



De-risking, Reshoring, Integrating

Implications for ASEAN'S Economic Development

Edited by: Banh Thi Hang | Liu Jingting | Yi Xin

De-risking, Reshoring, Integrating: Implications for ASEAN Economic Development

If you would like to request for an e-copy of the
whole book, please drop us an email at

aci@nus.edu.sg

Published by

Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy,
National University of Singapore

469C Bukit Timah Road
Wing A, Level 3, Oei Tiong Ham Building
Singapore 259772

De-risking, Reshoring, Integrating: Implications for ASEAN Economic Development

Copyright © 2025 by Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy,
National University of Singapore

*All rights reserved. This book, or parts thereof, may not be reproduced or modified in any form,
including photocopying, recording or any information storage and retrieval system now known or
to be invented, without written permission from the publisher.*

ISBN 978-981-94-4879-1 (PDF)
Desk Editor: DW HQ Pte Ltd
Email: hello@dwhq.com.sg

About ACI

The Asia Competitiveness Institute (ACI) was established in August 2006 as a Research Centre at the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore (NUS). It aims to build the intellectual leadership and network for understanding and developing competitiveness in the Asia region. ACI seeks to contribute to the enhancement of inclusive growth, living standards, and institutional governance through competitiveness research on sub-national economies in Asia. It identifies mitigating issues and challenges for potential public policy interventions through close collaboration with regional governments, business corporations, policy think-tanks, and academics. ACI's three key research pillars include (I) Sub-national economies level competitiveness analysis; (II) The development of digital economy and its implications in 16 Asia economies; and (III) Singapore's long-term growth strategies and public policy analysis.

ACI's value propositions may be encapsulated in its acronym:

Analystical inputs to initiate policies for policy-makers and business leaders in Asia

Capacity building to enable others through improvement in productivity and efficiency

Intellectual leadership to create pragmatic models of competitiveness and inclusive growth

Vision and Mission

- ACI's over-arching vision is to build up its research credibility with policy impact, contributing as a professional, world-class think-tank.
- ACI's mission is to establish our niche as a leading policy think-tank by identifying development trends, opportunities, and challenges among Asian economies and business corporations.
- ACI endeavours to articulate sound recommendations, promote discussion, and shape research agenda in the arena of public policy amongst Asian governments.
- ACI undertakes evidence-based analysis of public policy issues and decisions, in order to provide assessment of their effectiveness as well as economic and societal impact.

Contents

<i>Preface</i>	v
<i>Executive Summary</i>	vii
<i>Acknowledgements</i>	ix
<i>List of Figures</i>	xiii
<i>List of Tables</i>	xv
<i>List of Contributors</i>	xvi
Chapter 1 Keynote Speech by the Guest of Honour	1
<i>Kok Ping Soon, CEO, Singapore Business Federation</i>	
1.1 The new era of globalisation.....	1
1.2 ASEAN: Beneficiary of de-risking.....	3
1.3 Short term gain for ASEAN but long-term loss for the world	4
1.4 ASEAN Economic Community	5
1.5 Conclusion.....	6
Chapter 2 De-risking Strategy: A Blessing or a Curse for ASEAN-6's Export Sophistication and FDI?	8
<i>Yan Bowen and Banh Thi Hang</i>	
2.1 Introduction.....	8
2.2 Data	10
2.3 High-tech exports and FDI in ASEAN-6	13
2.4 ASEAN-6's gains from supply chain diversification	17
2.5 ASEAN-6's dependency on China	22
2.6 Conclusion and discussion.....	26

Chapter 3 The Risk of De-risking: Dissecting ASEAN's Exposure Within the Intricate Weave of Global Trade	29
<i>Yi Xin</i>	
3.1 Introduction.....	29
3.2 How to properly understand de-risking?	33
3.3 ASEAN's trade concentration with China	37
3.4 Which products are at risk of collateral damage?	44
3.5 Case studies	45
3.6 Policy implications	50
3.7 Conclusion.....	52
Chapter 4 The Rising Tide of Protectionism: Implications for ASEAN-6 FDI	54
<i>Ammu George and Weilin Lu</i>	
4.1 Introduction.....	54
4.2 Data	56
4.3 Trends in FDI and protectionism in ASEAN-6	61
4.4 Empirical analysis.....	67
4.5 Conclusion.....	75
Chapter 5 Sustainable Investments: New Drive for Growth Amid Geopolitical Fragmentation	77
<i>Liu Jingting and Ulrike Sengstschmid</i>	
5.1 Introduction.....	77
5.2 Geopolitical fragmentation and sustainable investment networks	80
5.3 Growth opportunities for ASEAN	87
5.4 Policy landscape.....	90
5.5 Conclusion.....	97
Chapter 6 Digital Payments and Inflation Nexus: Evidence from ASEAN Credit Card Transactions	99

Ammu George and Xie Taojun

6.1	Introduction.....	99
6.2	Digital payments as a source of inflation volatility	100
6.3	Data sources	103
6.4	Observations from data	104
6.5	Empirical model and results	109
6.6	Conclusion.....	110

Chapter 7 Investing in ASEAN’s Digital Economy: Risks and Opportunities 111

Liu Jingting and Ulrike Sengstschmid

7.1	Introduction.....	111
7.2	Changing investment landscape	114
7.3	Policy incompatibility and hurdles to digital economy growth	124
7.4	Conclusion.....	133

Chapter 8 Job Creation from E-commerce: Sectoral Linkages and Implications for ASEAN 134

Yan Bowen, Ng Wee Yang, and Xie Taojun

8.1	Introduction.....	134
8.2	Literature review	137
8.3	Methodology	139
8.4	Estimation results from the case study of Singapore	143
8.5	Implications for ASEAN-6	147
8.6	Conclusions	151

References 153

Appendix A 178

Appendix B: Regression Tables..... 180

Preface

The global supply chain is undergoing a profound reconfiguration, driven by escalating geopolitical tensions and trade disputes. In the wake of the COVID-19 pandemic, major economies have been recalibrating their geo-economic strategies. Central to these efforts are initiatives such as de-risking and reshoring. De-risking focuses on reducing dependence on strategic competitors and diversifying the supply chain, while reshoring involves bringing manufacturing bases back to domestic economies to boost employment and enhance supply chain resilience. Although these policies are primarily adopted by advanced economies like the European Union and the United States, their impact is rippling across the globe and reshaping ASEAN's economic landscape.

Building on this evolving context, this volume presents the research findings from the Asia Competitiveness Institute (ACI) Annual Research Conference 2024 and offers a quantitative assessment of these trends as well as their implications for ASEAN's economic development. The findings underscore ASEAN's emergence as an attractive destination for high-tech foreign direct investment, with firms increasingly diversifying their investments away from China to tap into the region's cost advantage and growth opportunities.

However, ASEAN also faces significant challenges. Its substantial intermediate exports to China expose it to collateral damage from de-risking, and the influx of high-tech FDI from China has placed ASEAN in the spotlight as a potential conduit for bypassing sanctions. Moreover, as advanced economies ramp up reshoring efforts, some investments previously directed towards ASEAN are being diverted. Compounding these issues, although ASEAN has successfully acted as a connector economy, bridging investment flows between different geopolitical blocs, shifting geopolitical alignments continue to introduce significant uncertainties that could alter capital flows.

Amid this complexity, ASEAN's future critically hinges on economic integration, particularly through a more connected digital economy. This internal cohesion will significantly bolster resilience to external shocks and enhance bargaining power on the global stage. The region has already seen significant growth in digital investments and a rapid expansion of e-commerce, which have created substantial employment opportunities and benefited the broader economy through intersectoral linkages. Furthermore, the widespread adoption of digital payment

systems during the pandemic has significantly accelerated this digital transformation. To maintain this progress and navigate through future uncertainties, it is essential for ASEAN to continue leveraging this momentum.

As a region deeply engaged in international trade, it is crucial for ASEAN to understand changes in external conditions that affect its economic development. While the turbulent environment introduces chaos, it also opens up new opportunities. I am confident that the research findings shared at this conference will provide valuable insights into this subject.

Professor Paul Cheung

Director, Asia Competitiveness Institute
Lee Kuan Yew School of Public Policy
National University of Singapore

Executive Summary

This book explores the impacts of de-risking and reshoring initiatives on ASEAN economies and assesses how regional economic integration in the digital and green sectors can help ASEAN navigate the evolving economic landscape.

Chapter One sets the stage by providing an overview of the quantitative evidence presented throughout the report. It argues that while ASEAN economies have initially benefited from strategic trade policies—such as de-risking, reshoring, nearshoring, and friendshoring—these same strategies risk creating a fragmented global economy, potentially limiting ASEAN’s growth prospects in the long term. Consequently, ASEAN’s best approach to navigating this turbulent future lies in deeper regional integration, particularly by enhancing connectivity within the digital and green economies.

Chapter Two examines both the positive and negative effects of de-risking strategies from the perspective of trade and investment. These strategies have significantly increased high-tech FDI and boosted ASEAN’s high-tech exports. However, they have also unintentionally strengthened ASEAN’s economic linkage with China due to sharp increases in Chinese imports and FDI.

Building upon this analysis, Chapter Three further examines the collateral damage from de-risking strategies, highlighting that many ASEAN intermediate exports to China are highly concentrated and thus vulnerable to potential disruptions. The chapter illustrates ASEAN’s exposure by focusing specifically on the regional semiconductor and electric vehicle supply chains.

Chapter Four investigates the effects of trade protectionism, primarily through reshoring initiatives, on ASEAN countries. It finds that increasing protectionist measures have negatively affected FDI inflows, particularly during the pandemic period. These adverse effects are most pronounced in sectors such as machinery, textiles, and chemicals, with the strongest impacts arising from protectionist measures implemented by China.

Recognising these impacts, the book then examines how ASEAN can mitigate risks and capitalize on opportunities through regional economic integration in sustainability and digital sectors. Chapter Five explores venture capital flows into ASEAN’s sustainability sector. It shows that despite geopolitical tensions, ASEAN has effectively positioned itself as a connector economy, facilitating sustainable investments across geopolitical blocs. Investments in renewable energy

and electric vehicles have been especially strong. The chapter further analyses the region's climate policy environment, stressing that clear policy direction and reduced policy uncertainty are essential for attracting sustainable investments.

Chapter Six transitions to the digital economy by analysing the rapid acceleration of digital payments in Southeast Asia, using detailed credit card transaction data from Mastercard. The chapter finds significant growth in digital payment adoption during the pandemic across ASEAN-6, particularly within food services, household durables, and transportation sectors. Importantly, it argues that digitalization has facilitated quicker price adjustments, helping mitigate inflationary pressures during periods of heightened inflation.

Chapter Seven evaluates recent venture capital investment trends, finding that ASEAN receives a disproportionately high share of global investment in digital sectors, especially in data-driven and digital financial services. It emphasizes the critical role of data policies, arguing that relaxing ASEAN's data restrictiveness would further enhance the region's attractiveness for digital investments.

Finally, Chapter Eight examines the employment impact of the rapidly growing e-commerce sector, providing concrete evidence from Singapore. It finds that e-commerce has supported approximately one million jobs through direct and indirect linkages. Direct employment effects are concentrated in wholesale and retail trade and information and communication technology sectors, while indirect employment benefits extend broadly across various labour-intensive industries through inter-sectoral linkages.

Taken together, these chapters offer a comprehensive view of how the re-configuration of trade and investment is impacting ASEAN. They highlight the importance of regional integration, proactive policy frameworks, and strategic investments in sustainability and digital innovation to ensure growth in a rapidly changing economic environment.

Acknowledgements

De-risking, Reshoring, Integrating: Implications for ASEAN Economic Development is the proceedings of the Asia Competitiveness Institute (ACI) Annual Research Conference 2024. This volume encapsulates the insights of the keynote speaker Kok Ping Soon, CEO of Singapore Business Federation, as well as the quantitative evidence presented by seven ACI researchers. Their collective work explores the impact of recent geoeconomic strategies on ASEAN's economic development. The unified theme of this publication highlights both the challenges and opportunities these policy changes present for ASEAN. To sustain its economic growth trajectory, ASEAN must further its integration, particularly through advances in digital and green collaborations.

This book would not have been possible without the support of our research and administrative colleagues. In particular, we would like to extend our sincere thanks to a competent and dedicated administrative team at ACI including Cai Jiao Tracy, Lyne Po Lai Yin, Nur Atiqah Binte Rahmat, and Dewi Jelina Ayu Binte Johari.

We are also grateful for the significant contributions from ACI Director Professor Paul Cheung and the research staff –Dr Liang Zixuan, Dr Zhang Yuqing, Ng Wee Yang, Yan Bowen, Akshaya Balaji, Guo Meiling, Riddhima Gupta, Huang Yijia, Brendan Lee Juan Xin, Miranda Lu, Lu Weilin, Christy Wong Ka Ying, and Scarlet Xu Ni.

Our appreciation extends to the other keynotes speakers and panelists who provided deep insights at our event, including George Yeo, Professor Tan Kong Yam, Andrew Williamson, David Mann, Dr Dao Ngoc Tien, Dr Lu Angdi, Dr Zheng Huanhuan, Dr Chanhphasouk Vidavong, Dr Prani Sastiono, and Dr Juita Mohammad.

We are also thankful for the encouragement provided by Professor Danny Quah (Dean), Professor Kanti Prasad Bajpai (Vice Dean, Research and Development), Kadir Suzaina (Vice Dean, Academic Affairs), Francesco Mancini (Vice Dean, Executive Education), the School Events Team, and other colleagues in the Lee Kuan Yew School of Public Policy, NUS.

List of Figures

Figure 2.1	Economic classifications and mapping relationship.....	12
Figure 2.2	High-tech exports in ASEAN-6 and China	13
Figure 2.3	High-tech exports of ASEAN-6 (% of total exports)	14
Figure 2.4	Exports of ASEAN-6 by product category	15
Figure 2.5	Global high-tech FDI stocks in ASEAN-6	17
Figure 2.6	The U.S.'s high-tech imports by source countries.....	19
Figure 2.7	The U.S.'s high-tech outbound FDI by destination.....	20
Figure 2.8	Global high-tech FDI inflows into China and ASEAN-6	20
Figure 2.9	Global high-tech FDI inflows to ASEAN-6 countries	21
Figure 2.10	China's share in ASEAN-6's total imports by product end-use types	24
Figure 2.11	ASEAN-6's FDI from China	25
Figure 3.1	Distribution of export concentration across country-product pairs in ASEAN.....	34
Figure 3.2	Number of G7 products with more than 50% import share from China	38
Figure 3.3	Number of G7 products with more than 50% export share to China	38
Figure 3.4	Number of ASEAN products with more than 50% import share from China.....	39
Figure 3.5	Number of ASEAN products with more than 50% export share to China	39
Figure 3.6	High-concentration exports to China by supply chain stages	42
Figure 3.7	High-concentration imports from China by supply chain stages	43
Figure 3.8	ASEAN critical mineral exports concentration to China	49
Figure 4.1	No. of protectionism measures from ROW adversely affecting the ASEAN-6	55
Figure 4.2	IRA and protectionism measure type	59
Figure 4.3	Sectors affected by IRA in ASEAN-6	60

Figure 4.4	ASEAN-6's inward FDI by sectors (2014-2022).....	60
Figure 4.5	Protectionism measures adversely affecting ASEAN-6 by affected jurisdictions.....	62
Figure 4.6	Share of different protectionist measure types adversely affecting ASEAN-6	63
Figure 4.7	Sectors in ASEAN-6 most affected by ROW protectionism	64
Figure 4.8	Protectionist measures adversely affecting ASEAN-6 by imposing jurisdictions	65
Figure 4.9	Protectionist measures adversely affecting ASEAN-6 by imposing jurisdictions	66
Figure 4.10	Adverse protectionist measures and FDI inflows in ASEAN-6..	66
Figure 4.11	Impact of protectionism on ASEAN-6 FDI by periods	71
Figure 4.12	Protectionism's effect on FDI by imposing jurisdictions	71
Figure 4.13	Protectionism's effect on FDI by destination country	72
Figure 4.14	Protectionism's effect on FDI by sectors	73
Figure 4.15	Protectionism's effect on FDI by types of protectionism measures	74
Figure 5.1	Geopolitical bloc division according to Javorcik et al. 2023....	82
Figure 5.2	Sustainable Investments within geopolitical blocs: actual (left panel) and with random assignment (right panel).	83
Figure 5.3	Comparing investments from Bloc 1 and Bloc 2 flowing into ASEAN vis-a-vis the rest of the world.	84
Figure 5.4	Network of positive growth in sustainable investments between economies of Bloc 1 and Bloc 2, 2016-2019 and 2020-2023.....	85
Figure 5.5	Network of positive growth in sustainable investments between economies of Bloc 1 and Bloc 2, separating ASEAN into Singapore and the rest of ASEAN, 2016-2019 and 2020-2023.	86
Figure 5.6	Top destinations of sustainable venture investments in ASEAN; left panel: total deals; right panel: share of ASEAN deals.	88

Figure 5.7	Pattern of industry specialisation: comparing ASEAN-6 economies with key non-ASEAN economies using RIA values, 2020-2023.	90
Figure 5.8	Number of climate policies per ASEAN country introduced in 2010-2022 (left) compared to the number of sustainable investments per ASEAN country in 2010-2022 (right).	93
Figure 5.9	Count of climate policies of ASEAN countries introduced by policy sector (2010-2022).	95
Figure 5.10	Change in share of policy sectors among climate policies of ASEAN countries –comparing policies introduced in 2010-2015 to those introduced in 2016-2022	95
Figure 5.11	Count of climate policies of ASEAN countries introduced by policy instrument (2010-2022).	96
Figure 6.1	Inflation dynamics in ASEAN.	100
Figure 6.2	Total transaction counts.	105
Figure 6.3	Online transaction counts.	106
Figure 6.4	Inflation vs transactions.	108
Figure 7.1	Share of venture capital investments in ASEAN and the rest of the world (left), and growth in number of venture investments in the digital economy (right).....	115
Figure 7.2	Revealed investment attractiveness 2020–2023 in ASEAN and other key economies (left) and in ASEAN-6 economies (right). 116	
Figure 7.3	Investment integration of key economies with ASEAN, 2010–2016 & 2017–2023.....	118
Figure 7.4	Investment preference of key economies for ASEAN, 2010–2016 & 2017–2023.....	119
Figure 7.5	Comparing investment by industry in ASEAN and the rest of the world, 2010–2016 & 2017–2023.....	121
Figure 7.6	Comparing investment by industry in key economies of ASEAN and the rest of the world, 2010–2016 & 2017–2023....	122
Figure 7.7	Comparing industry-level revealed investment attractiveness for e-commerce and financial services for key economies of ASEAN and the rest of the world, 2010–2016 & 2017–2023....	123

Figure 7.8	Digital trade restrictiveness index scores for key ASEAN and non-ASEAN economies.	128
Figure 7.9	Correlation between digital trade restrictiveness index and a country's revealed investment attractiveness for cross-border investments in the digital economy, mean 2020–2023.	129
Figure 7.10	Correlation between data restrictions subindex of the digital trade restrictiveness index and a country's revealed investment attractiveness for cross-border investments in the cloud computing industry, mean 2020–2023.	130
Figure 8.1	E-commerce revenue of total services industries (billion S\$) ...	144
Figure 8.2	Share of e-commerce revenue (%)	145
Figure 8.3	Indirect job creation effect of Singapore (2022)....	147
Figure 8.4	Indirect job creation per billion USD of demand increase in wholesale & retail trade (2021)	149
Figure 8.5	Indirect job creation in the primary sector per billion USD of demand increase in wholesale & retail trade (2016-2021).....	150

List of Tables

Table 2.1	The growth rate of exports of ASEAN-6 by product category (2018-2021)	16
Table 2.2	Market share of major sources of high-tech imports by the U.S.	18
Table 3.1	Data availability for reporting countries.	41
Table 3.2	Concordance from BEC categories to supply chain stages	42
Table 3.3	Trade share of high-concentration products	44
Table 3.4	Number of Chinese products exposed to de-risking	45
Table 3.5	Sectors exposed to potential de-risking and the ASEAN input suppliers	45
Table 3.6	Number of ASEAN intermediates at risk of spillover	46
Table 3.7	Semiconductor supply chain stages	46
Table 3.8	ASEAN's processors and memories exports to China	47
Table 3.9	Concentration of ASEAN's trade with China within the EV supply chain	48
Table 3.10	Top ASEAN products exposed to spillover from EV trade wars	50
Table 3.11	Mexican imports of textile intermediates from ASEAN	51
Table 4.1	Protectionism measures classification	57
Table 4.2	The average effect of protectionism on FDI	68
Table 4.3	The effect of protectionism on FDI by periods	69
Table 4.4	The effect of protectionism on FDI by periods	70
Table 5.1	Industry categories with relevant firm examples	89
Table 5.2	Climate policy sectors and relevant policy examples	94
Table 6.1	Summary of regression results.	110
Table 8.1	Basic IOT for a two-industry economy	140
Table 8.2	List of industries in the case study of Singapore	143
Table 8.3	Estimated total employment creation (thousands) in Singapore .	145
Table 8.4	Estimated employment creation (thousands) by service industries in 2022	146

Table 8.5	Estimated employment multiplier (thousands of jobs per billion USD final demand) of wholesale & retail trade (2021)	148
Table A.1	Summary of adverse protectionist measures by periods	178
Table A.2	Summary of adverse protectionist measures by implementing regions	179
Table B.1	Online transaction count	180
Table B.2	Online spend per merchant	181
Table B.3	Overall transaction count	182
Table B.4	Overall spend per merchant	183

List of Contributors

Kok Ping Soon is Chief Executive Officer of the Singapore Business Federation (SBF). Prior to the current appointment, he was Chief Executive of the Government Technology Agency of Singapore (GovTech). He also held various positions in the Ministry of Manpower, National Security Coordination Secretariat, Ministry of Trade & Industry, Singapore Tourism Board, Contact Singapore (CS), and Economic Development Board (EDB). He spent six years in the United States working for CS and EDB. He serves on the Board of ACRA, SBF Holdings, SBF Connect, NUS-ISS and is a member of the NIE Council.

Ammu George is a Lecturer at Queen's Business School, Queen's University Belfast, UK. She holds a PhD in Economics from Nanyang Technological University. Her research interests are mainly in international economics and macroeconomics, focusing on digital payments and sustainability. Previously, she worked as a Research Fellow with the Asia Competitiveness Institute and as an Economist with Ernst & Young and Willis Towers Watson.

Banh Thi Hang is a Research Fellow at the Asia Competitiveness Institute. Hang obtained her Doctoral degree in Economics from the University of New South Wales in 2021. Her research interests lie in the areas of international trade and applied econometrics with a focus on product quality, foreign competition and free trade agreements.

Lu Weilin is a Research Analyst at the Asia Competitiveness Institute. He holds a Master's degree in Applied Economics from Nanyang Technological University and a Bachelor's degree in Economic Statistics from Chang'an University. His research interests lie in Applied Microeconomics, Development Economics, and International Economics.

Liu Jingting is a Research Fellow at the Asia Competitiveness Institute. She obtained her PhD in Economics from Nanyang Technological University. Her research expertise lies in International Economics, including International Finance and its intersection with the digital economy and green economy.

Ng Wee Yang is a Research Associate at the Asia Competitiveness Institute. He graduated from National University of Singapore with a Bachelor of Arts (Merit) in Economics and from the Australian National University with a Master of Applied Economics. He is currently conducting research on the cost of living indices for expatriates and ordinary residents. His recent studies include research on ASEAN competitiveness and city-level cost of living. His research interests include public economics, labour economics and the digital economy.

Ulrike Sengtschmid is a Sustainability Policy Advocacy Manager at the EU-ASEAN Business Council. She was previously a Research Analyst at the Asia Competitiveness Institute. Her research interests lie in the digital economy and green economy.

Xie Taojun is a Lecturer at the School of Social Sciences, Nanyang Technological University. He was previously Assistant Director (Research) and Senior Research Fellow at the Asia Competitiveness Institute.

Yan Bowen is a Research Associate at the Asia Competitiveness Institute. Bowen obtained her Master of Science (Applied Economics) from Nanyang Technological University in 2022, and Bachelor of Economics from Jinan University in 2021. At ACI, she is involved in data management work for projects related to patents and knowledge diffusion. Her fields of interest include development economics, environmental economics and China economy.

Yi Xin is a Research Fellow at the Asia Competitiveness Institute. He obtained his PhD in Economics from Singapore Management University. His research expertise lies in International Economics. He is also interested in Labour Economics and Regional Economics, especially at the intersection of these fields with International Trade.

Chapter 1

Keynote Speech by the Guest of Honour

Kok Ping Soon, CEO, Singapore Business Federation

Mr George Yeo,
Professor Paul Cheung,
Distinguished guests, Ladies and Gentlemen,

A very good morning to all. It is my pleasure to join you at the Asia Competitive-ness Institute's annual research conference. I would like to thank Prof Cheung for this opportunity to share my thoughts on the theme for this year's conference.

1.1 The new era of globalisation

De-coupling, de-risking, reshoring, nearshoring, friendshoring. Welcome to the new era of globalisation. The fact that we now have these buzzwords which are discussed in earnest across Board Rooms reflects just how fundamentally the world has changed.

For decades, governments across the world have operated on the assumption that globalisation is an unstoppable force. Whatever their ideological disagreements, countries as diverse as the US, China, Russia and UK, embraced similar policies, based around expanding global trade and investment flows. But the increasing rivalry between the US and China, allied to the outbreak of a global trade war, has put this process into reverse. Under the Trump administration, the doctrine turned from globalisation to “decoupling”. The consensus in the halls of Washington is that economic interdependence has rendered US vulnerable to intentional shocks, which allow China to weaponise trade.

Decoupling which entails a “hard economic break” between the world's two largest economies is difficult, if not impossible, to envision. US and China account for approximately 40 percent of global GDP today. The United States is the China's primary trading partner, and China ranks just behind Mexico as the second-largest partner of the United States. U.S. imports from the China was 560 billion US dollars in 2022. This economic interdependence extends to China's

substantial holdings of U.S. debt, totalling close to 860 billion US dollars as of January 2023, making it one of the United States' major creditors behind the U.S. Federal Reserve.

Some sensibilities have now prevailed, and “de-risking” is now the dominant theme. First introduced by the EU, it has since forged a greater degree of consensus between the EU and the United States regarding the perceived security threat posed by China.

Compared to “de-coupling”, “de-risking”, with the intended reduction of trade risk, is more sensible, although not without its drawbacks. De-risking is different from decoupling, as it means reducing “excessive dependencies” in critical supply chains, such as by not over-relying on any country for supply or as a market. This includes partial or full relocation of production capacity back home, i.e. reshoring, to neighbouring economies, i.e. nearshoring, or to countries with favourable relations, i.e. friend-shoring.

We are now witnessing a return of industrial policy as barriers to trade and capital flows increase in tandem with national security laws, intellectual property laws and mechanisms for controlling investment flows. Economic strategy is considered in terms of national security, leading to the rise of economic security agendas worldwide.

In 2022, the US passed the Inflation Reduction Act and the Chips and Science Act, aimed at boosting the country’s industry in the green and digital spheres. The EU followed in close steps with the European Chips Act (ECA), Next Generation EU and RePowerEU with similar ambitions.

This has distorted trade and investment. Unlike in the past when investors allocated capital based on business considerations, investment allocation and trade flows are now becoming more concentrated among countries that are geopolitically aligned instead of purely based on competitive advantages.

This is being played out in the business world. Rapidus, a Japanese consortium working with IBM and the European research group IMEC, is developing two-nanometer semiconductor manufacturing in Japan to reduce the risks of over-reliance on Taiwanese chips. India has attracted Micron to set up a 2.75 US dollar billion semiconductor plant in Gujarat, joining Apple in shifting manufacturing footprint from China to India.

1.2 ASEAN: Beneficiary of de-risking

With companies reacting to these geopolitical forces, global supply chain and capabilities in key technologies are getting re-organised. The question is whether ASEAN can become a beneficiary of this de-risking movement to become nodal points in the re-configuration of the global supply and value chain. The short answer is yes.

According to a survey by the EU Chamber of Commerce in China, 11 percent of respondents have shifted investments out of China; 8 percent shifted investments previously planned for China to elsewhere; and 10 percent have already relocated, or plan to relocate their Asia headquarters away from China.

The ASEAN region has become the “destination of choice” of the investment shifts out of China. Based on the survey, the top destination for companies moving their Asian headquarters out of China was Singapore, with 43 percent, followed by Malaysia. Only 9 percent went or plan to shift to Hong Kong.

This has already started to play out. US-based Global Foundries, has initiated a \$4 billion expansion of its manufacturing plant in Singapore to address the growing demand for essential chips. As of 2022, Singapore has around 1,500 family offices, which is a 175% increase from 2020. This increase is partially due to wealthy Chinese individuals moving their families and capital out of China.

Singapore is not the only beneficiary ASEAN member state. Texas Instruments, another major US player, is investing up to \$1 billion in its Philippine facilities. US and Vietnam entered into partnership in 2022 to accelerate Vietnam’s semiconductor industry development.

ASEAN’s advantage goes beyond being a lower-cost environment, but our large populations, developed industries and supply chains, and high growth potential. ASEAN is also by and large friendly to China, US and Europe. This is manifested tangibly through ASEAN’s multiple trade treaties with its key trading partners, which facilitate merchandise trade, services trade, and investment.

These include the ASEAN-China FTA, which eliminates tariffs on most goods traded between China and ASEAN countries. The Regional Comprehensive Economic Partnership, which includes all ASEAN Member States, plus China, South Korea, Japan, Australia, and New Zealand will have tariffs removed on 90 percent of goods traded between member countries over the next 20 years.

Through these treaties, companies seeking to reshore operations to ASEAN countries can continue to enjoy the benefits of integrated supply chains.

These regional trade deals enable them to continue sourcing materials and components from China cheaply and with fewer delays. In addition, the treaties also allow companies easier access to more markets. This includes higher-cost markets like Japan and South Korea, as well as the large consumer bases in fast-growing economies like Malaysia and Indonesia.

1.3 Short term gain for ASEAN but long-term loss for the world

While ASEAN can benefit from de-risking, this is not necessarily good for the global economy. The IMF has calculated that extensive reshoring and friend-shoring would drag down growth significantly, for example by reducing margins –for the economies involved as well as for the global economy.

The moves to “de-risk” from China will just lead to a more fragmented and decoupled world economy. It is hard to see how de-risking, at its current ambition and scale, can be strictly confined to semiconductors without affecting broader economic interactions. The European Commission has already identified four priority areas out of ten critical technologies where it considers there are more likely to be immediate and sensitive risks: advanced semiconductors, artificial intelligence, quantum technologies and biotechnologies. If de-risking is taken too far, it would prompt reactions and unintended consequences.

It is Newton’s Third Law of Physics that state that for every action, there is an equal and opposite reaction. China has lambasted the G-7’s introduction of the “de-risking” into its communique as euphemism for containment. China argues that de-risking and shutting China out would reduce opportunities, stability, and development.

In response, China is stepping up indigenisation efforts, aggressively promoting the “Made in China” brand, advancing the Dual Circulation Strategy, and prioritising relationships within the Asia Pacific region, focusing increasingly on groups where the United States is not a member, such as BRICS, the Belt and Road Initiative, and the Shanghai Cooperation Organisation.

China has also pursued a diverse set of retaliatory measures. There’s a Chinese saying “你做初一, 我做十五” or tit-for-tat. China has banned the use of Micron chips in critical infrastructure and began expelling economic intelligence firms. China has also levied additional export license restrictions on critical minerals gallium and germanium, which, if enforced, could disrupt foreign semiconductor supply chains. During the EU-U.S. summit in October, China announced

additional export licensing restrictions on graphite, a critical mineral integral to the production of electric vehicles. These restrictions serve as a warning about the risks associated with an expanded economic security agenda.

A fragmented global economy that splits the world into competing regional blocs will just result in less trade, less investments, and less diffusion of ideas –all crucial ingredients to help economies advance. The danger is that the world and especially Asia and ASEAN –where millions were lifted out of poverty, thanks to globalisation and trade –will end up worse off than before.

1.4 ASEAN Economic Community

So, what can ASEAN do? To stave off this outcome, ASEAN needs to maintain more open economic cooperation, with broad participation from all countries, and pursue stronger economic integration among ASEAN member states.

Thus far, ASEAN’s solidarity and success has been built on the common understanding that the path to lasting peace is shared prosperity. In the past half century, ASEAN has reinforced this foundation through efforts to achieve a highly integrated and cohesive economy. This has translated into economic progress for Member States. ASEAN’s nominal GDP per capita rose from about US\$3,300 in 2010 to US\$5,400 in 2022, an increase of almost 40%.

With the ASEAN Economic Community (AEC) Blueprint 2025 coming to the end of road, we need to chart a bolder path for ASEAN’s economic integration that considers regional priorities and current global developments. ASEAN needs to pursue an AEC that is future-ready in a single ASEAN economy, anchored on sustainable growth, empowered by advanced technologies, and responsive to emerging opportunities. ASEAN should prioritise developments in the following three areas.

One, conclude the ASEAN Digital Economy Framework Agreement. This is a “game changer” agreement that will unlock ASEAN’s potential 2 trillion US dollar digital economy. It will be the world’s first regionwide digital agreement. If concluded, it will facilitate more seamless cross-border digital trade, and make it easier to do business within the region by improving rules in key areas such as digital trade facilitation, payments, standards and data.

But getting it concluded will not be easy. The disparities in technology advancement and adoption between member states will present challenges for digital economy integration. Data regulation regimes have also become increasingly di-

vergent across the member states. The absence of certain laws and regulations, such as personal data protection legislation in some countries, could slow down the integration process. But it is important to press on and resolve these issues.

Two, embark on an ASEAN Green Economy Agreement to put more substance into the ASEAN Strategy for Carbon Neutrality endorsed by the ASEAN Economic Ministers in August 2023. The Strategy has outlined various approaches to deliver four key outcomes for ASEAN - development of green industries; interoperability within ASEAN; globally credible standards; and development of green capabilities. A high quality agreement that specifies a common green taxonomy for businesses to initiate concrete plans, enables mutual recognition of environmental professions to help businesses close the manpower gap, as well as a robust and accessible carbon market would enable businesses to achieve impactful environment outcomes in a commercially efficient manner.

Three, play a more active role advancing common interests on the multilateral stage. Despite most ASEAN Member States being dependent on cross-border trade and investment, ASEAN has not had as major influence a role in shaping global rules and norms as other blocs like the G7 or OECD had. This is despite the economic heft of ASEAN. ASEAN is home to 680 million people, 50% more than EU and more than twice as many as the US. It is a young population that is increasingly skilled. A young, upwardly mobile population means a growing consumer class in the years to come. ASEAN is already the fifth largest economy in the world and poised to be fourth by 2030. Through its multiple agreements and dialogue partnerships, ASEAN can influence global economic discourse and development, and show the way how freer trade and investment rules can better help improve the livelihood of people and tackle global issues.

1.5 Conclusion

Let me conclude on a note of caution and a call to action. The long-term effects of these de-risking policies remain difficult to predict. Amid all this renationalisation of investment and trade policies, international bodies are struggling to maintain their powers and relevance. The World Trade Organization is already in trouble, with the US blocking the appointment of judges to its appellate court. The foundations of international order are under strain, just when the need for international rule of law and global cooperation is greatest.

In an increasingly economically fragmented world where multilateralism

is breaking down, we need to come together as a community to be a voice of reason, to be a builder of platforms and enabler of capabilities to keep trade and investment going. This is fundamental to the continued success and relevance of Singapore. Singapore's external trade is three times the size of our economy. Trade is our lifeblood and multilateralism is how small countries like us have a place in the world.

That is why the Singapore Business Federation, as the apex business chamber, is actively engaged in many bilateral and multilateral foras including ASEAN, APEC and B20 to advocate for free and open trade and investment. As a business community, we need to step up to work with the government to advance the trade and investment agenda in the region and globally.

SBF wants to partner with like-minded companies and organisations like ACI and many of you in the audience to do more in this area through policy advocacy, community building and capability development initiatives. So that collectively, we can all be in a better position to navigate the increasingly complex global trade landscape, seize opportunities in sustainability and digitalisation, and be future ready. If you are interested to support our efforts, please contact me or my colleagues in the audience.

Thank you very much for your time and attention, and I wish all of you a fruitful day ahead.