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The EU-ASEAN Relationship: The Next Chapter Under A New Reality

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Executive Summary

The emergence of a new global order and increasing geopolitical uncertainty has led countries across the world to realign their political partnerships and readjust their economic strategies. The EU-ASEAN relationship, in particular, has seen a decisive shift, driven by US President Donald Trump's volatile trade policies following his re-election, as well as mounting internal pressures within the EU, including uncertainty over its economy, declining competitiveness, and an increasingly unstable transatlantic relationship. By contrast, ASEAN has demonstrated resilient and stable growth, reinforcing the region's growing economic significance and potential to become a major regional and global player. These developments set the stage for a new chapter in the region-to-region relationship.

This paper examines the current state of EU-ASEAN relations and evaluates how global developments, particularly the US' move away from multilateralism and departure from its traditional role in the global political economic landscape, have reshaped and continues to influence this dynamic. Looking ahead, we identify key opportunities and challenges that lie on the horizon including a series of strategic recommendations anchored around three pillars:

1. Enhancing economic interdependence and resilience;
2. Jointly upholding multilateralism and international rule of law; and
3. Deepening and broadening the EU-ASEAN partnership.

The paper concludes that ASEAN's willingness to be a strategic partner to the EU is a key asset in the relationship, but this should not be taken for granted. To unlock the full potential of this partnership, the EU must match its political rhetoric with tangible investments and sustained engagement, treating ASEAN not just as a strategic partner in name but as one in practice.

1. Introduction

One year into the new European Commission's term, and the EU finds itself navigating an intensely challenging geopolitical environment. Externally, it continues to struggle to find effective ways to resolve the conflict in Ukraine. Its relations with China continue to deteriorate, in part due to a faltering 'de-risking' strategy. The fraying of the transatlantic relationship under U.S. President Donald Trump's second term has caused considerable uncertainty across European industries. Internally, it is grappling with the rising influence of far-right parties. And finally, it is facing the real risk of a declining economy - the seriousness of this being confirmed by former President of the European Central Bank Mario Draghi, who was tasked by the Commission to produce a comprehensive competitiveness strategy to examine where the structural weaknesses of the European economy lie and propose ways to reverse its decline. The strategy, known as the "Draghi Report", concluded that the EU suffered a significant competitiveness gap with the US and China, driven by slow growth, high energy costs, and lagging innovation.

ASEAN, on the other hand, is entering a period of renewed momentum. Economic growth in 2025 is projected to be between 4.3% to 4.8%, driven by recovering tourism, strong demand for semiconductors and electronics, and improved trade performance in the region and with partners such as China and India. Despite facing similar global headwinds, ASEAN remains one of the world's key drivers of global growth, with its expanding digital economy and a young population fueling its long-term prospects. Recent events, including the 47th ASEAN Summit in Malaysia, have shown ASEAN's increasing relevance in today's geoeconomic landscape, by bringing together major world leaders in attendance. Timor Leste's accession to ASEAN in October 2025 also showed the region's capacity to grow and accommodate new members, at a time when the EU continues to struggle with its own enlargement ambitions.

1.1 The Trump Effect

US President Donald Trump's tariffs have destabilised the global economy, particular the EU-US trade relationship, which counts as the largest bilateral relationship in the world. As the time of writing, the EU had successfully lowered the level of tariffs levied on its exports to 15%, but only after agreeing to a set of unprecedented concessions, particularly on non-tariff barriers. Furthermore, significant tariffs remain on steel and aluminium, semiconductors, cars and car parts. This measures will have material impact on the EU economy, with further threats of retaliation pending over the EU's digital services tax and non-tariff barriers in the technology sector. Beyond trade, the current US administration have sought to directly influence European politics by voicing support for European far-right parties, and injected further uncertainty over defence cooperation by casting a shadow over NATO's integrity and Europe's ability to defend itself independently..

ASEAN has not been spared either. In April 2025, Trump's administration imposed high punitive tariffs on all ASEAN Member States (AMS) using a formula that appeared neither economically nor politically coherent. While some of these have since been reduced following deals struck with Trump at the ASEAN Summit, ASEAN still remains one of the most affected regions subjected to and impacted by US tariffs.

The shock of another term of renewed US economic unilateralism has accelerated the EU's search for new trade partnerships and deeper diversification. While strengthening ties with its traditional allies like Japan and Australia, the Commission has pursued other less conventional efforts, including renewed engagement with India, cautious rapprochement with China, and increased cooperation with Latin America and Central Asia on critical raw materials and supply chain resilience. The EU has promised that ASEAN also remains "high on the EU's political agenda", but what that means in practice remains ambiguous.

2. The changing state of EU-ASEAN relations

The EU and ASEAN are widely recognised as two of the world's most successful regional organisations, sharing more than 48 years of diplomatic relations. They are each other's third-largest trading partners outside of Europe, and the EU is also the third-largest investor for ASEAN. The relationship has evolved from a donor-recipient model to a more mature

partnership focused on trade, investment and political dialogue. The cooperation agenda has also expanded to encompass more areas of discussion such as climate, maritime security, and education, although the fundamental difference of how the two regions function - ASEAN as an intergovernmental organisation vs the EU as a supranational entity - sets a limit as to how far such cooperation can go.

2.1 Obstacles in EU-ASEAN relations

In the Commission's previous term, engagement between both regions remained limited, hindered by recurring trade and political tensions, particularly over sustainability and human rights issues. The only major milestone during this period was ASEAN's elevation of the EU to a "strategic partner" in 2020, culminating in an unprecedented EU-ASEAN Leaders Summit in 2022.

Despite the positive political rhetoric, the Commission's unilateral measures on sustainability¹ continue to weigh down on the relationship. These overreaching legislations often misaligned with local development realities of third countries, posed challenges for AMS economies, and their companies continue to express concern about their inability to meet the EU's more demanding standards, which in turn made them less competitive in the EU.

The EU's actions towards palm oil exports, in particular, promoted public interventions by Malaysia and Indonesia, the two biggest palm oil producers globally, and resulted in both countries filing disputes at the World Trade Organisation (WTO). Other EU criticisms about AMS' human-rights, labour and environmental records were frequently raised with threats of trade sanctions heightening tensions and complicating the relationship.

2.2 Renewed Momentum in 2025

The second term of the Commission, which commenced in December 2024, has signalled a noticeable shift in approach. Mounting trade pressure from the US and the volatility of global politics have generated growing momentum within the EU to reinvigorate its relationship with ASEAN. Early indicators include a series of bilateral high-level visits by both sides, and the relaunch of FTA negotiations with Thailand, the Philippines, and Malaysia in quick succession, which have refocused the EU's attention on the region. The most significant breakthrough came with the conclusion of the Indonesia-EU Comprehensive Economic Partnership Agreement (CEPA) negotiations in September 2025.

At the same time, both ASEAN and the EU also share the common experience of having to navigate through unpredictable and punitive trade policies from the US. As both regions adjust to the declining reliability of the world's largest economy as a source of security and economic stability, it is increasingly apparent that new partnerships must be forged or deepened. The need for diversification, strategic autonomy, and building resilient partnerships has never been more pressing for the EU.

In this context, ASEAN emerges as a natural and pragmatic partner for the EU. Its openness to dialogue, economic growth potential, and commitment to multilateralism align closely with the EU's values and interests. On the EU's end, it has taken on a more listening approach to third countries' concerns, with recent moves to simplify some of these sustainability reporting obligations and limiting their scope via its Omnibus proposal. Strengthening ties with ASEAN would not only mitigate geopolitical risks but also support the EU's strategic objectives in economic diversification and global engagement.

¹These include the European Green Deal and its legislative offshoots, such as the Renewable Energy Directive II, Carbon Border Adjustment Mechanism (CBAM), Deforestation Regulation (EUDR), and the Corporate Sustainability Reporting Directive (CSRD) and Due Diligence Directive (CSDDD).

3. Priorities for building a renewed EU-ASEAN Relationship

The next four years offer a chance to turn missed potential into meaningful progress. We propose three core pillars for deepening this relationship.

3.1 Deepening Economic Cooperation and Building Resilience

ASEAN, like the EU, sees economic growth and integration as a pathway to regional peace and stability. Hence, enhancing economic integration growth should remain a priority for both regions and both sides should focus on helping each other pursue these goals.

Concluding FTA negotiations expeditiously

Accelerating FTA negotiations with Malaysia, Thailand, and the Philippines is essential. The experience of Vietnam and Singapore show that FTAs with the EU will boost bilateral trade and investment, foster high-level engagements and provide platforms for dialogue and dispute resolution. The recent conclusion on the EU-Indonesia CEPA demonstrates that progress is possible with political will. Beyond conclusion, it is as important that these agreements are well-implemented.

Once six bilateral FTAs have been concluded with AMS, resuming a region-to-region FTA will be more feasible, benefiting from complementary provisions across the 6 FTAs, and ASEAN's experience in consolidating plurilateral agreements such as RCEP.

Mutual agreements on critical Raw Materials

ASEAN may not match the size of the US or China, but it holds significant reserves of rare earths and strategic materials across several member states, including Malaysia, Myanmar, Indonesia, Vietnam, and the Philippines. Collectively, ASEAN countries hold not just a significant share of global natural resources such as rubber, timber, nickel, and tin, but also rare-earth, including minerals that contain neodymium, dysprosium, and praseodymium, among others. As competition for critical raw materials intensifies, ASEAN's resources could prove to be an interesting proponent for the EU's diversification strategy. Many ASEAN countries also aim to move up the value chain, seeking investment for processing rather than exporting raw materials. A win-win situation could be found via a dedicated raw materials MoU, similar to what the EU has done with Canada, Chile and Namibia, and combined with EU investment through initiatives such as the Global Gateway. This would benefit both sides by pairing technical know-how with access to resources.

Minimising non-tariff barriers and harmonising standards

Economic cooperation must go beyond tariffs and address non-tariff measures. The EU's sustainability legislations continue to challenge ASEAN businesses. Simplifying and lower the reporting barrier for ASEAN exporters and investors, which in turn reduce compliance costs, is especially important for SMEs. The EU's agreement to work with the US on reducing non-tariff barriers in their *bilateral framework on an agreement on reciprocal, fair and balanced trade* provides a good model that could be extended to AMS.

Aligning standards between blocs is equally important to facilitate trade. However, both sides are at different stages: ASEAN is still pursuing internal standards alignment as part of the AEC Strategic Plan 2026-2030 while the EU is already at influencing standards globally through what is known as the "Brussels Effect". This could create compatibility issues. The fundamental challenge in bridging this is the different developmental contexts and needs of EU and ASEAN, when the EU sets standards that ASEAN cannot meet, or when both may have their own that are non-compatible or difficult to harmonise, businesses and consumers in both regions end up paying the price.

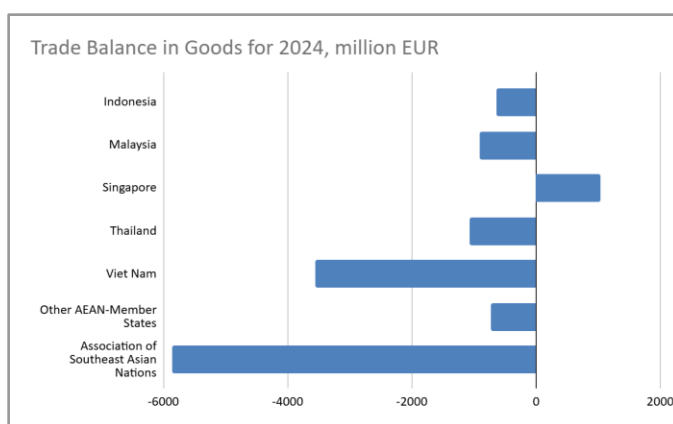
Where possible, the EU should **encourage convergence rather than compliance**, and exercise flexibility, such as through the acceptance of standard contractual clauses for data protection, or converge towards WTO-recognised standards. The EU should continue working with its ASEAN partners in recognising and accepting established regional and international standards such as the ISPO, MSPO, FSC, and RSPO certification for palm oil, or propose alternatives such as using standard contractual clauses as an alternative to adopting the General Data Protection Regulation (GDPR).

Other ways of lowering the cost of compliance could be through EU-funded technical assistance and capacity building, particularly for SMEs in lower-income ASEAN countries. Programmes such as the ASEAN Regional Integration Support by the EU (ARISE+) and South-East Asia IP SME Helpdesk have the added benefit of fostering positive relationships with the EU's partners, while other forms of support could be channelled through existing initiatives, such as the unlocking green financing, development, and financing of carbon accounting and traceability projects.

ASEAN, on its part, should aspire to be more ambitious on its own standards. For example, by moving from International Sustainability Standards Board (ISSB) reporting standards to the Global Reporting Initiative (GRI) standards, which enjoy greater interoperability and compliance under the EU's Corporate Sustainability Reporting Directive. In the long term, this will also help to “level-up” ASEAN businesses’ compatibility with the EU market, viz other regions, and boost cooperation and engagement between ASEAN and the EU to shape the global regulatory landscape.

Resolving trade imbalances

Finally, the existing trade imbalance between the EU and ASEAN should be addressed. While the EU has not made an issue out of the growing trade deficit it suffers with ASEAN, it has done so with China. Likewise, trade imbalances have been used by the current US administration as a reason to implement protectionist strategies. The current EU-ASEAN trade situation shows only Singapore to have a positive trade balance with the EU. As ASEAN's exports to the EU grow, future trade imbalances could attract political scrutiny. Proactively managing this, including by facilitating more EU exports and investments to ASEAN, will help ensure the relationship remains mutually beneficial. ASEAN countries could thus examine ways of reducing the trade surplus it has with the EU, such as encouraging the private sector to purchase more EU goods and services. When analysed against the current geopolitical reality that has pushed the EU to diversify its trade partners, ASEAN stands to benefit from such a trade realignment. Hence, addressing such an imbalance would not only garner much goodwill from the EU but also allow ASEAN to negotiate and engage with the EU on equal terms.



Source: Eurostat

3.2 Defending Multilateralism and the Rules-Based Order

Amidst power politics and pressure on multilateral institutions, ASEAN and the EU face common challenges in balancing ties with the US and China while upholding commitments to multilateralism, diplomacy, and international law. Given the US's turn towards unilateralism, both blocs need to step up with joint action within multilateral organisations such as the WTO, UNFCCC, and UNCLOS, through high-level joint statements or coordinated votes. Taking proactive steps to safeguard and promote international rule of law and multilateral cooperation is critical, and the formation of the ASEAN Geoeconomics Task Force, for example, is a good step in this direction. Likewise, the EU could further consider joining the WTO's Future of Investment and Trade Partnership (FITP), which has committed to upholding international trade rules. Doing so will demonstrate the EU's leadership to keep multilateral trading systems in place, and sends a strong message to the US and reinforces a shared vision of global governance.

Both regions share a vested interest in supporting regional integration, and the EU can play a key supportive role in ASEAN's aspirations and integration, ASEAN can learn from the EU's own integration lessons, and the EU as a more developed regional group, can provide valuable experience and advice on building a successful ASEAN Economic Community. The EU should also support ASEAN's aspirations to take on a bigger global role and develop its own soft power. This could be in the form of sending observers to APEC and ASEAN discussions, providing support for Indonesia's accession to the OECD and BRICS, or supporting candidates from ASEAN for key leadership positions at international fora. Additionally, the EU can offer political and technical support to Indonesia's bid for OECD membership and ASEAN's push towards concluding its Digital Economy Framework Agreement. Calls for the EU to consider closer engagement with the CPTPP are also very much welcomed, of which four AMS are current parties to the CPTPP. While the EU may not be in the position to accede to the CPTPP, one possibility could be to have an association agreement for cooperation between both the EU and CPTPP countries. As a regional grouping, the CPTPP would enable the EU to continue exerting its considerable soft power in the Asia Pacific region that it has traditionally less engagement with, in areas such as digital and environmental standards. Such engagements can also function as additional platforms for addressing the climate emergency by encouraging the adoption of these higher standards.

3.3 Deepening and broadening the EU-ASEAN partnership

Following the suspension of trade talks between both EU and ASEAN, a joint working group was formed to discuss the framework of what a future FTA could look like. These discussions have since evolved towards three sectoral areas, namely i) digital economy; ii) green technologies and services; and iii) supply chain resilience.

Cooperation in the intersection of digital and green economies, connectivity and infrastructure

ASEAN's ambitions are to move up the value chain into sectors such as semiconductors, artificial intelligence (AI), precision machinery and raw materials processing, creates opportunities for EU investors. At the same time, its transition into a digital economy of more than \$US 2 trillion by 2030 opens new areas for cooperation, including cybersecurity and AI to digital IDs, crypto-regulation, and online scams.

Both the EU and ASEAN are expecting the digital economy to grow strongly but are on different stages of regulation. The EU is more advanced in its digital regulations with its Digital Service and Markets Acts, AI Act, and GDPR, while in ASEAN discussions are still nascent through the Responsible AI Roadmap, Digital Masterplan, and Digital Economy Framework Agreement. Finding areas of convergences and harmonising data regulations and digital standards and practices will help to lower barriers to entry for both European and ASEAN companies

Progress has already been initiated through the development of digital trade principles under the Joint Working Group on Trade and Investment and the recently ratified EU-Singapore Digital Trade Agreement (DTA), which establishes new rules for digital commerce for both businesses and governments. Nevertheless, further action is required, for instance, by upgrading these non-binding digital trade principles to include binding provisions.

The growing digital economy should align with sustainability goals, and ASEAN is working towards developing its "greening" its economy through the development of connectivity infrastructure and the ASEAN power grid. The EU is well positioned to play a contributing role as it already has initiatives such as the Global Gateway initiative, and a host of development agencies that are already present in ASEAN. The next natural steps, which are already being explored, are to look at how ASEAN governments, their banks, and the EU's institutions (e.g. EIB) could work in tandem to facilitate private and public investments into the region with high-level talks and engagements.

Developing an ASEAN-specific strategy

The EU's engagement with ASEAN remain fragmented and largely uncoordinated, with the EEAS and various Commission Directorates-General pursuing distinct strategies and points of interaction. A more effective approach would

encompass a “whole-of-EU” strategy, integrating the efforts of the Commission, EEAS, European Parliament, and Member States. Such a strategy should adopt a holistic view of the entire relationship and ongoing initiatives such as the global gateway initiative and the indo-pacific strategy for cooperation, and be managed centrally to ensure coherence and consistency.

The successful implementation of such a strategy would also require more deliberate and sustained high-level engagements. Current engagement points such as the high-level Summits happen too infrequently, (the last one was held in 2022), while the annual ASEAN-EU Foreign and Economic Ministers meetings, which often produce limited substantive outcomes, are insufficient. In the absence of regular high-level Summits, visits and engagements by the Commission President, Commissioners, and High Representative should be institutionalised rather than exceptional. Commitment on both sides is necessary for this to happen, and the EU-ASEAN FTA, when in force in the future, would provide a formal framework to support sustained dialogue at all levels, from senior officials to junior staff.

4. Conclusion

The US’ retreat from the global world order has created a vacuum that the EU and ASEAN can collectively fill. ASEAN is keen to anchor its engagements beyond the US and China, and the EU can serve as an alternative pole where others can lean on to find stability in a multi-polar world. Likewise, in the face of a faltering transatlantic relationship and growing distrust in China, the EU can look towards ASEAN as a pragmatic and dependable partner.

However, for this to happen, both sides will need to step up. The EU needs to increase its engagements with ASEAN, grounded in mutual respect and backed up with tangible actions such as through sustainable investments, concluding the outstanding FTAs with AMS, expanding high-level political exchanges, increasing presence and visibility in the region, and contributing more substantively through instruments like the Global Gateway and strategic capacity building. The EU, if serious about diversifying its trade, securing critical resources, and promoting a rules-based global order, cannot afford to overlook ASEAN again.

For ASEAN, this means proactively engaging the EU not only on trade, but in less comfortable areas such as digital standards, environmental cooperation, and security dialogues. Aligning closer to EU norms and standards, and addressing the trade imbalance will signal ASEAN’s readiness to deepen the partnership as a fair and equal partner. ASEAN governments should also leverage established interlocutors, such as the network of European Chambers of Commerce, national trade agencies of EU MS, and business and trade associations such as ASEANcham-EU to ensure coherence between ASEAN’s political and business interests.

At a time where multilateralism and rules-based cooperation are under threat, both blocs must reaffirm their shared values and lead by example. If the EU and ASEAN act decisively now, they can forge a resilient, balanced, and forward-looking partnership that can help stabilise the global order and ensure mutual relevance in an era of growing fragmentation.

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