



Welcome Remarks of the Secretary General of ASEAN

H.E. Dr. Kao Kim Hourn

ERIA's High-Level Forum on ASEAN Supply Chain Connectivity:

Key Issues and Challenges

Grand Ballroom, DRC Building, Landmark Mekong Riverside Hotel, 16 September 2024, 1300 hrs

Your Excellency Malaithong Kommasith, Minister of Industry and Commerce and AEM Chair for 2024,

Professor Tetsuya Watanabe, President of the Economic Research Institute for ASEAN and East Asia (ERIA),

Excellencies, Ladies, and Gentlemen

Good Afternoon

1. I would like to first express my gratitude to the Economic Research Institute for ASEAN and East Asia (ERIA) for inviting me to deliver the Welcoming Remarks at this important event, which focuses on the ASEAN Supply Chain Connectivity. I also wish to thank the Minister and Ministry of Industry and Commerce of Lao PDR for jointly organizing this event with ERIA.
2. Today, discussions on “economic resilience” often centre on the shift from the efficient “just-in-time” supply chains to the more cautious “just-in-case” models so as to safeguard against geopolitical risks, natural disasters, and health crises like the COVID-19 pandemic. While one offers efficiency and the other resilience, the optimal path forward lies in striking a balance through strengthened supply chain connectivity. This is especially crucial for ASEAN, because its role as a global economic hub relies on strong supply chain links to facilitate trade, deepen integration, and drive regional growth. Improved supply chain connectivity not only synchronizes cross-border production and distribution but also harnesses diverse resources to boost our global competitiveness.
3. In this context, I wish to highlight one of the Priority Economic Deliverables under the Lao PDR’s ASEAN Chairmanship this year: **The ASEAN Leaders’ Declaration on Enhancing Supply Chain Connectivity**, which reaffirms ASEAN’s commitment to bolstering these efforts. Moving forward, as ASEAN develops the ASEAN Community Vision 2045 and the ASEAN Economic Community (AEC) Strategic Plan, enhancing supply chain connectivity will be fundamental to the regional economic integration post-2025.

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4. Let me begin by emphasizing ASEAN’s pivotal role in global supply chains. With a combined GDP of USD3.8 trillion in 2023, ASEAN is on track to become the world’s

fourth-largest economy by 2030. We are a major hub of international trade, ranking third globally with a trade value of USD3.6 trillion, which accounts for 9.5 percent of global trade. Intra-regional trade remains a key driver, making up 21.5 percent of ASEAN's total trade last year, compared to 19.8 percent with China and 11.2 percent with the European Union.

5. On the investment front, ASEAN has maintained its lead among developing countries in attracting foreign direct investment (FDI) for the past three consecutive years, with inflows totalling USD229.8 billion in 2023. This positions ASEAN as the second-largest recipient of FDI globally, just only behind the US, which attracted USD310.9 billion. Intra-regional investment within ASEAN remained robust, reaching USD21.8 billion in 2023—representing 9.5% of its total FDI inflows. This is the third highest share, following the US at USD74.3 billion (32.4%) and the EU at USD24.9 billion (10.8%).

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6. These positive trends underscore ASEAN's prominent role in regional value chains, positioning it well to become a major player in the global value chains. However, there remains significant potential for ASEAN to further enhance its supply chain resilience and connectivity. As we look towards the post-2025 landscape, I'd like to highlight three key areas where ASEAN can make meaningful strides in advancing these objectives.
7. First, to strengthen its position as a global trading powerhouse, ASEAN is deepening internal economic integration. This includes upgrading the ASEAN Trade in Goods Agreement (ATIGA) to address not just traditional trade issues, but also emerging domains such as digital trade, sustainability and the circular economy. That's why ASEAN is negotiating the Digital Economy Framework Agreement (DEFA). Once finalized, it will be the world's first of its kind, shaping our rules and standards for digital economy and putting ASEAN at the forefront of global digital trade governance.
8. Second, ASEAN is complementing its internal economic integration with active external engagements. Alongside implementing the Regional Comprehensive Economic Partnership (RCEP)—the world's largest free trade agreement—and upgrading the ASEAN-Australia-New Zealand FTA, ASEAN is reviewing and enhancing its FTAs with major economies like India and China to deepen trade and investment ties. Additionally, ASEAN is negotiating its first free trade agreement with a North American country, Canada, which will further expand our global trade network.
9. To boost supply chain resilience and connectivity amid rising geo-political and economic uncertainties, ASEAN is committed to exploring new and alternative markets. The region has been actively forming global partnerships with organizations like the Indian Ocean Rim Association, the Pacific Islands Forum, and the Gulf Cooperation Council. These collaborations aim to foster practical cooperation in shared areas of interest, expanding ASEAN's economic reach and positioning the region as a key player in shaping the future of global trade.

10. Third, ASEAN must capitalize on the potential of its private sector by strengthening partnerships with businesses of all sizes. This requires increasing awareness of our extensive Free Trade Agreement (FTA) network, enabling ASEAN businesses to fully leverage these agreements and better integrate them into global value chains. At the same time, as ASEAN works to enhance its business environment, the private sector—including business associations—plays a crucial role in providing valuable feedback and advocating the advantages of the ASEAN Community to a broader audience.
11. To date, of the 80 entities accredited to ASEAN, 16 of them are business organisations. These include the ASEAN Business Advisory Councils and industry-specific groups, such as those in automotive, iron and steel, shipping and port management, banking and insurance, and tourism, amongst others. Many of these entities have regular interfaces with ASEAN Ministers and Leaders, sharing their aspirations and providing feedback on ASEAN's economic integration efforts.

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12. Despite our significant achievements in establishing a strong position in global supply chains, we are facing several critical challenges to supply chain connectivity. These include geo-political uncertainties that disrupt trade routes and regulatory environments, and technological integration issues stemming from disparate systems across different partners. Compounding these challenges are diverse regulatory requirements and increasing pressure for sustainability. Additionally, demand volatility and a shortage of skilled professionals in supply chain management further complicate the situation. The COVID-19 pandemic also brought to the fore critical inefficiencies within supply chains.
13. Addressing these challenges requires strategic investment and technological advancement, particularly in the governance and management of technology and data. This will be crucial in the post-pandemic era as technology adoption expands, as emphasised in ERIA's Joint Study on 10 + 3 Cooperation for Improvement of Supply Chain Connectivity: ASEAN Sub-Report of March 2021. Enhanced collaboration among partners and stakeholders is equally essential to ensure that ASEAN Member States build resilient supply chains and strengthen their position in the global value chain.
14. As we look forward to the ASEAN Economic Community beyond 2025, it is crucial for ASEAN to stay ahead of the curve and effectively navigate current and future global mega-trends. This is why ASEAN continues to work hard to refine and update its economic strategy, including upgrading its various ASEAN Plus One FTAs and exploring new and alternative markets, both near and far.
15. Finally, I want to highlight the critical role of the multilateral trading system and our responsibility to preserve and strengthen it. We must stay steadfast in this endeavour despite the prevailing global headwinds. By supporting global institutions like the World Trade Organization (WTO), we can help nations and regions tackle global challenges and adapt to mega-trends in technology and sustainability.
16. The ASEAN Secretariat remains dedicated to supporting our Member States in advancing multilateralism through facilitating dialogue, offering policy support, and

driving collective action. This commitment ensures that ASEAN remains competitive, relevant and resilient in the face of a rapidly changing global landscape.

Thank you.