Globalization at a Critical Juncture: Navigating the World Economy through Division

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ASEAN 2026: Resilience under a more fragmented global economy

World Economic Outlook Growth Projection, IMF (2026)

Real GDP, annual percent change	Estimate	Projection	
	2025	2026	2027
World	3.3	3.3	3.2
Advance Economies	1.7	1.8	1.7
United States	2.1	2.4	2.0
Emerging Market & Developing Economies	4.4	4.2	4.1
China	5.0	4.5	4.0
India	7.3	6.4	6.4

- The global economy is expected to grow around **3.3%** in **2025–2026**, but with persistent uncertainty around trade policy, geopolitics, and supply chains (IMF, 2026).

Macro conditions remain sensitive to:

- External demand swings (especially electronics, machinery, commodities)
- Financial conditions and currency volatility
- Climate shocks affecting food/energy and logistics (World Bank, 2026).

Asean +3 Economic Growth 2024-2026, Amro (2026)

Economy	2024	Jan 2025e	Jan 2026f
ASEAN+3	4.2	4.3	4.0
Plus-3	4.1	4.2	3.9
China	5.0	5.0	4.6
Hong Kong, China	2.5	3.1	2.7
Japan	−0.2	1.2	0.8
Korea	2.0	1.0	1.9
ASEAN	4.9	4.8	4.6
Brunei Darussalam	4.1	0.1	1.6
Cambodia	6.0	4.8	5.1
Indonesia	5.0	5.0	5.0
Lao PDR	4.3	4.6	4.6
Malaysia	5.1	4.9	4.4
Myanmar	2.9	−1.5	2.5
Philippines	5.7	5.2	5.3
Singapore	4.4	4.8	3.0
Thailand	2.5	2.2	1.7
Vietnam	7.1	8.0	7.6

Source: International Monetary Fund. (2026). World Economic Outlook Update (January 2026); ASEAN+3 Macroeconomic Research Office. (2026, January 21). *ASEAN+3 Regional Economic Outlook (AREO) January 2026 update*. ASEAN+3 Macroeconomic Research Office. https://amro-asia.org/wp-content/uploads/2026/01/AREO2026_January_Update_final_Jan-21-2026.pdf

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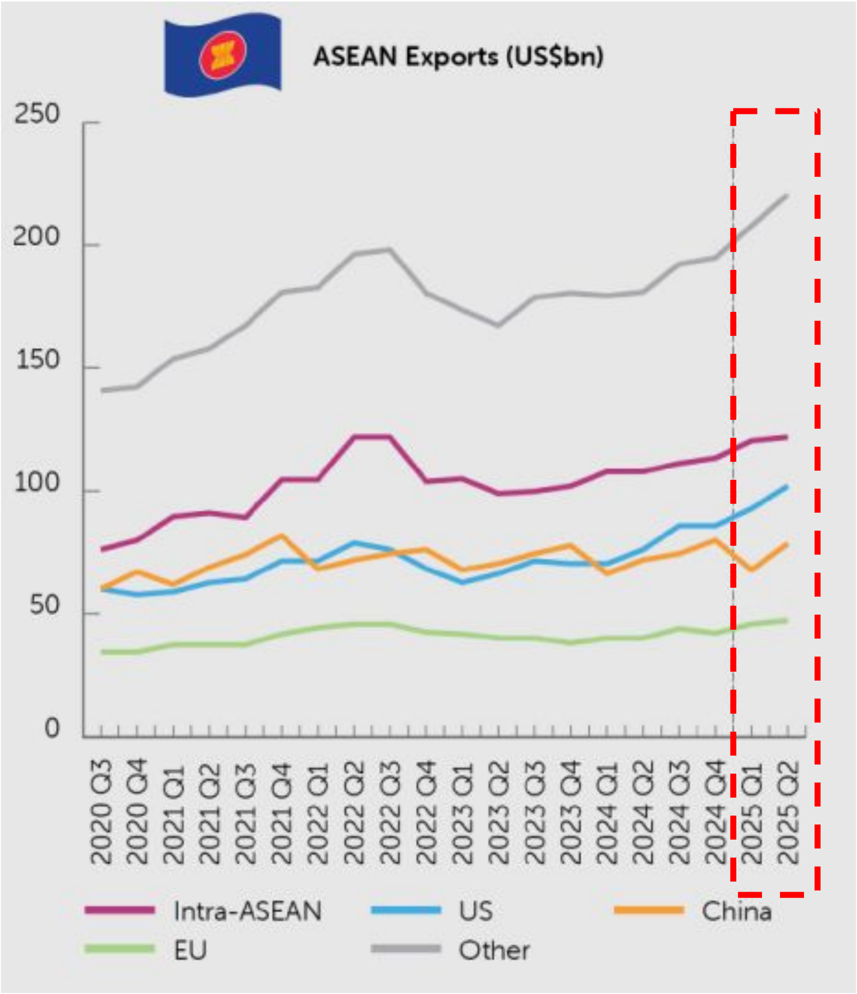
U.S. Reciprocal Tariffs

US Reciprocal Tariffs Imposed on Southeast Asia

Country	Apr-25	As of January 2026	Status
Indonesia	32%	19%	↓
Philippines	17%	19%	↑
Vietnam	46%	20%	↓
Thailand	36%	19%	↓
Myanmar	44%	40%	↓
Malaysia	24%	19%	↓
Cambodia	49%	19%	↓
Laos	48%	40%	↓
Singapore	10%	10%	=
Brunei	24%	25%	↑
Timor-Leste	10%	10%	=

Exports largely increased in the first half of 2025 despite tariff uncertainty



Impact of Trump's Tariffs on ASEAN (Data up to Q2 2025)

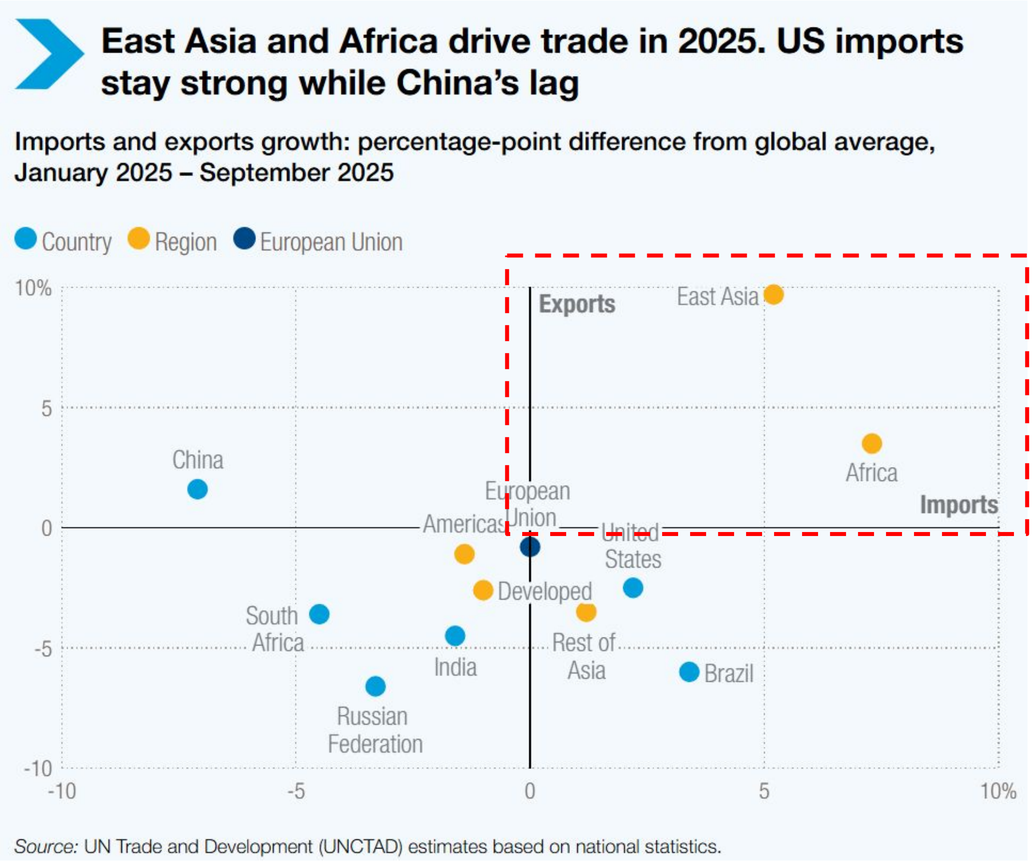
No significant disruption observed so far (as of Q2 2025)
Trade and economic growth remain resilient despite tariff uncertainty

Exports strengthened in early 2025
– ASEAN exports up nearly 20% year-on-year in Q2
– Exports to the US surged 36.5%
– Strong increases to EU, intra-ASEAN, China, and other markets

Frontloading effect likely temporary
– Firms accelerated shipments before tariffs fully took effect in August
– Long-term contracts limit short-term trade adjustment

Source: Ha, H. T. (2026, February 10). *Southeast Asia navigates Trumpian storms: Disruptions, recalibrations and adaptations*. FULCRUM. https://fulcrum.sg/southeast-asia-navigates-trumpian-storms-disruptions-recalibrations-and-adaptations/ ; Nixon, S. (2026). Divided we fall: ASEAN's response to Trump's illiberal trade agenda. Institute for Democracy and Economic Affairs (IDEAS).

ASEAN in Geopolitics: U.S.–China Tensions + The Rising Global South



ASEAN's position:

- ASEAN can act as a **"connector" market**, linking major powers and Global South demand, if it keeps credibility as an open, rules-oriented production base.
- But ASEAN also faces **alignment costs**: technology restrictions, standards fragmentation, and higher compliance costs for cross-border business (World Bank, 2026).

Strategic environment:

- The escalation of U.S.–China geo-economic rivalry increasingly forces trade, investment, and technology decisions to carry political risk alongside commercial logic (IMF, 2026; World Bank, 2026).
- The **Global South's weight in trade is rising**: UNCTAD highlights **South–South trade growth (8%)** in 2025 alongside strong momentum in high-value traded sectors (UNCTAD, 2025).

Strategic response options:

- "Hedge with integration": stronger internal market reduces vulnerability to external shocks.
- "Diversify partnerships": broaden trade/investment links with South Asia, Middle East, Africa, Latin America (consistent with Global South trade trends).
- "Strengthen resilience": regional financial cooperation, supply-chain risk tools, and digital trade infrastructure.

Source: United Nations Conference on Trade and Development. (2025). *Global trade update (December 2025)* (UNCTAD/DITC/INF/2025/10). https://unctad.org/system/files/official-document/ditcinf2025d10_en.pdf

ASEAN Integration Status

ASEAN, Exports-imports by partners, 2024

Progress on integration (latest measurable signals):

- **Intra-ASEAN merchandise trade share = 21.5% (2024)**, evidence of deepening regional links, but still leaving room to raise internal demand as a shock absorber (ASEANstats, 2025).
- ASEAN's latest economic blueprint, the **AEC Strategic Plan 2026–2030** sets out **six strategic goals, 44 objectives, and 192 strategic measures** to accelerate integration and competitiveness (ASEAN, 2025).
- ASEAN has also reached a **substantial conclusion** on the **Digital Economy Framework Agreement (DEFA)**, signalling momentum toward region-wide digital rules and interoperability (ASEAN, 2025).

Source: ASEAN Secretariat. (2025). *ASEAN Statistical Highlights 2025.*

Long-Term Risks and Growth Opportunities

Total Fertility Rate (Births per Woman), 2024

ASEAN Avg	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Timor-Leste	Vietnam
2.0	1.8	2.7	2.2	2.5	1.6	2.0	1.9	1.0	1.0	3.6	2.0

Most ASEAN countries have TFR **below or near replacement level (2.1)**, indicating long-term demographic challenges such as aging populations and slower population growth

Long-term risks (The "Middle-Income Trap" and Beyond):

- The binding constraints are increasingly **productivity growth, innovation diffusion, demographics, and climate-related disruption** not just capital accumulation (World Bank, 2026).
- A key risk is a **dual trap**: countries can stall economically (middle-income dynamics) while also stalling environmentally (a "green trap") if competitiveness and decarbonization don't advance together (ADBI, 2026).

Long-term opportunities (where ASEAN can win):

- **AI/electronics and advanced manufacturing** (capturing high-value segments of the supply chain).
- **Green industrialization + energy transition** (renewables, grids, green finance), aligned with ASEAN's next-cycle integration agenda.
- **Digital integration** (DEFA as a platform for cross-border payments, data governance, SME scaling).

Source: Population Reference Bureau. (2025). *Fertility: Total fertility rate (births per woman) by country*. PRB. Retrieved February 15, 2026, from https://www.prb.org/international/indicator/fertility/table

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