

Malaysia's audacious push for a new trading bloc

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The new trade corridor agreement championed by Malaysia marks a pivotal moment in regional trade history, with its impact expected to reverberate far beyond the member countries involved.



Operating together, the Association of Southeast Asian Nations (ASEAN) and the Gulf Co-operation Council (GCC) represent economic abundance and vitality. ASEAN, with its broad manufacturing digital marketplace, complements the energy rich and resourceful GCC. Trade has been progressing between these bodies, but it wasn't until recently that they formed an official trade framework agreement.

Malaysia, a prominent ASEAN member, stepped forward with the idea of an ASEAN–GCC free trade agreement, aiming to harness the collective strengths of the regions and foster a new era of cooperation. ASEAN and GCC members met at a summit in Riyadh, Saudi Arabia, on 20 October 2023 to formalise their trading relationship.

Economic and strategic interests

The reason for Malaysia's support for an ASEAN–GCC trade agreement lies in its belief that there will be significant reciprocal growth across sectors like ASEAN's growing tech, textiles and agriculture industries and the GCC's three pillars of energy, finance and construction. ASEAN's forecasted market growth is incredible – with its digital economy alone set to surpass the US\$200 billion threshold by 2025. Alongside the GCC's burgeoning international investment sector, they represent a formidable economic force.

This trade agreement now serves as a geopolitical benchmark for Southeast Asia and the Middle East, one that represents economic resilience and augments the influence of both blocs on regional trade policy.

The new agreement

As with any new agreement, there will be challenges – in particular the varying levels of economic development, standards and cultural business practice. Malaysia can be viewed as a pivotal facilitator of this trade route, given its location, political and economic stability, and versatility. Its own economy offers advanced manufacturing and its emerging high-tech industry. Although Malaysia will be perceived as the central hub in the ASEAN–GCC corridor, all ASEAN members will now enjoy reduced tariffs and enhanced GCC market access.

Potential benefits and risks

The new ASEAN–GCC agreement promises significant growth that will pave the way for trade expansion, investment revenue flows and employment opportunities for both parties. For the GCC, the relationship is a major plus for its ambitious diversification efforts, while the ASEAN community can look forward to building higher valued economies. However, this relationship also comes with risks in the form of environmental responsibility, fast-paced industrialisation and a liberalisation that could put pressure on natural resources and cause social inequality.

The rapid rise and formalisation of this trade corridor has caused some to believe that the EU has, as a consequence, been rendered irrelevant. However, perhaps it might now look to reassess its own global trade policies to be more favourable to the emerging global trade architecture. Such a move could lead to more competitive terms in order to sustain its own economic influence and continue to retain access to the ASEAN and GCC markets.

Conclusion

This new trade corridor agreement is a pivotal moment in regional trade history. Spearheaded by Malaysia, the new relationship is testimony to the evolving baton-passing of power and global co-operative economics, merging ASEAN's silicon industry with energy-rich resource economies of the GCC.

All these efforts are encouraging socio-economic advancement and cultural exchange between Southeast Asia and the Middle East. This pact will also bring environmental challenges and complex socio-economic impacts resulting from exponential growth. However, if handled appropriately, there is potential for great success.

This new corridor redraws the global trade map. Existing powers like the EU will be forced to pause and reflect on their current strategies and policy in this newly developing and fluid landscape. The ASEAN–GCC agreement should not be viewed as exclusionary, but as a move toward more competitive international economic development. The measure of its success will be in its ability to balance wealth with managed sustainability. Malaysia has positioned itself well – as an important bridge between worlds and economies, and indeed futures.

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