



Southeast Asia
Public Policy Institute

Southeast Asia Global Relations Outlook 2025



Contents

3	Executive Summary
4 - 6	I. Malaysia's ASEAN Chairmanship
7 - 19	II. The ASEAN-6
20 - 24	III. CLMB Countries and East Timor
25 - 31	IV. China, the US, and EU
32 - 38	V. Longstanding and Rising Alternative Partner

Executive Summary

ASEAN is facing domestic political and economic challenges while navigating rising geopolitical tensions with impact on bilateral relations and trade. As ASEAN Chair this year, Malaysia is keen to mediate the Myanmar civil conflict and prioritize regional integration. At the same time, tensions around the South China Sea dispute remain and call for a coordinated regional approach.

A major theme for 2025 is turbulence in the global trading system due to the second Trump presidency in the United States and escalating U.S.-China tensions. Many ASEAN economies are particularly vulnerable to Trump's tariff plans and punitive measures - five of the six largest ASEAN economies have trade surpluses with the U.S. Trump's plans to place tariffs on Chinese imports can result in many Chinese firms diverting their exports to Southeast Asia instead. This may engender a backlash in many ASEAN economies due to a possible flooding of cheap Chinese imports. However, many ASEAN economies may also benefit from the ongoing reconfiguration of global supply chains away from China as part of the 'China Plus One' strategies adopted by multinational firms.

ASEAN is expected to remain a diplomatic priority for China in 2025, especially if member states' relations with the U.S. under the second Trump presidency proceed to deteriorate. BRICS, of which China is a founding member, provides a framework for China's further collaboration with select ASEAN member states. As BRICS continues to expand and develop, we can expect to see continued collaboration between China and its Southeast Asian partners.

Meanwhile, there are also opportunities in Southeast Asia's relations with other partners and allies. European expertise in renewable energy and green technologies, for instance, could significantly support ASEAN's transition to a low-carbon economy, especially in the wake of the US pulling out of global green funding pools under Trump. Furthermore, digital transformation is another avenue for collaboration, with Southeast Asia's booming digital economy offering substantial prospects for EU technology and innovation-driven enterprises.

I. Malaysia's ASEAN Chairmanship

Introduction

On January 1st, 2025, Malaysia took up the Chairmanship of ASEAN from Laos under the theme of "Inclusivity and Sustainability." The country aims to host over 300 ASEAN-related meetings, programs, and summits, with a complete agenda to be announced in January or February this year.

One key issue that Malaysia will face under its chairmanship is the ongoing civil conflict in Myanmar. As a bloc, ASEAN has faced persistent criticism for its inadequate response to Myanmar's political and humanitarian crisis, particularly the junta's refusal to abide by the Five-Point Consensus agreed in April 2021. Malaysia has advocated for a stronger stance in ending the conflict compared to many of its neighbors and may offer to play a stronger mediating role as ASEAN Chair. It has been suggested that Malaysia could champion a 'minilateral' approach, involving a coalition of concerned ASEAN member states to negotiate a peace process outside of ASEAN's traditional consensus-based model.

Another major issue in ASEAN will be the South China Sea dispute. As both a claimant state and ASEAN's coordinator for China relations, Malaysia will need to balance its national interests with regional concerns regarding China. In October 2024, Prime Minister Anwar called for accelerating Code of Conduct negotiations, aiming for completion by 2026.

Towards a New Community Vision

This year will also mark the final year of the ASEAN Community Vision 2025 and the corresponding ASEAN Economic Community (AEC) Blueprint 2025, with the latter representing the Community Vision's economic pillar. This moment will provide an opportunity for member states to analyze the progress ASEAN has made in achieving the end goals of the AEC – the creation of a single market and production base within ASEAN.

Under Malaysia's chairmanship, ASEAN will adopt the ASEAN Community Vision 2024, which will set the region's strategic vision for the next two decades. Malaysia played a notable role in drafting the successor Community Vision, having served as co-chair of the high-level task force for the ASEAN Community Vision 2045 since its establishment in 2022.

Future Turbulence in Global Trade

ASEAN will also face some turbulence in the global trading system this year due to the second Trump presidency in the United States and escalating U.S.-China tensions. During Trump's presidential campaign, he had promised to implement 60% tariffs on Chinese imports and between 10% and 20% on all imports entering the United States. Many ASEAN economies are particularly vulnerable to Trump's tariff plans and punitive measures - five of the six largest ASEAN economies have trade surpluses with the U.S., which means their exports rely heavily on the U.S. market. Should Trump go ahead with placing 60% tariffs on Chinese imports, we can expect many Chinese firms to divert their exports to Southeast Asia instead. This may engender a backlash in many ASEAN economies due to a possible flooding of cheap Chinese imports. However, many ASEAN economies may also benefit from the ongoing reconfiguration of global supply chains away from China as part of the 'China Plus One' strategies adopted by multinational firms.

Under Malaysia's chairmanship, the conclusion of several ongoing trade negotiations is also expected, including the ASEAN-China FTA (ACFTA) upgrade negotiations as well as the upgrade of the ASEAN Trade in Goods Agreement (ATIGA).

Fostering ASEAN Economic Integration

In response to turbulent geopolitical configurations and the potential economic impact from a second Trump presidency, Malaysia is looking to further intra-ASEAN economic integration, primarily through digitalization and power grid. One mechanism it seeks to pursue is enhancing ASEAN's digitalization efforts to establish the bloc as a strategic and competitive digital hub. This could be achieved, among other measures, through the conclusion of the ASEAN Digital Economy Framework Agreement (DEFA).

The DEFA is a regionwide framework setting the ground rules on cross-border digital services, with key themes that include digital trade (in which member states aim to facilitate trade with electronic documents and interoperable processes) and cross-border e-commerce (with member states hoping to create a more efficient and fairer digital environment).

Other areas which member states are negotiating as part of DEFA include big data, data flows, data privacy, and cybersecurity. ASEAN Secretary-General Kao Kim Hourn has expressed hopes that the bloc could conclude DEFA negotiations in 2025. Given that digital readiness is uneven across the region, it is hoped that DEFA can help digital businesses in less-prepared countries. It is also hoped that establishing a dependable rule-setting framework can unlock some US\$2 trillion for ASEAN's digital economy.[1]

Malaysia is also looking to further ASEAN economic integration through prioritizing the ASEAN power grid, which involves the transmission of power from Laos and Thailand. In August 2024, negotiations over the Laos-Thailand-Malaysia-Singapore Power Integration Project, which involves the supply of up to 100 megawatts of electricity from Laos via Thailand and Malaysia, were reported to have reached a halt. Malaysia's Prime Minister, Anwar Ibrahim, has hinted at pushing for a conclusion in the negotiations during its chairmanship.

Limitations to Malaysia's Ambitions

Ultimately, ASEAN's consensus-driven model entails limitations to how much Malaysia can hope to achieve under its chairmanship in one year. Anwar's recent decision to appoint former ASEAN political figures and heads of states, including former Thai premier Thaksin Shinawatra, as advisors for Malaysia's chairmanship, suggests that Anwar may stick with tried-and-tested strategies when it comes to confronting the challenges that ASEAN faces. The second part of the series will delve into the key political and economic trends in member states of the ASEAN-6 countries: Malaysia, Vietnam, Thailand, Indonesia, the Philippines, and Singapore.

II. The ASEAN-6

Malaysia

Greater Political Stability

Malaysia enters 2025 with far greater political stability compared to the last several years, a period characterized by frequent changes of government and political infighting. Since forming his unity government in 2022, Prime Minister Anwar Ibrahim has managed to consolidate his position and fend off threats from the Islamist-leaning opposition coalition Perikatan Nasional (PN), the latter having become increasingly fractured and beset by defections over the past year.

Nevertheless, Anwar's government has received criticism from civil society and activists, who accuse him of breaking campaign pledges to review and repeal laws restricting free speech and dissent. Instead, the government has been accused of using these laws to suppress criticism and appease conservative factions. Planned regulations of social media have also engendered a backlash due to fears that they may be used to control online discourse. Further, the government's credibility in tackling corruption has been questioned, with many accusing the government of only targeting opposition figures.

Fostering Foreign Investment

Such political stability will allow PM Anwar greater leeway to implement his economic reform agenda, which focuses on enhancing Malaysia's attractiveness to foreign investors through policies of fiscal consolidation. Malaysia's 2025 Budget, unveiled in October, focuses on broadening the tax base and lowering the fiscal deficit to 3.8% of GDP, down from 4.3% in 2024. The Malaysian government has targeted growth of between 4.5% to 5.5% in 2025, compared to a revised range of 4.8% to 5.3% in 2024. [2]

A key measure introduced in the 2025 Budget was the removal of blanket subsidies for RON95 petrol, which followed the earlier removal of diesel subsidies in June. Other measures are focused on broadening the tax base, such as reviewing the Sales and Services Tax (SST) alongside introducing a new progressive tax on dividend income over MYR 100,000 (USD 22,840) for private investors. [3]

Under Anwar's premiership, Malaysia has emerged as a key beneficiary of the ongoing reshoring of China-based manufacturing and operations. Over the past year, Malaysia has managed to attract several high-value investments, with global tech firms such as Google and Microsoft having committed billions of dollars. Malaysia has particularly emerged as an attractive destination for data centers and backend semiconductor fabrication, drawn to the country's political stability, adequate infrastructure, and pro-investment environment.

The planned Johor-Singapore Special Economic Zone (JS-SEZ), which aims for the free movement of goods and people between the southern state of Johor and Singapore, is expected to further raise Malaysia's attractiveness as an investment destination—particularly for Singaporean firms looking to 'internationalize' closer to home—although investors have warned of persistent challenges including congested border crossings and lengthy permit processes.

Balancing China and the United States

Economic pragmatism is expected to remain the cornerstone of Malaysia's relationship with China. Both parties would mark the fiftieth anniversary of diplomatic relations in 2024, with Chinese Premier Li Qiang visiting Malaysia in June followed by a visit from Malaysia's King Sultan Ibrahim Iskandar to China in September, where he met Chinese President Xi Jinping and Premier Li. During Premier Li's visit, both countries signed a new five-year agreement for economic and trade cooperation, signaling a mutual desire to deepen economic relations. While Malaysia is a claimant state to the South China Sea, it generally seeks to separate the dispute from its crucial economic relationship with China.

Future ties with the US, on the other hand, will be greatly shaped by the second Trump administration's tariff policies and their impact on Malaysian exports. Although China remains Malaysia's largest trading partner, the US market is arguably more crucial, as Malaysia is a net exporter to the US while it is a net importer from China. Trump's proposed tariffs could significantly affect Malaysia's electrical and electronics (E&E) exports to the US, including its exports of microchips and semiconductors. At the same time, Malaysia may also continue to benefit from more firms reshoring their China-based operations to Malaysia.

Vietnam

Political Upheaval to Abate Somewhat

The upheaval that characterized Vietnamese politics over the last two years is expected to abate somewhat in 2025, following the election of former Minister of Public Security To Lam to the position of general secretary in August 2024. Prior to Lam's election, Vietnam had seen frequent leadership changes due to the ongoing 'Blazing Furnace' anti-corruption campaign. Introduced by former General Secretary Nguyen Phu Trong, this campaign saw over 4,400 individuals indicted for corruption-related charges. Among those targeted included members of the Politburo, with two presidents, two deputy prime ministers, and a National Assembly chairman removed from their positions. As the former head of public security, Lam oversaw the campaign, which critics alleged he weaponized to remove rivals in succeeding Trong as the next general secretary.

The 'Blazing Furnace' has inadvertently caused paralysis within the country's bureaucracy, disrupting Vietnam's larger business environment. Decision making and official approvals for projects have stalled, being hampered by an overly cautious approach adopted by officials who fear being investigated for corruption. Analysts argue that this has caused Vietnam's economy to underperform expectations in recent years.

For a period after August, Lam simultaneously held the position of general secretary and president, raising concerns about a potential consolidation of power. In October, Vietnam's parliament voted in 67-year-old Army General Luong Cuong as president, succeeding Lam. This may have been part of a power-sharing compromise reached with Lam within the ruling Communist Party of Vietnam (CPV). Cuong's election suggests more stability in Vietnam's political system in the near-to-medium term. It has been suggested that Lam's leadership style is less ideological and more pragmatic compared to Trong, with expectations of more focus on economic development and foreign investments. Indeed, Lam had previously called for technology-led 'high quality' growth for Vietnam.

Bureaucratic Paralysis May Continue

However, Lam's call for Blazing Furnace to continue suggests that the current paralysis affecting Vietnam's bureaucracy may continue for the time being. As the CPV approaches its next National Congress in 2026, we may see a return to political turbulence as factions within the party begin jockeying for key positions. The 14th National Congress in 2026 will see all top positions within the CPV up for grabs as part of a regular five-year reorganization of political leadership.

Separately, Vietnam is finalizing one of its most significant reforms to the government and political apparatus in recent history, which includes the merger and consolidation of several ministries and agencies at both the national and sub-national levels. With leadership and organizational reform affecting most government institutions, temporary bureaucratic halt might be expected, although a more streamlined and efficient government and bureaucratic structure can be expected after the reform period concludes.

More Authoritarian Vietnam

Given Lam's background in the security sector, concerns have been raised that his ascent to the position of general secretary may signal a shift towards a more authoritarian system. Indeed, the Politburo is dominated by figures from the Ministry of Public Security, where Lam retains significant influence, while the military forms the second-largest bloc. During Lam's time at the Ministry of Public Security, activists and civil society were targeted, while restrictions were placed on foreign NGOs. A more repressive Vietnam may prove challenging to future ties with Western powers.

Bamboo Diplomacy to Continue

Vietnam is expected to continue with its long-standing policy of 'bamboo diplomacy', characterized by flexibility and maintaining equidistance between China and the US. In terms of Hanoi's relationship with the US, the Trump presidency presents both opportunities and risks for Vietnam. Given Vietnam's heavy reliance on trade (with exports comprising 85% of its GDP), the country is particularly vulnerable to Trump's planned tariffs on all global imports to the US. Research by the Economist Intelligence Unit published just before the US presidential elections identified Vietnam as the fourth most vulnerable to changes in US trade policy under a second Trump administration. There are also concerns that Trump may target Vietnam directly due to its growing trade deficit with the United States. During Trump's first term, he had criticized Vietnam's trade surplus and had begun the process for initiating sanctions on the country over its alleged currency manipulation. However, Vietnam may also benefit from the shift of manufacturing and exports from China, as it did during the first Trump presidency.

Vietnam's economic ties with China are expected to remain robust. China is Vietnam's largest trading partner, while Vietnam is China's largest trading partner in Southeast Asia. Lam's new government is expected to continue leveraging these economic ties to bolster his own domestic legitimacy through promoting development. In terms of the South China Sea dispute, Hanoi is expected to continue prioritizing a diplomatic approach vis-a-vis China while also quietly asserting its territorial claims through an expanded military presence within the contested waters.

Thailand

Political Volatility to Continue

2025 is projected to be a challenging year for Thailand, with political volatility and disruption expected to carry over from 2024. Thai politics is currently characterized by an uneasy alliance between the Shinawatra political family and Thailand's conservative establishment. In August 2024, the Constitutional Court dismissed Prime Minister Srettha Thavisin for an ethics violation, with former Thai premier Thaksin Shinawatra's daughter Paetongtarn Shinawatra succeeding him as Thailand's second female prime minister and head of the Pheu Thai-led coalition government.

The long-term prospects of Thailand's government remain to be seen, given increasing tensions within the coalition (namely between the Shinawatra-dominated Pheu Thai and Bhumjaithai), and between Pheu Thai and the conservative establishment. These tensions are directly attributed to Thaksin Shinawatra's apparent attempts to consolidate power and influence the government from behind the scenes. Thaksin has visibly played a prominent role in choosing members of the cabinet and directing economic policy.

Paetongtarn's government is currently facing an array of legal challenges that could see history repeated. At the center of the controversy is an Election Commission (EC) investigation into Thaksin's influence over the government. The EC is expected to conclude its investigation and forward its findings to the Constitutional Court by the first quarter of 2025. The investigation carries significant consequences for Pheu Thai, including a possible dissolution of the party and decade-long political bans for key executives.

Should the courts prevent Paetongtorn from completing her full term, we can expect to see another round of political realignment, thereby prolonging Thailand's political volatility to the detriment of policymaking and investor confidence. It is likely that the Bhumjaithai Party will emerge as the primary beneficiary should the Pheu Thai government collapse, given their strong presence in the Senate and more moderate stance on reforms —thereby making them more palatable to the conservative establishment. There have been indications of a rift growing between Pheu Thai and Bhumjaithai, including news reports of the absence of key Bhumjaithai politicians during a cabinet meeting on December 11, 2024, when two crucial executive decrees were tabled. At present, the possibility of Bhumjaithai leader Anutin Charnvirakul emerging as the successor to Paetongtorn appears as a possibility.

In response to these threats to their position, Pheu Thai may reach out to the opposition People's Party (PP) again. PP is the reincarnation of the Move Forward Party, which was disbanded by the Constitutional Court in August 2024 after being found guilty of treason for advocating reform of Thailand's strict lese-majeste laws. An alliance with PP may provide Pheu Thai with leverage.

Kickstarting a Sluggish Economy

Alongside their efforts in consolidating their position, the Pheu Thai government also intends to focus on kickstarting Thailand's sluggish economy. Overall growth in 2024 has been estimated at 2.7%, lower than the early-year forecast of 3% to 4%. This has been attributed to the government's flagship digital wallet scheme not proceeding as planned (turning instead into a simple cash handout), delayed fiscal spending earlier in the year, and tight monetary policy by the Bank of Thailand. [4]

At present, Paetongtarn's government seems committed to continuing with the economic policies pursued under Srettha, including cash handouts, a three-year debt suspension for farmers, and attracting foreign investments. The government is also committed to boosting tourism, with a record 40 million arrivals expected to arrive this year. Thailand's marriage equality legislation, which came into law on January 24, is expected to reinforce the country's position as a global leader in LGBTQ inclusivity, thereby making it more appealing as an international tourism destination. [5]

Trump to Impact Thai Exports

Thailand's exports are not expected to grow next year, in part due to the planned tariff policies of the second Trump presidency. In 2023, Thailand exported over USD 48 billion to the United States, accounting for approximately 17% of total export value. Thailand's trade surplus of USD 29 billion may make it a direct target of the Trump administration, although it is not a particularly large surplus relative to other countries. Even without direct tariffs, Thailand could face non-tariff barriers such as intellectual property protection and enforcement issues, currency manipulator accusations, and US pressure to open the market for US goods such as pork imports. A slowing global economy is also expected to impact Thai exports. As such, the Thai economy will continue to depend on private consumption and tourism as the primary drivers of growth in 2025. [6]

Indonesia

Year of Elections

The year 2024 was significant for politics in Indonesia as the country held both its presidential and legislative elections in February and its regional elections in late November last year. Former army general and then-Minister of Defense Prabowo Subianto was voted in as Indonesia's eighth president in February, securing 58.6% of the vote (totaling 96.2 million votes). Prabowo was able to consolidate his position in the regional elections held on 27 November, with candidates backed by his Onward Indonesia Coalition sweeping most seats (save for Jakarta). Securing control of local governments will be important for Prabowo in realizing his policy ambitions, given Indonesia's heavily decentralized nature.

Institutional Erosion and Civil Unrest

Both elections took place amidst an erosion of Indonesian institutions and democratic health, courting public controversy and even civil unrest at times. Prabowo's victory in February owed in part to a controversial Constitutional Court decision in October 2023 which relaxed the age limits for candidates to run in the upcoming presidential election. At the time, the Constitutional Court was chaired by the brother-in-law of former president Joko Widodo (Jokowi). It did not escape the popular imagination that this was a maneuver to allow Jokowi's then-36-year-old son Gibran to run for vice president as a running mate of Prabowo.

In August 2024, the Constitutional Court handed down two rulings which would have significant impact on the upcoming regional elections in November. The first of these rulings clarified the eligible age of candidates contesting governor or deputy governor posts, thereby blocking Jokowi's other 29-year-old son Kaesang Pangarep from taking part in any of the local elections. The other ruling lowered the threshold for parties nominating candidates for regional elections, enabling more local elections in November to be competitive. Indonesia's parliament attempted to rush through changes to electoral laws that would reverse the court's decisions. In response, a series of student-led rallies demonstrating against the proposed electoral law changes were held in Jakarta and other cities on 22-23 August, with some turning violent. Indonesia's parliament seemingly backed down in response, withdrawing its planned changes to the electoral laws (albeit likely temporarily).

With the elections out of the way, Indonesia is expected to see more political stability entering 2025. However, negative sentiments surrounding Jokowi's seeming attempts at building a family political dynasty as well as Prabowo's own attempts at preventing the formation of an effective opposition may linger throughout 2025, creating the potential for future civil unrest. Controversial remarks made by Prabowo in December suggesting that regional elections be scrapped altogether may spark a significant backlash if followed through.

Overambitious Economic Goals

During his presidential campaign, Prabowo positioned himself as the 'continuity' candidate, promising a continuation of Jokowi's developmental policies. This was indicated in Prabowo's choice of cabinet unveiled during his inauguration on October 20, 2024, which included 17 ministers from Jokowi's previous cabinet. This included former Finance Minister Sri Mulyani Indrawati and chief economic minister Airlangga Hartarto. By retaining Sri Mulyani, Prabowo seems keen to maintain the confidence of foreign investors.

It should be noted that Prabowo's cabinet is the country's largest since the 1960s, with 48 ministers and 58 vice-ministers compared to 34 ministers and 30 vice-ministers under Jokowi. Such a large cabinet is largely seen as Prabowo doling out ministerial positions to bolster political support. Concerns have been raised that such a bloated cabinet may raise administrative costs and slow decision-making processes at a time when institutional reforms should be prioritized.

Without moves towards institutional efficiency, Prabowo may struggle to achieve his goal of 8% annual economic growth during his first term (as part of a larger goal of Indonesia reaching high-income status by 2045). Economists also point to Indonesia's precarious fiscal position. According to Fithra Faisal, lecturer at the Faculty of Economics and Business at the University of Indonesia, Indonesia's deficit could widen from 1.65% of GDP in 2024 to at least 2.9% of GDP. This has been attributed in part to Indonesia's dwindling middle class, leading to declining tax revenues. According to Indonesia's Bureau of Statistics (BPS), the proportion of the population defined as middle class fell from 23% in 2018 to just 17% in 2023. [7]

Investors also worry that Prabowo's more extravagant spending plans may add to Indonesia's fiscal woes. A flagship free school lunch program, for example, is expected to amount to 2% of GDP alone. Investor confidence in Indonesia stumbled somewhat when the Financial Times suggested that to fund Prabowo's policies, the current debt-to-GDP ratio may be raised from its current levels of 40% to 50%. In response to a subsequent depreciation of the rupiah against the dollar, Prabowo and his economic team have committed to the existing debt caps, at least in the short term. [8]

The Philippines

Dissolution of the UniTeam

Last year saw the dissolution of the so-called 'UniTeam' comprising President Ferdinand Marcos Jr. and Vice-President Sara Duterte, both of whom had been able to secure a landslide victory during the Philippines' general elections in May 2022 by consolidating their forces. With both individuals having fallen out, Filipino politics is now dominated by the intense rivalry between the powerful Duterte and Marcos clans, much to the detriment of the country's political stability and policy regularity. Relations between the two had started to deteriorate in late 2023 over disagreements concerning policy, the Marcos Jr. administration's foreign policy shift towards the US, investigations into former president (and father of Sara) Rodrigo Duterte's controversial War on Drugs, and scandals implicating associates of the Dutertes.

After Sara Duterte resigned from her position of Education Secretary and subsequently from the cabinet in July 2024, she faced a congressional probe related to her alleged misuse of confidential intelligence funds. Sara Duterte courted further controversy in late November when she stated she had ordered a hit against Marcos Jr. that was to be carried out if she were to be killed.

As of the time of writing, Sara Duterte faces three impeachment complaints relating to her apparent misuse of over USD 10 million in confidential intelligence funds. These complaints were lodged by civic activists, priests, and lawyers. She also faces a possible fourth impeachment complaint. Should the House endorse the verified complaints, Duterte would be considered 'impeached' and the Senate would have to subsequently judge the complaint. It is uncertain whether Marcos will be able to muster the numbers in the Senate to impeach Duterte, with the president having previously suggested that impeachment proceedings would be a 'waste of time'. Analysts have suggested, however, that delaying impeachment proceedings until after the midterm elections in May 2025 would doom such efforts from the start, as Marcos Jr. would then be seen as a lame-duck president.

All Eyes on the Midterms

The clash between the Dutertes and the Marcos clans will no doubt dominate the upcoming midterm elections in May 2025. The midterms will see 317 seats in the House and thousands of regional and city posts up for grabs among 18,000 total positions. More importantly, 12 seats in the powerful 24-seat Senate will be contested. The campaign period for the midterms officially begins on February 11, with an estimated 70 million citizens eligible to vote.

If the majority of those endorsed by Marcos Jr. win in the Senate and the House, this will ensure his legislative agenda will be able to be pushed through and will provide him with enough legitimacy to anoint his successor for the 2028 presidential election (Filipino presidents are limited to a single six-year term). Marcos Jr. benefits from control over the vast machinery of the state, which will grant him control over many legislators.

Although it was initially rumored that Rodrigo Duterte would run in the senate elections, he is instead running for his former position of mayor of Davao in Mindanao. His two sons are running for the House and vice-mayorality in Davao respectively. This suggests the Dutertes' are looking to shore up their support base in their southern stronghold of Mindanao. Nevertheless, several supporters of the Dutertes will be running for Senate seats. For the Dutertes, the 2025 midterms will also be crucial in gauging their popularity. For Sara, who has attempted to position herself as the 'new' leader of the opposition since breaking away from Marcos Jr., the midterms will serve as an indication of her chances of running for president in 2028. Recent polling has indicated a drop in approval ratings for both Sara and Marcos Jr., although Sara polls higher than the president.

The upcoming midterms will also have ramifications for the country's foreign policy. While Marcos Jr. has rekindled the Philippines' relations with the West, the Dutertes are largely seen as pro-China. During Sara's time as mayor of Davao, she built strong relations with Chinese government officials. In 2018 during her mayoralty, China opened a consulate in Davao. That same year, she also entered into a sister-city agreement with Jinjiang City in Fujian province. It is likely that the Dutertes will leverage support from Beijing-friendly businessmen and politicians, if not direct help from China itself, in the upcoming midterms.

Moderate Growth for 2025

President Marcos Jr.'s economic team expects 2025 growth to be around 6% to 8%, compared to 6% to 6.5% for 2024. Officials have widened their growth projections for 2025 from a previous range of 6.5% to 7.5% in response to uncertainties caused by Trump's trade policy (namely his tariff plans). [9]

Growth in 2025 is expected to be led by business-friendly structural reforms, services, manufacturing, and infrastructure. The latter in particular has been a big focus in recent years, and investments are expected to continue flowing into major projects under the "Build, Build, Build" initiative introduced under the previous Duterte administration. Big projects such as new roads, bridges, airports, and ports are expected to create jobs and improve transportation across the country. There will also be a stronger focus on 'green' infrastructure in 2025. [10]

The digital economy is also expected to continue growing in 2025, with reports from Google Philippines and the National ICT Confederation of the Philippines (NICP) having highlighted the rapid growth of e-commerce and digital platforms in the Philippines. Since the pandemic, some 3.4 million digital jobs have been created, compared to just 1.9 million in non-digital space. However, digitalization has proved a double-edged sword for the Philippines; some fear that AI may replace jobs in the Philippines' crucial business process outsourcing (BPO) sector, itself a product of digitalization which generates roughly USD 30 billion in export revenue. [11]

On December 30, President Marcos Jr. signed the 2025 budget into law. The budget envisions a 10% increase in government spending to a record PHP 6.33 trillion (USD 109.2 billion). The education sector is now the recipient with the highest allocation with PHP 1.055 trillion, followed by the Public Works Ministry with PHP 1.034 trillion. This marks the first time that the education and infrastructure budget both hit the trillion-peso mark. Historically, government spending contributes around a fifth of the country's economic growth. [12]

Singapore

Election Year for Singapore

Singapore's 2025 outlook will be dominated by the upcoming general election, which per constitutional rules must be held by November 23. The most likely period for an election to be held is either in April-May or in September. The ruling People's Action Party (PAP) will enter the race under the new leadership of Prime Minister Lawrence Wong, who took over from his predecessor Lee Hsien Loong on May 15, 2024. Singapore's transition to the so-called fourth generation (4G) leadership was completed on December 4, 2024, when Wong was elected secretary-general of the PAP. Wong named his Cabinet in May 2024 with key portfolios largely unchanged.

While the PAP is largely expected to maintain dominance come election time, even a modest swing in support away from the ruling party would be considered significant. Prime Minister Wong stated as much when he warned that Singapore might be saddled with a much weaker government. In November, he warned that the PAP might lose another three or four group representation constituencies (GRCs), which might translate to a loss of four or five ministers.

Indeed, the PAP enters the election following a string of scandals in 2024. The most prominent included Former Transport Minister Subramaniam Iswaran being sentenced to 12 months in prison in October after pleading guilty to accepting valuable gifts from businessmen while assuming public office. Other scandals included an oil spill that occurred on June 14 at Pasir Panjang Terminal that raised concerns over Singapore's response effectiveness, as well as former prime minister Lee Hsien Loong's brother Lee Hsien Yang announcing in October that he had been granted asylum in the UK due to what he labelled politically motivated legal actions against his family by the Singapore government. Beyond the scandals, Singaporeans have expressed dissatisfaction with the rising cost of living in the city state.

However, the main opposition party, the Workers' Party, has also faced its own string of scandals. The Secretary-General of the Workers' Party and current opposition leader, Pritam Singh, faces two charges that he lied to parliament. A verdict is expected on February 17 this year. Beyond that, Singaporean news outlets have reported that horse-trading between the different opposition groups have begun in order to avoid any vote splitting in the elections.

Slower Growth in 2025

Singapore is expected to face slower growth in 2025, due in part to its key trading partners expected to face the same issues. The Ministry of Trade and Industry (MTI) forecast real GDP growth in 2025 will range from 1% to 3%. This is less than the 4% 2024 GDP growth estimate given by Prime Minister Wong in his December 31 New Year speech. The tariff plans of the incoming Trump administration are expected to impact Singapore, with MTI projecting that Singapore's GDP growth could be reduced by at least 1% in the event of a full-scale retaliatory tariff escalation among the world's three major economies of the US, China and the European Union. Singapore is also susceptible to the current slowdown in China's economy. However, a potential upswing in the global tech cycle (fueled primarily by the increased global adoption of AI) may support growth. [13] [14]

All eyes will be on the upcoming 2025 budget to be announced on February 18. An election budget, it is expected to prioritize areas such as job security and cost of living. Prime Minister Wong had previously announced that the 2025 Budget would look to support Singaporeans across different life stages. This includes the 'sandwiched group' - people with both children and ageing parents - as well as those entering the workforce or starting families. The budget will also look to help citizens upskill and secure better incomes.

III. CLMB Countries and East Timor

Cambodia

The Cambodian government forecast economic growth of approximately 6.3% for 2025, driven by key sectors including industry, services, and agriculture. A major contributor will be Cambodia's industrial sector, which is forecast to grow by 8.6%, fueled by the key garments, footwear and travel goods [GFT] sector. GFT exports grew by 16.9% in the first half of 2024, following a sharp decline in the same period in 2023 (thus underscoring the sector's resilience). Meanwhile, Cambodia's services sector is expected to grow by 5.6%, with the growth of tourism playing a major part. Tourist arrivals to Cambodia increased by 22.7% year-on-year in the first half of 2024. Although tourist numbers are approaching pre-pandemic levels (94.8% of 2019 levels), more regional tourists are reported to visit Cambodia compared to international ones, which entails that tourism revenues may not fully recover.[15] [16]

Foreign policy is expected to be a priority for the government entering 2025. Indeed, this was suggested as much by the sacking of Cambodia's foreign minister in November last year and the subsequent reinstatement of former Foreign Minister Prak Sokhonn, an experienced hand with close links to former Prime Minister Hun Sen. The second Trump administration in the US may pose threats to Cambodian exports. The US currently serves as Cambodia's number one market for its GFT sector. However, given the sector's heavy reliance on Chinese-sourced raw materials, Cambodia might be caught in the crosshairs of the incoming Trump administration, who have expressed hostility to China-linked supply chains in the past. Cambodia's trade surplus with the US may additionally serve as another complication.

Furthermore, Cambodia must also manage tensions with its neighbors, largely fueled by nationalist sentiments expressed both at home and amongst the Cambodian diaspora. In September 2024, Cambodia withdrew from the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA), a regional economic development initiative which also includes Laos and Vietnam. This decision was in response to a public backlash in Cambodia where public sentiment saw the agreement as ceding too much power to Vietnam. Tensions have also recently developed between Cambodia and Thailand over the disputed island of Koh Kut.

Relations between Vietnam and Cambodia have further been complicated over the latter's planned USD 1.7 billion China-funded Funan Techo Canal, which will directly link Phnom Penh to Cambodian ports on the Gulf of Thailand, thereby bypassing Vietnam. The Vietnamese has expressed concerns over the possible environmental impact on the Mekong River, as well as whether it might facilitate Chinese military ambitions in the region. With construction activity on the canal expected to begin this year, tensions are expected to flare up again.

Laos

Laos enters 2025 still amidst a crippling sovereign debt crisis, which only moderately abated last year. Laos' inflation rate had dropped to 21.3% in 2024, down from 31.2% in 2023. In comparison, the inflation rate in neighboring war-torn Myanmar is expected to stand at 20.7% in 2024 according to the Asian Development Bank (ADB). Despite this decline, the cost of living in Laos remains high, with the Consumer Price Index having risen from 208.3 in 2023 to 243.5 in 2024. Households remain battered through a loss of purchasing power, particularly in areas such as healthcare and foodstuff. The ADB projected in September 2024 that Laos would experience growth of 4.0% in 2024 followed by 3.7% in 2025. While international tourist arrivals to Laos are approaching pre-pandemic levels, this growth is offset by risks stemming from the country's debt distress, which will continue to hinder investment prospects and domestic consumption.[17] [18]

According to the ADB, public debt levels remain critical in Laos. While the ratio of the total public and publicly guaranteed debt to GDP decreased slightly from 112% in 2022 to 108% in 2023, the ratio of external debt service to total government revenue rose from 27% to 43%. Public and publicly guaranteed debt combines domestic and external debts. The ADB also warned that refinancing options for the Laotian government will remain limited in 2025, which, alongside significant external debt maturities, means that public sector access to foreign currency will be constrained. This will negatively impact private sector recovery and household spending.[5] Laos' debt crisis is largely due to the country having undertaken several expensive and largely unnecessary big-ticket infrastructure projects, including a China-backed USD 6 billion railway project linking Vientiane with Kunming in China. Economists have argued that debt restructuring and forgiveness will be the only way for Laos to escape this crisis, which entails that the government will need to continue negotiations with their main creditors. China remains Laos' main creditor, and so far has been reluctant to forgive Laos' debts for fear of setting a precedent.

Myanmar

February 2025 will mark the fourth year since Myanmar's military (the Tatmadaw) seized power, deposed the democratically elected government led by Aung San Suu Kyi, and plunged the country into civil war. Between January 2021 and May 2024, some 52,720 people have been directly killed in the conflict, with 9,147 or 17% of these having been civilians. These numbers do not include indirect deaths from the war caused by lack of access to healthcare, food insecurity, and other follow-on impacts from the prolonged conflict.[19]

The Tatmadaw enters 2025 increasingly embattled, with ethnic armed organizations having made gains in the North and West. The junta has lost control of most border gates on the Chinese border, threatening supply lines and trade. The Tatmadaw is also suffering from a high number of defections as well as challenges getting supplies to its soldiers. On December 19 last year, the Tatmadaw announced that it was on track to hold elections this year (with said elections having already been delayed by more than two years). The junta's efforts to hold elections has been met with a lukewarm response from the main rebel groups, and it is unclear how elections will even be held given the state of the country.

According to the World Bank, Myanmar's economy is expected to contract by 1% in the fiscal year ending March 2025, a downward revision from the previous projection of modest growth. Production in Myanmar has been impacted by ongoing shortages of raw materials, inadequate electricity supply, and weakness in domestic demand caused by rising inflation. The Myanmar Kyat has weakened significantly from MMK 1,330 to the dollar in February 2021 to MMK 4,450 by late June 2024. With over half of Myanmar's townships currently experiencing conflict, supply chains and border trade have been disrupted. Natural disasters, including the recent Typhoon Yagi and heavy monsoon rains, have also disrupted agricultural production, thereby exacerbating food insecurity in the country. Government crackdowns on businesses, traders, importers, and banks in the name of stabilizing the exchange rate have only further disrupted Myanmar's overall business environment.[20]

Brunei Darussalam

According to the Bruneian government, the country's economy is expected to expand between 2.5% and 2.9% in 2025, fueled by robust downstream production. Government officials have attributed this projection to the sultanate's economic resilience even amid external volatility. According to a separate analysis by the Economist Intelligence Unit (EIU) in 2024, exports of downstream petrochemicals and fertilizers over the period of 2024-2025 will support GDP growth, while oil output will be supported by launch of a new offshore oilfield. Private consumption and investment spending are expected to remain firm, thereby supporting growth. Other findings by the Brunei-based Centre for Strategic and Policy Studies (CSPS) have pointed to Brunei's strong post-pandemic recovery and stable inflation.[21]

In his New Year's Address, Brunei Sultan Hassanal Bolkiah reiterated the necessity of diversifying Brunei's economy beyond oil and gas. The CSPS have pointed to some success in this regard, with contributions from non-oil segments already being reflected in overall growth.[22]

East Timor

The ascension of East Timor (or Timor-Leste) as ASEAN's 11th member has been a long-time process, with the small petrol-state expected to join the bloc as a full member in either 2025 or 2026. Having first applied to join ASEAN in 2011, in November 2022 the ASEAN Member States had agreed "in principle" to admit the island state, as well as grant the country status as an official observer. In May 2023, ASEAN endorsed a roadmap outlining steps for East Timor to become a member state. The roadmap covers political, security, economic, and socio-cultural aspects, and will require East Timor to sign 66 key agreements, including the ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Comprehensive Investment Agreement (ACIA), to obtain full membership. In October 2024, ASEAN leaders agreed to ease some regulations and procedures for accepting new members - such as allowing a longer timeline for cutting import tariffs - in order to expedite East Timor's accession process.

On the road to full membership, East Timor faces several structural barriers. To begin, the country's small economy means it will struggle to adapt to the trade and investment regulations currently observed by all ASEAN members. These include the elimination of tariff and non-tariff barriers (NTBs) to facilitate intra-regional trade and investment. East Timor's GDP stood at US\$2.2 billion in 2023, smaller than Laos, ASEAN's smallest economy at present, at US\$15.2 billion.

Some 42% of East Timor's population are believed to be under the poverty line, while only 5.2% of the population aged 15 years and older had completed their universities as of 2015. Concerns have been raised that Timor-Leste may become a burden to ASEAN and hinder the bloc's efforts in economic integration. There are also concerns that East Timor lacks the necessary infrastructure and technical expertise to contribute as an ASEAN member.[23]

In response, some ASEAN members have sought to provide support to East Timor in terms of capacity building. For instance, in December 2022 Singapore launched the Singapore-Timor-Leste ASEAN Readiness Support training package, which aims to provide training to East Timorese government officials. By joining ASEAN, East Timor would gain access to a market of more than 680 million people, as well as larger markets that overlap with ASEAN such as the Regional Comprehensive Economic Partnership (RCEP). ASEAN would also be able to support East Timor's development process by providing the requisite knowledge, skills, and regional connectivity. For ASEAN, helping a small country bordering Indonesia to tackle its domestic challenges will help facilitate regional stability. Preventing East Timor from becoming the pawn of external powers can also help maintain the larger centrality of Southeast Asia within the Indo-Pacific. As well, East Timor can serve as a link to other multilateral frameworks such as the Comunidade dos Países de Língua Portuguesa – CPLP (the Community of Portuguese Language Countries), of which East Timor is a member, as well as the Pacific Islands Forum, of which East Timor is an observer.

IV. China, the US, and EU

China

China to Continue Prioritizing ASEAN

ASEAN is expected to remain a diplomatic priority for China in 2025, especially if member states' relations with the United States (US) under the second Trump presidency proceed to deteriorate. It will be in Beijing's interest for ASEAN member states to exercise their 'strategic autonomy' (i.e. to not stand with the US against China), and the Chinese will no doubt seek to draw member states closer by stepping up cooperation.

President Xi Jinping may make state visits to several ASEAN member states in 2025. Xi may visit Indonesia, for instance, to reciprocate President Prabowo's visit to China last year, as well as to attend the 3rd Asian-African Summit and the 70th anniversary of the Bandung Conference, both of which will be hosted in Indonesia.

Another country Xi may visit is Malaysia, given Prime Minister Anwar Ibrahim's and King Sultan Ibrahim's high-level visits to China in 2024. Anwar has invited Xi to attend the ASEAN Summit and the ASEAN-Gulf Cooperation Council + China Summit, both of which will be hosted by Malaysia. China will also be keen to be seen as lending support to Malaysia, the ASEAN Chair for 2025, and steer the ASEAN-China agenda to focus more on cooperation rather than contentious issues such as the South China Sea disputes. Finally, Xi may visit Singapore to commemorate the 35th anniversary of Singapore-China diplomatic relations this year.

BRICS, of which China is a founding member, provides a framework for China's further collaboration with select ASEAN member states. At the time of writing, Indonesia is a new member of BRICS, while Malaysia, Thailand, and Vietnam are partner states that have expressed desire to join as full members. As BRICS continues to expand and develop, we can expect to see continued collaboration between China and its Southeast Asian partners.

Economic Relations to be Strained

Economic ties remain the bedrock of China-ASEAN relations. In 2020, ASEAN overtook the European Union (EU) to become China's largest trading partner. In 2023, trade with the bloc accounted for 15.9% of China's total foreign trade, an increase from 10.5% in 2022.[24] Total bilateral trade in 2023 stood at USD 468.8 billion. As of end 2022, the cumulative stock of Chinese foreign direct investment (FDI) in ASEAN reached USD 154.66 billion.[25]

ASEAN also remains China's largest trading partner for intermediate goods, with bilateral trade in intermediate goods amounting to USD 576.2 billion in 2023.[26] This figure is indicative of the unique nature of the economic relationship between China and ASEAN, as manufacturing in ASEAN significantly depends on Chinese-sourced inputs and raw materials, making many ASEAN economies net importers from China. The reconfiguration of global production away from China and towards Southeast Asia in the wake of the US-China trade war has only exacerbated this dynamic. This may pose a dilemma for many ASEAN economies in terms of future relations with the US under Trump 2.0, especially if the latter seeks further decoupling from China. As such, there may be greater American scrutiny of Southeast Asian imports. In response, ASEAN economies may feel obliged to tighten rules on product labelling and origin criteria to appease US concerns.

Trade tensions may develop between ASEAN and China over the latter's export glut, caused by overproduction by Chinese manufacturers coupled with tepid domestic demand. This has resulted in a surplus of Chinese goods, most of which has been directed to Southeast Asian markets. This influx of relatively cheap Chinese goods - combining both small-ticket items like textiles and clothing alongside big-ticket products such as electric vehicles, lithium batteries, and solar panels - is generating pressure on Southeast Asian industries, sparking factory closures and job losses in countries like Indonesia and Thailand. In response, ASEAN countries have enacted measures such as anti-dumping tariffs and taxes on low-cost imports. Should economic ties between China and the US continue to deteriorate, we can expect to see a further pivot of Chinese exports to Southeast Asia.

South China Sea Disputes to Continue

Tensions in the South China Sea will remain elevated in 2025, and may in fact worsen. The year 2024 saw tensions between China and the Philippines surge to heightened levels, as the Marcos administration in Manila sought to deepen security relations with Washington while pushing back against Chinese encroachment in its Exclusive Economic Zone, particularly around the Second Thomas Shoal. Several incidents were reported last year involving Chinese and Filipino naval units, with the Chinese Coast Guard ramming and firing water cannons at Philippines' Coast Guard vessels, injuring several Filipino coast guard personnel.

Under the new Trump administration, Manila is expected to build upon the defense gains it made with the US in 2024, with Trump having previously identified the Philippines as a crucial security partner vis-à-vis China. However, whether the Trump administration will follow up with meaningful cooperation remains in question. Tensions may also develop with Vietnam over China's ongoing and extensive land reclamation work in the Spratly Islands.

Separately, in October 2024, Malaysia's Prime Minister Anwar Ibrahim called for accelerating negotiations on a code of conduct for the South China Sea, with an aim for completion by 2026. Talks on a code of conduct have been ongoing since 2014, with sticking points including its geographical scope and whether it should be legally binding. At present, it is considered unrealistic for negotiations to be concluded anytime soon.

United States

Trump's Tariffs Remain Biggest Concern

For most of the export-dependent economies of ASEAN, the planned tariff policy of the second Trump presidency remains the biggest concern. During his 2024 presidential campaign, Trump had promised to implement a 60% tariff on all Chinese imports as well as between 10% and 20% tariffs on all imports entering the United States. The stated aim of these tariffs is to lower America's trade deficits vis-a-vis most other countries, as well as bring more manufacturing home to the States. Given that presently five of the ix largest ASEAN economies enjoy trade surpluses with the US, the region is particularly vulnerable to Trump's planned tariffs. Countries such as Vietnam with particularly large and growing trade surpluses with the US also risk inviting extra scrutiny and additional punitive tariffs.

It has been suggested that ASEAN economies may benefit from the relocations of Chinese production facilities into Vietnam, Malaysia, Indonesia, and other countries in the region. However, these gains may be limited and will be contingent on the ability of each country to navigate trade tensions and strengthen domestic production capabilities. Should Chinese-based manufacturing shift operations to Southeast Asian countries to ensure continued US access, trade surplus these countries enjoy with the US will only widen, potentially exacerbating tensions with Washington. Countries suspected of being used for transshipment of Chinese products to the US or of using a significant number of Chinese components and raw materials in their final assembly may invite greater American scrutiny.

Given Trump's distrust of multilateralism, it is likely that the US will pull out of the Biden administration's signature Indo-Pacific Economic Framework (IPEF) agreement. IPEF is an economic framework that seeks to deepen engagement between member countries in the areas of trade, supply chains, the green transition, and anti-corruption measures. The withdrawal is expected to damage American credibility and influence within the region, reminiscent of the US withdrawal from the Trans-Pacific Partnership (TPP) agreement under the first Trump presidency. Whether the ASEAN members of IPEF – namely Indonesia, Malaysia, the Philippines, Thailand, Vietnam, Brunei Darussalam, and Singapore – press forward with the agreement absent the US (perhaps by modifying it to reflect greater regional interests) remains to be seen.

Return To 'Shopping Diplomacy'

Trump sees tariffs as a leverage in negotiating a series of mercantilist trade agreements that will attempt to 'fix' the US' trade imbalances and benefit American business. Indeed, during Trump's first term, several Southeast Asian leaders had carried out what has been dubbed 'shopping diplomacy', which involved ASEAN leaders travelling to Washington to announce large-scale commercial purchases of American goods in line with Trump's "Buy America" mantra. Goods ranged from military hardware and airlines, as well as investments into US equity and infrastructure projects.

Mercantilist trade agreements, however, have been argued as a suboptimal trade solution, given that trade agreements dictated by government fiat rather than market forces create a series of economic inefficiencies that cascade throughout the larger economy.

Trump's trade policy might open the possibility of self-serving interest groups. For instance, the Trump Organization's deal with Vietnamese developer Kinh Bac City Development to build a USD 1.5 billion golf course in the Vietnamese province of Hung Yen during the 2024 US Presidential Elections is seen as having been driven by Hanoi's interest in fostering positive relations with a potential Trump presidency. The Trump Organization is President Trump's family business. During Trump's first presidency, concerns had also been raised within the US about the blurred lines between the Trump Organization and the Trump administration, and whether Trump was leveraging the system to benefit his own family. These concerns over conflict of interest could very well arise again during his second term, and may well influence how certain Southeast Asian governments approach relations with Washington.

Focus on Boosting Bilateral Ties

Trump showed little interest in ASEAN multilateralism during his first term, having never attended the bloc's signature East Asia Summit and never appointing an ambassador to ASEAN or to Singapore. This time, it is more likely that Trump will build upon the Biden administration's strategy of boosting bilateral ties with select ASEAN member states with an eye on containing China. In September 2023, Biden visited Vietnam, where US-Vietnam ties were raised to a comprehensive strategic partnership. The Biden administration also reinvigorated defense ties with the Philippines through the rapid institutionalization of bilateral defense cooperation, including by expanding US military deployment under the Enhanced Defense Cooperation Agreement (EDCA).

It is possible that a second Trump presidency will build upon these bilateral gains with Vietnam and the Philippines as part of a more hawkish approach to China. In the case of the Philippines, Trump had previously described the country as "the most important prime piece of real estate from a military point of view". Many of Trump's choices for his second administration, including Secretary of State Marco Rubio and National Security Advisor Mike Waltz, have also expressed support for the US-Philippines alliance. In the case of Vietnam, most recent polls in the run up to the 2024 election showed a significant majority of Vietnamese respondents favoring Trump over Kamala Harris. Commenting on the polls, Lena Le from Vietnam National University suggested this preference may stem from a belief that Trump will promote regional stability and assist Vietnam in the South China Sea. Suggestions of extensive public goodwill on the part of Vietnam may provide avenues for further security collaboration between the US and Vietnam during Trump's second term.

That being said, while Trump may double down on the current preference for bilateral negotiations with individual ASEAN Member States, this will evidently come at the expense of ASEAN's centrality to the regional geopolitical architecture. This may cause discomfort to many within the bloc who prioritize ASEAN centrality and geopolitical neutrality, creating possible fissure points over the coming years.

European Union

Robust Economic Ties

Economic ties between ASEAN and the EU remained robust in 2024. Trade in goods would reach EUR 262 billion, a slight drop from EUR 270 billion in 2023. EU foreign investment into the bloc reached EUR 47 billion the same year, while total EU investments have reached over EUR 90 billion since the end of the COVID-19 pandemic. The economic relationship remains bolstered by frameworks such as the EU-Singapore Free Trade Agreement (FTA) and the EU-Vietnam FTA.

Analysts point to several areas that hold great potential for further trade cooperation, such as sustainable development. European expertise in renewable energy and green technologies could significantly support ASEAN's transition to a low-carbon economy, especially in the wake of the US pulling out of global green funding pools under Trump. Furthermore, digital transformation is another avenue for collaboration, with Southeast Asia's booming digital economy offering substantial prospects for EU technology and innovation-driven enterprises. The EU-ASEAN Digital Partnership signed in 2023 provides the necessary framework for deeper engagement in this regard.

However, challenges remain to deeper trade collaboration between the EU and ASEAN, such as divergences in regulatory frameworks and trade standards. This has particularly been the case with the EU's recent environmental policies. The European Union Deforestation-Free Regulation (EUDR), which aims to restrict imports of commodities such as cocoa, coffee, palm oil, and other forest products if they are linked to deforestation, has been criticized by ASEAN Member States for its potential adverse impact on millions of smallholder producers. Initially scheduled to go into effect by end-2024, EUDR has been postponed to December 2025 for large companies and June 2026 for smaller enterprises. This will provide more time for regional businesses to adjust to these regulatory changes, thereby lessening tensions.

Hopes to Sustain High Level of Engagements from 2024

2024 saw high levels of engagement between ASEAN and the EU. In February 2024, both blocs held the 24th ASEAN-EU Ministerial Meeting in Brussels. Later in October, a Partners' Dialogue forum was held in Jakarta, preceded by sectoral dialogues on issues such as technology management. President of the European Council Charles Michel would also attend the annual ASEAN Summit as well as the subsequent East Asia Summit in Laos (in comparison, then-President Joe Biden and Chinese President Xi Jinping were not in attendance).

In May 2024, ASEAN and the EU launched the ASEAN-EU Blue Book 2024-2025. Underscoring the strategic partnership between ASEAN and the EU, the book also showcased new cooperation programs under the EU's "Global Gateway" strategy. It was noted that under the "Global Gateway" initiative, the EU would mobilize EUR 10 billion in investments for green and connectivity programs in ASEAN. It is hoped that the cadence of high-level engagements between ASEAN and the EU can continue this year.

V. Longstanding and Rising Alternative Partners

Japan

Uncertain Foreign Policy

Japanese foreign policy vis-à-vis ASEAN will see added uncertainty this year amid domestic political instability. Shigeru Ishiba succeeded Fumio Kishida as Liberal Democratic Party (LDP) chief and prime minister following snap elections in October 2024, which also saw the coalition comprising the LDP and Komeito losing its majority to the Lower House for the first time since 2012. The loss of his majority will complicate Ishiba's decision-making process, hindering the prime minister's ability to maintain a consistent long-term foreign policy. To illustrate, Ishiba must now negotiate with opposition parties to secure the necessary budget to fulfill commitments made to ASEAN in the 2023 Commemorative Summit for the 50th year of ASEAN-Japan Friendship. During the summit, Japan and ASEAN agreed to strengthen ties in various areas including maritime security, supply chains, sustainable energy, and people-to-people exchanges. Meanwhile, much of the Ishiba administration's focus in 2025 will be on the upcoming Upper House elections scheduled for July.

Nevertheless, Japan-ASEAN ties are expected to remain stable, anchored in Japan's high level of credibility and trustworthiness in the region.[26] Between 50% to 70% of Southeast Asians said they believe Japan would "do the right thing" for international peace and prosperity. In comparison, the numbers for the US fluctuated between 30% to 50%, while China remained steady at 20% to 30%. For many ASEAN respondents, Japan remains one of the top choices for a third-party actor in the midst of the US-China rivalry, behind the EU.

The high level of regional trust in Japan is partly predicated on the long history of socio-economic cooperation between the country and Southeast Asia, especially through economic assistance in the form of Official Development Assistance (ODA). Between 2015 and 2021, Japan was Southeast Asia's largest ODA provider with a 31.4% share of total ODA inflows.[27] This assistance has aided the development of Southeast Asian countries in infrastructure and technical development as well as healthcare.

Security Partnerships

Japan has increasingly emerged as a major security partner for ASEAN. In April 2023, the country introduced the Official Security Assistance (OSA) to complement ODA by bolstering the defense capabilities of Japan's Southeast Asian partners. The OSA has enabled Japan to provide defense equipment and security-related financial assistance to partner countries. In ASEAN, much of Japan's security cooperation focuses on maritime security, given that ASEAN straddles much of the sea lanes vital for Japan's food and energy security.

The strategic importance Japan assigns to ASEAN can be shown by Ishiba's choice of Malaysia and Indonesia as his first diplomatic overseas visit since taking office in October 2024 --aside from participating in international conferences in a multilateral setting. Interestingly, Ishiba is Japan's fourth consecutive prime minister to choose an ASEAN nation for the first foreign visit outside of an international conference. Both visits to Malaysia and Indonesia focused on strengthening maritime security cooperation and advancing economic cooperation. During his visit to Indonesia, Ishiba pledged the provision of high-speed patrol boats to the Indonesian navy as part of the OSA initiative. Both countries also discussed the joint development of vessels based on Japan's Maritime Self-Defense Force destroyers. Additionally, both agreed to hold a so-called two-plus-two meeting of foreign and defense ministers by end-2025, their first since March 2021. In the case of Malaysia, Ishiba likewise promised to provide support via the OSA in the form of warning and surveillance systems.

India

Decade of 'Act East' Policy

ASEAN remains a vital component of India's 'Act East' policy towards the Indo-Pacific. Introduced in 2014, 'Act East' builds upon India's previous 'Look East' policy, in acknowledgment of the need for a more proactive role in the region. In October 2024, India and ASEAN commemorated a decade of India's 'Act East' policy at the 21st ASEAN-India Summit in Vientiane, Laos. Focusing on "Enhancing Connectivity and Resilience," Indian Prime Minister Narendra Modi unveiled a ten-point plan to strengthen cooperation between India and Southeast Asian countries.

Additionally, 2024 saw several engagements between India and ASEAN officials, underscoring the importance of the regional bloc to New Delhi's regional calculus. In February 2024, ASEAN Secretary-General Dr. Kao Kim Hourn visited India to advance the ASEAN-India Comprehensive Strategic Partnership (CSP) and promote ASEAN diplomacy in India. In March, Indian External Affairs Minister Subrahmanyam Jaishankar made trips to the Philippines, Malaysia, and Singapore, while Modi would make bilateral trips to Brunei Darussalam and Singapore later in September 2024. Malaysian Prime Minister Anwar Ibrahim and Vietnamese Prime Minister Pham Minh Chinh also paid state visits to India last year.

Economic Relationship Marginal

Despite the frequency of engagements with ASEAN, India remains a relatively marginal player in Southeast Asia compared to other regional powers. For one, economic ties between India and ASEAN remain moderate, with ASEAN representing about 11 percent of India's global trade, a value surpassing USD 100 billion in 2023.[28]

Compared to other ASEAN Plus FTAs, the ASEAN-India Trade in Goods Agreement (AITIGA) has the lowest level of trade liberalization and the most restrictive rules of origin requirements. AITIGA is currently under review, with the next round of talks taking place in February 2025. This review is in response to concerns raised by India's political class regarding India's trade deficit with ASEAN, which they have attributed to unfair trade practices. Ultimately, protectionist sentiments in India will no doubt create challenges to fostering further economic cooperation between the country and ASEAN.

Credible Alternative Partner

Meanwhile, many have identified India as a credible alternative strategic partner for ASEAN amidst US-China tensions. A survey published by the ISEAS – Yusof Ishak Institute revealed that Southeast Asians ranked India third behind the European Union and Japan as viable partners in broadening ASEAN's strategic options.[29]

In the last few years, India has been quietly expanding defense ties with the region. Most notably, India-Philippines security and strategic ties have progressed well. In April 2024, the first batch of the Indian-made anti-ship variant of the BrahMos supersonic cruise missile was delivered to the Philippines. During Jaishankar's visit to the Philippines in March, he also offered to supply the Indian-made Tejas Mark 1 fighter jet to Manila. During his visit, Jaishankar vocally backed the Philippines with regards to the South China Sea dispute.

South Korea

Korea-ASEAN Solidarity Initiative (KASI)

In October 2024, South Korea and ASEAN elevated their relationship to a comprehensive strategic partnership (CSP) during the 25th ASEAN-Republic of Korea (ROK) Summit in Vientiane, Laos, held alongside the 44th ASEAN Summit. The CSP aims to further enhance the decades-long cooperation between South Korea and ASEAN across several sectors, including politics, defense, economics, and future-oriented environmental issues. Former South Korean President Yoon Suk Yeol declared that Seoul will double the size of its cooperation funds allocated to ASEAN to USD 48 million by 2027, aimed at supporting key regional projects.

South Korea's engagement with ASEAN under the former Yoon administration was informed by the Korea-ASEAN Solidarity Initiative (KASI), which had been introduced by Yoon upon taking office in May 2022 to supplant the New Southern Policy (NSP). The NSP had been introduced under Yoon's predecessor President Moon Jae-In, and had sought the goal of elevating Korea-ASEAN ties "to the level of major powers". KASI, on the other hand, is largely seen as a downgrade in Korea-ASEAN relations, with the regional bloc now seen as merely a subset of Seoul's larger Indo-Pacific strategy. While Moon became the first South Korean President to visit all ten ASEAN Member States, Yoon spread his attention between the bloc and other traditional partners for South Korea such as the United States, Japan, and Europe.

Given Yoon's recent impeachment and arrest following his failed declaration of martial law in December and the political instability that followed, it is unclear how South Korea's relationship with ASEAN will evolve moving into 2025. However, ASEAN is more than likely expected to remain a priority partner for South Korea given its regional significance.

Economic Ties Remain Crucial

KASI has been described as more security-focused than the NSP, which was criticized as focusing too heavily on economic and development cooperation. However, the bedrock of South Korea-ASEAN relations remains economic ties. ASEAN is South Korea's second-largest trading partner as well as a top three export market. South Korean outbound shipments to ASEAN reached USD 84.6 billion by September 2024, a 6.6% year-on-year increase.[30] Around 5,500 Korean companies also operate in ASEAN.

Furthermore, ASEAN is South Korea's second largest investment destination, with foreign direct investment (FDI) from South Korea reaching 10.8 billion USD in 2022, and 7.31 billion in 2023 respectively.[30] Seoul also sustained an annual average of USD 500 to USD 600 million in official development assistance (ODA) to the region between 2015 and 2021.

Shift to Security

In October 2024, Yoon made several pledges to support regional security while visiting the Philippines, Singapore, and Laos (the latter of which was to attend the ASEAN Summit). Yoon had promised to support Manila's military modernization program, and also pledged Seoul's active participation in multilateral drills involving ASEAN countries. Yoon additionally affirmed the importance of maritime security and freedom of navigation in the South China Sea.

However, despite Yoon's stated intention of increasing security cooperation with ASEAN, some argue that this was more rhetoric than reality. The absolute number of major conventional weapons transferred to Southeast Asian countries had declined from about 400 under the NSP era to merely 19 in 2022. This decline has been attributed to the fact that Korean arms transfers in the first two years of the Yoon administration had been spread globally rather than focused on Southeast Asia alone. In some sense this was expected, given the more globalist approach of the Yoon administration. Indeed, the share of arms transferred to Southeast Asia dropped to only 9.1% in 2022 from an average of about 50% of Seoul's total arms transfers under the previous Moon administration.

Gulf Cooperation Council (GCC)

As this year's ASEAN Chair, Malaysia will be hosting the ASEAN-Gulf Cooperation Council (GCC)-China Summit. The GCC comprises Saudi Arabia, Oman, the United Arab Emirates, Qatar, Bahrain, and Kuwait. The ASEAN-GCC-China Summit builds upon the inaugural ASEAN-GCC Summit held in October 2023 in Riyadh, which at the time was the highest level of engagement between both regional blocs since relations were first established in 1990. On the occasion of the first summit, both regional blocs outlined their five-year agenda (the Framework of Cooperation 2024-2028) and agreed to hold a biennial summit alternating between the GCC and ASEAN. The upcoming summit in Malaysia is part of that agreement.

According to Malaysian Foreign Minister Mohamad Hasan, the ASEAN-GCC-China Summit is expected to form an ‘influential trilateral alliance’ that will unlock significant potential for cooperation across sectors. Mohamad Hasan noted that each party to the Summit brings their own unique strengths that can be leveraged. He notes that while the GCC possesses significant capital, ASEAN has the natural resources and significant development potential. Meanwhile, China boasts a huge market. Furthermore, uncertainties over the policies of the second Trump presidency provides further impetus for each bloc to expand coordination with alternative partners and markets as a form of hedging.

Indeed, during the first ASEAN-GCC Summit, Malaysia under its current prime minister Anwar Ibrahim proposed for negotiations to begin for an ASEAN-GCC FTA. However, there has been no indication of when negotiations are expected to commence. Beyond economic ties, both regional blocs intend to explore collaboration in the areas of maritime security, anti-terrorism and cybersecurity, and climate change and climate security.

BRICS

On January 7 this year, Indonesia became the first Southeast Asian member to join the BRICS+ grouping. Malaysia, Thailand, and Vietnam have also been recognized as BRICS partner countries. The original organization, BRICS, had been initially founded by Brazil, Russia, India, China, and South Africa. It later expanded to become BRICS+ after accepting Egypt, Ethiopia, Iran, and the United Arab Emirates in 2024. BRICS was created as an alternative bloc that seeks to further cooperation between developing countries and the Global South, and is increasingly an attractive option for countries looking to operate beyond the Western-led, so-called rules-based order.



The recent interest expressed by ASEAN Member States in BRICS have raised consternations in the West given the supposed anti-Western stance of the organization. However, it should be noted that for said Southeast Asian states, joining or aligning with BRICS is about expanding their strategic maneuverability through new multilateral forums. Concerns about a deficit in US commitment and economic leadership in the Indo-Pacific under the second Trump presidency, as well as the potential for the new administration to weaponize economic power through tariffs, factors into why ASEAN countries may be increasingly aligning with BRICS.

As well, it is hoped that BRICS+ can provide access to newer markets as well as an alternative source of funding for infrastructure development, particularly funding from BRICS' New Development Bank (NDB). It should also be noted that Indonesia and Thailand are simultaneously seeking membership of the OECD, indicative of their desire to safeguard their neutrality towards both the West and the Global South.

Nevertheless, alignment with BRICS brings its own risks. Recent threats by Trump to impose massive tariffs on BRICS if they attempt to challenge the global dominance of the US Dollar may raise alarm bells among ASEAN leaders fearing US trade retaliation. It is also debatable how much tangible economic advantages BRICS+ can realistically bring to its members and partners. Intra-BRICS trade and investment remains relatively low, with most members reliant on trade and investment with developed economies instead. With Southeast Asian countries having already established regional trade agreements with major partners like China and India - such as the Regional Comprehensive Economic Partnership (RCEP) and ASEAN+1 - it remains to be seen what additional economic gains BRICS+ can bring.

Endnotes

1. Yuichi Shiga (December 2024), 'ASEAN aims to conclude digital economy pact negotiations in 2025,' in *Nikkei Asia*, <https://asia.nikkei.com/Editor-s-Picks/Interview/ASEAN-aims-to-conclude-digital-economy-pact-negotiations-in-2025>
2. Ministry of Finance, Malaysia, "Full Budget 2025 speech," *The Edge*, October 20, 2024, <https://theedgemaalaysia.com/node/730839>
3. Ibid.
4. Piyasak Manason, "Slow growth, more uncertainty ahead in 2025," *The Bangkok Post*, December 28, 2024,
5. Tommy Walker, "Thailand's economy, tourism remain focus for 2025 under younger Shinawatra," *Voice of America*, December 31, 2024, <https://www.voanews.com/a/thailand-s-economy-and-tourism-remain-focus-for-2025-under-younger-shinawatra-/7919623.html>
6. Deloitte, "2025 Thailand's Economic Outlook: Risks and Opportunities for Businesses," *Kaohoon International*, January 1, 2025, <https://www.kaohooninternational.com/uncategorized/550215>
7. Resty Woro Yuniar, "How Prabowo's cabinet choices could affect Indonesia's growth targets, economy," *South China Morning Post*, October 23, 2024, <https://www.scmp.com/week-asia/economics/article/3283567/how-prabowos-cabinet-choices-could-affect-indonesias-growth-targets-economy>
8. Fumito Akiyama, "Prabowo's economic policy eases deficit concerns in Indonesia," *Nikkei Asia*, October 22, 2024, <https://asia.nikkei.com/Politics/Prabowo-s-economic-policy-eases-deficit-concerns-in-Indonesia>
9. Cliff Harvey Venzon and Ditas B Lopez, "Philippines Tweaks 2025 Growth Outlook on Trump's Tariff Threat," *Bloomberg*, December 2, 2024, <https://www.bloomberg.com/news/articles/2024-12-02/philippines-tweaks-2025-growth-outlook-on-trump-s-tariff-threat?sref=0EQIt3GS>
10. Joefel Ortega Banzon, "Key trends shaping the Phl economy in 2025," *Philstar*, January 1, 2025, <https://www.philstar.com/the-freeman/cebu-business/2025/01/01/2410946/key-trends-shaping-phl-economy-2025/amp/>
11. Banzon, "Key trends shaping the Phl economy in 2025," Aris Dacanay, "The Philippines has built a solid runway for economic takeoff," *Nikkei Asia*, December 10, 2024, <https://asia.nikkei.com/Opinion/The-Philippines-has-built-a-solid-runway-for-economic-takeoff>
12. Mikhail Flores, "Philippines' Marcos signs into law record \$109 bln budget for 2025," *Reuters*, December 30, 2024, <https://www.reuters.com/world/asia-pacific/philippines-marcos-signs-into-law-record-109-bln-budget-2025-2024-12-30/>
13. Ovais Subhani, "Economic trends to watch for Singapore in 2025," *The Straits Times*, January 1, 2025, <https://www.straitstimes.com/business/economic-trends-to-watch-for-singapore-in-2025>
14. Abigail Ng, "Upswing in global tech cycle to support Singapore's economic growth in 2025: MAS," *CNA*, October 28, 2024, <https://www.channelnewsasia.com/singapore/mas-economy-inflation-tech-cycle-growth-4706521>
15. "Cambodia's economy is projected to grow by 6.3% in 2025," *Khmer Times*, January 2, 2025, <https://www.khmertimeskh.com/501618029/cambodias-economy-is-projected-to-grow-by-6-3-in-2025/>
16. Hong Raksmeay, "Cambodia's economic outlook strengthens amid regional trends: ADO," *The Phnom Penh Post*, October 16, 2025, <https://www.phnompenhpost.com/business/cambodia-s-economic-outlook-strengthens-amid-regional-trends-ado>
17. Oulayvanh Sisounonth, "Lower Inflation in Laos in 2024, but Cost of Living Remains High," *The Laotian Times*, January 3, 2025, <https://laotiantimes.com/2025/01/03/lower-inflation-in-laos-in-2024-but-cost-of-living-remains-high/>
18. Namfon Chanthavong, "Asian Development Bank Forecasts Economic Growth for Laos by Year-End Amid Challenges," *The Laotian Times*, September 26, 2024, <https://laotiantimes.com/2024/09/26/asian-development-bank-forecasts-economic-growth-for-laos-by-year-end-amid-challenges/>
19. Ibid.
20. Casey Johnson, "The Civilian Cost of Myanmar's Civil War: An Accounting of the First Three Years," *Center for Excellence in Disaster Management & Humanitarian Assistance*, <https://www.cfe-dmha.org/LinkClick.aspx?fileticket=e7vJaE1I59M%3D&portalid=0>

21. "Compounding crises hit Myanmar's economy and its people," World Bank Group, December 11 2024, <https://www.worldbank.org/en/news/press-release/2024/12/11/compounding-crises-hit-myanmar-s-economy-and-its-people>; Romain Caillaud, "Myanmar's Economy Deeper in the Mire," Fulcrum, July 29, 2024, <https://fulcrum.sg/myanmars-economy-deeper-in-the-quagmire/>.
22. Malai Hassan Othman, "Brunei 2025: His Majesty's Vision for a Resilient and Inclusive Future," *LinkedIn*, December 31, 2024, <https://www.linkedin.com/pulse/brunei-2025-his-majestys-vision-resilient-inclusive-future-othman-rmtwc/>; "Brunei Insights," *Economist Intelligence Unit*, accessed January 7, 2025, <https://www.eiu.com/n/geography/brunei/>; "Forum explores Brunei's economic growth, future trends," *Centre for Strategic and Policy Studies*, November 19, 2024, <http://www.csps.org.bn/2024/11/19/forum-explores-bruneis-economic-growth-future-trends/>.
23. Othman, "Brunei 2025: His Majesty's Vision for a Resilient and Inclusive Future," "Forum explores Brunei's economic growth, future trends"
24. João da Cruz Cardoso, "Why is Timor-Leste Important for ASEAN?," *Fulcrum*, February 8, 2023, <https://fulcrum.sg/aseanfocus/af-why-is-timor-leste-important-for-asean/>.
25. "Cambodia's economy is projected to grow by 6.3% in 2025," *China Briefing*, August 9, 2024, <https://www.china-briefing.com/news/china-asean-trade-and-investment-relations/>
26. According to surveys by the ISEAS-Yusof Ishak Institute, since 2019 Japan has been consistently regarded as the most trustworthy state among major regional actors, which include China, the EU, India, and the United States. 
27. "Two-way exchanges are crucial for deepening ASEAN-Japan relations," *East Asia Forum*, September 4, 2024. <https://eastasiaforum.org/2024/09/04/two-way-exchanges-are-crucial-for-deepening-asean-japan-relations/>. 
28. "4th Meeting of ASEAN-India Trade in Goods Agreement Joint Committee," *Ministry of Commerce and Industry India*, May 12, 2024. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2020351#:~>
29. Seah, S. et al., *The State of Southeast Asia: 2024 Survey Report*, ISEAS - Yusof Ishak Institute, 2024. <https://www.iseas.edu.sg/wp-content/uploads/2024/03/The-State-of-SEA-2024.pdf>
30. Park, Anna, "S. Korea, ASEAN start new era of comprehensive strategic partnership," *The Korea Times*, October 10, 2024. https://www.koreatimes.co.kr/www/nation/2025/01/113_383972.html#:~



Southeast Asia
Public Policy Institute