

STRATIGMA

Southeast Asia Outlook Series

The Global Supply Chain Shift to Southeast Asia

How manufacturing diversification, trade integration
and infrastructure investment are repositioning the region
at the center of global production networks

*A strategic briefing on the structural transformation
of global supply chains and Southeast Asia's
emerging role as a key production platform.*

Context

Over the past decade, global supply chains have entered a period of structural transformation. Rising labor costs in China, geopolitical tensions, pandemic-era disruptions and the growing need for supply chain resilience have encouraged companies to diversify production locations.

This transition is often described as the “China+1” strategy — a shift in which firms maintain a presence in China while expanding manufacturing capacity elsewhere to reduce risk and improve flexibility.

Among all emerging regions, Southeast Asia has become one of the primary destinations for this diversification.

The region's combination of competitive labor costs, improving infrastructure, trade integration and expanding consumer markets has positioned it as a central node in the next phase of global production networks.

What's Changing?

1) Supply Chains Are Moving from Concentration to Diversification

For decades, global manufacturing was heavily concentrated in a single geography. This model delivered efficiency but created vulnerabilities. Recent global shocks revealed the risks of over-concentration:

- Pandemic-related factory shutdowns
- Logistics bottlenecks
- Geopolitical tensions
- Rising trade barriers

Companies are now prioritizing resilience alongside efficiency.

This shift is encouraging multi-country production networks rather than single-country dependence.

2) Southeast Asia Is Absorbing Manufacturing Relocation

Countries such as Vietnam, Indonesia, Thailand and Malaysia are increasingly attracting new manufacturing investment. Key drivers include:

- Competitive wage levels
- Pro-investment industrial policies
- Expanding logistics infrastructure
- Growing regional trade integration

Manufacturing relocation is not happening overnight, but the trend is clear and accelerating.

Southeast Asia is becoming a critical extension of global supply chains.

3) Trade Agreements Are Amplifying the Region's Attractiveness

Regional trade agreements have strengthened Southeast Asia's position in global commerce. Frameworks such as the Regional Comprehensive Economic Partnership (RCEP) have:

- Reduced trade barriers
- Simplified cross-border production
- Enhanced regional integration

These agreements allow companies to design supply chains that span multiple countries while maintaining cost efficiency and market access.

Trade architecture is reinforcing supply chain transformation.

4) Infrastructure Investment Is Enabling Industrial Growth

Manufacturing relocation requires more than competitive labor. Reliable infrastructure is essential. Across Southeast Asia, investments in:

- Ports and logistics corridors
- Industrial parks and special economic zones
- Energy and digital infrastructure

are improving the region's ability to support large-scale production networks.

Infrastructure development is reducing the cost of geographic diversification.

Why It Matters

The global supply chain shift is not a temporary adjustment. It represents a long-term structural transition.

As companies diversify manufacturing locations, Southeast Asia is gaining:

- New investment flows
- Technology transfer
- Job creation
- Integration into global value chains

This transformation is reshaping the region's economic trajectory and strengthening its role in global trade.

Strategic Insight

Southeast Asia is not replacing China as the world's factory.

Instead, it is becoming a complementary production platform.

Future supply chains will likely be multi-layered and geographically distributed. In this emerging model, Southeast Asia is positioned as a key pillar of global manufacturing diversification.

*The defining question for the coming decade is not whether supply chains will shift — **but how far and how fast the region will absorb this transition.***