ASEAN-GCC: A new era of relations?

By Dr Neil Quilliam, Energy Director, SRMG Think

Key Takeaways

• GCC and ASEAN leaders have committed to deepening institutional cooperation, particularly on trade and investment. The ASEAN–GCC Economic and Investment Conference in Riyadh later this year will be an important next step.
• The relationship between the two blocs is diversifying to include more strategic sectors, such as food, financial services, technology, minerals, and tourism. Emerging trends such as digitalisation and sustainability present further avenues for collaboration.
• The shift underway reflects growing economic complementarities and highlights a shared ambition to capitalise upon the emerging trend towards regionalisation. Bilateral ties between GCC and ASEAN nations have grown quickly over the past decade.

The Gulf Co-operation Council (GCC) and the Association of Southeast Asian Nations (ASEAN) have set out to revitalise and expand economic ties between their respective regions, instituting biennial "head of state" summits and hosting annual economic and investment conferences to foster business-to-business opportunities. While bilateral relations have flourished over the past decade, notably among Saudi Arabia, the UAE, Qatar, Singapore, Malaysia, and Thailand, broader institutional ties have remained relatively modest. However, ongoing changes in the global economic order and the corresponding rise of middle powers present GCC and ASEAN institutions with an opportunity to deepen relations and cultivate new areas of cooperation.

Blocs sign up to joint Cooperation Framework

The inaugural GCC–ASEAN Summit, held in Saudi Arabia in October last year, is intended as a platform from which to upgrade and strengthen economic and diplomatic ties. The summit will be repeated every two years, the next in Malaysia in 2025, and be supplemented by annual interregional economic and investment conferences, the first to be held in Riyadh later this year. The final statements of October's Summit outlined mechanisms to enhance cooperation across multiple areas, including technology transfer, collaboration in addressing regional challenges, and enhancing people-to- people and cultural exchanges; however, the strongest commitments were to trade and investment. Notably, leaders signed the Cooperation Framework (2024–28), which seeks to strengthen regional market integration and further cultivate sustainability digital transformation, support for small-and medium-sized enterprises, and public-private engagement.

The emphasis that GCC and ASEAN leaders are placing on broadening ties reflects the growing economic complementarities and shared interests between their respective regions. While institutional cooperation has previously been limited – an effort in 2010 to formalise a cooperation framework was narrow in both scope and outcomes – bilateral ties between GCC and ASEAN nations have grown quickly over the past decade.

For example, the UAE has emerged as a key destination for Singaporean investment in the region and solidified its position as Singapore's primary trading partner in the GCC since signing the Singapore-UAE Comprehensive Partnership in 2019. Bilateral trade amounted to $13 billion in 2020. Over 600 Singaporean companies have set up shop in the UAE, heavyweights Surbana Jurong, Sembcorp, ST Engineering, and the Meinhardt Group among them. The operations of UAE-based Singaporean businesses span diverse sectors including infrastructure, real estate, telecoms, information technology, and trade. Meanwhile, there are sixteen major UAE businesses operating in Singapore, including ADNOC Marketing International Singapore, Emirates Bank International NBD PJSC, ENOC Singapore, and First Abu Dhabi Bank. In September 2023 the MIC-owned GlobalFoundries opened a $4 billion semiconductor fabrication plant in Singapore as part of a major global chip manufacturing programme, marking a major investment in the country.

Saudi Arabia, on the other hand, is on course to become Malaysia's foremost trading partner among the GCC countries. In 2022 Saudi Arabia exported $7.59 billion in crude, refined petroleum, and polymers to Malaysia. In contrast, Malaysia exported $1.61billion to Saudi Arabia. However, a series of joint ventures look set to not only boost but broaden trade relations. Collaborations are progressing in aviation between Westar Aviation and Mukamalah; in digital and semiconductors between Dagang NeXchange Bhd and Ajlan Brothers; in technology between Twistcode and Ajlan Brothers; and in housing between MGB International and Sany Alameriah with the support of local Ministries of Investment and Municipal and Rural Affairs and Housing.

Furthermore, the two countries last October signed four memoranda of understanding (MoUs), and in January 2024 Saudi Arabia's Oversight and Anti-Corruption Authority and the Malaysian Anti-Corruption Commission signed an MoU to improve cooperation in combating cross-border corruption.

Regional groups benefit from, and shape, changes in global trade

Bilateral relations are enjoying a fillip, but the challenge for ASEAN and the GCC is to extend growth beyond bilateral ties and deepen institutional linkages too. Overall trade between the two regions has increased, at times sharply, on the back of increasing demand for energy, manufactured goods, and agricultural products. Trade volumes rose by 8.97% to $85 billion in 2010–21 and by 29.41% to $110 billion in 2022. Notably, the free trade agreement instituted between Singapore and the GCC (GSFTA) in 2013 facilitated trade amounting to $43 billion by 2021. GCC investments in ASEAN countries totalled some $13.4 billion in 2016–21.

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Commensurate to the growth in trade has been the rise of "middle power blocs". Economic groupings such as the Shanghai Cooperation Organisation, BRICS, the GCC, and ASEAN have become more outward-looking over the past five years. This highlights a growing trend away from globalisation and towards greater regionalisation – one that has sped up in the context of the increasingly multipolar global order and more insecure supply chains post the Covid-19 pandemic. These developments have caused regional groupings to diversify trade partners and patterns, and investment sources and destinations. In doing so, they reduce their reliance on traditional economic centres and create alternative avenues for trade and investment, shaping new trade flows and investment patterns.

By strengthening economic ties with middle power groupings, countries can both reduce their vulnerabilities to seismic political and economic disruptions and capitalise on opportunities found in new markets. For example, ASEAN nations have benefitted from the process of de-risking, whereby states friendshore or nearshore to improve supply chain resilience owing to tensions between major powers. Leveraging their strategic position, ASEAN nations have attracted investment, trade, and infrastructure development. This includes from countries of the GCC, a bloc with a total population of 60 million and a combined GDP of over $2.2 trillion. On the other hand, GCC countries have actively diversified their economic partnerships and heavily leaned into South Asian markets. Combined, ASEAN countries comprise almost 700 million people and a GDP of $3.6 trillion.

Opportunities arising from closer GCC-ASEAN cooperation

Diversification in the GCC–ASEAN relationship is evident in the broadening of ties beyond the traditional markets of GCC hydrocarbons and ASEAN electronics and machinery to include more strategic sectors, such as food, financial services, e- commerce, technology, minerals, and tourism, according to a recent study by The Economist. In fact, technological advancements are bridging geographical gaps and enabling closer economic cooperation between the two regions. While goods still need to flow across borders, there is a growing emphasis on local production and investment to meet domestic demand and enhance resilience in supply chains.

GCC countries are seizing these opportunities by investing in clean energy, electric vehicle production, and microchip manufacturing in ASEAN markets. Emerging trends such as digitalisation and sustainability present further avenues for collaboration. GCC banks and financial institutions can also capitalise on growing demand for Sharia- compliant financial products and services in ASEAN markets. Sectors such as real estate, infrastructure, banking, and tourism and hospitality are notable recipients of significant GCC investment. For example, the Qatar Investment Authority has committed to invest $500 million in Indonesia's "10 New Balis" tourism project. ASEAN countries, which in the past sought Gulf investments, are becoming more active investors, bringing expertise to, and seeking market share in, the Gulf region. ASEAN investment in the GCC has focused on sectors such as construction, tourism, telecoms, and renewable energy. Malaysian companies, for instance, have invested in real estate projects in Dubai and Abu Dhabi.

Putting ambition into practice

It is clear GCC and ASEAN leaders aim to deepen economic relations between the two regions and wish to do so beyond existing bilateral ties. Their motivations cannot only be attributed to a desire to diversify economic partnerships, which is important. The shift towards bilateral and institutional cooperation signifies a growing relationship driven by mutual interests, the pursuit of shared prosperity, and a shared ambition to capitalise upon the emerging trend towards regionalisation, and by doing so anchor themselves into a new economic order. The real task ahead will be to translate ambition into practice if both regions are to realise the benefits of closer cooperation. The work has begun and will pick up speed in Riyadh at the ASEAN–GCC Economic and Investment Conference later this year.