

No. 15  
July 2024

# ASEAN ECONOMIC INTEGRATION BRIEF



Credit: David Vives/UNSPLASH

## INSIDE THIS ISSUE

### Advancing the ASEAN Economic Community: Lao PDR's Leadership and Vision for 2024

H.E. Malaithong Kommasith  
Minister of Industry and Commerce  
of Lao PDR

### Economic Outlook

### ASEAN: The Next Supply Chain Powerhouse

Mr Oudet Souvannavong  
President of Lao National Chamber of  
Commerce and Industry, Lao PDR

### Updates on the ASEAN Economic Community

## From the Editor

The fifteenth issue of the ASEAN Economic Integration Brief (AEIB), the first for 2024, highlights ASEAN's continued economic resilience, underscoring positive economic outlook and on-going efforts to deepen regional economic cooperation, maintain supply chain resilience, embrace digital transformation, and foster inclusive and sustainable development.

This issue features exclusive insights by H.E. Malaithong Kommasith, Minister of Industry and Commerce of Lao PDR, and Chair of the ASEAN Economic Ministers 2024. He reflects on key progress and achievements of AEC this year, emphasising the importance of ASEAN to be more inclusive, innovative and sustainable moving forward.

Additionally, Mr. Oudet Souvannavong, President of Lao National Chamber of Commerce and Industry, and the Chair of ASEAN Business Advisory Council, shares the private sector's perspective on ASEAN as the next supply chain's powerhouse. He emphasises the need for ASEAN to address infrastructure gaps, skill shortages, and geopolitical risks through regional cooperation and investment in education and business environments

As a regular features of the AEIB, this issue also includes analysis of regional economic outlook and the latest updates on the AEC. The 15<sup>th</sup> AEIB concludes with a regular presentation of the latest key economic indicators relevant to the region.

ISSN: 2580-7587

The text of this publication may be freely quoted or reprinted, provided proper acknowledgement is given and a copy containing the reprinted material is sent to the Community Relations Division (CRD) of the ASEAN Secretariat, Jakarta.

Copyright Association of Southeast Asian Nations  
(ASEAN) 2024. All rights reserved.



9 772580 758008

## Advancing the ASEAN Economic Community: Lao PDR's Leadership and Vision for 2024

**H.E. Malaithong Kommasith**

Chair of the  
ASEAN Economic Minister

Minister of Industry and  
Commerce of Lao PDR



**I**n 2024, as Lao PDR assumes the ASEAN Chairmanship under the theme “ASEAN: Enhancing Connectivity and Resilience”, the focus on economic integration and cooperation within the region is poised to reach new heights. The ASEAN Economic Community (AEC) stands as a vital pillar of the ASEAN community, aiming to promote economic growth, social progress, and cultural development in the region. Under the leadership of Lao PDR, significant achievements within the AEC have been realised, strengthening economic ties and enhancing the collective strength of ASEAN Member States.

During its Chairmanship, Lao PDR has placed a strong emphasis on several key priority economic deliverables to further the goals of the AEC:

**Enhanced Trade Facilitation.** One of the primary focuses of Lao PDR's Chairmanship has been to streamline and simplify trade procedures within ASEAN. By reducing trade barriers, harmonising regulations, and promoting digital trade platforms, Member States aim to boost intra-regional trade and enhance economic efficiency.

**Sustainable Development Initiatives.** Lao PDR champions sustainable development initiatives within the region, underscoring the importance of environmental conservation and climate resilience. By promoting green investments, renewable energy projects, and sustainable practices, ASEAN Member States are committed to fostering a more resilient and environmentally conscious economic community.

**Digital Integration.** Embracing the digital age, Lao PDR advocates for greater digital integration amongst ASEAN Member States. Efforts to enhance digital connectivity and

promote e-commerce platforms are aimed at catalysing innovation, driving economic growth, and improving competitiveness in the digital economy.

### Achievements Under Lao PDR's Chairmanship

Under the leadership of Lao PDR, significant achievements have been realised within the AEC, laying the groundwork for a more cohesive and integrated economic community:

**Progress in Regional Trade Agreements.** Lao PDR has played a pivotal role in advancing regional trade agreements, including the entry into force of the Second Protocol on the Agreement Establishing the ASEAN Australia-New Zealand Free Trade Area (AANZFTA) and the Substantial Conclusion of the updated ASEAN-China Free Trade Area 3.0 (ACFTA 3.0). By forging stronger trade partnerships with key economic players, ASEAN Member States are ready to expand market access, promote economic growth, and enhance competitiveness on the global stage.

**Enhanced Connectivity.** Through infrastructure development initiatives spearheaded by Lao PDR, ASEAN Member States have made substantial progress in improving connectivity within the region. Enhanced transport networks and digital infrastructure have bolstered trade links and facilitated economic cooperation amongst Member States.

**Digital Transformation.** Lao PDR's emphasis on digital integration has led to notable advancements in the digital landscape within ASEAN. By fostering a conducive environment for digital innovation, promoting digital literacy, and enhancing cybersecurity measures, Member States are better positioned to harness the opportunities presented by the digital economy.

**Sustainable Development Commitments.** Lao PDR's focus on sustainable development initiatives has underscored ASEAN's commitment to environmental conservation and climate resilience. By promoting green investments, supporting renewable energy projects, and advancing sustainable practices, Member States are working towards a more sustainable and inclusive economic future.



Looking ahead, Lao PDR envisions a dynamic and resilient ASEAN Economic Community that is inclusive, innovative, and sustainable. Key priorities and initiatives to drive the AEC forward include:

**Promoting Inclusive Growth.** Lao PDR aims to promote inclusive growth within the AEC by addressing disparities, enhancing access to opportunities, and fostering economic

empowerment for all segments of society. Initiatives to support SMEs, empower women entrepreneurs, and promote youth participation in the economy are essential to ensuring that the benefits of economic integration are widely shared.

**Fostering Innovation.** Embracing the digital age, Lao PDR seeks to foster a culture of innovation and entrepreneurship within the AEC. By nurturing technological advancements, supporting digital startups, and facilitating collaboration in emerging industries, Member States aim to enhance competitiveness, drive economic growth, and position ASEAN as a hub of innovation in the global economy.

**Advancing Sustainable Development.** Lao PDR remains committed to advancing sustainable development goals within the AEC. By promoting green investments, supporting

renewable energy projects, and advocating for sustainable practices, ASEAN Member States seek to build a more resilient and environmentally conscious economic community that prioritises long-term sustainability and inclusive growth.

Under Lao PDR's Chairmanship, the ASEAN Economic Community has made significant strides in advancing economic integration, fostering cooperation, and enhancing regional resilience. By focusing on key priority economic deliverables, promoting sustainable development initiatives, and embracing digital transformation, ASEAN Member States are poised to navigate the challenges of an evolving global economy and leverage opportunities for shared prosperity and growth. As Lao PDR articulates a forward-looking vision for the AEC, the region stands on the edge of a new era of economic dynamism, innovation, and sustainability within the ASEAN Community.

## ECONOMIC OUTLOOK

**A**SEAN economies are projected to experience a modest uptick in growth, reaching 4.6 per cent in 2024 and further increasing to 4.7 per cent in 2025. This outlook is set against the backdrop of the global economy's impressive resilience, which in the last two years has weathered upheaval stemming from significant interest rate hikes by central banks aimed at reestablishing price stability. The growth is expected to be primarily driven by an increase in tourist arrivals and the resurgence of the global semiconductor and electronics sectors. Trade performance in 2024 is also projected to exhibit positive signs, with a promising outlook observed across most markets. Additionally, an easing of inflationary pressures and a stabilisation of borrowing costs are expected to create a more favorable financing environment, further supporting regional economic activity.<sup>1</sup>

**Trade** in ASEAN experienced negative growth in 2023 due to a confluence of factors. The eruption of Middle East conflicts disrupted trade routes through the Red Sea, doubling shipping costs and impacting supply chains. Additionally, the slowdown in China, ASEAN's largest trading partner, further contributed to this decline. Amongst the top three traded commodities in ASEAN, two showed significant decreases in the second half of 2023<sup>2</sup> compared to the same period in 2022. Electronics (HS-85) decreased by 4 per cent, and mineral fuels (HS-27) decreased by 17 per cent. Machinery (HS-84), however, remained relatively stable with a slight increase of 0.3 per cent.

Total **Foreign Direct Investment** in ASEAN demonstrated resilience, showing a modest increase of 0.3 per cent from 2022 to 2023 according to preliminary figures. Despite

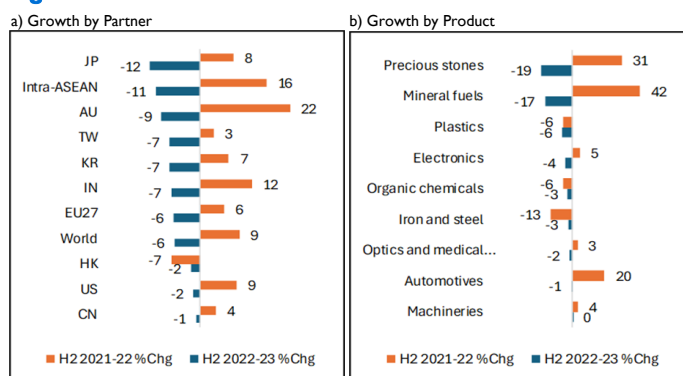
**Table 1. Real GDP Growth**

AMS	Annual Growth, in per cent				Forecasted YoY Change	
	2022	2023	2024f	2025f	2024f	2025f
BN	-1.6	1.4	3.7	2.8	2.3	-0.9
KH	4.8	5.3	5.8	6.0	0.5	0.2
ID	5.3	5.0	5.0	5.0	0.0	0.0
LA	4.4	4.2	4.0	4.0	-0.2	0.0
MY	8.7	3.7	4.5	4.6	0.8	0.1
MM	2.8	2.8	1.2	2.2	-1.6	1.0
PH	7.6	5.6	6.0	6.2	0.4	0.2
SG	3.6	1.1	2.4	2.6	1.3	0.2
TH	2.6	1.9	2.6	3.0	0.7	0.4
VN	8.0	5.1	6.0	6.2	0.9	0.2
ASEAN	5.6	4.1	4.6	4.7	0.5	0.1

Source: ASEAN Secretariat (July 2024); Asian Development Bank (April 2024)

economic uncertainty and geopolitical risks causing some companies to delay new investments, the overall growth remains positive. This growth is primarily driven by substantial investment from the US in the finance and insurance sector, reaching a value of USD 74.4 billion, a remarkable 32.4 per cent increase from 2022. After the global supply chain disruptions in 2022, the primary sector which includes agriculture, forestry, fishing, mining, and quarrying has normalised and managed to rise from USD 0.84 billion to USD 2.5 billion in 2023. On the other hand, the manufacturing sector saw a significant decline of USD 22.4

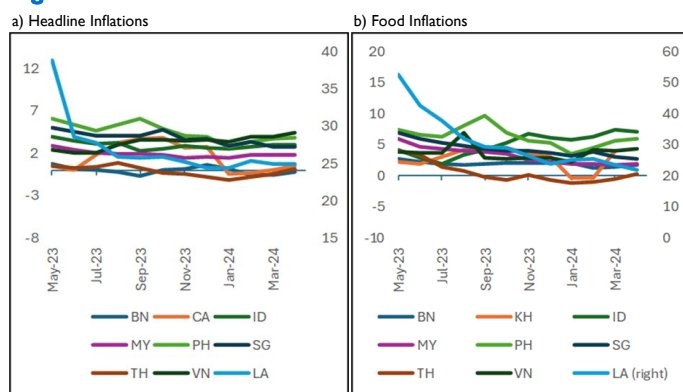
1. International Monetary Fund; World Economic Outlook April 2024.  
2. ASEAN Secretariat Database as of July 2024.

**Figure 1. ASEAN Growth Trade**

Source: ASEAN Secretariat (July 2024); Notes: The product category is based on the Harmonized System (HS) at the 2-digit level

billion, or 30.7 per cent, due to a higher baseline in 2022<sup>3</sup>. The increase in ASEAN inward FDI for the third consecutive year underscore ASEAN's resilience and attractiveness to foreign investors.

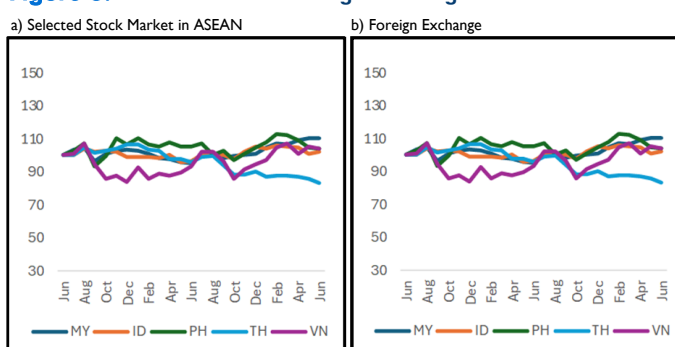
**Inflations.** Inflationary pressures in ASEAN are continuing to ease (Figure 2a) due to falling commodity and goods prices globally, as well as reduced supply chain disruptions post-pandemic. Inflation trends in ASEAN are projected to decrease from 4.1 per cent in 2023 to 3.2 per cent in 2024 and 3.0 per cent in 2025, gradually moving closer to pre-pandemic averages. Whilst food inflation is also moderating (Figure 2b), it is expected to remain elevated. Rice prices, in particular, have been high due to bad weather like El Niño La Niña phenomenon and India's export restrictions on rice, which continue to disrupt prices.

**Figure 2. Inflations**

Source: Asian Development Bank (2024); Tradingeconomics (2024)

**Foreign Exchange and Stock Market.** Since 2022, the aggressive monetary policy tightening undertaken by central banks worldwide to address inflationary pressures manifested in a significant appreciation of the US dollar. This, in turn, triggered a depreciation of Emerging Market currencies, including most ASEAN currencies, relative to the US dollar. Additionally, this tightening cycle led to capital outflows from ASEAN markets<sup>4</sup>. Countries like Indonesia and Malaysia have tightened capital market regulations and intervening in foreign exchange markets to stabilise their currencies. Despite these measures, ASEAN currencies have depreciated on average around 4 per cent against the US dollar in 2024, with the most significant weakening observed in Lao and Indonesia (Figure 3b). On the stock market front, the ASEAN

market over the last two years has seen limited movement (Figure 3a). The year 2024 presents a complex outlook due to the intricate dynamics of global monetary policy. This complexity has the potential to significantly influence a broad spectrum of asset valuations within the region. Early indications suggest optimism stemming from the anticipation of a potential interest rate reduction by the US Federal Reserve. Such a policy shift would likely translate into increased investor risk tolerance, which has historically proven advantageous for ASEAN assets (and in the Asian region in general)<sup>5</sup>. The forecasted higher economic growth for ASEAN relative to global growth in 2024<sup>6</sup> further contributes to the optimism<sup>7</sup>.

**Figure 3. Stock Markets & Foreign Exchanges in ASEAN**

Source: Compiled from investing.com

**Risk.** ASEAN faces several specific risks that could impact its economic outlook. Escalating geopolitical tensions and conflicts, such as those affecting shipping routes in the Red Sea, could lead to significant supply chain disruptions, higher commodity prices, and increased economic uncertainty, which would particularly affect trade-dependent ASEAN economies. The region is also vulnerable to global monetary policy shifts, with higher-for-longer interest rates potentially leading to capital outflows and currency depreciation, raising inflation and dampening growth prospects. The vulnerability of ASEAN major trading partners arising from global economic fragmentation could have spillover effects, reducing demand for ASEAN exports and impacting overall economic activity. Weather-related risks, exacerbated by climate change and phenomena like El Niño and La Niña, could disrupt agricultural production, leading to higher food prices and food insecurity, especially in countries like Myanmar, the Philippines, Thailand, and Viet Nam.

**Way Forward.** Whilst ASEAN's economic outlook is showing positive signs, the region still faces significant challenges that require a coordinated and strategic response. To navigate the complex economic landscape and ensure sustainable growth, ASEAN should prioritise deeper regional cooperation to effectively address shared challenges such as supply chain disruptions, geopolitical tensions, and the impacts of climate change. Diversifying trade and investment partners is crucial to reduce reliance on a few major players and sectors, promoting intra-ASEAN trade and exploring opportunities in emerging markets and high-growth industries. Embracing digital transformation through investments in digital infrastructure and skills development will enhance competitiveness and innovation. Finally, fostering sustainable growth that is inclusive and environmentally responsible will ensure long-term prosperity for the region and its people.

3 ASEAN Secretariat, July 2024

4 Soh, C. K. (2024, February 16). 2024 ASEAN Market Outlook. Lion Global Investors. <https://www.lionglobalinvestors.com/en/insights/2024-asean-market-outlook.html>

5 HSBC. (2024, March 11). Asia markets in 2024 – Navigating monetary policy and growth dynamics. <https://www.gbm.hsbc.com/en-gb/insights/market-and-regulatory-insights/asia-markets-in-2024>

6 IMF. (April 2024). World Economic Outlook

7 Soh, C. K. (2024, February 16). Ibid

## SPECIAL FEATURE

# ASEAN: The Next Supply Chain Powerhouse

**Mr Oudet  
Souvannavong**

Chair of ASEAN  
Business Advisory Council

President of Lao National  
Chamber of Commerce and  
Industry, Lao PDR



**T**he global economy is undergoing a seismic shift. Supply chain resilience, once a mere buzzword, has become a critical determinant of national and corporate success. As nations scramble to secure critical supply chains for industries like semiconductors and electric vehicles, a compelling opportunity emerges in Southeast Asia. The Association of Southeast Asian Nations (ASEAN), with its strategic geographic location, diverse resources, and growing economic might, is poised to become the world's next supply chain powerhouse. Lao PDR's chairmanship, with a keen focus on connectivity and resilience, is set to accelerate this transformation.

ASEAN's strategic positioning is undeniable. Situated at the heart of Asia, it serves as a bridge between the dynamic economies of China and India. The region's diverse resource base, from abundant minerals to skilled labor, provides a solid foundation for manufacturing.

Moreover, ASEAN's growing middle class is fueling domestic consumption, creating a robust market for goods and services. The region's political stability and commitment to economic integration through the ASEAN Economic Community (AEC) further enhance its attractiveness as an investment destination.

The semiconductor and electric vehicle industries are at the forefront of technological advancement and economic growth. According to Special ASEAN Investment Report 2023, the electronics and electrical industry remained the major recipient of investment in manufacturing in ASEAN in 2022. These industries accounted for more than 70 per cent of announced greenfield manufacturing investment, accounting for USD 37 billion. In the electronics industry,

production of semiconductors and electronic components received the most attention from investors, accounting for 27 per cent of announced greenfield investment in manufacturing. Whilst such investment in electronics declined to USD 9.5 billion in 2022, it was still six times the annual average for 2010–2019.

The region also continues to attract strong investment interest in battery production linked to the emerging EV industry. Some multinational companies are investing in battery production in ASEAN as part of their upstream-downstream integration of the EV value chain. In some cases, these companies are investing to produce batteries both to supply the growing EV industry in the region and to export. Announced greenfield investment in batteries rose by 656 per cent in 2022, to USD 8.4 billion, accounting for 23 per cent of all such investment in manufacturing.

However, these sectors are increasingly vulnerable to supply chain disruptions. Geopolitical tensions, natural disasters, and pandemic-induced challenges have exposed the fragility of global supply chains. ASEAN presents a compelling alternative. The region's proximity to key markets, coupled with its manufacturing capabilities, can mitigate risks and ensure a steady supply of critical components.

Furthermore, whilst ASEAN's prospects are bright, challenges remain. Infrastructure gaps, skill shortages, and geopolitical risks must be addressed. To overcome these hurdles, ASEAN Member States must collaborate closely to develop a comprehensive strategy. Investing in education and training programs can help build a skilled workforce.

Public-private partnerships can be leveraged to finance infrastructure projects. And by fostering a conducive business environment, ASEAN can attract the necessary foreign investment.

Lao PDR's chairmanship of ASEAN in 2024 offers a unique opportunity to accelerate the region's transformation into a global supply chain hub. The country's emphasis on connectivity and infrastructure development is a crucial step in this direction. Improved transportation networks, both physical and digital, are essential for seamless movement of goods and services. By investing in roads, railways, ports, and digital connectivity, Lao PDR's leadership can unlock the full potential of ASEAN's supply chain ecosystem.

Improved connectivity is a cornerstone for bolstering supply chain efficiency within ASEAN. By reducing transportation costs, minimising delays, and streamlining customs procedures, enhanced connectivity can significantly optimise supply chain operations.

Additionally, reliable infrastructure, such as roads, railways, and ports, facilitates the timely movement of raw materials, components, and finished products, thereby reducing inventory levels and increasing overall productivity. A well-connected ASEAN can attract foreign investments and promote intra-regional trade, leading to economic growth and development.

To solidify ASEAN's position as a premier global supply chain hub, Lao PDR must cultivate a strong spirit of regional unity and collaboration. ASEAN-BAC has been a cornerstone in fostering this cooperation, driving infrastructure development and facilitating knowledge exchange amongst ASEAN Member States. Initiatives such as Smart Growth Connect, which enhances supply chain visibility and efficiency, exemplify ASEAN-BAC's achievements. Building on this momentum, Lao PDR, as the 2024 ASEAN Chair, is spearheading the "ASEAN Plus Supply Chain Connectivity" project. This endeavour seeks to consolidate existing initiatives and explore new opportunities to expand ASEAN's supply chain reach into markets like China, India, South Asia, and Eurasia.

In conclusion, in an era marked by supply chain volatility, ASEAN stands as a beacon of opportunity. With its strategic location, abundant resources, and growing market, the region is primed to become a global supply chain powerhouse. Lao PDR's chairmanship, with a focus on connectivity and cooperation, is accelerating this transformation. By addressing infrastructure gaps, cultivating a skilled workforce, and fostering a conducive business environment, ASEAN can solidify its position as the preferred destination for businesses seeking resilient and efficient supply chains. As the world grapples with supply chain disruptions, ASEAN's integrated and interconnected approach offers a compelling solution, promising economic prosperity and shared growth for the region and beyond.

## UPDATES ON THE ASEAN ECONOMIC COMMUNITY

**T**he year 2024 is a pivotal year for ASEAN as it enters the final stages of the AEC Blueprint 2025 implementation and lays the groundworks for the next phase of its regional economic integration. Under Lao PDR's leadership, ASEAN is committed to enhancing connectivity, deepening economic integration and strengthening the region's economic resilience, building upon past achievements.

In 2024, ASEAN has intensified efforts to build a more robust and forward-looking AEC that strategically addresses emerging challenges and meets the evolving demands and requirements of its business community. High on the AEC agenda are initiatives that foster a seamless and integrated regional economy, specifically the creation of single market and production base. The following are some of the major/ key deliverables for 2024.

- ◆ **ASEAN Services Facilitation Framework (ASFF).** Adopted in March 2024, the ASFF outlines principles and actions for ASEAN Member States to improve their regulatory environment for the services sector and advance services integration in the region. ASEAN is currently working on the implementation and roll out the ASFF to Member States.
- ◆ **ASEAN Trade in Goods Agreement (ATIGA) upgrade.** ASEAN has stepped up negotiations for the ATIGA Upgrade, aiming to conclude negotiations in 2024 and sign the agreement in 2025. The upgraded ATIGA seeks to transform the current ATIGA into a comprehensive, modern and forward-looking agreement that is responsive to regional and global developments.



- ◆ **Protocol to amend the ASEAN Comprehensive Investment Agreement (ACIA).** ASEAN is currently in the process of completing the domestic process for the signing of the Protocol to amend the ACIA in 2024. The new Protocol will put into legal effect the parameters for the implementation of the two-annex approach, i.e. the transition of the investment reservations list from one annex to two-annex list.
- ◆ **ASEAN Framework Agreement on Competition (AFAC).** ASEAN is set to conclude the negotiations and finalised the AFAC in 2024. The AFAC is envisaged to further advance and promote a fair and competitive business environment in the region through the facilitation of cross-border cooperation amongst Member States.

Strengthening the region's position in the global supply chain is another key strategic goal of ASEAN. Therefore, ASEAN has amplified its engagement with FTA and trading partners to make ASEAN a global hub and also expand the trade and investment opportunities for the region. Following the successful conclusion of the Regional Comprehensive Economic Partnership, which has fully entered-into-force amongst its 15 Signatory Parties, ASEAN has undertaken the review and/or upgrading of existing ASEAN Plus FTAs to enhance their quality, responsiveness, and future-readiness.

- ◆ **Second Protocol to the ASEAN-Australia - New Zealand Free Trade Agreement (AANZFTA).** ASEAN together with Australia and New Zealand completed the negotiations and signed the Second Protocol to the AANZFTA. The protocol upgrades the AANZFTA with new elements that aim to strengthen supply chain

resilience, facilitate digital technology adoption, promote cooperation on trade and sustainable development, inclusive trade, and transparency. The upgraded AANZFTA is targeted to enter into-force in 2024.

- ◆ **ASEAN-China Free Trade Agreement (ACFTA) 3.0 Upgrade.** Following the launch of the ACFTA 3.0 Upgrade Negotiation in 2023, ASEAN has intensified negotiation with China and identified substantial conclusion of the negotiations a priority economic deliverable in 2024.
- ◆ **Review of ASEAN-Korea Free Trade Agreement (AKFTA) and the ASEAN-India Trade in Goods Agreement (AITIGA).** ASEAN has also embarked on the joint review of AKFTA and AITIGA with the view to further enhance the existing agreements with ROK and India moving forward. The joint review studies are expected to provide recommendations on the possible upgrade of these Agreements.

To elevate the region's economic integration, ASEAN has also strengthened its cooperation for greater connectivity amongst AMS with various initiatives to create a more interlinked highly connected ASEAN to help realise the seamless flow of goods, services, people and capital. This includes the mainstreaming of digital technology in sectoral works as part of the region's broader digital transformation efforts.

- ◆ **ASEAN Digital Economy Framework Agreement (DEFA).** Aiming to establish a single digital economy, ASEAN is accelerating the region's digital transformation. ASEAN has embarked on a major undertaking with DEFA, targeting to conclude its negotiations in 2025. ASEAN has intensified negotiations, which commenced in the last quarter of 2023, and mapped out the negotiations rounds supported by capacity building until 2025.
- ◆ **Energy.** The region aims to deliver the Protocol to Amend the Memorandum of Understanding on the Trans-ASEAN Gas Pipeline (TAGP). The new Protocol aims to expand the coverage of current TAGP to include Liquefied Natural Gas and its receiving platforms, storage and regasification infrastructure to 2034. Moreover, ASEAN is also aiming to complete the substantive final text of the successor agreement to the ASEAN Power Grid and Multilateral Power Grid by the end of 2024.
- ◆ **Trade in Goods.** ASEAN has achieved full implementation of the electronic-form D (certificate of origin) for ATIGA on 1 January 2024 via the ASEAN Single Window (ASW). For this year, ASEAN is working to ensure that all ten ASEAN Member States<sup>8</sup> have fully joined the ASEAN Customs Document Declaration (ACDD) live operation. It is also undertaking technical assessments/study for the ASW to connect with ASEAN's Dialogue Partners' Single Window Systems and exchange electronic documents with them. The study aims to assist in the development of new generation of ASW that is more open, inclusive and run on an interoperability principle that would enable the ease of connectivity and exchange of document.
- ◆ **Digital Trade.** ASEAN is developing a roadmap on digital trade standards across its pillars, namely: (1) facilitating

digital transactions; (2) facilitating digital logistics and delivery; and (3) facilitating digital trust. As one of the priority economic deliverables under the Lao Chairmanship, the Roadmap is aimed to be delivered by end of 2024.

- ◆ **Unique Business Identification Numbers (UBIN).** As a follow-up to the foundational work on the usage of digital business/corporate identities to streamline business registration and licensing procedures and promote cross-border trade, with the "Benchmarking Guidelines on UBIN in ASEAN", ASEAN is developing an implementation roadmap to establish a regionally comparable UBIN. To be delivered in 2024, the roadmap will encompass key components on governance and funding mechanisms, technological solutions, and a comprehensive regulatory assessment and coordination.

Moreover, ASEAN continues to deepen and broaden its action to promote and advance its sustainability development agenda and support its Member States' climate action to address the challenge of climate change. This year, ASEAN looks forward to the completion of various works to support and complement the implementation of the Framework on Circular Economy for AEC and the ASEAN Strategy on Carbon Neutrality.

- ◆ **Agriculture.** ASEAN, through the agricultural sector, will deliver two priority economic deliverables that support the region's sustainability agenda. The first is the ASEAN Action Plan on Sustainable Agriculture, which aims to achieve three pronged objectives to (1) promote the widespread adoption of sustainable farming techniques and practices; (2) promote practices that protect and restore damaged ecosystems, prevent habitat loss, and maintain biodiversity; and (3) empower small-scale farming communities, enhance their livelihoods, and create investment opportunities. The second is the Guidelines to Reduce Crop Burning in ASEAN, which aims to stop crop burning practices and encourage safe and sustainable alternatives to crop burning to minimise the negative impacts on both public health and the natural environment.
- ◆ **Transport.** ASEAN is developing the ASEAN Guidelines on Light Electric Vehicle (LEV) and the ASEAN Guidelines on Urban Freight Transport, both of which are expected to be completed later this year. The former will provide guidance to AMS in developing national and local policies in promoting the use of Light Electric Vehicle, whilst the latter aims to provide guidance to AMS in the development of appropriate policies to improve urban freight transport system with a view towards a more sustainable, efficient and environmental-friendly logistics network in ASEAN cities.

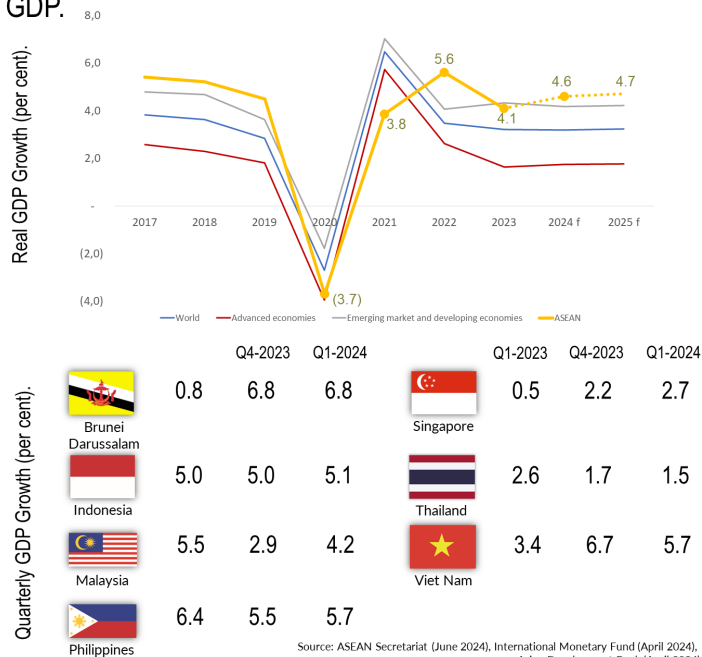
In conclusion, 2024 has been a year of significant progress for ASEAN in advancing its AEC Blueprint 2025 goals. The region's proactive approach and commitment to deeper integration are evident in advancements across trade, digital transformation, and sustainability. Whilst challenges persist, ASEAN's adaptability and focus on future-readiness position it well for continued growth and resilience in the global landscape.

8 Nine ASEAN Member States are now fully operating and exchanging ACDD through the ASW.

# PROGRESS OF AEC: SELECTED KEY INDICATORS

## ASEAN GDP

ASEAN GDP grew at **4.1 per cent** to reach **USD 3.8** trillion in 2023, accounting for **3.6 per cent** of the world's total GDP.

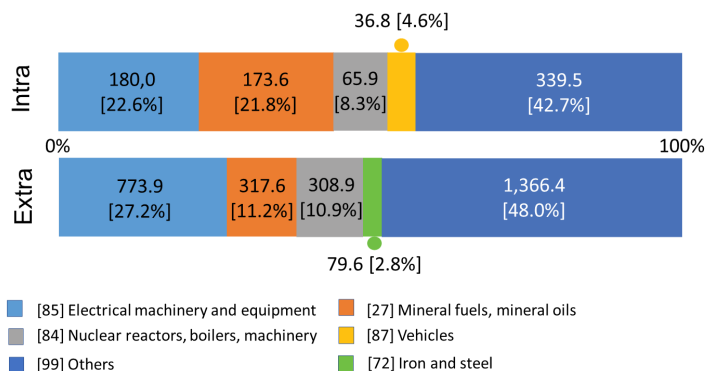


## ASEAN TRADE

In 2023, total ASEAN international merchandise trade stood at **USD 3.5** trillion, a **8.3 per cent** decrease compared to the previous year. Intra-ASEAN trade declined by **11.4 per cent** to **USD 759.0** billion, whilst extra-ASEAN trade saw a **7.5 per cent** decrease to **USD 2,766.7** billion.

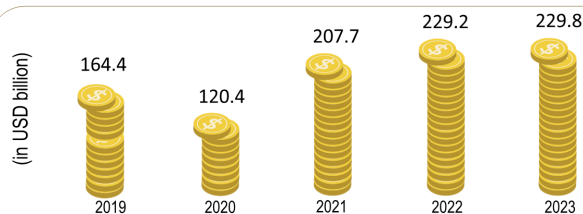
### Top 5 Commodities on Intra-Extra Trade, 2023

(in billion USD & percentage)



## ASEAN INVESTMENT

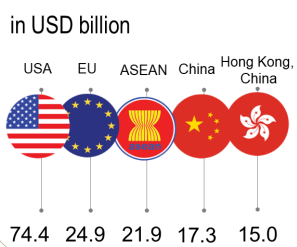
ASEAN remained a magnet for investment, with continued upward trend in FDI inflows. In 2023, ASEAN attracted **USD 229.8** billion of FDI, a slight **0.3 per cent** increase from **USD 229.2** billion in 2022.



### FDI by Industry in USD billion



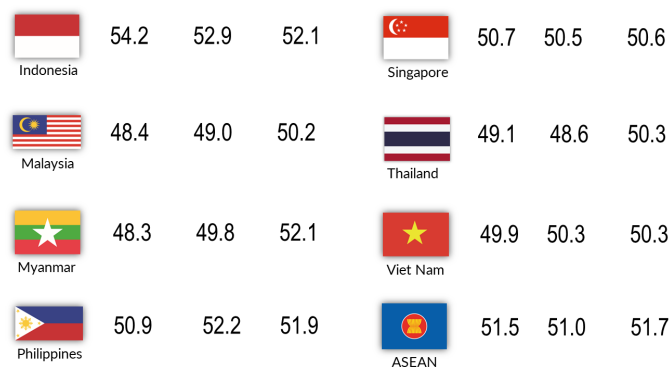
### Top 5 FDI Source to ASEAN, 2023



## ASEAN MANUFACTURING

The ASEAN manufacturing sector rebounded in May 2024, with rising PMI across most Member States.

### Manufacturing PMI, Mar-May 2024



Note: The indices vary between 0 and 100, with a reading above 50 indicates an expansion of the manufacturing sector compared to the previous month, while below 50 represents a contraction.

Source: S&P global

[www.asean.org](http://www.asean.org)

The Association of Southeast Asian Nation (ASEAN) was established on 8 August 1967. The Member States are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. The ASEAN Secretariat is based in Jakarta, Indonesia.

For inquiries, contact:

The ASEAN Secretariat

ASEAN Integration Monitoring Directorate (AIMD) and Community Relations Division (CRD)

70A, Jalan Sisingamangaraja, Jakarta 12110, Indonesia

Phone: (62 21) 724-3372, 726-2991

Fax: (62 21) 739-8234, 724-3504

E-mail: [aimo@asean.org](mailto:aimo@asean.org), [public@asean.org](mailto:public@asean.org)

Website: [www.asean.org](http://www.asean.org)

Catalogue-in-Publication Data

ASEAN Economic Integration Brief

Jakarta, ASEAN Secretariat, July 2024

337.159

1. ASEAN – Economic integration – Comprehensive summary

2. Economic community – Regional developments

Cover Image: David Vives/UNSPASH