

## ASEAN

17 June 2025

### ASEAN-GCC: Opportunities and Challenges

- The second summit between the Association of Southeast Asian Nations (ASEAN) and the Gulf Cooperation Council (GCC) concluded on 27 May in Malaysia. The two regions agreed to deepen cooperation across various aspects.
- The focus on inter-regional cooperation has increased in prominence following higher protectionist from the US.
- Given the relatively low starting points of economic cooperation between the two regions in terms of trade, investment and tourism, the scope to deepen and broaden ties across the various economies is large.

The ties between the ASEAN and GCC countries were formally established in 1990. The relationship has evolved since, with the second ASEAN-GCC summit culminating in promises of deeper economic and social partnerships across the regions. Regional cooperation has gained greater prominence following the sharp escalation of US tariff measures in 2025 and there is an increasingly greater collective understanding that these types of inter-regional agreements hold potential.

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#### Overview of ASEAN-GCC relations

1990	First formal contact ASEAN Foreign Ministers met with their counterparts from the GCC at the sidelines of the United Nations General Assembly (UNGA)
April 2007	Secretary-General of ASEAN, H.E. Ong Keng Yong, made an official visit to the GCC Secretariat and met with his GCC counterpart, H.E. Abdulrahman H Al Attiyah.
June 2009	Adopted the ASEAN-GCC Joint Vision and signed a Memorandum of Understanding (MOU) between the ASEAN Secretariat and the GCC Secretariat (i) a free trade area (ii) economic cooperation and development (iii) culture, education and information
June 2010	Second ASEAN-GCC ministerial meeting ASEAN-GCC Two-Year Action Plan (2010-2012) was developed
November 2010	ASEAN-GCC Consultative Meeting on Education in November 2010 in Bangkok
May 2011	ASEAN-GCC Working Group Meeting on Food Security and Agricultural Investment
June 2011	ASEAN-GCC Tourism Consultation
July 2011	ASEAN-GCC Senior Economic Officials
November 2013	Third ASEAN-GCC Ministerial Meeting
June 2014	First ASEAN-GCC Workshop
October 2023	First ASEAN and the GCC convened the Summit of ASEAN and GCC in Riyadh
May 2025	Second ASEAN-GCC Summit

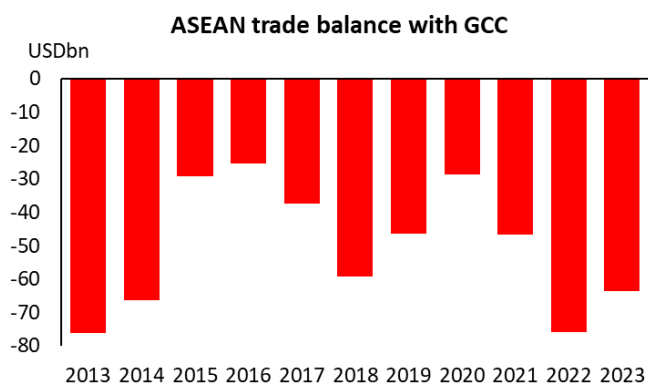
Source: ASEAN Secretariat, OCBC.

The framework of cooperation between the ASEAN and GCC countries (2024-28) has identified the following areas for greater cooperation. These include security, trade and investment, agriculture and food security, energy, tourism, culture and information, education, capacity building and connectivity (sustainable infrastructure; digital innovation; seamless logistics; regulatory excellence; and people mobility).

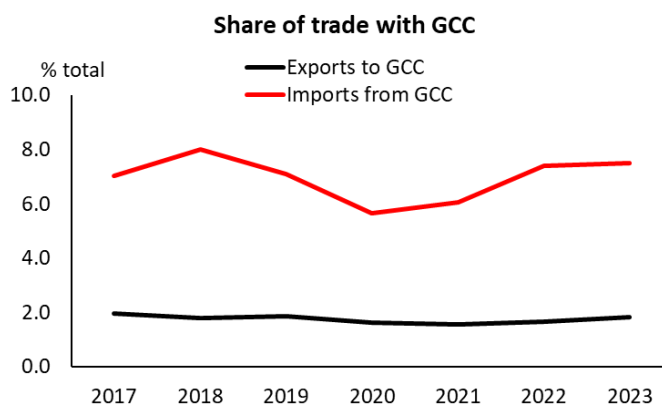
The outcome of the second ASEAN and GCC summit saw the two regions commit to enhancing trade and investment flows and conducting “a joint feasibility study on ASEAN-GCC Free Trade Agreement (FTA) and undertaking Free Trade discussions.” It also sought to encourage public-private partnerships, promote greater involvement of the private sector, recognise the “growing role of sovereign wealth fund in advancing investment cooperation” amongst others.

## Current state of play

The economic ties between ASEAN and GCC include trade, investments and tourism. The ASEAN region recorded net trade deficits with the GCC over the past decade. The deficit (in USDbn terms) has been volatile reflecting movements in global oil prices and economic downturns (for example, the pandemic 2020-22). More fundamentally, however, the share of ASEAN exports to GCC economies has remained low at 1.6-2.0% of total exports from 2017 until 2023. Similarly, imports as a share of total ASEAN imports accounted for 5-6% of total imports.



Source: ASEAN stats, OCBC.



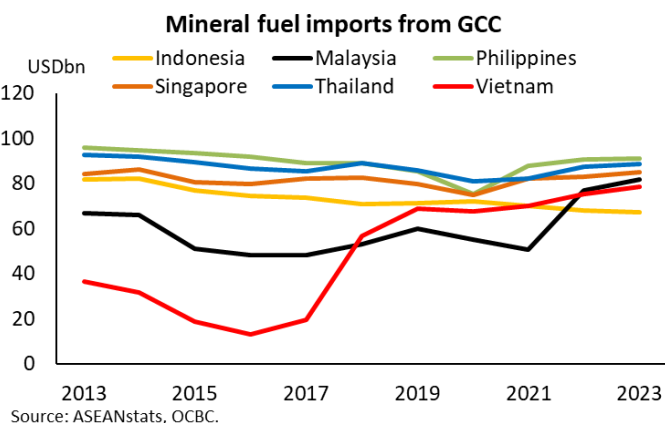
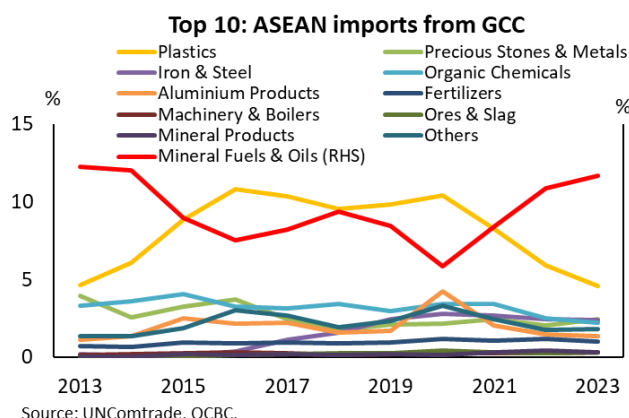
Source: ASEANstats, OCBC.

Imports from GCC into ASEAN are largely focused on oil. Saudi Arabia and the UAE accounted for 49% of all crude oil imports from non-ASEAN countries. The dollar level of mineral fuel and oils imports<sup>1</sup> has increased sharply for Vietnam and Malaysia over the past decade but has declined for Indonesia while remaining relatively stable for the Philippines, Singapore and Thailand.

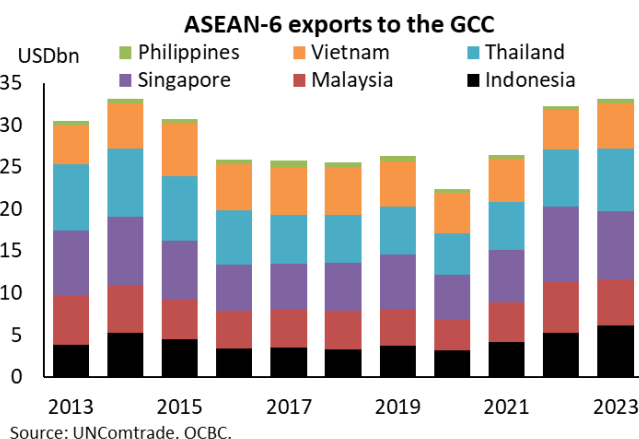
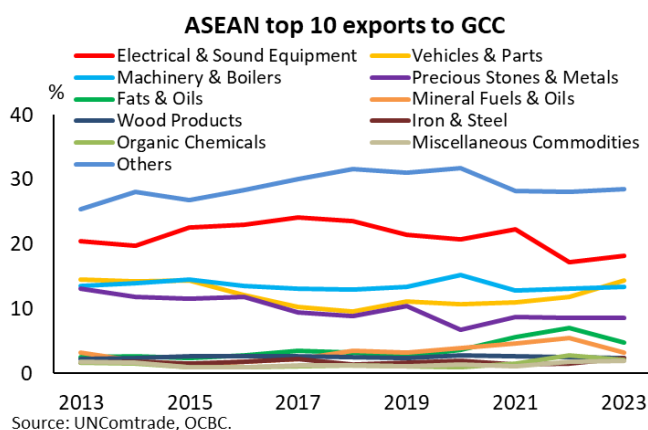
Notwithstanding, price effects (i.e., changes in global oil prices), the fuel trade deficit is projected to widen close to 600 million tonnes of oil equivalent (Mtoe) by 2050 under a baseline scenario, according to the 8<sup>th</sup> ASEAN Energy Outlook. Under the report’s alternative more energy efficient scenario, the oil trade deficit will widen to less extent, below 400 Mtoe. This, nonetheless, implies that

<sup>1</sup> HS code two digit. The code is 27.

oil demand from the region's major supplies will remain a key pillar of the trading relationship.

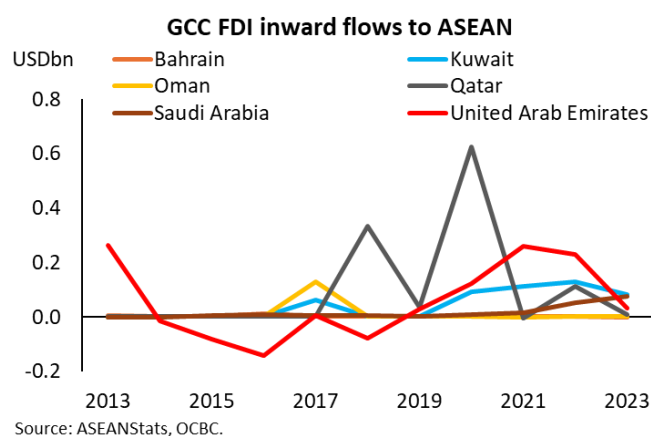
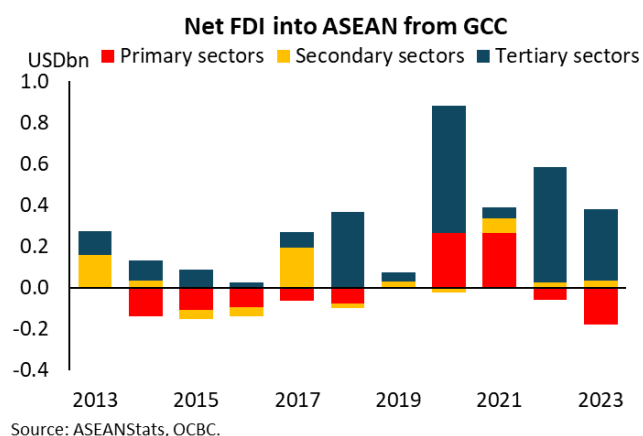


Exports from ASEAN to GCC economies are relatively more broad-based encompassing electronics, precious stones and metals, machinery and certain commodities such as palm oil and natural gas. By economy, exports from Indonesia, Malaysia, Singapore and Thailand to GCC are bigger compared to Vietnam or the Philippines exports to GCC.

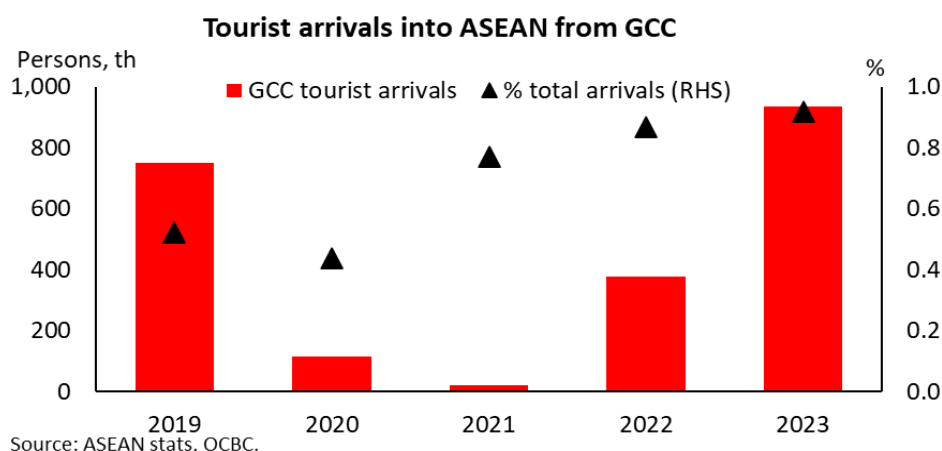


Given the relatively narrow scope of trade currently, there is room to significantly boost trade ties between the two regions. A free trade agreement between the two regions can help streamline regulatory requirements, trade licenses, and even identify sector and country specific collaboration efforts. Indeed, Singapore's FTA with the GCC economies, which came into force in September 2013, can form a blueprint for any forthcoming FTAs.

The picture is relatively similar for foreign direct investments. Net FDI inflows into the ASEAN from GCC is low and less than USD1bn and this has remained the case over the past decade. FDI, in recent years, has been directed towards key services industries such as wholesale and retail trade, financial services, transportation and services. FDI inflows, while volatile, have come from Qatar, UAE and Kuwait within the GCC economies.



Similarly, tourist arrivals into ASEAN from GCC accounts for less than 1% of total tourist arrivals. While country specific breakdowns are harder to gauge given patchy data, it is clear that this route for greater inter-regional exposure has legs to go. Thailand seems the most popular destination spot for GCC tourists, followed by Indonesia and to a lesser extent Malaysia and the Philippines.



## Challenges and opportunities

With trade, investment and tourist arrivals at fairly low levels between ASEAN and the GCC economies, the room to build on the economic relationship is enormous. However, each of these regions is heterogenous and there will need to be a considerable effort made from both sides to identify sector and country specific synergies that can yield desired outcomes.

Indeed, the recent news flow just over the last few months suggests that the two regions are keen to broaden economic ties and potentially, even deepen three-way ties with China. Malaysia, as chairman of ASEAN in 2025, signed a Comprehensive Economic Partnership Agreement in January 2025. Indonesia's Danantara and the Qatar Investment Authority launched a USD4bn investment fund in April 2025 and Vietnam and Oman are signed to increase investments. Given the starting point, inter-regional cooperation could benefit from lower hanging fruits such as boosting tourism prospects through packages and visa-free travel opportunities.

Greater inter-regional cooperation holds crucial benefits in terms of greater trade, investment and tourism diversification against an increasingly protectionist global trade backdrop stemming from the US.

Participating Entities	News flows	Date
ASEAN, GCC, China	The ASEAN, GCC, and China summit concluded with a call to action for advancing a cross-regional framework to promote the digital economy, including AI, deepening regional economic ties, and adopting inclusive growth strategies	May-25
Malaysia, GCC	The GCC and Malaysia have officially launched negotiations for a Free Trade Agreement (FTA), with the agreement expected to cover a wide range of areas, including trade in goods and services, investment, trade facilitation, and broader economic cooperation	May-25
Malaysia, UAE	Malaysia and the United Arab Emirates (UAE) signed a Comprehensive Economic Partnership Agreement in January 2025, the first for Malaysia with a GCC country	Jan-25
Indonesia, GCC	The second round of FTA negotiations was held in February between Indonesia and the GCC, with the discussion focused on accelerating the agreement's completion, targeting a substantive deal by the end of 2025	Feb-25
Indonesia, Qatar	Indonesia's Sovereign Wealth Fund, Danantara, and the Qatar Investment Authority launched a USD4bn investment fund in April, with each agreeing to commit USD2bn	Apr-25
Indonesia, UAE	The UAE is reported to invest up to USD2bn in several Indonesian SOEs, with a pledge to invest up to USD20bn by 2030. Some of the agreed investments have already included the Abu Dhabi Investment Authority (ADIA) investment in the Java Trans Toll Road	Feb-25
Indonesia, Saudi Arabia	Indonesia and Saudi Arabia signed a preliminary agreement to enhance cooperation in the mining and minerals sector, including the exchange of expertise and knowledge transfers between the two countries	Apr-25
Thailand, GCC	Thailand is accelerating FTA negotiations with the GCC, with both sides agreeing on the opportunity to deepen collaboration in tourism, food security, and soft power	Feb-25
The Philippines, UAE	The Philippines' first FTA with a Middle Eastern country is set to be signed this year in June 2025 with the UAE	May-25
Vietnam, Oman	The Oman Investment Authority has signed an MoU with the State Capital Investment Corporation (SCIC) to increase its commitment from USD200mn to USD600mn, paving the way for a USD1bn investment	Jun-25

Source: Jakarta Globe, Jakarta Post, Arab News, Bloomberg, Reuters, OCBC.

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