

The Asean Action towards the Impact Trade War between The Us and China



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ABSTRACT: The trade war between the United States (US) and China has significantly impacted the Association of Southeast Asian Nations (ASEAN), posing a direct threat to its diplomatic and economic structures. The aim of this study is to study the impacts of Trade War between US and China towards the ASEAN. By employing a qualitative method, secondary data was collected from scientific materials such as books, papers, journals, and online sources. The study utilizes the concept of national interests to explain the phenomenon under investigation. The research highlights that ASEAN has begun taking actions to mitigate the drawbacks of the trade war while maximizing the benefits it brings. These actions include promoting regional economic integration, developing local businesses, strengthening internal cooperation within ASEAN, and diplomatic efforts externally.

KEYWORDS: ASEAN, China, Cooperation, the US, Trade War

INTRODUCTION

ASEAN has made various efforts in responding to the US-China trade war. These efforts encompass external diplomatic measures, the establishment of economic special zones, assistance to local businesses, and the enhancement of internal cooperation within ASEAN. Notably, ASEAN has sought to promote regional economic integration and strengthen cooperation within the ASEAN Economic Community (AEC). Under the AEC framework, ASEAN has improved its competitiveness in international markets and bolstered its overall economic position. Additionally, ASEAN member states are encouraged to support local businesses through measures such as investment attraction and favorable policies. Given the context of the trade war, where the global economy has been significantly impacted, cooperation within ASEAN is crucial to achieve mutual benefits. Strengthening this cooperation ensures a unified voice within ASEAN, particularly concerning the US-China trade war. ASEAN has also consistently focused on resolving the US-China trade conflict through diplomatic means. The trade war between the US and China has had a significant impact on the global economy, especially in the ASEAN region (Mehmood & Khan, 2021). However, behind this impact lies a tremendous opportunity for the overall economic development of ASEAN. While this backdrop has led to a sluggish global economy, ASEAN has effectively seized this opportunity to vigorously boost its local economies. This action has not only driven local economic growth but has also attracted a substantial amount of foreign investment into ASEAN. The influx of foreign investment has provided ASEAN with additional capital to foster the growth of local businesses (Giovanni, 2020). This strategy reflects the resilience and adaptability of the ASEAN region in the face of economic challenges. By capitalizing on the opportunities presented by the trade war, ASEAN has demonstrated its ability to navigate global economic shifts and harness them for its own development. It is a testament to the region's potential and its capacity to attract investment and encourage local entrepreneurship.

PROMOTING REGIONAL ECONOMIC INTEGRATION

Promoting regional economic integration was one of the goals of ASEAN's founding in 1967 (Baviera, 2020). The term "regional economic integration" describes the process of integrating the economies of two or more nations or regions through trade and economic policy development, including the signature of trade agreements or treaties. Economic integration is a useful tool for achieving fiscal policy consensus and is particularly useful in lowering or eliminating trade barriers between nations. Since its inception, ASEAN has, with the efforts of its member states, taken various measures and mechanisms to promote regional economic integration in the ASEAN region (Cerutti et al., 2019). One of the outcomes of ASEAN's efforts to promote regional

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economic integration is the ASEAN Economic Community (AEC). After the US initiated a trade war against China, the country, which had been providing many manufacturing services to the international market, suddenly faced various issues due to American sanctions. ASEAN immediately simplified the tariff system among its member countries through the AEC organization (Liu, 2018). This move can significantly attract manufacturers who are forced to move out of China to develop within ASEAN. If ASEAN successfully captures these manufacturers relocating from China, it can greatly boost its economic growth.

AEC continued its efforts to promote regional economic integration during the US-China trade war. ASEAN member states, in response to the trade war, remained committed to reducing intra-regional trade barriers (Lighthizer, 2021). They worked on simplifying customs procedures and lowering tariffs to facilitate trade among member countries. Simplifying customs procedures is essential because time is money (Felbermayr & Steininger, 2019). If goods spend too much time in customs, it can result in additional costs, which is detrimental to both businesses and customers. Furthermore, bureaucratic inefficiencies within certain agencies can raise production costs and lead to a decline in product quality. Lowering tariffs is also necessary. Reduction in tariffs can decrease manufacturing costs and attract more domestic and foreign investments to set up factories in ASEAN.

Regional economic integration allows countries to achieve market diversification (Richter, 2020). When a trade war affects a major trading partner, countries can rely on their integrated regional partners to maintain trade flows. This reduces their vulnerability to disruptions in any single market. In this context, while the US-China trade war impacted China's manufacturing sector, ASEAN member states could still rely on their integrated regional partners to sustain trade. When ASEAN member states engage in economic cooperation, they can have greater economic and negotiating power in the global market (Visentini & Thudium, 2021). ASEAN has its own identity and ASEAN are stronger as an ASEAN Community than as a single country (Itakura, 2019). ASEAN as a community have an enhanced role and voice internationally. Regional economic cooperation can enhance ASEAN's international influence and allow it to take a more proactive stance on many issues. This will create a more unified market within the region and reduce trade barriers among member states. As a resilient Community ASEAN help each other adapt and respond to social and economic vulnerabilities, disasters, and climate change

(Krugman, 2022). This particularly highlights the economic vulnerability faced by ASEAN. Against the backdrop of the trade war and a sluggish global economy, ASEAN must find ways to minimize the impact of the trade war on the world, especially on ASEAN member countries.

ASEAN should also consider establishing economic zones with tax exemptions or incentives. These economic zones can further attract domestic and foreign manufacturing investments. These preferential policies can be established through agreements among ASEAN member countries. Creating economic zones with favourable tax and regulatory conditions can stimulate development and trade throughout the region. Such initiatives can enhance the competitiveness of ASEAN member states, attract foreign companies, provide more employment opportunities, and promote local economic development (Ziavrou et al., 2022). However, ASEAN member states should carefully consider the specific details of the zones to ensure that these policies do not undermine fiscal stability or distort markets. This requires a careful balance to ensure that zone policies both attract investment and safeguard the economic health of the country (Lau, 2019). The trade imbalance between China and the US was one of the primary causes of the trade war (Liu & Qiu, 2016). As a major economic bloc, ASEAN can help address the US-China trade deficit, even though it is not the root of the problem. Even though it might not have a significant impact, there are things that can be done to assist in putting an end to the trade war, which has an effect on the world economy. By encouraging regional trade, ASEAN members can lower the trade deficit between the US and China (Lau, 2019). ASEAN member countries can increase their exports to China and the US by facilitating trade, improving connectivity, and fostering trade cooperation.

The main solution to trade deficits is achieving trade balance and transferring trade deficits. As a third party, ASEAN can work on transferring trade deficits to reduce the US-China trade deficit. As a third-party bloc, ASEAN can adjust its imports and exports with the US and China (Lighthizer, 2021). This can help reduce the US-China trade deficit and ease tensions. In simpler terms, ASEAN can increase its imports of US products and reduce its imports from China, if US products meet quality and availability standards. Reducing imports from China also helps reduce overreliance on Chinese products. ASEAN can also shift the trade deficit from the US and China to the ASEAN region. This can be achieved by promoting manufacturing and encouraging US companies to choose ASEAN over China for trade, effectively reducing the US-China trade deficit (Krugman, 2022). Increasing trade with the US can help ASEAN expand into new markets.

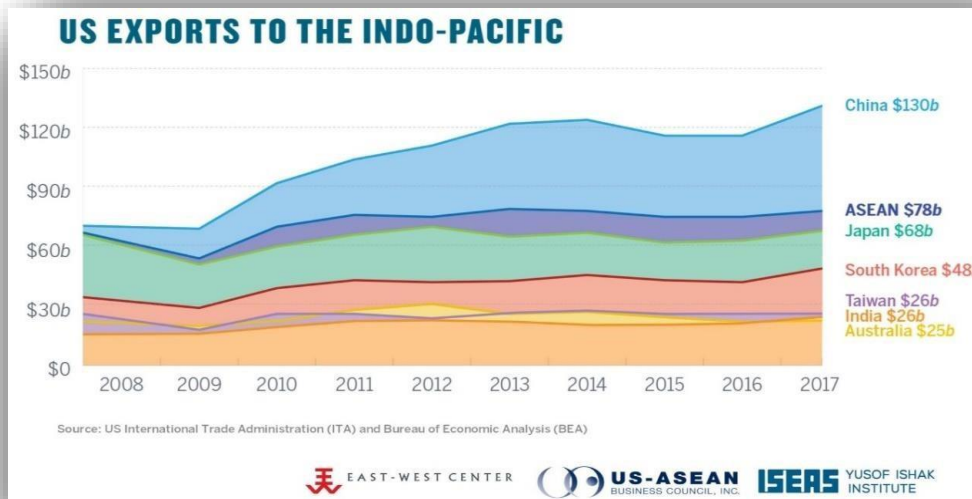


Figure 1.1: The US exports to the Indo-Pacific from 2008 to 2017.

Source: US-ASEAN Business Council (2019) <https://www.usasean.org/why-asean/trade-and-investment>

Figure 1.1 depicts US exports to the Indo-Pacific region from 2008 to 2017. In 2017, US exports to ASEAN amounted to \$78 billion, making ASEAN the second-largest export destination for the US in the Asia-Pacific region and the fourth-largest goods export market overall. The US exported a total of \$75 billion in goods and \$31 billion in services to ASEAN, experiencing a growth of 59% over the decade. During this period, bilateral trade between the US and ASEAN increased by 28%, rising from \$177 billion to \$227 billion. ASEAN maintained a goods trade surplus of \$91 billion with the US, while the US held a services trade surplus of \$10 billion with ASEAN.

DEVELOP LOCAL COMPANY

ASEAN member states should vigorously promote the development of local businesses (Chad, 2018). During the US-China trade war, many Chinese companies faced sanctions, and some were restricted from exporting. China, as a crucial component of the global supply chain, undoubtedly had a significant impact on global manufacturing, including in ASEAN member states (Ha & Lars Willnat, 2022). Therefore, ASEAN member states must strongly support local businesses at this time so that they can, to some extent, replace China in the global supply chain. This can reduce ASEAN's excessive dependence on China's manufacturing sector. Excessive reliance on a single major trading partner, such as China, can make ASEAN member states highly vulnerable to the policies of China. Most of the world's manufacturing is concentrated in China, often referred to as the "world's factory" (Mehmood & Khan, 2021). ASEAN needs to support local manufacturers and simultaneously attract foreign investors to invest in the region. The US-China trade war has indeed contributed to the growth of ASEAN's manufacturing sector (Weixing, 2018). ASEAN's excellent geographical location and skilled workforce make it well-suited for mid-to-high-end manufacturing. While ASEAN currently may not have the direct capacity to replace China's crucial role in the global manufacturing chain, its potential is significant enough to attract a substantial portion of manufacturing away from China. The ongoing US-China trade war presents a rare opportunity for China's manufacturing to shift to ASEAN (Ziavrou et al., 2022). ASEAN must be prepared to welcome and attract these manufacturing industries relocating from China. If ASEAN can effectively seize this opportunity, it can significantly boost the region's overall economy and even enhance ASEAN's global influence.

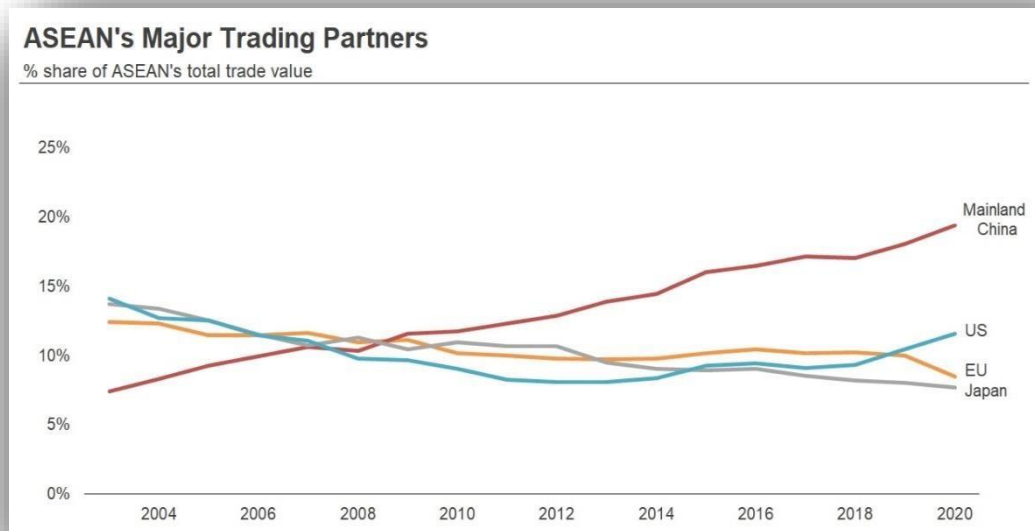


Figure 1.2: The ASEAN’s major trading partners from 2004 to 2020. Source: ASEAN States (2020)

Figure 1.2 illustrates the major trading partners of ASEAN from 2004 to 2020. In 2009, China surpassed the rest of the world to become the largest trading partner of ASEAN. According to statistics from the ASEAN Secretariat, China accounted for a quarter of ASEAN's external trade (24.7%, a significant increase from 15.3% in 2009), with a total trade volume of \$516.9 billion. In 2019, ASEAN surpassed the 27 member states of the European Union (EU-27) to become China's largest trading partner for the first time, contributing to 14.7% of China's total trade. Since 2009, mainland China has surpassed the US and Europe to become the largest trading partner of ASEAN. China, near ASEAN, has experienced robust economic growth, establishing a long-term and stable bilateral trade relationship. Following the signing of the "China-ASEAN Comprehensive Economic Cooperation Framework Agreement" in 2002, the China-ASEAN Free Trade Area was officially launched in 2010, marking China's first negotiation of a free trade area with a foreign entity (Petri & Plummer, 2020). With the reduction of tariffs and liberalization of investment markets resulting from these measures, bilateral trade between China and ASEAN has rapidly expanded.

ASEAN needs to vigorously develop its local businesses. Over-reliance on another economy can expose an economy to various constraints (Jack, 2022). China, being the largest trading partner for ASEAN, has facilitated significant imports and exports between ASEAN countries and China. However, in the event of disruptions in international relations, there is a high likelihood of trade being terminated, posing a potentially fatal blow to ASEAN. ASEAN should enhance its own supply capabilities and actively seek markets beyond China to avoid excessive dependence on the Chinese economy (Ha & Lars Willnat, 2022). Vigorously developing local businesses can also promote the growth of the local economy. The development of local businesses can stimulate economic growth, create job opportunities, and contribute to the overall prosperity and stability of a country (Lau, 2019). When the basic needs of the people are met, and there are rewarding employment opportunities, a country can move towards prosperity and stability. However, when people struggle to meet their basic needs, it can lead to social unrest. Therefore, the development of local businesses is crucial. Additionally, ASEAN should focus on education to cultivate a skilled workforce (Liu, 2018). By training more skilled labour, countries can enhance manufacturing capabilities, producing higher value and higher quality products. This reform is necessary as ASEAN countries should shift from low-end manufacturing to mid-range and even high-end manufacturing. High-end manufacturing is less easily replaceable by manufacturing from other regions and can bring substantial income to the country (Choi & Mun, 2019). While ASEAN is nurturing more technical talents, it can also increase investment and encourage research and development (R&D) activities. R&D activities can promote innovation and the adoption of technology in the manufacturing process (Khuong, 2020).

Additionally, governments can provide a platform for universities, research institutions, and the private sector to establish strong partnerships. ASEAN can also foster collaboration among related manufacturers, such as having components of a mobile phone produced in different ASEAN member countries and then transported to one ASEAN member country for assembly and sale (Chad, 2018). This can significantly enhance production efficiency and product quality. ASEAN should indeed seize the opportunity presented by the US-China trade war. The trade war has led to many foreign investments and foreign companies relocating out of

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China to mitigate the impact of the trade war (Alee, 2019). If ASEAN can successfully attract these foreign investments and companies to invest in and develop local businesses within the region, it would be highly beneficial (Kapustina et al., 2020). These foreign companies can provide local businesses with much-needed capital to venture into mid- to high-end manufacturing. Furthermore, with effective policies in place, these foreign investments can generate significant returns for the entire ASEAN region.

Each member state in ASEAN, particularly Vietnam, Malaysia, and Indonesia, has immense potential. By effectively harnessing this opportunity, ASEAN can stimulate economic growth in the surrounding regions as well (Alee, 2019). ASEAN can also offer tax incentives, subsidies, and other economic support to attract and retain local manufacturing businesses (Zeng et al., 2022). The most used incentives to attract manufacturing businesses are tax reductions and financing. The focus should primarily be on providing financial support and financing channels for local manufacturing enterprises, especially small and medium-sized enterprises (SMEs). This can enable these small businesses to expand their manufacturing operations, contributing significantly to the overall income of ASEAN (Abiad et al., 2018).

Trade war between US-China, was significant increase in FDI in ASEAN. This indicates that ASEAN indeed has tremendous potential. By actively supporting local businesses, FDI can continue to increase. ASEAN needs to cultivate relationships with multinational companies to integrate local manufacturing into the global supply chain. ASEAN can facilitate cooperation between local and foreign companies, providing opportunities for local businesses to enter global markets and enabling technology transfer (Stromseth, 2020). ASEAN should also assist local manufacturers, whether they are large or small enterprises, in expanding their export markets and gaining international opportunities. ASEAN needs to provide a platform for them to access international customers (Lam & Nguyen, 2019). Supporting trade promotion activities and trade agreements is crucial. Ensuring compliance with international quality standards and certifications is essential to enhance the competitiveness and reputation of local products (Setiawan, 2020). While foreign markets offer great potential, they often have high product quality requirements. Therefore, governments must ensure that their products meet international standards and are certified by reputable authorities. This will enhance the competitiveness of local products and prevent reputation issues.

ASEAN can indeed strive to enhance supply chain resilience. Regional supply chain capabilities can make ASEAN more resilient to the disruptions caused by trade wars (Setiawan, 2020). Member states need to improve infrastructure, such as necessities like roads and utilities. ASEAN member states can also collaborate, for example, by having certain products produced in Vietnam, then sent to Malaysia for further processing or assembly, and finally exported to international markets. The existence of favourable trade agreements within ASEAN simplifies processes and is advantageous for internal development (Ma, 2023). ASEAN should also focus on improving logistics and transportation networks, including building, or upgrading ports. More ports can facilitate increased trade, especially among ASEAN member states. ASEAN is the world's most populous region, following China and India. Its estimated 660 million inhabitants will account for 8.5% of the global population by 2020. The average age of the ASEAN area is 30.3 years, according to UN "World Population Prospects," which is significantly lower than the average age of mainland China (38.4 years) and Hong Kong (44.8 years). Forecasts by the World Economic Forum indicate that over the next ten years, ASEAN will bring 140 million new consumers to the global market, with an average annual GDP per capita growth of 4%. This growth is attributed to the significant purchasing power generated by a comparatively large number of young people. By 2030, ASEAN is predicted to move up to the fourth largest economy from its current position as the world's fifth largest.

In addition to market demand, the ten ASEAN nations' business environments have significantly improved, winning over investors (Graham, 2023). The region's ease of doing business has steadily increased, according to the World Bank's Doing Business report. Singapore remains one of its top three member nations; Malaysia jumped from 23rd place in 2010 to 12th place in 2020; Indonesia and the Philippines saw tremendous gains, moving up from 122nd and 144th place to 73rd and 95th place, respectively. This indicates that ASEAN has the potential to become a center for global economic development in the future. Therefore, ASEAN must make all necessary preparations to create a favorable investment environment and actively support local businesses. Due to ASEAN's favorable environment, coupled with the current backdrop of the trade war, ASEAN is highly likely to become a new hub for economic development in the future (Khuong, 2020). ASEAN needs to prepare now to embrace the significant changes in the future era. It should also cherish this hard-earned opportunity.

STRENGTHENING INTRA ASEAN COOPERATION

Through the ASEAN Free Trade Area (AFTA), ASEAN has made major efforts to strengthen internal cooperation and promote regional economic integration. In order to create a regional market that serves 500 million people, the original six members of the Asia-Pacific Association (AFTA)—Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand—agreed to remove tariffs in 1992. The promotion of economic integration with regional and international partners, the facilitation of intra ASEAN trade, and the growth of the manufacturing sector are all made possible by the ASEAN Free Trade Area. Supporting multiple multilateral

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forums, such as the Asia Pacific Economic Cooperation (APEC), the East Asia Summit, and the Regional Comprehensive Economic Partnership (RCEP), it is one of the biggest and most important free trade areas in the world (Andrew, 2020).

The trade tensions between the US and China have caused a global strain on the supply chain, significantly impacting the global economy and manufacturing, including the member countries of ASEAN (Ha & Lars Willnat, 2022). In this situation, ASEAN countries should help each other by adjusting their respective supply chains to maximize the utilization of ASEAN's resources. Mutual adjustment of supply chains is a prudent approach that can reduce dependence on the interruption of the Chinese supply chain (Davis & Wei, 2020). If ASEAN doesn't unite and provide mutual assistance during these challenging times, it is less likely that other parts of the world will extend help to ASEAN. During this period, ASEAN countries should diversify their supply chains (Jack, 2022). By establishing closer trade and production relationships among ASEAN member countries, the dependence on China can be reduced (Weixing, 2018). The trade tensions between the US and China have profound effects on the global supply chain and economy, and as a regional organization, ASEAN needs to take coordinated action to mitigate the negative impacts.

Additionally, the tense trade situation between the US and China has led to a global economic downturn. In this moment, ASEAN member countries should help each other to better cope with the global economic slowdown. Strengthening intra-ASEAN trade is crucial (Visentini & Thudium, 2021). Furthermore, ASEAN can avoid seeking trade cooperation with distant economies. In difficult times, unity and mutual assistance are crucial. ASEAN member countries can collectively address the trade tensions and the global economic downturn by enhancing internal cooperation, thus increasing overall resilience. ASEAN member countries can strengthen trade among themselves by reducing trade barriers, simplifying import and export procedures, and promoting the growth of intra-regional trade (Zhu et al., 2018). This can be achieved through the signing of bilateral or multilateral trade agreements.

ASEAN can also facilitate the free movement of talent within the region, allowing for more flexible allocation of labour resources to meet the industrial needs of each country (Thiel, 2019). Encouraging local businesses in ASEAN member countries to collaborate and form synergies in industrial chains is another strategy. This helps improve production efficiency and enhances overall competitiveness. Through common economic development plans, ASEAN can promote collaboration among its member countries, making joint investments in infrastructure, technological innovation, and industrial upgrading to drive overall economic growth (Li et al., 2020). By fostering a closer economic alliance through strengthened internal cooperation, ASEAN can better withstand the uncertainties brought about by trade tensions and the global economic slowdown.

Simplifying and streamlining regulatory processes is essential for ASEAN member states (Li et al., 2020). Excessive bureaucracy within government agencies can erode the credibility of the entire ASEAN region. Both foreign and local businesses are discouraged from dealing with government bodies that are laden with red tape. Cumbersome paperwork and application processes can drive enterprises away from the ASEAN region. ASEAN must simplify these procedures while ensuring that qualified and quality businesses can thrive within the region (Huang et al., 2017). Increasing the efficiency of government agencies and reducing internal bureaucracy are critical to alleviate concerns of local businesses. ASEAN also needs to foster collaboration between the public and private sectors. The primary objective is to identify and address specific challenges and opportunities in various industries. Encouraging dialogue and partnerships can lead to mutual benefit and win-win outcomes (Mehmood & Khan, 2021).

Strengthening internal cooperation through AFTA and expanding free trade zones or increasing the number of items on the duty-free list can be effective in the current state of international markets, especially amid the US-China trade war. These measures can help boost intra-ASEAN trade, encourage further cooperation, and enhance diplomatic relations among ASEAN member countries (Davis & Wei, 2020). While ASEAN member states generally share common interests and goals in the context of the US-China trade war, each country may have its own priorities and preferences (Finley & Johnson, 2018). Increasing trade and cultural exchanges within ASEAN can foster better understanding and stronger diplomatic ties among member states. Given their geographical proximity and interdependence, such cooperation is crucial for maintaining peace and stability in the region (Li et al., 2020). It is crucial for ASEAN member countries to strengthen their relationships with each other to ensure greater unity within the ASEAN community (Giovanni, 2020). Consistency in the external stance, particularly concerning trade tensions, is essential.

In the face of significant issues, such as the trade war, maintaining a united front and a neutral or carefully considered stance is paramount for ASEAN. While individual member countries may have diverse relationships with China and the US, it is imperative for ASEAN to present a unified external position to avoid division and promote cohesion among its member states (Choi & Mun, 2019).

DIPLMATIC EFFORT

ASEAN's stance in the US-China trade war is to maintain neutrality and emphasize the resolution of issues through dialogue. ASEAN is committed to using dialogue and diplomatic means to address the trade war and the conflicts between the US and China

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(Soeparna, 2021). Through promoting regional dialogue and stability, ASEAN has played a diplomatic role in addressing the US-China trade war. ASEAN has

consistently called for both parties to resolve their issues through dialogue rather than allowing the situation to deteriorate. ASEAN's neutral stance and emphasis on dialogue as a means of resolution represent a constructive diplomatic strategy (Aba, 2021). Maintaining neutrality helps to preserve regional stability and avoid becoming entangled in bilateral disputes. It also creates conditions for the diplomatic resolution of conflicts. If ASEAN were to favor one side, its strategy of seeking a diplomatic resolution would be perceived as biased. By promoting regional dialogue and stability, ASEAN aims to mitigate the negative impact of the US-China trade war on the Asian region, while also fostering economic cooperation and mutual trust (Ng, 2021).

ASEAN's call for conflict resolution through diplomatic means is built on the principles of multilateralism (Zhao et al., 2020). Multilateralism emphasizes international cooperation among multiple countries to address international issues through collaboration and negotiation, rather than unilateral actions or confrontation (Egberink & van der Putten, 2020). ASEAN underscores the importance of multilateralism, particularly in the realm of international trade, encouraging countries to adhere to international law and trade rules to uphold global and regional peace and stability. In the context of the US-China trade war, ASEAN promotes conflict resolution through multilateral channels by emphasizing multilateralism. This approach underscores international cooperation, negotiation, and compliance with international trade rules to ensure the peaceful resolution of trade disputes. Multilateralism is an integral part of ASEAN's diplomatic strategy, contributing to the maintenance of regional stability and trust (Setiawan, 2020). Through this approach, ASEAN emphasizes the importance of cooperation and dialogue when dealing with international trade issues (Wang et al., 2020).

ASEAN member countries have expressed concerns about the trade war and its impact on Southeast Asia and the global economy (Felbermayr & Steininger, 2019). ASEAN has repeatedly emphasized on the international stage that the trade war is detrimental to both China and the US, as well as the global economy. They stress the urgency of resolving the dispute through dialogue and negotiation to prevent further ramifications on more people and nations (Chen, 2022). China is the largest trading partner of ASEAN, while the US is the third-largest. Disputes between these two major trading partners have had varying impacts on ASEAN's trade volumes. These diplomatic appeals are essential as they represent ASEAN's stance and convey the message that the trade war affects the global economy, underscoring the need to enter a dialogue phase and find a peaceful resolution (Jack, 2022). Once again, ASEAN urges the US and China to seek a peaceful solution to their trade disputes, emphasizing it as the optimal course of action.

ASEAN is not limited to merely calling for dialogue; it is also actively playing the role of a neutral mediator and providing essential assistance in the context of the US-China trade war (Mehmood & Khan, 2021). Given its geographic proximity to China and extensive trade ties with both China and the US, ASEAN certainly does not want to witness a full-blown conflict between the two superpowers that could ultimately affect the region. As a result, ASEAN has consistently appealed and actively positioned itself as a neutral mediator on various platforms, working to mitigate the impact of the trade war on the global and regional economies. Although ASEAN does not have the power to directly resolve the trade war between US and China, it uses its diplomatic platform to advocate for peaceful solutions, promote economic stability, and strengthen regional cooperation (Abiad et al., 2018). At a time of global trade tensions, ASEAN's diplomatic efforts are critical to maintaining peace, stability, and economic development in the region. ASEAN calls on both sides to resolve issues through dialogue, reflecting its commitment to maintaining peace, stability, and prosperity, and playing an important diplomatic role in regional development (Boylan et al., 2020). ASEAN conducted discussions with dialogue partners such as the US and China to advance collaboration, economic stability, and adherence to global trade laws. In resolving international issues, ASEAN, a significant regional organization, has been a vital mediator and promoter (Giovanni, 2020). Its appeals and initiatives demonstrate a dedication to maintaining multilateralism, cooperation, and stability—all of which are essential for regional and international peace and prosperity. In addition, ASEAN is making a concerted effort to establish itself as an impartial mediator in order to lessen the negative effects of the trade war on the local and international economies (Jack, 2022). Such diplomatic initiatives are advantageous as they support the peaceful settlement of disputes and foster regional and worldwide cooperation.

CONCLUSION

During the trade war between the US and China, the AEC continued its efforts to promote regional economic integration by working on various measures to facilitate trade, attract investment, and enhance economic resilience within the ASEAN region. It aimed to leverage the disruption caused by the trade war to position ASEAN as a more attractive and stable economic partner in the global arena. ASEAN also needs to enhance the capabilities of local businesses. This can help local businesses grow and elevate the overall manufacturing industry in ASEAN. The aim is to fill the significant gap left by China, which has been significantly affected by the trade war and disruptions in the global supply chain. This enormous void requires governments to invest in local businesses and

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attract investments to the region from companies looking to move out of China. With foreign investments and favourable policies from local governments, the capabilities of local businesses are sure to improve. Furthermore, ASEAN members should strengthen cooperation internally, including economic cooperation and cultural exchanges. During these times of global economic turmoil caused by the trade war, intra-regional support is crucial. By reinforcing collaboration within ASEAN, governments can communicate better to avoid significant differences in their stances on the US-China trade war. Lastly, ASEAN has consistently sought to resolve trade disputes between the US and China through diplomatic means. The world economy, including that of ASEAN, has been impacted to varying degrees by the trade war. To prevent the situation from worsening further, ASEAN is committed to acting as a neutral mediator, further coordinating issues between the US and China, particularly regarding the trade war.

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