INVESTMENT PERSPECTIVES

Beyond Competition: Why ASEAN's Future Depends on Regional Integration

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Introduction

Global trade tensions and tit-for-tat tariffs are disrupting the flow of technology, labor, and capital. International business increasingly faces a shift from a governed marketplace to a more fragmented environment, often described as the "law of the jungle." In this new landscape, the key question is whether ASEAN can seize the emerging growth opportunity.

At the company level, firms are already recalibrating strategies to mitigate geopolitical risks and improve sustainability. Companies are also increasingly interested in forms of regional integration that can support more resilient value chains. Restructuring global supply chains and realigning foreign direct investment (FDI) have therefore become central to ASEAN's effort to strengthen local industries, enhance resilience, and shape a more inclusive and sustainable regional economy.

ASEAN has emerged as a major destination in this shift, as firms spread production across Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam to reduce risk and build resilience. Yet ASEAN governments still largely compete for investment project by project, offering overlapping incentives as if they were isolated markets rather than parts of a connected regional economy. That approach is becoming counterproductive. In a more fragmented global economy, ASEAN's comparative advantage lies less in the strengths of any single member state than in its ability to function as an integrated regional production ecosystem. By coordinating investment facilitation, industrial policy, infrastructure, and sustainability standards, ASEAN can attract more resilient and higher-value FDI while strengthening long-term development outcomes.

Why coordination matters now

Global supply chains are being reorganized around resilience as firms seek to hedge geopolitical exposure, diversify production, and reduce dependence on any one country. ASEAN is well placed to benefit because its member states offer complementary capabilities: Indonesia brings critical minerals and battery potential; Malaysia has strengthened its semiconductor ecosystem; the Philippines continues to expand digital services, electronics, and renewable energy capacity; Singapore remains a regional financial and technology hub; Thailand has deep automotive capabilities; and Viet Nam has become a major hub for electronics manufacturing.

Viewed individually, these strengths attract investment. Viewed collectively, they offer the basis for regional value chains that can compete with larger economic blocs. That distinction matters. If member states continue competing separately for the same projects through fiscal incentives and regulatory concessions, ASEAN risks duplicating capacity, weakening bargaining power, and limiting the wider developmental benefits of FDI. But if governments coordinate their policies, the region can position itself as a diversified, multi-country platform that offers investors both flexibility and scale.

How firms already see ASEAN

Companies are using Just-in-Time, Just-in-Case, and China+1 strategies, alongside nearshoring, dual sourcing, and vertical integration, to reduce supply risk. In electronics and semiconductors, Apple and Samsung leverage China+1 and dual-sourcing strategies, shifting production to Viet Nam. In the automotive and EV sectors, Tesla, VinFast, and BYD use nearshoring and vertical integration to secure essential materials, and Tesla has also been linked to battery supply chain development in Indonesia. In pharmaceuticals, Pfizer and Novartis are associated with reshoring and dual-sourcing strategies in Malaysia and Singapore. In renewable energy, First Solar and LONGi emphasize co-location and vertical integration in the Philippines and Viet Nam. ASEAN's growing digital infrastructure has also attracted investment in cloud services, telecommunications, and AI, with Google, Amazon, Huawei, and Microsoft expanding across Indonesia, Malaysia, Singapore, and Thailand.

These strategies all point in the same direction: firms increasingly want ASEAN to work as a coherent production ecosystem, but regulatory fragmentation, uneven infrastructure, and competing national incentives still raise costs and reduce resilience.

What regional integration means in practice

For ASEAN, regional integration does not mean uniformity or the loss of national policy autonomy. It means making the region easier to navigate as a connected investment space. The first priority is transparent and predictable rules. Governments should publish comprehensive investment regulations, digitize approval procedures, and align definitions of strategic, technology-intensive, and sustainability-oriented investments so investors can plan across multiple ASEAN markets with less uncertainty.

The second priority is better coordination of industrial policy and incentives. ASEAN members do not need to specialize according to a rigid regional plan, but they do need to reduce destructive competition for identical projects. A more coordinated approach would encourage complementary specialization: Indonesia in critical minerals and batteries; Malaysia in semiconductors and advanced manufacturing; the Philippines in digital services, electronics, and renewables; Singapore as a finance, innovation, and technology hub; Thailand in autos and electric vehicles; and Viet Nam in electronics and export manufacturing. This would help channel FDI into regional value chains rather than isolated national enclaves.

The third priority is cross-border integration of infrastructure, standards, and logistics. Regional value chains are only as strong as the systems connecting them. ASEAN governments should simplify customs procedures, expand mutual recognition of standards and certifications, and plan ports, transport corridors, energy systems, and digital networks with regional production needs in mind rather than purely national objectives. Supply-chain diversification produces resilience only when firms can move inputs, components, data, and energy reliably across borders.

The fourth priority is a shared sustainability and resilience framework. Investors increasingly care not only about cost and market access, but also about environmental standards, energy reliability, and the long-term stability of production ecosystems. ASEAN can strengthen its appeal by linking investment policy to sustainable development goals and by coordinating support for clean energy, digital infrastructure, logistics, and other sectors central to resilient value chains. Collaboration with multilateral development banks and sovereign investors can help finance the infrastructure and capability upgrades needed to make this agenda credible.

A stronger regional value proposition

The policy question facing ASEAN is no longer whether FDI will come to the region. It is whether ASEAN can shape that investment in ways that support technological upgrading, resilience, and sustainable development. Competing individually for investment may still generate short-term gains for some member states, but it is a weak strategy in a world where firms are building multi-country supply chains and seeking predictable regional ecosystems. ASEAN's strongest value proposition is not low-cost labor or isolated incentive packages. It is the ability to offer multinational firms a buffered, integrated, and increasingly sustainable regional platform. If ASEAN can move from competition to coordination, it will be better positioned not only to attract FDI, but also to shape the terms on which that investment contributes to the region's long-term development.

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