

ASEAN's Economic Rise: Opportunity or Reckoning for South Korea



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Recently, the Korea Institute for International Economic Policy (KIEP) and the Asian Development Bank (ADB) projected that major ASEAN countries will record economic growth rates in the mid-4% range or higher in 2026. Despite global high interest rates, U.S.–China tensions, geopolitical uncertainty, and the spread of protectionism, the ASEAN regional economy is expected to maintain relatively robust growth, supported by export recovery, domestic demand stimulation, and increased inflows of foreign direct investment (FDI). This outlook indicates that ASEAN continues to function as a key growth engine in the global economy.

On the other hand, some argue that ASEAN's economic growth should not be viewed solely with optimism. While the region has grown rapidly in quantitative terms, critics suggest that its growth model itself requires transformation. The central question is no longer “how much more will ASEAN grow?” but rather “how will ASEAN grow?”

The Scale of Growth and Structural Constraints

Over the past few decades, ASEAN has established itself as a key hub within

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global production networks. Leveraging abundant labor, relatively low wages, and open investment policies, the region successfully fostered manufacturing industries and expanded exports. As a result, many ASEAN countries transitioned from low-income to middle-income status.

Vietnam and Indonesia have already become major global production bases, while Malaysia and Thailand are growing around intermediate goods and service industries.

However, this growth model also contains structural limitations. An industrial structure centered on simple assembly and processing, excessive dependence on multinational corporations, limited technological internalization, and fragile innovation ecosystems have hindered the leap toward high value-added industries. The widely discussed “middle-income trap” in Southeast Asian studies is rooted in these structural constraints.

The 2026 growth forecasts by ADB and KIEP do not necessarily assume a fundamental resolution of these structural problems. Rather, they reflect cyclical factors such as global economic recovery and policy stimulus effects. In other words, while ASEAN continues to grow, its qualitative transformation remains ongoing, and its success depends heavily on future policy choices and institutional reforms.

ASEAN's Response: The AEC Strategic Plan 2026–2030

Recognizing these limitations, ASEAN member states have launched the ASEAN Economic Community (AEC) Strategic Plan 2026–2030. This is not merely a short-term stimulus package but a long-term blueprint aimed at transforming the region's economic and industrial structure.

First, ASEAN is accelerating digital transformation. E-commerce, fintech, data-driven services, AI, and cloud infrastructure are viewed as key drivers of productivity and efficiency. Digital technologies can expand SMEs' market access, enhance financial inclusion, reduce development gaps among member states, and deepen regional integration.

Second, ASEAN seeks industrial upgrading. The region no longer aims to remain merely “the factory of the world.” It seeks to strengthen capabilities in intermediate goods, finished products, and branding, while moving up the global value chain. This requires not only industrial policy but also comprehensive reforms in education, workforce development, and technology policy.

Third, ASEAN is working to expand domestic markets and foster a larger middle class. With a population exceeding 600 million, ASEAN already constitutes a vast single market. Reducing export dependence and enhancing resilience to external shocks require expanding the regional middle class and strengthening consumption bases.

Fourth, ASEAN emphasizes qualitative transformation of FDI. Rather than viewing foreign investment simply as capital inflow, ASEAN prefers investments that contribute to technology transfer, R&D, and value-chain upgrading. This represents an effort to overcome the limitations of the traditional growth model dependent on multinational corporations.

In the near future, ASEAN will no longer be merely a region populated by middle-income countries, but an emerging mid-sized economic bloc with its own industrial and technological capabilities.

Structural Transformation of Korea–ASEAN Economic Relations: From Complementary Cooperation to Co-opetition

The economic relationship between Korea and ASEAN is likely to undergo fundamental changes. Until now, Korea–ASEAN relations operated under a relatively clear division of labor: Korea supplied technology, capital, and intermediate goods, while ASEAN handled production, assembly, and consumption. This was a model of complementary cooperation.

However, as ASEAN upgrades its industries and internalizes more advanced technologies, this structure will become increasingly unsustainable. In sectors such as electronics, batteries, automotive parts, and digital services, ASEAN may soon compete directly with Korea—not only in global markets but also in third-country markets such as the Middle East, Africa, and Latin America. Competition over FDI and global talent will also intensify.

Yet this shift does not signify a move from cooperation to confrontation. Rather, it marks entry into an era of “co-opetition”—where cooperation and competition coexist.

The critical question is whether Korea is prepared for this transition.

The Need for a Policy Shift Based on Competition

ASEAN's growth is not necessarily a threat to Korea, but rather a test demanding strategic transformation. As partners grow stronger, competition inevitably follows. What matters is the policy preparedness to manage competition while elevating the quality of cooperation.

First, Korea must shift the focus of industrial cooperation from simple production division to joint value creation. Rather than limiting engagement to short-term investment expansion, both sides should build collaborative structures centered on R&D, standard-setting, and platform development. This does not mean restraining ASEAN's upgrading, but participating as co-designers in that process to expand opportunities for Korean firms.

Second, Korea must clearly distinguish between areas of inevitable competition and areas where cooperation yields greater benefits. While competition may need to be managed in certain manufacturing and intermediate goods sectors, cooperation in climate and energy, supply chain stability, digital norms, and data mobility offers far greater mutual gains. Jointly shaping digital standards, in particular, could yield long-term advantages for Korean companies.

Third, ASEAN should be viewed not merely as a production base or consumer market, but as a partner for joint expansion into third countries. Collaborative projects in emerging markets such as the Middle East, Africa, and Latin America can mitigate direct competition and broaden cooperative horizons.

Fourth, industrial cooperation alone is insufficient. A comprehensive strategy integrating institutional cooperation, talent exchange, and financial collaboration is necessary. Enhancing institutional compatibility, expanding talent mobility, and developing joint financial platforms will strengthen the foundation for long-term cooperation. Such efforts may also help balance China's growing engagement with ASEAN following the signing of the "China–ASEAN FTA 3.0" in October 2025.

ASEAN's Growth: A Test for Korea's External Economic Strategy

The 2026 growth outlook for ASEAN is clearly positive. Yet the direction of that growth carries profound implications for Korea's medium- and long-term external economic strategy. As ASEAN overcomes the middle-income trap and advances further, Korea–ASEAN relations are likely to shift from complementarity toward competition.

This change is unavoidable. The key question is how Korea responds.

Only those countries capable of managing co-opetition—a strategy that assumes competition while deepening cooperation—can identify new opportunities amid the rise of ASEAN and the broader Global South.

ASEAN's growth may represent a challenge for Korea—or it may become a catalyst for a greater leap forward. This is precisely why Korea's policies and strategies toward developing economies must continue to evolve. [KIEP](#)