States to become China's largest export destination, accounting for 16.4 percent of China's total exports. This growth has been facilitated by relatively low internal ASEAN tariffs and inconsistent enforcement of rules-of-origin protocols across the region. Earlier patterns of transshipment wherein Chinese firms rerouted goods through ASEAN states such as Vietnam to bypass United States tariffs, exposed the region's regulatory vulnerabilities. The alignment between rising Chinese exports to Vietnam and Vietnam's simultaneous export surge to the United States during this period strongly suggests strategic re-export behavior. These operations were enabled by limited customs oversight and uneven regulatory coordination within ASEAN member states. Reacting to reputational risks and international scrutiny, several ASEAN governments initiated regulatory tightening in 2024 to curtail fraudulent re-export schemes and bolster origin verification. While such enforcement efforts curtailed overt circumvention, the episode underscored ASEAN's susceptibility to manipulation through its weakest institutional links.

ASEAN's open trade architecture has facilitated a surge in ultra-low-cost Chinese goods in what Thailand's Bangkok Post noted as a 'China shock'. Digital commerce has intensified this trend, enabling Chinese products to flood Southeast Asian markets through online platforms. Local producers, in particular those in import-competing sectors such as apparel, electronics, and household goods struggle to compete on price. In 2024 alone, Indonesia's textile industry shed approximately 80,000 jobs, while Thailand recorded the monthly closure of over 100 small manufacturing firms. These structural disruptions have been exacerbated by insufficient digital trade governance across ASEAN, which allows external firms to exploit permissive jurisdictions. In 2023, Indonesia banned e-commerce transactions on social media platforms such as TikTok following concerns over market saturation by low-cost imports funneled through TikTok Shop. Authorities cited predatory pricing and negative impacts on domestic micro-enterprises. This incident exemplifies ASEAN's growing exposure to digital-era trade manipulation in the absence of cohesive regional policies on digital commerce and customs oversight.

Investment flows have also emerged as a vector for strategic leverage. China's BRI initiative has been instrumental in reshaping ASEAN's infrastructure landscape, offering critical funding for connectivity projects while simultaneously deepening Beijing's influence. Laos stands as a salient case. Following the construction of the six-billion-dollar Laos–China railway and related infrastructure, nearly half of Laos's external debt is now owed to China. This financial dependency permits Beijing to extract favorable terms on trade and resource agreements while embedding Chinese firms and standards within Laos's logistics network. The railway's operation incorporates Chinese personnel, currency usage, and technological systems, which raises concerns over foreign control of critical infrastructure. Parallel dynamics are visible in Cambodia, where Chinese investments dominate sectors such as port development and industrial zones. These nodes are increasingly integrated into China's supply chain networks and may enable circumvention of ASEAN regulatory frameworks or facilitate geopolitical influence.

The United States under President Donald Trump has pursued a differentiated approach centered on bilateral trade policy. The announcement of the so-called "Liberation Day" tariffs in April 2025, which at the time of writing is still in the process of negotiations is aimed to sever supply chain links between Southeast Asia and China. This approach has pressured individual ASEAN states into bilateral negotiations, undermining collective bargaining power and potentially fracturing intra-bloc unity.

The Indo-Pacific Economic Framework, a non-traditional trade initiative led by the United States under the previous Biden administration introduces further complexities. Select ASEAN countries have joined the initiative, which sets standards on trade and supply chain resilience. The absence of universal ASEAN participation risks regulatory divergence that external actors may exploit to channel investment and trade through favored jurisdictions. Such dynamics challenge ASEAN's long-standing objective of rule-based coherence and regional solidarity.

Furthermore, unilateral coercive measures remain an enduring concern. China has occasionally employed informal sanctions, particularly during periods of heightened political tension. Trade restrictions on specific commodities or the suppression of tourism flows serve to penalize states that challenge Chinese interests. Philippine officials, for example, expressed alarm over the potential for economic coercion amid maritime disputes in the South China Sea. Concurrently, the European Union's 2023 deforestation regulations, though not explicitly targeting ASEAN, impose stringent conditions on exports of palm oil, rubber, and coffee. Disparate compliance levels among ASEAN states could yield internal divisions if some members secure continued access to EU markets while others are excluded.

Interconnected Vulnerabilities Impacts ASEAN Autonomy:

Low Intra-Trade Volume, Weak Regulations, Woeful Infrastructure, Poor Coordinations

The analysis above uncovers a startling web of interconnected vulnerabilities within ASEAN. The low trade numbers of ASEAN, hovering around 21 to 24 percent of the bloc's total trade volume for over two decades, represents chronic underperformance in fostering deeper regional integration and reflects a complex interplay of structural flaws. Vulnerabilities in physical infrastructure, regulatory fragmentation, and asymmetric external dependencies are interconnected, acting in ways that mutually reinforce stagnation and expose ASEAN to external manipulation that ultimately hinder the bloc's pursuit of regional autonomy and resilience.

One of the foundational problems is the homogeneity of export profiles among ASEAN member states. More than 70 percent of intra-ASEAN trade consists of either primary commodities such as palm oil and minerals or low-value manufactured goods like electronics assembly components. Instead of fostering complementarities, this uniformity exacerbates competition among states, which limits the scope for productive intra-regional specialization. For instance, Indonesia, Malaysia, and Thailand are all major palm oil exporters, creating friction over surcharges and undercutting collaborative supply chain development. Likewise, Vietnam and Cambodia both depend heavily on the export of low-cost textiles, often competing in the same external markets rather than establishing layered, cooperative production chains.

Overlaying this structural similarity are substantial infrastructure constraints that amplify trade costs across the region. Incomplete physical connectivity, such as the long-delayed Singapore-Kunming Rail Link and the fragmented ASEAN Highway Network, continue to impair efficient cargo movement. As a result, over 80 percent of ASEAN's freight traffic remains concentrated in a handful of major maritime ports, creating logistical chokepoints and raising vulnerability to external control or disruption. Meanwhile, the digital landscape is no less fragmented. Despite the operationalization of the ASW, only six of the ten member states fully participate in the exchange of electronic customs data, leading to clearance delays of up to 72 hours at certain land borders, such as between Thailand and Laos. These physical and digital bottlenecks impose an estimated 10 to 15 percent surcharge on regional trade costs, disproportionately affecting SMEs that lack the capital to navigate such complexity.

Regulatory fragmentation further compounds these challenges. A host of NTBs persist, including local content requirements, licensing restrictions, and unharmonized sanitary and phytosanitary standards. These NTBs cost ASEAN businesses an estimated 23 billion US dollars annually. The prevalence of complex and divergent rules of origin also discourages the use of preferential tariffs, particularly among small enterprises, for whom compliance costs can consume up to seven percent of revenue in sensitive sectors such as textiles. Enforcement mechanisms remain largely ineffective due to ASEAN's reliance on consensus-based decision-making.

This confluence of weaknesses in infrastructure and governance has opened space for sustained external exploitation. Major powers, particularly China and the United States, have capitalized on ASEAN's regulatory and logistical fragmentation to advance their own strategic and economic agendas. In the case of China, transshipment through ASEAN members like Vietnam has enabled large volumes of Chinese goods to circumvent U.S. tariffs, while massive inflows of low-cost Chinese consumer products via e-commerce platforms have undercut local industries in Indonesia and Thailand, leading to widespread factory closures and job losses. Infrastructure investments under Beijing's Belt and Road Initiative, particularly in Laos and Cambodia, have come with strategic strings attached, placing critical ports and railways under substantial Chinese influence.

Simultaneously, the United States has leveraged trade policy tools to impose bilateral pressure, most recently through proposed tariff packages targeting ASEAN countries with deep links to Chinese supply chains. This tactic threatens to undermine ASEAN unity by encouraging individual states to negotiate separate terms with Washington. Such external maneuvers are facilitated by ASEAN's lack of a cohesive trade policy and its inability to present a unified front.

These dynamics are not episodic but systemic. The co-dependence between inadequate infrastructure and fragmented regulation forms a structural trap that continually reproduces stagnation and erodes ASEAN's capacity to shape its own economic destiny. Poor physical connectivity routes trade through externally influenced corridors, while weak regulatory enforcement allows for tariff evasion, transshipment abuse, and the flooding of domestic markets with unregulated imports. These conditions amplify exposure to global economic volatility and diminish the bloc's bargaining power.

Current State of ASEAN's Regional Integration:

Imbalance as Regionalization Outpaces Regionalism

Given the combination of weaknesses in infrastructure, trade patterns and regulatory woes, it is clear that ASEAN is facing a mismatch, where market-driven regionalization far outpaces institutionally grounded regionalism. This constitutes a structural dilemma with enduring consequences for the bloc's strategic autonomy, economic stability, and collective agency.

At the core of this problem is the persistent failure to align infrastructural development with the demands of regional economic integration. Trade within ASEAN has been stagnant, despite strong private sector dynamism and global value chain participation, yet the physical and logistical frameworks that underpin this trade remain underdeveloped. Rail corridors remain incomplete, road networks are uneven, and maritime transport is channeled through a narrow set of strategic ports, many of which are either financed, operated, or influenced by external powers. This infrastructural dependence is not a benign inefficiency. It translates into tangible leverage for actors such as China, whose financial and operational footprint in key logistical hubs enables it to shape regional trade flows, investment trajectories, and even the political posture of individual member states. Thus, what appears as an infrastructure gap is, in fact, a geopolitical trap that leaves ASEAN increasingly exposed to external manipulation.

Parallel to this is the enduring regulatory fragmentation that continues to undermine the coherence and effectiveness of ASEAN's economic governance. While headline achievements in tariff elimination under the ATIGA are often cited as evidence of integration, they mask the deeper failure to address the proliferation of non-tariff barriers, inconsistent rules of origin, and ineffectual enforcement mechanisms. These inconsistencies are not merely technical hurdles; they represent structural disincentives for deeper integration. They disproportionately benefit multinational corporations with the capacity to navigate complexity, while excluding small and medium enterprises that lack the resources to absorb regulatory compliance costs. Moreover, such fragmentation facilitates the circumvention of trade rules by external actors, who exploit regulatory gaps to re-route goods, evade tariffs, or saturate ASEAN markets with low-cost imports.

The convergence of infrastructural and regulatory weaknesses has transformed ASEAN into a structurally dependent economic space. In the absence of a coordinated policy framework, individual member states often pursue unaligned or even contradictory responses to shared external challenges. Whether confronted with punitive U.S. tariffs, China's Belt and Road investment diplomacy, or disruptions in global supply chains, ASEAN's fragmented reaction underscores its limited capacity for collective action. This is not simply a problem of coordination, instead it reflects the institutional outcome of a model in which bottom-up market integration has not been matched by top-down political or legal harmonization.

What emerges is a precarious equilibrium where integration proceeds in form but not in function. ASEAN risks remaining an open economic arena rather than evolving into a cohesive political community. The longer this imbalance persists, the more it deepens the region's exposure to external leverage and undermines its aspirations for autonomy. Without a concerted effort to synchronize infrastructural investment with regulatory standardization, ASEAN will remain trapped in a cycle where every gain in market connectivity amplifies the consequences of institutional incoherence.

The imperative for reform is therefore existential. ASEAN must move decisively to transform its fragmented systems into unified frameworks capable of supporting a resilient and autonomous regional order. This entails not only physical infrastructure development but also the construction of legal and institutional mechanisms that foster harmonization, accountability, and enforceability.

Recommendations and Conclusions

ASEAN currently confronts a pivotal inflection point. While economic integration across the region has advanced rapidly, primarily driven by the expansion of cross-border markets, supply chains, and private sector linkages, the corresponding institutional architecture necessary to manage and safeguard this growth has lagged significantly behind. This asymmetry, wherein economic regionalization far outpaces the development of coherent regionalism, has produced a fragmented integration landscape marked by infrastructural bottlenecks, regulatory inconsistency, and limited resilience to external shocks.

To reverse this, ASEAN must act with urgency and clarity. It must pursue integrated reforms that link physical infrastructure upgrades with the harmonization of regulatory and institutional frameworks. These reforms must be both targeted and collective, grounded in a shared recognition that economic interdependence without policy coordination yields fragility, not strength. The viability of ASEAN's regionalization project, and its credibility as a strategic actor in an increasingly multipolar world, now hinges on its capacity to close these governance and connectivity gaps. What is required is a deliberate, sustained effort to build a regional order that not only facilitates trade but defends it, not only connects economies but aligns them under shared rules and mutual interests.

ASEAN should take small steps to at the very least create an environment where intra-ASEAN trade could increase, before addressing bigger issues relating to external influences. Some small steps include:

1 Bridge Infrastructure Gaps via a "Missing Links" Taskforce

ASEAN should establish a taskforce within the ASEAN Secretariat to identify and coordinate priority infrastructure connections, especially incomplete rail and road corridors in Cambodia, Laos, and Myanmar. Strategic completion of a few key links would significantly reduce logistics costs and demonstrate ASEAN's ability to deliver visible integration gains.

2 Support small businesses with helpdesks for trade facilitation

Each ASEAN member should host a dedicated SME helpdesk, be it online or physical, to assist with rules of origin, NTB complaints, and digital documentation. This would ease entry into regional markets for smaller f irms and surface data on common regulatory pain points.

3 Enforce Transparency in NTB Reporting and Dispute Resolution

All ASEAN member states should be required to publish regular updates on non-tariff measures and trade dispute outcomes via a centralized ASEAN platform. Public tracking will increase peer accountability and pressure for timely reforms.

4 Establish a Real-Time Intra-ASEAN Trade Dashboard

ASEAN should create a digital dashboard, accessible to both public and private sector stakeholders, that tracks intra-ASEAN trade flows, logistics performance, NTB incidences, and dispute resolution status in real time.

5 Fund Collaborative Regional Value Chains

Launch a grant-based ASEAN fund to support cross-border SME consortia in manufacturing, logistics, or tech sectors. Prioritize value chain partnerships in sensitive areas like electronics, food processing, and automotive parts to build regional resilience.