
Asia in a Changing World Order: Openness, Resilience, and Security

Edward K Y Chen Distinguished Lecture 2026

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What we will cover today

01 The Changing World Order

02 The Economic Impact to Asia

03 Building Asia's Resilience under a Fragmented World

01

SECTION ONE

The Changing World Order

01

THIS TIME IT IS DIFFERENT



For four decades, openness has been Asia's engine.

The rules-based multilateral order gave the region open markets and predictable rules. On that foundation Asia became one connected factory: production networks spanning Northeast Asia, China and Southeast Asia, with China rising as the world's manufacturing powerhouse. It lifted hundreds of millions out of poverty and wove the region into the fabric of world trade.

But that order is now in retreat. The WTO's dispute settlement system remains paralysed, trade restrictions are increasingly imposed unilaterally, and major powers are bargaining through economic power rather than negotiated rules.

For Asia, this is not just concerning – it is existential. The region's growth model depends on multilateralism, an open and rules based trading system. The question is whether Asia can build its own resilience rather than simply absorb shocks and have rules shaped elsewhere.



THE SHOCKS

Four disruptions, arriving at the same time

US-China Tensions



Reciprocal tariffs from April 2025, China's retaliation, Section 301 duties across Asia in 2026, and the trade diversion that follows.



Conflicts: The Strait of Hormuz crisis

Around 30% of seaborne oil passes through it, most of it bound for Asia; energy, shipping and input prices moved together.



The green transition

The green transition is reshaping production, investment and trade, with CBAM illustrating how climate considerations increasingly influence competitiveness.



The AI moment

The most consequential technology in a generation, arriving faster than any institution has been able to govern it.

UNILATERAL ACTION

The US unilateral action

2 APR 2025

Reciprocal tariffs

From 10% on Singapore to 49% on Cambodia; 34% on China

APR–OCT 2025

China retaliates

Matching tariffs up to 125%; rare-earth export controls

MAY 2025–FEB 2026

Deal by deal

Truce with China; most others settle at 15–20%

20 FEB 2026

Struck down

US Supreme Court rules the IEEPA tariffs unlawful

24 JUL 2026

Section 301

New duties of 10–12.5% across 60 economies



Sources: USTR; US executive orders; Global Trade Alert

12 of 16

economies in the US excess-capacity investigation are in Asia

10-12.5%

Section 301 duty on most Asian economies since 24 July 2026

US-China

Busan Agreement (Trade Truce) and 30 for 30

What changed for Asia?

The rates have moved at every step, but the level was never the only point. The terms of trade for the whole region are now set unilaterally, outside the multilateral system, and they can move again. What matters now is the relative tariffs between countries: ASEAN relative to China at 35%.

USTR launches investigation on new tariffs

Section 301 lets the United States act unilaterally against practices it judges **unreasonable or discriminatory**.

 Deals with the US		AGREEMENT ON RECIPROCAL TRADE Indonesia, Malaysia, Cambodia			JOINT STATEMENT ON A FRAMEWORK Viet Nam, Thailand	
ISSUES UNDER INVESTIGATION						
ASEAN members*	Excess capacity*	Forced labour*	IPR*	Section 301 duty	Key exemptions	
Cambodia	●	●	—	10%	Common list + agriculture and natural products, tropical wood and rattan, silk and textile inputs, gemstones, metals and minerals. Textile TRQ planned.	
Indonesia	●	●	—	10%	Common list + agriculture and natural products, tropical wood and rattan, silk, gemstones, metals and minerals. Textile TRQ planned.	
Malaysia	●	●	—	10%	Common list + tropical wood and rattan, silk, gemstones, metals and minerals. Textile TRQ planned.	
Philippines	—	●	—	12.5%	Common list only.	
Singapore	●	●	—	12.5%	Common list only.	
Thailand	●	●	—	12.5%	Common list only.	
Viet Nam	●	●	●	12.5%	Common list only.	

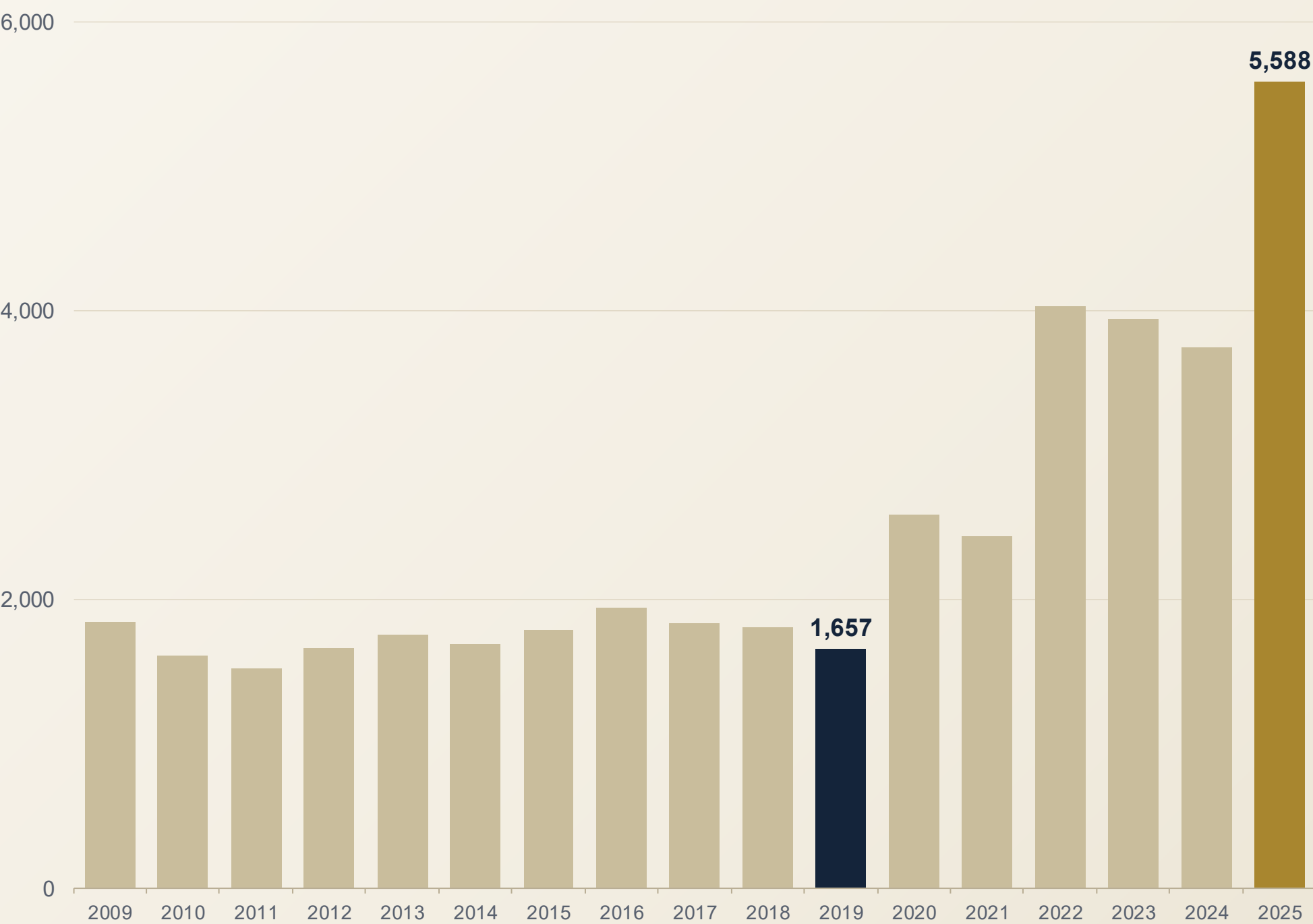
Common list includes: selected agricultural and food products; pharmaceuticals and chemical inputs; energy, minerals and critical raw materials; civil aircraft and aerospace components; selected machinery and electronics; and specified Section 232-covered products such as metals, vehicles and parts, wood products, semiconductors, and patented pharmaceuticals.

*Navy dot: investigation open. Gold dot: action concluded, duties in force. Other AMS (Brunei, Lao PDR, Myanmar, and Timor-Leste is not part of Section 301 investigations)

A GLOBAL TREND

Protectionism is rising across the world: Weaponization of trade instruments

NEW DISTORTIVE TRADE INTERVENTIONS WORLDWIDE, PER YEAR



WHAT THIS MEANS

- 3.4x since 2019.** 1,657 new distortive measures in 2019 rose to 5,588 in 2025.
- COVID-19, 2020-21.** Emergency export curbs on medical supplies and food staples.
- Tech decoupling, 2022 onward.** 5G bans, chip and chip-tool export controls, subsidy races.
- Most-restricted goods.** Chips and electronics, EV batteries, critical minerals, steel, food.
- For Asia.** Market access is now political: enhances the need to diversify partners and deepen regional integration.

SECTORS IN THE CROSSHAIRS



Chips



EV batteries



Steel



Food

Source: Global Trade Alert – New Industrial Policy Observatory (NIPO), April 2026 inventory; 77 implementing jurisdictions.

ENERGY DISRUPTION

The Strait of Hormuz crisis

30%

of global seaborne oil trade

passes through Hormuz

20%

of global LNG trade at risk

80% of Hormuz LNG goes to Asia

~8M

barrels/day supply decline

IEA March 2026 estimate

200-300%

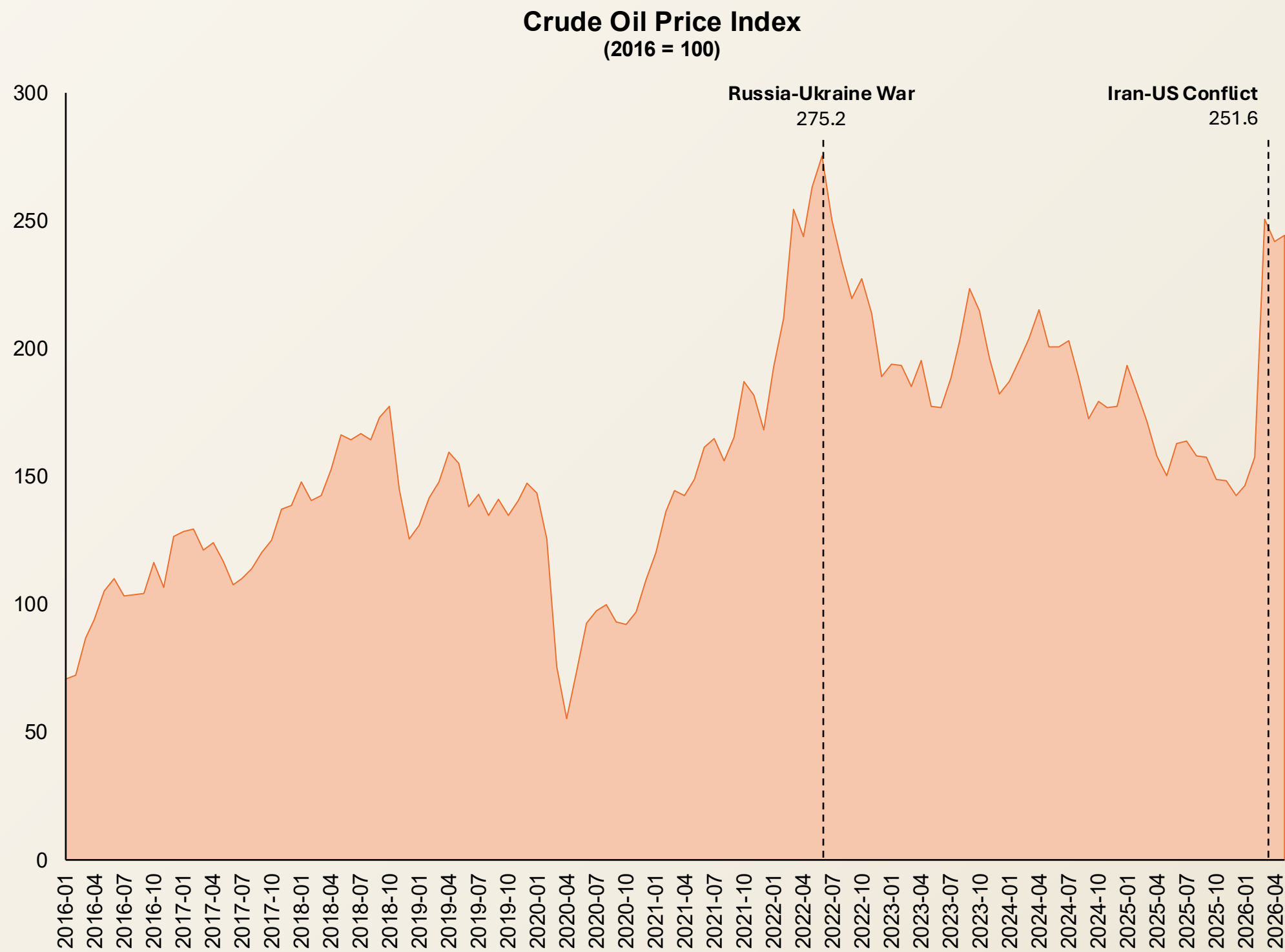
shipping cost surge

at peak disruption



Source: Britannica

Oil Price Hike and ASEAN's Exposure



ASEAN's exposure

~3M bpd

ASEAN's oil demand is ~5M bpd but domestic production covers only ~2M. The most exposed: Viet Nam (85% import-dependent), Singapore (77%), Thailand (69%), Philippines (52%).

28%

of ASEAN's final energy consumption directly disrupted by the Hormuz closure

US\$3.36B

per month in additional import costs at crisis prices, above 2026 expectations

Source: IMF (2026)

Source: Observer Research Foundation (2026)

Competitiveness, Sustainability, Climate and Trade: the example of CBAM

In its initial phase, the EU CBAM applies to imports of carbon-intensive goods with the highest risk of carbon leakage: cement, iron and steel, aluminium, fertilizers, electricity, and hydrogen.

Sectors covered by the EU CBAM

- Iron & steel
- Aluminium
- Electricity
- Cement
- Ammonia & fertilizer
- Hydrogen

Why are these sectors covered?

Emission-intensive: production processes require high temperatures and high energy consumption.

Trade-intensive: commodities are traded into the EU in large quantities.

High risk of carbon leakage: need to protect EU industries and create a level playing field.

AMS Exposure to CBAM

AMS	Share of CBAM Exports to EU (% of CBAM Exports to World)	CBAM exports to EU (% GDP)	Most exposed product
Cambodia	19.2%	0.02%	Iron and steel
Indonesia	6.2%	0.04%	Iron and steel
Malaysia	5.5%	0.11%	Cement
Philippines	1.6%	0.0008%	Cement
Singapore	1.0%	0.004%	Iron and steel
Thailand	4.0%	0.03%	Iron and steel
Viet Nam	5.6%	0.11%	Iron and steel

Source: ADB (2023)



Emerging issues: the rapid rise of AI...

...into a world already fractured by trade wars, energy shocks and institutional strain, the most consequential technology in a generation arrived.

It is reshaping productivity, employment, trade, energy demand, data flows and strategic power at a speed institutions are struggling to match – and Asia sits at the centre of it.

IT IS ALREADY INSIDE THE FIRM

89%

of manufacturers around the region use generative AI for internal knowledge management

ASIA BUILDS THE HARDWARE

Northeast Asia makes the leading-edge chips and high-bandwidth memory; Japan supplies key materials and equipment; Southeast Asia assembles, tests and packages them and hosts fast-growing data centers.

THE RULES ARE BEING WRITTEN IN BLOCS

AI governance is taking shape inside US-China competition. In May 2026, the two nations agreed to an AI dialogue. The US champions the Pax Silica alliance, whereas in July, China launched WAICO with 29 founding members. Indonesia and Malaysia joined WAICO.

Asia's path is to understand the technology, build capacity and govern proportionately, while keeping AI supply chains and data flows open across the region: ensure access to the best of US and China AI, develop capability and optimize utilization.

02

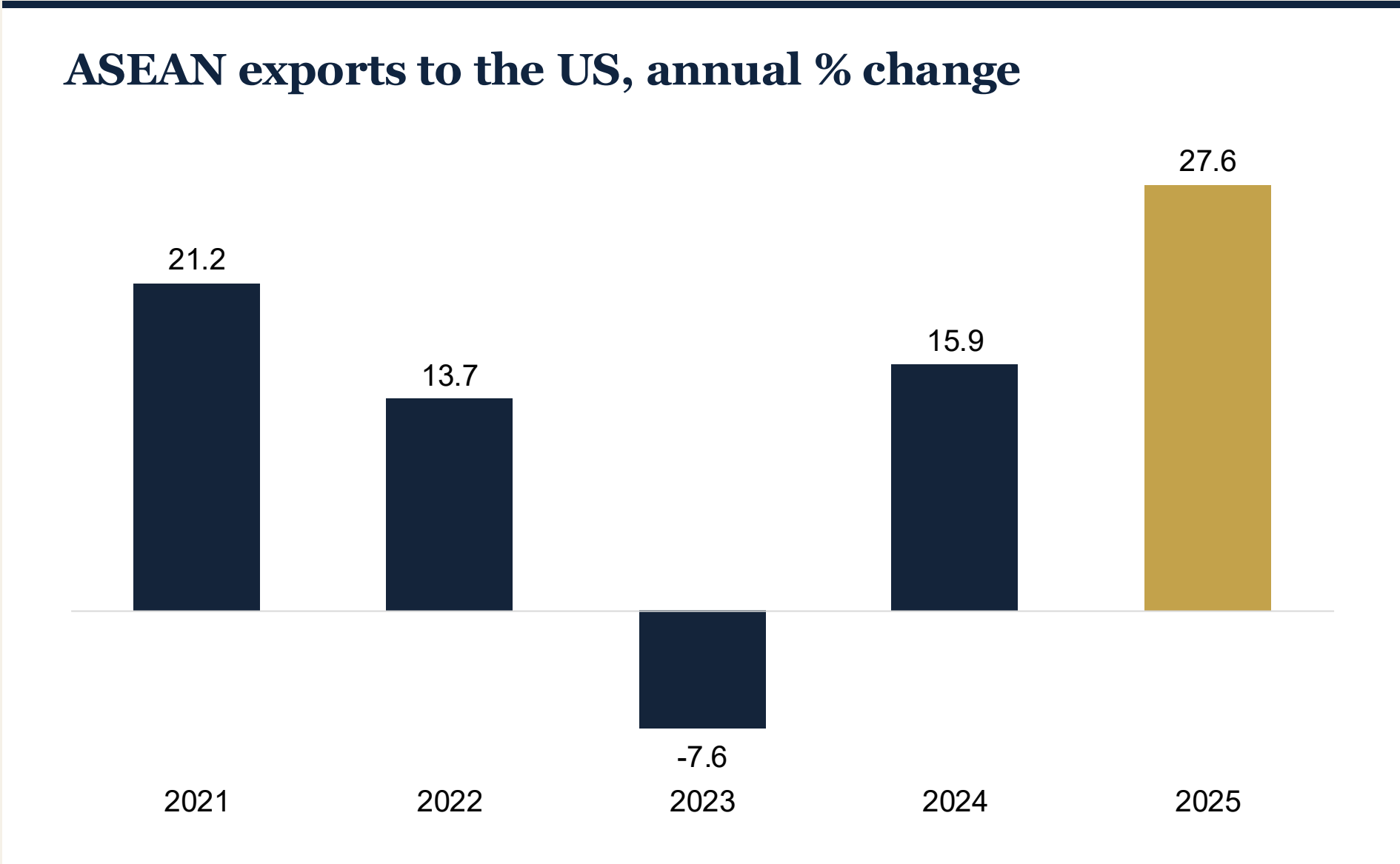
SECTION TWO

The Economic Impact on Asia

02

A milder impact than feared, with risks and opportunities

ASEAN's goods exports to the United States rose **27.6% in 2025**, to \$398 billion. Three forces cushioned the blow: **front-loading** ahead of tariff deadlines, **relocation** of sourcing from higher-tariffed economies, and **exemptions** for key sectors.



 BUT, RISKS HAVE NOT GONE AWAY

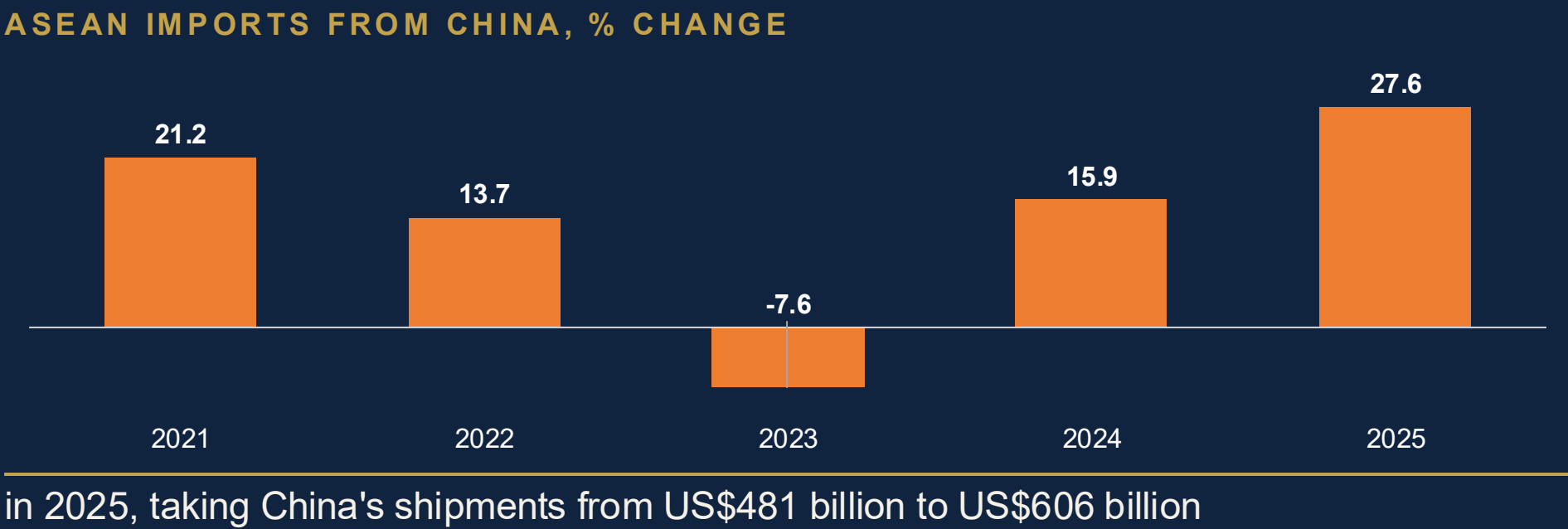
- Trade diversion:** goods that lose access to the US look for other markets, raising the risk of import surges that put pressure on domestic industries across the region.
- Tougher scrutiny:** Section 301 duties (10% on Indonesia since 24 July 2026) and closer checks on rules of origin and transshipment.

 OPPORTUNITIES REMAIN OPEN

- China+1:** as US tariffs and restrictions raise the cost of sourcing from China, companies, including Chinese firms, are adding a second production base in the region, bringing new investment to economies such as Indonesia, Viet Nam, and India.

The surge of imports risk from China

Tariffs are only half of ASEAN's exposure. As Chinese goods are pushed out of the US market, the region is the nearest large destination.



How should ASEAN manage the risk?

01 Safeguard

Assess the adequacy of the trade remedies commitment in existing agreements and explore the need for supplementing instruments and dialogue to address import surges during periods of emergency.

02 Coordinate

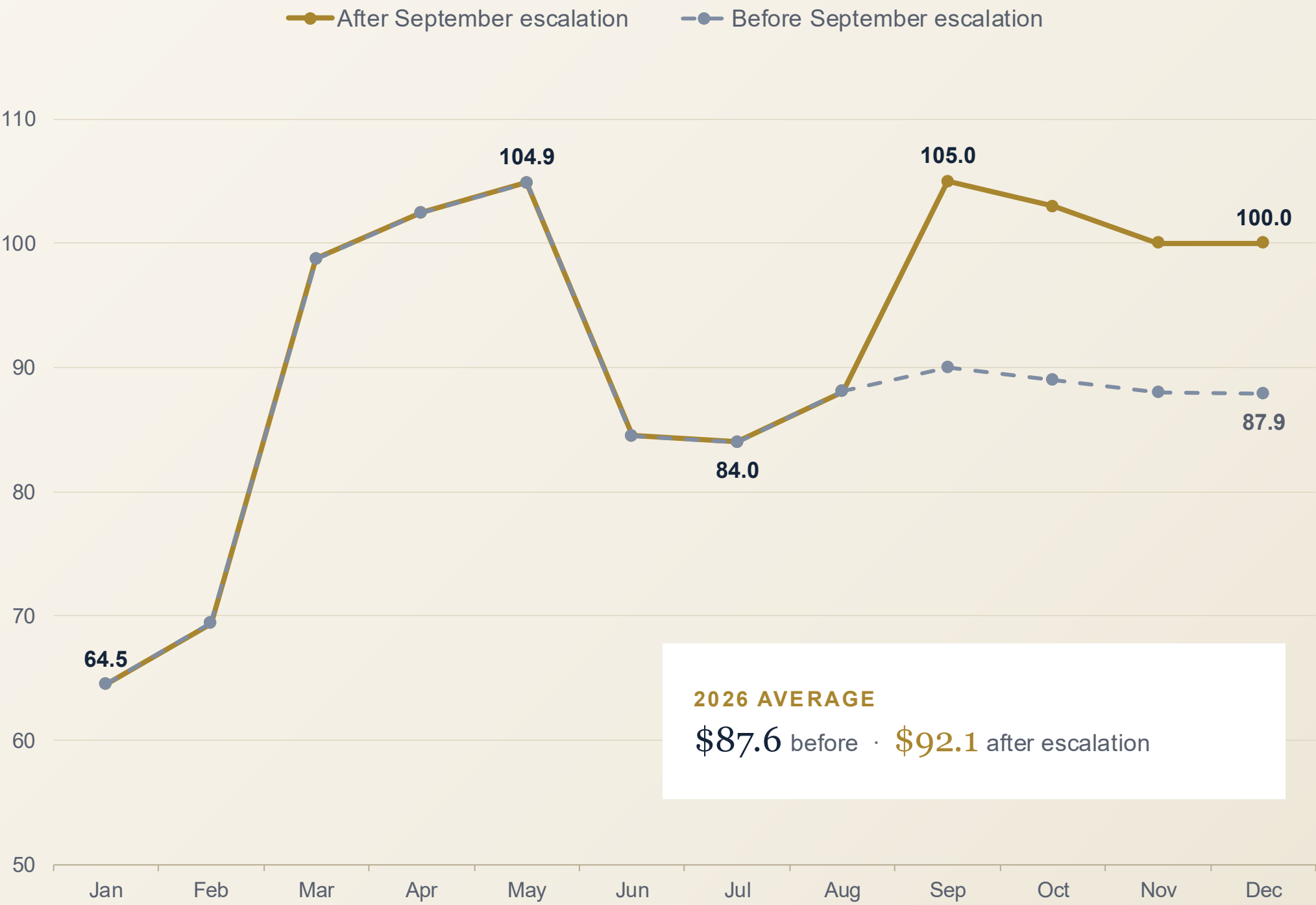
Members export similar goods, so uncoordinated measures risk a spiral of competing remedies. ASEAN needs agreed guidelines and a consultative mechanism.

03 Measure

Monitor diversion with shared trade data, exchange of experience and targeted capacity building for analytical capacity.

Higher oil prices hit costs twice: transport and inputs

BRENT PRICE SCENARIOS, 2026 (USD PER BARREL)



Sources: National Economic Council (2026)

TWO CHANNELS OF COST



Shipping & logistics

Fuel, freight and insurance costs rise with the oil price, and with every rerouted voyage. At the peak of the Hormuz disruption shipping costs surged 200–300%.



Input costs

Oil and gas feed petrochemicals, plastics, synthetic fibres and fertiliser, so the shock flows into the cost of manufacturing and food, well beyond the fuel bill.

The shock does not stop at the pump: it moves through every link of the supply chain.

Riding the AI wave: a tailwind that is also a risk

AI is lifting the region's growth...

4.5%

regional growth in 2026, upgraded by 0.3 points, largely because of high-tech investment and exports

>70%

of export growth came from AI goods in Malaysia, the Philippines, Thailand and Viet Nam

BUT AT HOME, AI USE LAGS

12% of Thai firms use any AI tool, vs 43% in the US

The region makes AI hardware, but local firms cite cost, know-how, and security and privacy concerns.

...but the risks of relying on it remain



If AI spending reverses...

US AI investment is ~6% of GDP, as IT was in 2000 and housing in 2005: both ended in corrections. A reversal would knock out a key pillar of the region's trade, investment and growth.



Concentration

Excluding AI goods, the region's trade growth has been weak or negative.



Financial spillovers

US\$800bn of planned AI capex relies on private credit; banks' FX liabilities reach 29.2% of GDP in Malaysia.



Energy strain

One large AI data centre would use ~15% of a typical economy's baseload power: higher prices, grid strain and more coal.

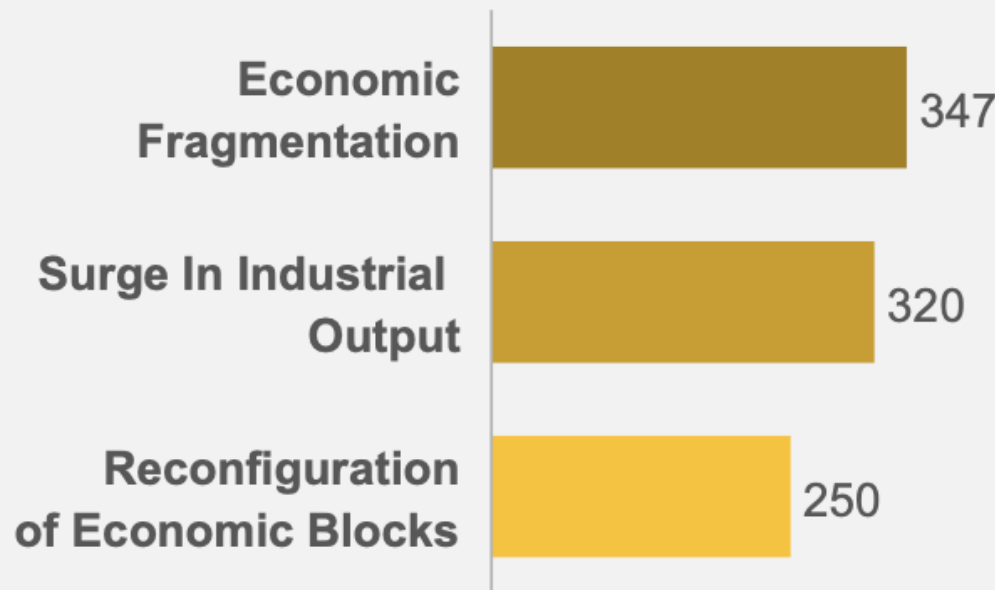
“The region's dependence on AI-related industrial activity has been a source of strength, but it could become a weakness if global AI activity slows or reverses.” **World Bank**

Private Sector Views

Economic fragmentation ranked the highest impact on businesses in ASEAN...

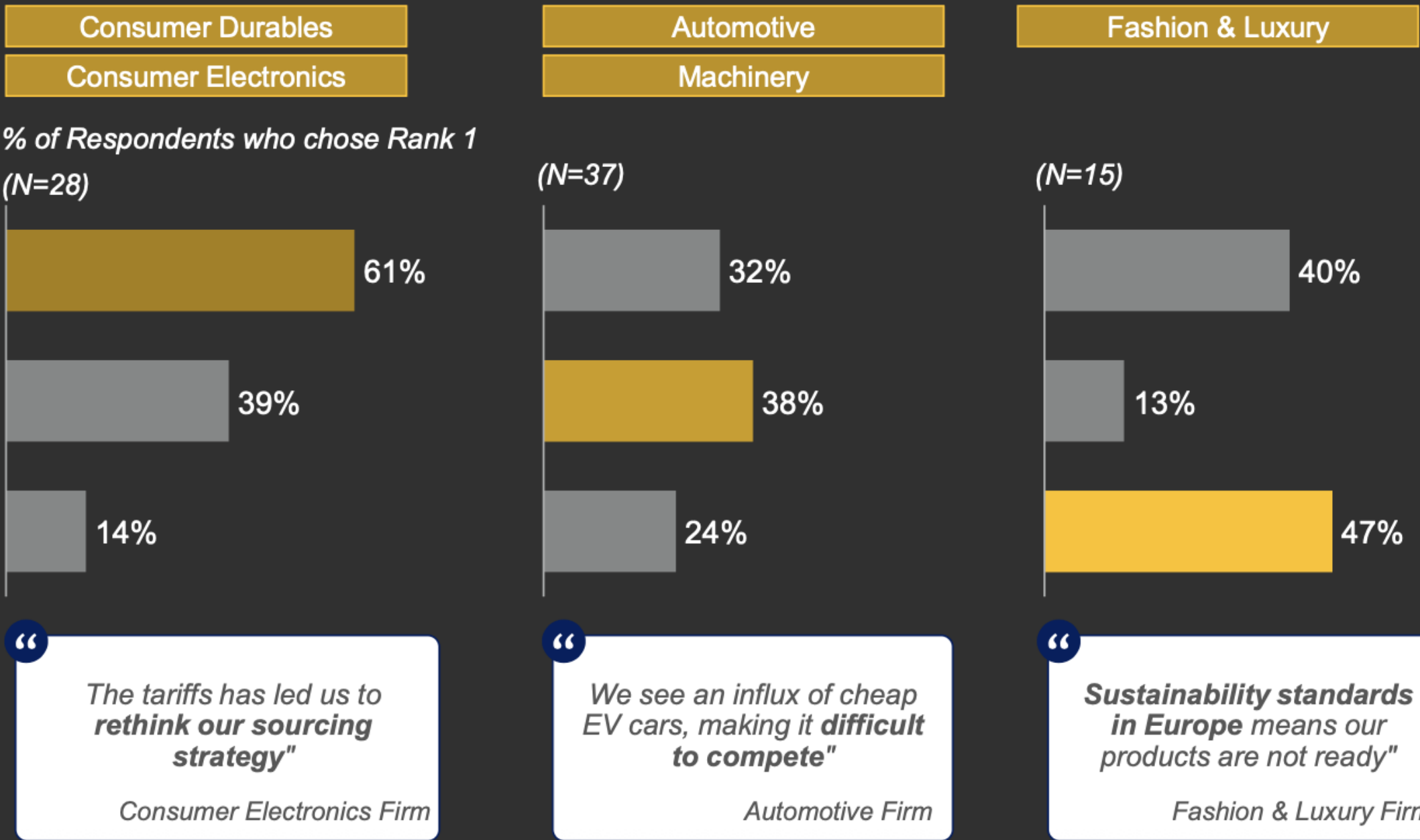
Q: Which of the following risk themes are you most impacted by?

Ranking Index¹ (N=100)



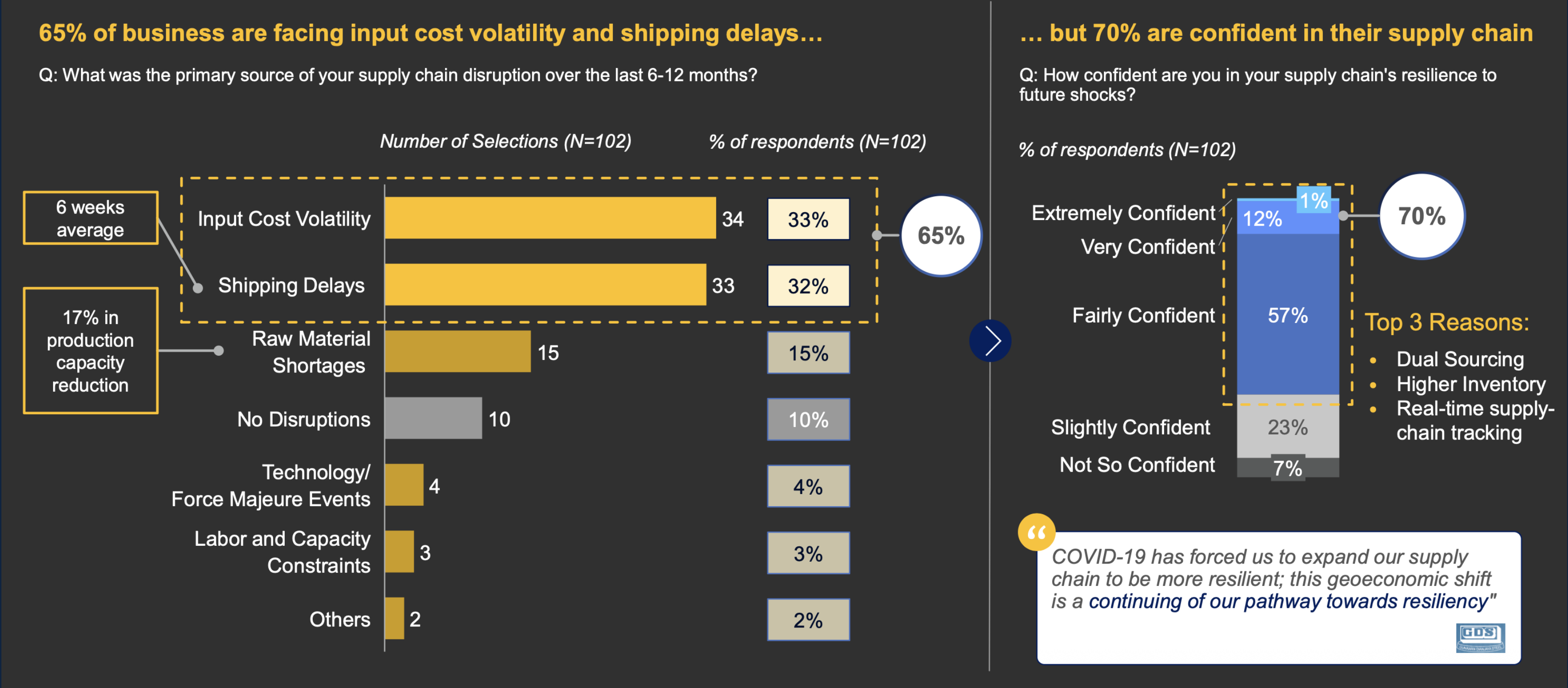
“We are **experiencing multiple impacts**, from the US tariffs to competing with cheap imports. We are aware that this may continue; we find ourselves reading the news a lot more these days”
Consumer Durables Firm

...but different sectors experienced disproportionate impacts



Source: Business Sentiment Survey on Geoeconomic Trends and Resilience, n=102 (August 2025)

Overall, businesses remain confident in their supply chain



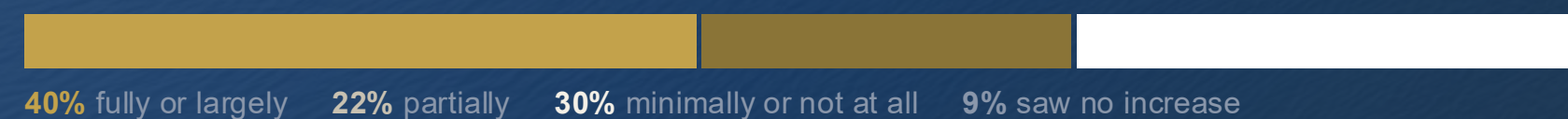
WHO BEARS THE COST?

The shocks have compressed firm margins - with **51%** expect lower operating profit in 2026

More than 80% of firms say the Hormuz disruption raised both shipping and logistics costs and input costs. What they could not do was pass it on.

So the cost stayed inside the firm. Absorbing it through margin compression has become almost as common a response as switching suppliers or raising prices. This is not only about Hormuz, but margin absorption might also become a recurring adjustment mechanism across shocks.

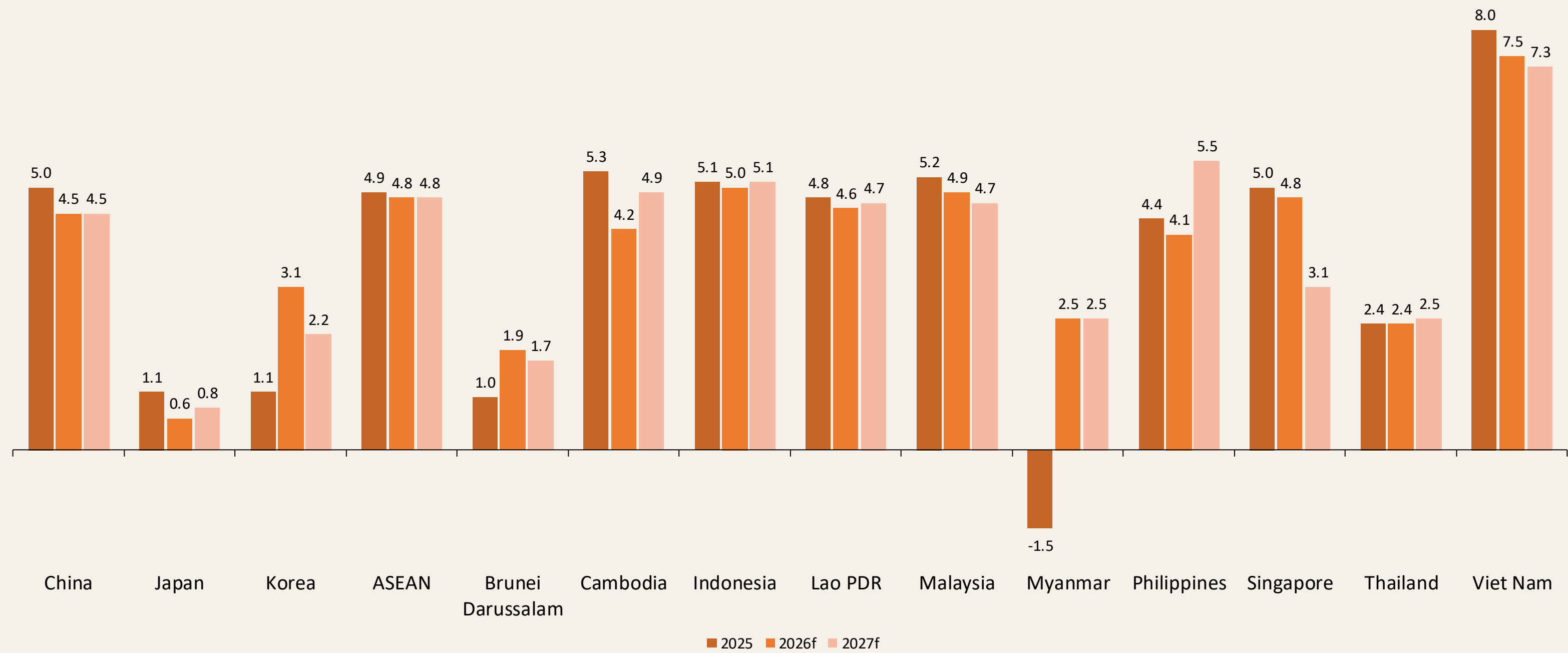
SHARE OF FIRMS, BY HOW MUCH OF THEY PASSED ON THE COST INCREASE TO CUSTOMER



Source: ASEAN Business Barometer, 600 firms (2026).

Projected Growth Slowdown in 2026

Projected GDP, % change



Source: AMRO ASEAN+3 Regional Economic Outlook, July 2026 Update

03

SECTION THREE

Building Asia's Resilience in a Fragmented World

03

What matters is how countries respond to shock

If all nations respond with 15% tariffs on each other, the impact on ASEAN is far worse than the direct Liberation Day tariff effect alone.

GDP

–11%

Impact on GDP under global contagion,
versus –2% from the direct tariff alone

Exports

–17%

Impact on exports under global contagion,
versus –3% from the direct tariff alone

Employment

–24.7%

Impact on employment under global
contagion, **versus –2%** from the direct
tariff alone

THE RESPONSE

Way forward: the Three-Pronged Strategy

The responses can no longer be “**Business as Usual.**”

SHORT TERM

MEDIUM TERM

LONG TERM

01



Deal with the immediate aftermath

Negotiate rather than retaliate, coordinate positions with neighbours and do no harm to one another. Keep working and maintain relationship with major powers, such as the US and China.

02



Build domestic and regional resilience

Reform at home and integrate across the region. Neither half works without the other.

03



Shape global governance and strengthen institutions

Push for a working global trading system through constructive incrementalism and give regional institutions the capacity to deliver what their members agree.

FIRST PRONG

Dealing with the immediate aftermath

Retaliation multiplies the damage, and neither the US nor China can be substituted for the other.

NEGOTIATE WITH THE US FROM A COMMON POSITION

Retaliation is the expensive option

The ASEAN case: the tariff shock alone costs ASEAN roughly 2% of GDP and 3% of exports (EABER-CSIS, 2025). If every economy answers with 15% tariffs, those losses widen to 11% of GDP, 17% of exports and almost a quarter of employment.

So the first move is to talk

Negotiate bilaterally with Washington, but from a common position -- do no harm to one another, and avoid a retaliation spiral the region cannot afford.

MAINTAINING RELATIONSHIP WITH US AND CHINA

China

For most Asian economies, China is the largest trading partner and a key source of inputs. In ASEAN, for example, China accounts for around 21% of total trade (2025).

United States

The US remains a top destination for Asia's final goods, the largest export market for Japan, India and Viet Nam, and a major source of investment and technology. It holds close to 20% of ASEAN's inward FDI stock.

ASEAN has recognized that shocks need a collective response

At the 48th ASEAN Summit in Cebu (8 May 2026), Leaders agreed a joint response to the Middle East crisis, with energy security near the top.

SIX AREAS FOR ACTION

- a Crisis coordination and institutional readiness
- b Energy security and regional resilience**
- c Financial resilience and macroeconomic stability
- d Food security and agricultural supply chains
- e Trade, supply chains and market stability
- f People-centred and humanitarian response

WHY IT MATTERS MORE NOW: AI IS ADDING DEMAND

4×

Growth in AI data centers electricity demand worldwide by 2030

~2×

Southeast Asia’s data-centre electricity use by 2030, vs 2024

ASEAN’S ENERGY RESPONSE



Secure petroleum supply

Complete ratification of the ASEAN Framework Agreement on Petroleum Security (APSA) so it can enter into force, and explore the potential of regional stockpiling.



Connect the ASEAN Power Grid

Advance multilateral, multidirectional power trade, building on projects such as the Lao PDR–Thailand–Malaysia–Singapore Power Integration Project.

ENERGY SECURITY COOPERATION

Energy security: start pragmatic, start sub-regional

Rather than wait for a full regional grid, build it link by link, starting with neighbours where projects already make sense.



Lao hydropower to Singapore

LAO PDR › THAILAND › MALAYSIA › SINGAPORE

Lao hydropower already reaches Singapore through Thailand and Malaysia: ASEAN's first power trade across four countries.



Riau Islands renewables to Singapore

INDONESIA › SINGAPORE

Solar and storage projects would supply Singapore through subsea cables, alongside cooperation on a proposed sustainable industrial zone



A Borneo power hub

SARAWAK › WEST KALIMANTAN › SABAH › BRUNEI

Sarawak already sells hydropower to West Kalimantan and Sabah; Brunei and the rest of Borneo could be next.

Prove it on a smaller scale, then scale it into the ASEAN Power Grid.

SECOND PRONG

Regional integration: buffering shocks, shaping rules

When the multilateral system stalls, regional frameworks do more than shelter the region. **RCEP, and CPTPP** set standards and extend global rules where the WTO no longer can and serve as building blocks for eventual multilateralisation.

RCEP as the anchor

15

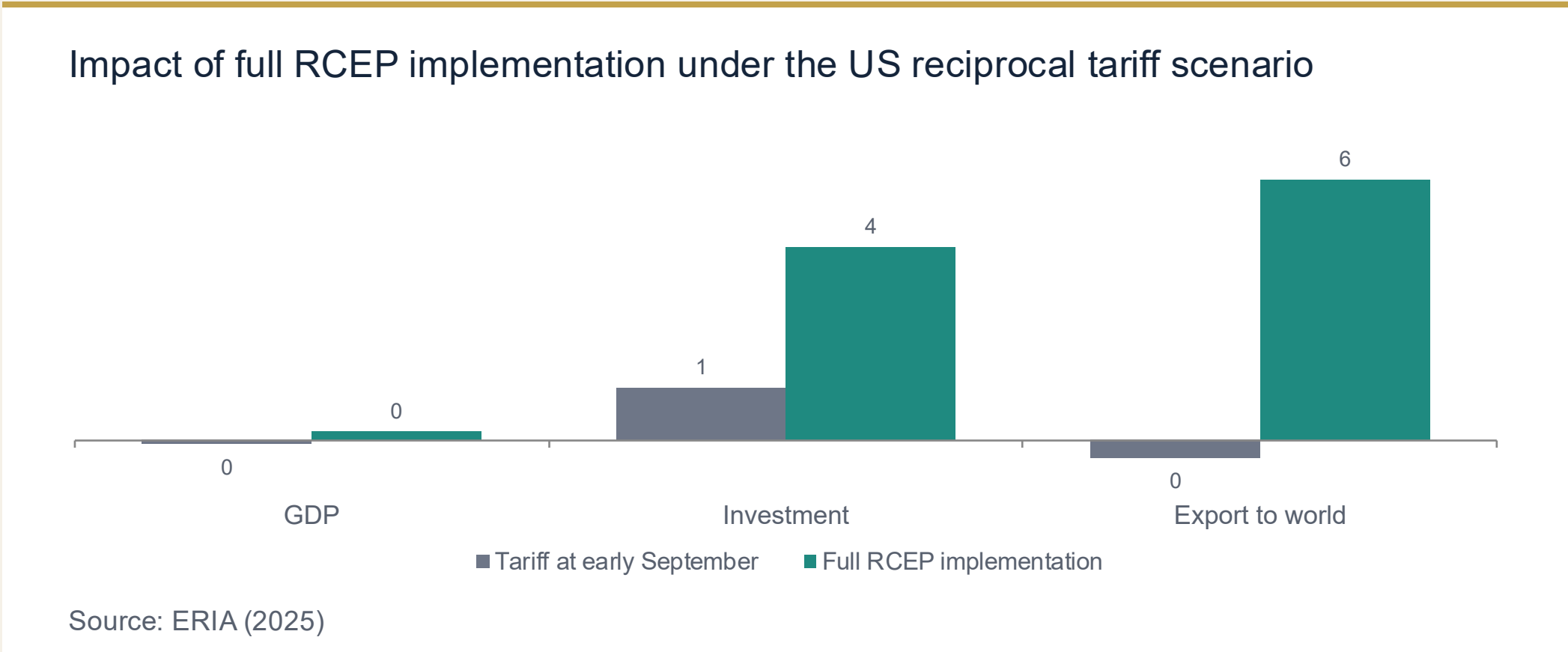
Member countries

30%

of global GDP and trade

2.2B

People covered



Why RCEP matters now

Full RCEP implementation, at zero intra-RCEP tariffs, can turn the negative GDP impact of the US reciprocal tariff into positive growth.

Investment gains of **+4.41%** and exports to the world rising **+5.95%** show regional integration working as a counterweight to unilateral protectionism.

Deeper regional supply chains allow the region to absorb external shocks, diversify sources of demand and inputs, and remain globally competitive.

SECOND PRONG

Regional integration: also, the ask of the private sector

The UK Growth Gateway–BCG Survey (2025) identified six top challenges for businesses in ASEAN.

- 1 Intra-ASEAN trade still faces non-tariff barriers.
- 2 Cross-border documentation is complex and unharmonised.
- 3 Talent mobility remains restricted.
- 4 Rules of origin miss sector-specific nuance.
- 5 Firms want to diversify but find new markets hard to enter.
- 6 Moving up critical global value chains needs support.

Highlights the need for domestic reforms to go hand in hand with regional integration.

Source: UK Growth Gateway–BCG Survey (2025)

WHAT NEEDS TO BE DONE

Deregulation. Simplify licensing. Harmonise documentation. Make enforcement predictable, with published timelines and scope. A regional guideline for deregulation.

WHAT IT DELIVERS

→ Lower costs, restored competitiveness, and increased confidence.



HONG KONG AND ASEAN

Deepening the Hong Kong-ASEAN partnership

2nd

ASEAN is Hong Kong's second-largest trading partner: HK\$1.67 trillion in goods trade in 2025, 15% of the total

3rd

ASEAN is Hong Kong's third-largest destination for outward direct investment, HK\$671 billion cumulatively



Deepen trade, investment and finance

The FTA and Investment Agreement provide a useful framework; the priority now is implementation, starting with the protocol signed on 20 September 2026. The real potential lies in financial connectivity: green bonds, sustainable finance and infrastructure investment.



Connect to the regional architecture

RCEP opened an accession working group covering Hong Kong on 21 September 2026: a chance to anchor Hong Kong inside Asia's largest trade agreement.



Mobilise green and transition finance

Indonesia has issued sovereign green sukuk since 2018, and Hong Kong's ambition to be Asia's green finance hub is complementary. Align green bond standards and taxonomies, and mobilise private capital for Southeast Asia's energy transition.

THIRD PRONG

Shape global governance and strengthen institutions: Agency Role

The slowest of the three strands, and the one that decides whether the other two hold.

01



New partnerships

Asia is widening its web of agreements: EU agreements in force or concluded with several ASEAN members, the ASEAN-China FTA 3.0 signed, talks with Canada and India under way, and more Asian economies seeking to join the CPTPP and RCEP.

02



Constructive incrementalism

Where consensus stalls, move with the willing: work with like-minded partners on digital trade, green goods and investment facilitation, and let those become the building blocks for something wider.

To remain relevant in a changing global order, Asia must do more than defend existing rules and strengthen existing institutions. It must help shape new ones, especially emerging issues such as green, economy security, and AI, and build the frameworks institutions needed to deliver them.

A six-layer eliminating cascade

L1	EXPOSURE	Does this flow matter at all?	Import reliance; input-cost share; export revenue, employment and fiscal attachment
L2	CONCENTRATION	Is it concentrated — and did it have to be?	Concentration index and largest-partner share, on partners and on world supply
L3	ESSENTIALITY	Does it serve an essential function?	Essential-function register; systemic position in the input–output table; sets the substitution horizon
L4	SUBSTITUTION	Can it be replaced within that horizon?	Latent supplier count; self-sufficiency; switching cost; demand-side economisation
L5	CRITICALITY	How far, how fast, and at what cost would it spread?	Propagation intensity with substitution elasticities; upstreamness; inventory cover in days
L6	COERCION	Can the counterparty do this deliberately?	Network position; dependency asymmetry; export control apparatus; alignment distance

Layers one to five define vulnerability. The sixth converts it into an economic security risk.

Toward an ASEAN economic security and resilience agenda

Economics and security no longer sit in separate domains. As economies across Asia introduce economic security policies, the region must also develop common disciplines and guardrails to prevent economic concerns from becoming over-securitised.

In August 2026, ASEAN's 2nd Track 1.5 Roundtable on Economic Security in Manila brought together officials, experts, business and partners. It's about finding the right balance: protecting our economic security while keeping borders open, rather than turning toward protectionism. Measures should be narrow, transparent and temporary, so openness stays the rule and security the exception.

Five elements the Manila Roundtable converged on

01

Shared definition and principles

Common objectives anchored in openness and rules, with an explicit **“do no harm”, no beggar-thy-neighbour** principle.

02

Guardrails

Separate legitimate security interests from disguised protectionism or unilateralism and avoid co-optation.

03

Priority cooperation areas

Energy and food security, critical supply chains and minerals, digital resilience, and maritime infrastructure.

04

Institutional mechanisms

Stronger cross-pillar coordination, an independent Track 1.5 advisory platform, and systematic business input.

05

Implementation over aspiration

No need to agree on everything first: start with principles, advance through pilots, prove they work, scale up.

The goal is collective resilience, not the securitisation of everything. Openness must remain the foundation.

CLOSING

Resilience by design, not by default

Three messages to carry forward:

-
- 01** **Openness is the foundation**
Security can be built without closing borders. Asia grew by staying open; safeguards should be narrow, transparent and the exception, not the rule.

 - 02** **Unity is the leverage**
Asia's weight comes from moving together: coordinated positions, regional agreements that are implemented, and one voice with partners. Apart, every economy is smaller.

 - 03** **Build before, not during**
Resilience cannot be improvised mid-crisis. Stockpiles, safety nets and crisis protocols, at home and through regional cooperation, must be ready before the next shock
-

CLOSING STATEMENT

Professor Edward Chen has long championed multilateral rules and market-driven integration. While today's realities have changed, Professor Chen's core principles remain vital: we must **reject zero-sum, unilateral orders** and instead use courageous leadership to shape global rules for trade, investment, AI, and climate change

because Asia's prosperity is strengthened, not diminished, by deeper engagement with the region and the wider world.



Professor Edward K Y Chen

Thank you