ASEAN economic integration

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From security community to economic project

ASEAN was founded on 8 August 1967 in Bangkok by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei, Vietnam, Laos, Myanmar and Cambodia joined between 1984 and 1999, followed by Timor-Leste, which became the eleventh member on 26 October 2025.[1] The political history of the organisation and Singapore's role within it are examined in Chapter F.IV. This chapter considers ASEAN from the perspective of the companies that use Singapore as a base. For them, the question is how far the organisation has created a single regional market that can be served from one office.

The economic agenda began in Singapore, where the agreement on the ASEAN Free Trade Area was signed on 28 January 1992. The free trade area operated from 1 January 1993 under the Common Effective Preferential Tariff scheme, which reduced intra-regional tariffs to between zero and five per cent. The original members were to reach zero tariffs on virtually all goods by 2010, while Cambodia, Laos, Myanmar and Vietnam received time until 2015.[2] The ASEAN Trade in Goods Agreement of 2009 consolidated the tariff commitments, the rules of origin and the provisions on customs and trade facilitation in a single instrument.[3]

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The ASEAN Economic Community

The blueprint for an ASEAN Economic Community was adopted at the summit in Singapore on 20 November 2007. After the leaders had brought the target date forward from 2020, the Community was launched on 31 December 2015.[4] Its stated aim was a single market and production base with the free flow of goods, services, investment, capital and skilled labour. In May 2025 the member states adopted the ASEAN Community Vision 2045 and an Economic Community Strategic Plan for 2026 to 2030, which keep the single market as a goal.[5]

The phrase "single market" should not be read in the European sense. ASEAN has no common external tariff, no court with power to enforce the rules against its members and no supranational authority comparable to the European Commission. Decisions are taken by consensus and implemented through national law. Integration has advanced furthest in the trade in goods, where tariffs have largely disappeared. It has advanced more slowly in services, investment and the movement of people, where national restrictions remain the rule.

Goods, services and people

For goods, the decisive instrument is the rule of origin. A product qualifies for the preferential rate when it has at least 40 per cent regional content, measured against its free-on-board value, with content from several member states counted together.[6] The ASEAN Single Window allows customs data to be submitted once and exchanged among the authorities of the member states. For a regional headquarters that manages supply chains across several countries, these instruments matter more than any declaration of intent, because they determine the cost of moving components and finished products within the region.

Services have been liberalised through the ASEAN Framework Agreement on Services, adopted in Bangkok in December 1995, under which the member states negotiated successive packages of commitments.[7] Mutual recognition arrangements cover eight professions, from engineers and accountants to nurses and tourism professionals. Their practical effect has been limited, because national licensing

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requirements, language tests and work permit regimes continue to apply. A Singapore engineer who wishes to practise in Indonesia still needs Indonesian authorisation. A bank licensed in Singapore still needs a separate licence in each country, as the regional strategies of the Singapore banks show.

The limits of integration

The economic weight of the region has grown considerably. ASEAN had a population of about 683 million in 2023 and a nominal output estimated at about US$4.5 trillion in 2026.[8] The Economic Development Board expects the region to become the fourth-largest economy in the world by 2030.[9] Trade among the members has nevertheless remained modest in relation to their trade with the rest of the world. Intra-regional trade has been estimated at about a fifth of the members' total trade, with about four fifths conducted with countries outside ASEAN.[10]

The figure explains why the regional headquarters in Singapore usually manage two flows at once. One flow runs within the region, between factories, warehouses and markets in different member states. The other runs between the region and the rest of the world, in particular China, the United States, Japan and Europe. ASEAN's external agreements therefore matter as much as its internal ones. The Regional Comprehensive Economic Partnership, signed on 15 November 2020 and in force for Singapore since 1 January 2022, links the ASEAN states with China, Japan, South Korea, Australia and New Zealand.[11] Chapter F.IV describes this agreement and the Trans-Pacific partnership in the context of Singapore's trade diplomacy.

Investment flows into the region

Foreign direct investment in Southeast Asia has reached unprecedented levels in the 2020s. The ASEAN Investment Report published in October 2024 put inflows for 2023 at a record US$230 billion. The edition of October 2025 reported that inflows for 2024 had risen by 8 per cent to US$226 billion. An increase of 8 per cent to that level implies that the figure for 2023 had been revised down to about US$210 billion.[12] The difference between the two reports illustrates a general caution. Investment statistics for the region are revised frequently, while a large share of the

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recorded flows passes through Singapore on its way to other member states. Singapore appears in these statistics both as a destination and as a source. Over the past decade Singapore has consistently been Indonesia's largest foreign investor, a position that partly reflects investment by groups from third countries through their Singapore holding companies.[13] The same applies to Malaysia, where Singapore has been one of the main sources of investment in the Iskandar region of Johor.[14] The relationship with the two neighbours is examined in Chapter I.IV.

Payments and digital connectivity

A regional market also needs regional payment systems. On 29 April 2021 the Monetary Authority of Singapore and the Bank of Thailand linked Singapore's PayNow with Thailand's PromptPay. The two central banks described it as the first linkage of its kind in the world, allowing customers to send up to S$1,000 or 25,000 baht a day using only the recipient's mobile number.[15] Similar links with other member states followed. For a regional business, such links reduce the cost of small payments to suppliers, staff and customers across borders. They also extend into the region the payment infrastructure that Singapore's regulators supervise.

The digital economy is a further field of integration. The Economic Development Board estimates the potential value of the region's digital economy at S$2.7 trillion by 2030 and counts more than 400 million internet users.[16] ASEAN has negotiated a Digital Economy Framework Agreement to harmonise rules on electronic commerce, data flows and digital payments.[17] Singapore companies have been among the main beneficiaries of this growth. Grab, founded in Kuala Lumpur in June 2012 as MyTeksi, now has its headquarters in Singapore and operates in eight Southeast Asian countries.[18] Sea Limited, founded in Singapore in 2009 as Garena, runs Shopee, which it describes as the largest e-commerce platform in Southeast Asia and Taiwan.[19]

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Notes

1. Wikipedia, "ASEAN" (accessed November 2026): ASEAN Declaration signed on 8 August 1967 at Saranrom Palace, Bangkok, by Indonesia, Malaysia, the Philippines, Singapore and Thailand; accession of Brunei (7 January 1984), Vietnam (28 July 1995), Laos and Myanmar (23 July 1997), Cambodia (30 April 1999) and Timor-Leste (26 October 2025). ↩
2. Wikipedia, "ASEAN Free Trade Area" (accessed November 2026): Common Effective Preferential Tariff scheme of 1992 reducing intra-ASEAN tariffs to 0–5 per cent; "zero tariff rates on virtually all imports by 2010 for the original signatories" and for Cambodia, Laos, Myanmar and Vietnam by 2015; Wikipedia, "ASEAN" (accessed November 2026): AFTA agreement signed in Singapore on 28 January 1992, free trade area from 1 January 1993. ↩
3. ASEAN Trade in Goods Agreement, signed at Cha-am, Thailand, on 26 February 2009, in force on 17 May 2010. ↩
4. Wikipedia, "ASEAN" (accessed November 2026): AEC blueprint adopted on 20 November 2007 at the 13th ASEAN Summit in Singapore; community accelerated to begin by 31 December 2015; Wikipedia, "ASEAN Economic Community" (accessed November 2026): progress tracked through an AEC Scorecard modelled on the EU Internal Market Scorecard. ↩
5. Wikipedia, "ASEAN" (accessed November 2026): in May 2025 ASEAN adopted a Community Vision 2045 and an AEC Strategic Plan for 2026–2030, "maintaining a single market as a goal". ↩
6. Wikipedia, "ASEAN Free Trade Area" (accessed November 2026): goods must have at least 40 per cent ASEAN content measured against FOB value, with cumulation across members; exporters need a "Form D" certificate; the ASEAN Single Window aims to allow traders to submit information electronically once for sharing among customs authorities. ↩
7. Wikipedia, "ASEAN" (accessed November 2026): ASEAN Framework Agreement on Services adopted at the Bangkok summit in December 1995, followed by successive packages of commitments; mutual recognition

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agreements for eight professions (physicians, dentists, nurses, architects, engineers, accountants, surveyors and tourism professionals), under which individuals in these professions would be free to work in any ASEAN state from 31 December 2015. ↩

8. Wikipedia, "ASEAN" (accessed November 2026), infobox: population 683,290,000 (2023 estimate); GDP US$4.51 trillion nominal (2026 estimate). ↩
9. Singapore Economic Development Board, "A SEA of Opportunities: Understanding Southeast Asia" (edb.gov.sg, last updated 6 November 2026): Southeast Asia "set to become the world's 4th largest economy by 2030"; Singapore described as the "gateway into SEA". ↩
10. Wikipedia, "ASEAN" (accessed November 2026): "Member states currently trade more with other countries (80%) than among themselves (20%)". ↩
11. Wikipedia, "Regional Comprehensive Economic Partnership" (accessed November 2026): signed on 15 November 2020 at a virtual ASEAN Summit; in force on 1 January 2022; Singapore ratified on 9 April 2021; members account for about 30 per cent of world population (2.2 billion) and about 30 per cent of global GDP. ↩
12. UNCTAD, "ASEAN Investment Report 2024: ASEAN Economic Community 2025 and Foreign Direct Investment", publication page of 9 October 2024 (unctad.org, accessed November 2026): "FDI inflows to ASEAN reached a record $230 billion in 2023"; UNCTAD, "ASEAN Investment Report 2025: Foreign direct investment and supply chain development", publication page of 25 October 2025 (unctad.org, accessed November 2026): FDI inflows "rose by 8 per cent to $226 billion". The publication page does not name the year. Each edition reports the preceding year, as the 2024 edition shows for 2023, so the figure refers to 2024. The revised figure for 2023 is a calculation by the author. ↩
13. Wikipedia, "Indonesia–Singapore relations" (accessed November 2026): "In the past decade, Singapore has consistently been Indonesia's top foreign investor." ↩

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14. Wikipedia, “Malaysia–Singapore relations” (accessed November 2026): “Singapore is consistently one of the top sources of foreign direct investments into Iskandar Malaysia”; the Johor Bahru–Singapore Rapid Transit System Link is “scheduled to open in 2026”. ↩
15. Monetary Authority of Singapore, “Singapore and Thailand Launch World's First Linkage of Real-time Payment Systems”, media release, 29 April 2021 (mas.gov.sg, accessed November 2026): linkage of PayNow and PromptPay; transfer limit of S$1,000 or THB 25,000 per day; transfers using a mobile number within minutes; described as “The first of its kind globally” and as part of ASEAN payment connectivity. ↩
16. Singapore Economic Development Board, “Scale across Southeast Asia”, op. cit.: “over 400 million internet users”; potential digital economy value of “S$2.7 trillion” by 2030. ↩
17. ASEAN Digital Economy Framework Agreement: negotiations launched in September 2023. ↩
18. Wikipedia, “Grab Holdings” (accessed November 2026): founded in June 2012 as MyTeksi in Kuala Lumpur; headquarters at 3 Media Close, one-north, Singapore; operations in Singapore, Malaysia, Cambodia, Indonesia, Myanmar, the Philippines, Thailand and Vietnam; listed on Nasdaq in December 2021 through a merger with Altimeter Growth Corp. ↩
19. Wikipedia, “Sea Limited” (accessed November 2026): founded in 2009 as Garena in Singapore, renamed Sea Ltd in 2017; listed on the New York Stock Exchange in 2017; Shopee described as “the largest e-commerce platform in Southeast Asia and Taiwan”, serving Singapore, Malaysia, Thailand, the Philippines, Vietnam and Indonesia. ↩

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