



## ASEAN: TOWARDS A DEEPER ECONOMIC INTEGRATION

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*Photo: The 56th ASEAN Economic Ministers' (AEM) Meeting. Credit: Association of Southeast Asian Nations (ASEAN)*

Amid rising economic uncertainties and geopolitical tensions, deeper economic integration has become increasingly important for the Association of Southeast Asian Nations (ASEAN). ASEAN has made notable progress in promoting regional economic integration and has achieved a relatively high level of trade liberalization. However, several challenges persist, such as the small extent of intra-regional trade, the proliferation of non-tariff barriers, and constraints in the movements of goods, services, investments,

and skilled labor. This article proposes two sets of recommendations to advance broader and deeper regional integration: (1) addressing barriers to intra-regional trade through infrastructure investment and the harmonization and simplification of policies and (2) enhancing the capacity of the ASEAN Secretariat.

## ASEAN's Policies and Progress on Economic Integration

In response to major [economic challenges](#), such as the 1997 Asian financial crisis, the emergence of regional competitors, and the rise of large trading blocs, such as the European Union (EU) and the North American Free Trade Agreement (NAFTA), ASEAN Member States opted to pursue economic integration. This economic integration [started with](#) the establishment of the ASEAN Free Trade Area (AFTA) in 1992. In 2015, ASEAN enhanced its integration by [formally establishing](#) the ASEAN Economic Community (AEC). The end [goals](#) of the AEC are to establish a single market and production base, to make Southeast Asia more competitive and attractive, and to help the region fully integrate into the global economy. The organization has also adopted the [AEC Blueprint 2025](#) to set clear implementation targets and timelines for achieving AEC goals.

Moreover, in order to promote intra-regional trade, ASEAN has initiated [many frameworks](#), such as the 2016 ASEAN Trade Facilitation Framework and the 2016 ASEAN Trade Repository. Besides, Member States signed the [ASEAN Trade in Goods Agreement](#) in 2009 to encourage the free flow of goods, the [ASEAN Agreement on the Movement of Natural Persons](#) in 2012 to facilitate people mobility, and the [ASEAN Trade in Services Agreement](#) in 2020 to eliminate most restrictions on trade in services.

Thanks to existing efforts, the organization has achieved a high level of trade liberalization at around [98.6 percent](#). In 2023, ASEAN recorded a [nominal GDP](#) of US\$3.8 trillion, making the region the fifth-largest economy in the world, following the United States, China, Germany, and Japan. [Intra-regional trade](#) constituted the largest component of ASEAN's total trade, accounting for 21.5 percent in 2023.

## Barriers to Deepening ASEAN Economic Integration

However, ASEAN's process of integration has been widely evaluated as slow, and the level of integration remains [relatively low](#) in comparison with other regions. For example, according to statistics from the United Nations Conference on Trade and Development, [intra-ASEAN trade](#) in 2019 made up 22 percent, whereas intra-EU trade and intra-Americas trade were approximately 67 percent and 46 percent, respectively. ASEAN's key [trading partners](#) are primarily outside the region, namely China, the United States, the EU, Japan, and South Korea. Given the current stagnant world trade and decreasing foreign investment, it has become more important for the organization to build its resilience by [accelerating trade between members](#).

Another problem facing the economic integration of ASEAN is the increase in non-tariff barriers. [Examples](#) of non-tariff barriers can be found in various sectors and products, such as minerals, electrical appliances, machinery, and agri-food. Non-tariff barriers take shape in [different forms](#), such as price control, limits on import volumes, and complex bureaucracy. Although many Southeast Asian states uphold non-tariff barriers to protect their domestic industries against foreign competition, non-tariff barriers can distort the markets, discourage intra-ASEAN trade, and raise costs for both producers and consumers.

In its [AEC Blueprint 2025](#), ASEAN expressed its determination to ensure “the seamless movement of goods, services, investment, capital, and skilled labor within ASEAN”. Whilst there has been a rise in the mobility of skilled labor and goods, a completely free movement is still a distant goal. Goods transported between countries in Southeast Asia still [go through](#) border inspection and customs procedures. In addition, skilled labor mobility encounters several restrictions. For instance, only a [small number](#) of occupations, such as engineering, medicine, tourism, and architecture, are under the [Mutual Recognition Agreements](#) that allow Southeast Asian workers to work abroad in another ASEAN country. Creating a free movement of skilled labor would benefit countries with greater

demand for affordable labor, such as Singapore, Malaysia, and Thailand.

When juxtaposing the case of ASEAN and EU, there is an inherent difference. [The EU](#) successfully established a single market with most trade barriers removed and the free movement of goods, services, people, and capital ensured. Meanwhile, ASEAN's level of economic integration is comparatively lower. This is mainly due to the strong emphasis on national sovereignty among ASEAN Members, as well as their differences in terms of political systems and economic growth. As a result, ASEAN is [not yet prepared](#) for pooling sovereignty and transforming into a supranational organization.

## The way forward

### *Addressing barriers to intra-regional trade*

As pointed out in the previous section, intra-ASEAN trade remains relatively low compared with other regions. An increase in [intra-regional trade](#) can lead to economic growth and sustainable development across Southeast Asia. Furthermore, it can enhance income levels and improve the quality of life of ASEAN citizens. Given these benefits, it is high time that ASEAN and its Members work together to tackle existing trade barriers and boost trade within the region.

One significant barrier is inadequate trade-related infrastructure. Hence, ASEAN members should invest more in infrastructure, such as roads, railways, ports, and bridges. Infrastructure development and enhanced transport networks are critical for connecting countries in the region and transporting goods across borders. A well-connected Southeast Asia would also attract more foreign investment and increase productivity.

Another key barrier is the inconsistency in trade policies and regulations among ASEAN Member States. To address this issue, countries need to harmonize and simplify their policies and regulations by adopting common administrative procedures, minimizing certification and licensing requirements for imports and exports, and fully implementing ASEAN agreements on the movement of goods, skilled labor, and services.

Consistent trade policies across the region would accelerate the economic integration process.

### ***Enhancing the capacity of the ASEAN Secretariat***

The ASEAN Secretariat (ASEC) has played an important role in the regional economic integration process. Specifically, the ASEC has monitored, coordinated, and enforced the implementation of measures under the AEC Blueprint. Furthermore, it has [served](#) as a policy advisor, offering recommendations and transferring knowledge to ASEAN Member States and their national leaders. Nevertheless, there are many challenges facing the ASEC. For instance, it is currently in need of more staff. Additionally, it had a limited budget of approximately [\\$20 million](#) in 2016. These constraints have adversely affected the operation and effectiveness of the ASEC.

Looking ahead, it is essential for the ASEC to expand its staffing and increase financial contributions from Member States. It should also seek additional funding from external partners, such as the Asian Development Bank. A larger and more financially stable ASEC would speed up the integration process by ensuring the effective implementation of initiatives and providing crucial support to less developed states in the region.

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