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**ASEAN**  
BUSINESS ADVISORY COUNCIL

# ***Partnership for Prosperity***

*Business Priorities for OECD-Southeast Asia  
Economic Cooperation*



**Established in 1962, *Business at OECD* (BIAC) is the officially recognized institutional business stakeholder at the OECD. We stand for policies that enable businesses of all sizes to contribute to economic growth, sustainable development, and societal prosperity.**

**Through *Business at OECD*, national business and employers' federations representing over 10 million companies provide perspectives to cutting-edge OECD policy debates that shape market-based economies and impact global governance. Our expertise is enriched by the contributions of a wide range of international sector organizations.**

**Established by the ASEAN Heads of State and Government at the 7<sup>th</sup> ASEAN Summit in November 2001 and launched in April 2003. Its mandate is to provide private sector feedback and guidance to boost ASEAN's efforts towards economic integration.**

**Its primary activities are focused on reviewing and identifying issues to facilitate and promote economic cooperation and integration. It submits its priority recommendations to the annual ASEAN Leaders Summit as well as the ASEAN Economic Ministers, ASEAN Finance Ministers and Central Bank Governors, and other Ministerial level meetings.**

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# Introduction

Southeast Asia stands at the forefront of global economic dynamism, as its emerging economies are reshaping trade and investment patterns at an unprecedented pace. With its rapidly expanding middle class, deepening regional integration and an evolving digital landscape, the region presents immense opportunities for entrepreneurs, business and private sector-led initiatives – whether domestic or from abroad.

Yet, geopolitical tensions and the growing trend of de-globalization pose serious risks to the regional progress enabled by the rules-based international economic order. While economic nationalism, state interventionism and protectionist policies are on the rise, one issue becomes increasingly clear: securing economic prosperity requires mutually beneficial partnerships.

Economies thrive when businesses operate in conditions of certainty and stability. Foremost, this requires steadfast government commitments to cross-border trade and investment, international regulatory coherence, a level playing field and an environment conducive to private sector-led growth. As the champion of open, fair and competitive markets, the OECD plays a key role to unlock mutually beneficial relationships that underpin the rules-based economic order.

For decades, the Organization's standards, principles and good practices for the governance of markets have provided reliable guardrails for business transactions at home and across borders. By enhancing its engagement with Southeast Asia, the OECD can effectively reinforce trade resilience, accelerate investment flows, and support the region to deliver against its full sustainable economic growth potential in the future.

As the real economy is the lynchpin of global well-being, enabler of mutual benefit and the essence of connectivity, business must be at the core of these efforts. To unlock the full potential of economic cooperation between OECD economies and Southeast Asia, policies must be designed in close partnership with the private sector.

In this context, we, *Business at OECD* and the ASEAN-Business Advisory Council look forward to actively contributing to the *2025 OECD Southeast Asia Regional Forum*. This paper presents five cross-cutting business priorities that should guide OECD-Southeast Asia economic cooperation to focus on:

- **Advancing Rules-Based Trade & Investment Flows,**
- **Enhancing Supply Chain Resilience & Diversification,**
- **Securing Investment in Sustainable Infrastructure,**
- **Unlocking the Potential of Innovation, Digital & AI, and**
- **Promoting Fair Competition & a Level Playing Field.**

Through a business-driven approach, these priorities seek to strengthen competitiveness, create an enabling trade environment, and drive long-term prosperity. At a time of growing geopolitical frictions and shifting global dynamics, the renewed commitment to business-led growth and competitive markets must be a shared imperative for the OECD and Southeast Asian countries alike.

# The Case for Stronger OECD-Southeast Asia Economic Cooperation

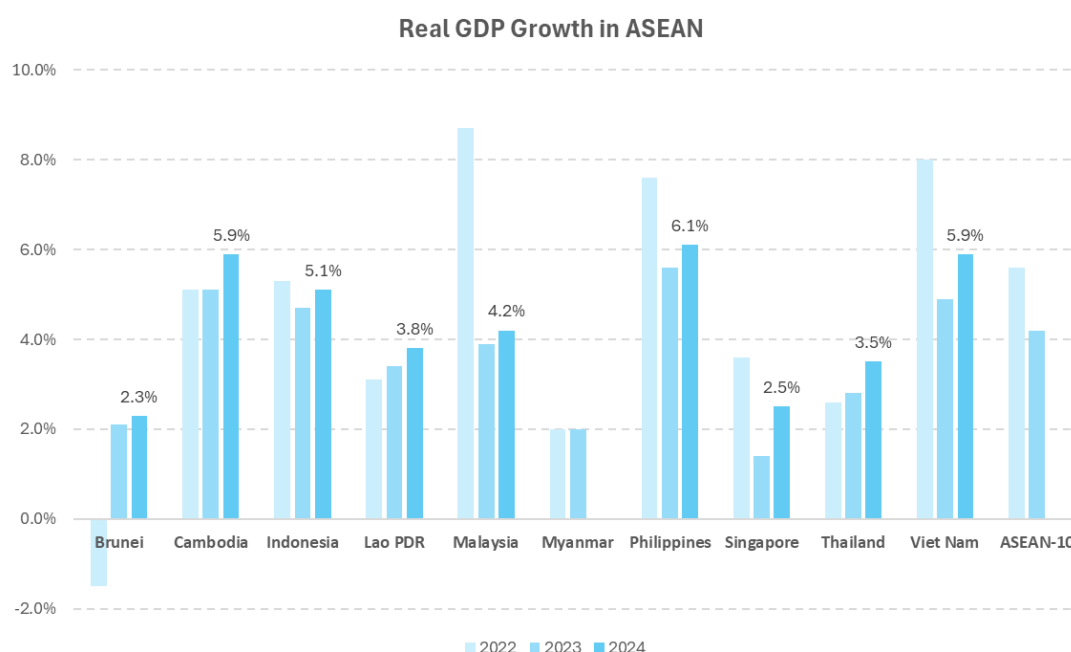
Over recent years, Southeast Asian economies have generally demonstrated remarkable economic resilience, with an increasing commitment to trade openness, regional integration, and investment-friendly policies. The region's involvement in major trade and investment agreements reflects countries' commitment to multilateralism and economic connectivity.

However, serious challenges remain: Many domestic and foreign businesses continue to face trade barriers, supply chain disruptions, regulatory fragmentation, and digital transformation and infrastructure investment gaps. OECD cooperation with Southeast Asia should focus on creating a predictable and transparent policy environment that enables businesses to operate efficiently, scale their operations, drive innovation and invest.

This is also underlined by key OECD analysis:

***Southeast Asian economies show resilience, but this needs to be underpinned by a robust commitment to rules-based trade and investment.***

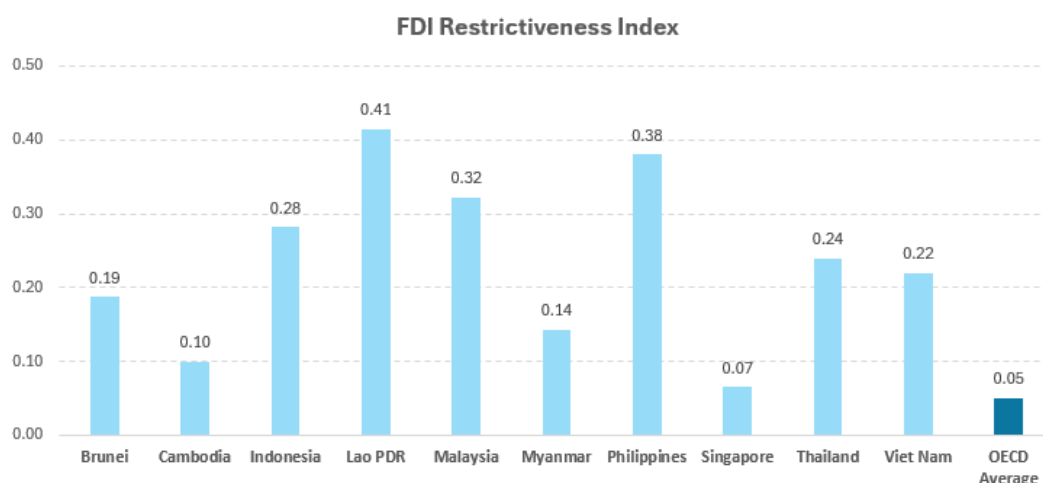
Southeast Asian economies have shown economic resilience through a series of global challenges, notably the impact of the global pandemic as well as conflict, supply chain disruptions and an economic slowdown. ASEAN countries' real GDP is projected to grow up to 4.7% by the end of 2024, following strong recovery from the economic shocks caused by the COVID-19 pandemic. Still, major challenges remain and require addressing risks linked to geopolitical uncertainties and disruption of global supply chains.



Data: Real GDP growth in ASEAN, China and India, 2022-24 in percentage, Economic Outlook for Southeast Asia, China and India 2023 – Update

***While Southeast Asia is improving its investment climate, upward potential remains.***

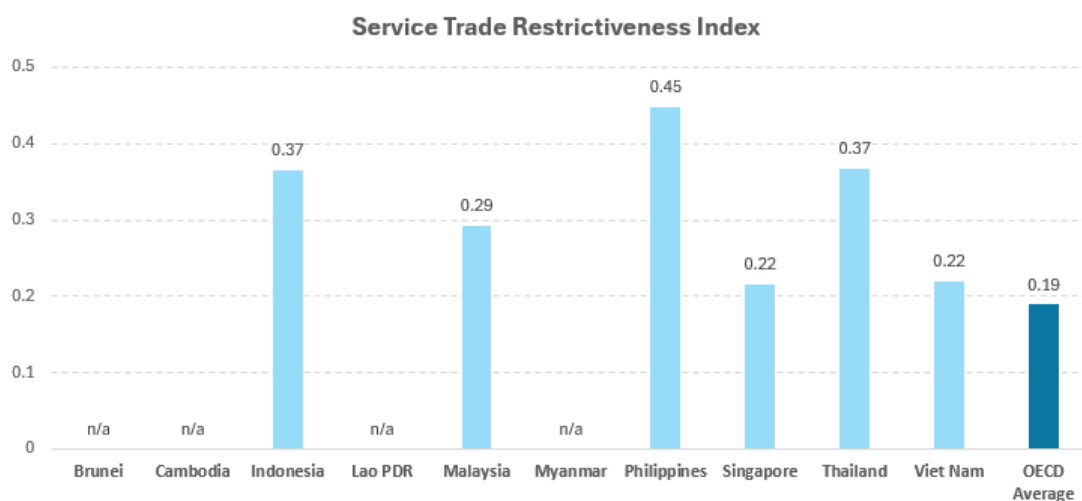
The OECD FDI Regulatory Restrictiveness Index indicates that – although many countries in the region have steadily easing restrictions on FDI and enhancing their regulatory frameworks to attract investment - the majority of Southeast Asian countries remain significantly above OECD average restrictiveness. The OECD suggests that a 10% improvement in the Index score could result in a 2% increase in inward FDI stock. Lowering FDI restrictions, while fostering a business environment conducive to higher-quality investments, is essential for promoting more sustainable, inclusive, and environmentally friendly development.



Data: OECD FDI Regulatory Restrictiveness Index -Score (2023)

***As trade and investment go hand in hand, reducing trade restrictions can provide further momentum for economic growth.***

Additionally, the OECD Services Trade Restrictiveness Index quantifies policy restrictions that affect trade in services. Improvements in the Index—meaning fewer restrictions—can lead to increased services trade volumes, higher foreign direct investment, productivity gains, and lower prices with improved service quality.



Data: OECD Service Trade Restrictiveness Index for total services

# Five Business Priorities for Enhanced Economic Cooperation

## I. Advancing Rules-Based Trade & Investment Flows

Trade liberalization and open markets remain the bedrock of economic growth and prosperity. Cross-border business benefits from reduction of trade barriers, streamlining of regulatory processes, and improvement of predictable investment climate. To strengthen OECD-Southeast Asia cooperation, policymakers must prioritize the elimination of tariff and non-tariff barriers that restrict market access.

Trade facilitation measures should be reinforced to ensure smoother cross-border transactions, including reduction of unnecessary administrative burdens, integration of digital technologies to enhance efficiency and transparency, and harmonization of customs procedures. Additionally, services trade can play a win-win role in providing employment opportunities while addressing labor shortages in OECD countries. Policies that enable labor mobility and mutual recognition of skills/qualifications across borders will enhance workforce capacity and drive economic growth.

The OECD should further support Southeast Asian economies in attracting higher-value, sustainable investment that contributes to long-term development. This requires strengthening investment protection mechanisms, improving dispute resolution frameworks, and enhancing investment promotion strategies. Encouraging foreign direct investment (FDI) in high-growth sectors such as low-emission energy, digital infrastructure, and advanced manufacturing will further bolster economic resilience and competitiveness.

### Business Recommendations for OECD - Southeast Asia Economic Cooperation

- **Eliminate trade barriers and streamline regulatory frameworks to facilitate the movement of goods, services, and capital.**
- **Enhance investment protection mechanisms and dispute resolution frameworks to ensure a stable and predictable business environment.**
- **Promote services trade and mutual recognition of skills/qualifications policies to provide employment opportunities while addressing labor shortages in OECD countries.**

## II. Enhancing Supply Chain Resilience & Diversification

Over the past 5 years, the global pandemic, increasing geopolitical tensions, and other external shocks have brought the need to strengthen supply chain resilience. In the OECD as well as Southeast Asian countries, governments should work closely with the private sector to enable more resilience, but must not attempt to control supply chains.

It is a priority for business to ensure more resilient supply chains by better anticipating, earlier preparing and faster adapting their operations in light of a changing risk landscape. As the needs and risk profiles for each economic sector and even individual companies are different, it is clear that supply chain resilience cannot take a one-size-fits-all, top-down and politically driven approach.

We are highly concerned about calls to re-shore global value chains, localize production and decouple our economies. More diversification- and not less- increases the scope for businesses to cushion supply chain shocks, including domestic ones. To this end, Business at OECD will continue to work with the OECD to help define, identify, and reduce excessive unilateral dependencies in selected sectors.

Securing access to critical minerals and raw materials is vital for industries such as manufacturing, electronics, and renewable energy. OECD countries and Southeast Asian economies should cooperate to ensure sustainable and reliable sourcing of these essential resources.

For our economies at large, investment in alternative infrastructure, logistics, and connectivity is essential to improving trade resilience. Governments should work closely with businesses to identify and address bottlenecks in transportation networks, ports, and digital trade infrastructure.

### **Business Recommendations for OECD - Southeast Asia Economic Cooperation**

- **Enhance public-private partnerships to foster supply chain resilience and improve regulatory predictability.**
- **Support investment in alternative infrastructures and logistics to improve trade resilience and address bottlenecks in supply chains.**
- **Ensure secure and sustainable access to critical minerals and raw materials essential for manufacturing and the energy transition.**



### III. Securing Investment in Sustainable Infrastructure

Modern, efficient infrastructure is a cornerstone of economic growth and regional connectivity. Expanding and upgrading infrastructure is critical for maintaining Southeast Asia's competitiveness and facilitating cross-border trade and attracting foreign investment. However, infrastructure gaps remain a major constraint, contributing to congestion, inefficiencies, and higher operational costs for businesses.

OECD-Southeast Asia cooperation should focus on strengthening infrastructure investment frameworks. This includes reducing bureaucratic hurdles, and leveraging private sector expertise through public-private partnerships (PPPs) to ensure long-term, sustainable infrastructure development. The use of blended finance, combining public funding and private capital, should be emphasized as a key enabler for greater investments.

Digital infrastructure also plays a vital role in enhancing economic resilience. With rapid digitalization reshaping industries, investments in high-speed internet, data centers, and smart logistics solutions must be accelerated to enable businesses—particularly SMEs—to integrate into global value chains. Aligning regulatory approaches to digital infrastructure and interoperability across borders will further unlock economic potential and improve the business enabling environment. Additionally, the need for protection from cyber threats, which have materialized in recent years, requires companies to make significant invest in IT systems and competencies.

Investment in transport and logistics must prioritize efficiency and sustainability. Ensuring that infrastructure projects are designed with resilience in mind will help mitigate risks from climate events, geopolitical tensions, and supply chain disruptions. This, in turn, will make Southeast Asia's trade networks more adaptable and competitive.

Energy security remains an essential pillar of infrastructure investment. Businesses require stable, cost-effective energy sources to operate efficiently, expand production, and drive innovation. Southeast Asia and the OECD should enhance regional cooperation on diversifying energy sources, investing in grid modernization, and developing alternative energy solutions.

#### **Business Recommendations for OECD - Southeast Asia Economic Cooperation:**

- **Streamline regulatory frameworks and promote public-private partnerships (PPPs) to encourage long-term infrastructure investment and remove barriers to project implementation.**
- **Accelerate investment in sustainable transport, digitalization, and logistics infrastructure to enhance economic connectivity and reduce operational inefficiencies.**
- **Enhance regional energy security cooperation through diversification of supply sources, grid modernization, and cross-border energy trade agreements.**

## IV. Unlocking the Potential of Innovation, Digital & AI

Innovation is a key driver of long-term economic growth, fostering competitiveness, job creation, and technological advancement. To unlock the full potential of innovation, OECD-Southeast Asia cooperation should be guided by strong principles that promote an open and fair environment for businesses to develop and commercialize new ideas.

Ensuring robust intellectual property (IP) protection is essential to incentivize research and development while preventing unfair competition. Strengthening regulatory coherence on IP rights, timely IP registration, technology transfer, and innovation-friendly policies will help create a dynamic ecosystem that supports both startups and established enterprises.

Digital trade is a powerful driver of economic growth, enabling businesses of all sizes to expand their market reach and operate more efficiently. However, regulatory fragmentation and barriers to data flows continue to limit digital trade opportunities. OECD-Southeast Asia cooperation should prioritize policies that promote open and secure cross-border data flows while ensuring robust privacy and cybersecurity standards.

The WTO e-commerce moratorium has been a key factor in preventing digital trade fragmentation. OECD members should work with Southeast Asian economies to advocate for its permanent extension to ensure a stable and predictable environment for digital transactions. Additionally, strengthening the digital economy will require coherence of digital regulations, enhancing interoperability, and increasing investments in AI, blockchain, and digital infrastructure.<sup>1</sup>

Artificial intelligence (AI) is transforming industries and redefining how businesses operate. OECD-Southeast Asia collaboration should focus on creating an enabling policy environment for AI adoption while ensuring ethical use, transparency, and security. Promoting interoperable AI governance frameworks, fostering responsible AI innovation, and strengthening AI skills development will help businesses harness the benefits of AI while mitigating potential risks.

### **Business Recommendations for OECD - Southeast Asia Economic Cooperation:**

- **Ensure effective intellectual property protections and innovation-friendly policies to encourage investment in research and development.**
- **Promote open and secure cross-border data flows while ensuring robust privacy and cybersecurity standards.**
- **Adopt a common framework for responsible AI adoption and governance to support innovation while addressing ethical considerations.**

<sup>1</sup> We welcome the excellent work being by the ASEAN Secretariat on the 'Digital Economy Framework Agreement' (DEFA), as we hope this agreement to be substantively concluded by November 2025 and to be transformative for facilitating a regional digital environment and cross-border data flows, cross-border payments etc.

## V. Promoting Fair Competition & a Level Playing Field

A level playing field is fundamental to fostering open, fair and competitive markets. Businesses operating in Southeast Asia continue to face challenges related to state-owned enterprises, industrial subsidies, and protectionist policies that distort competition. Ensuring that trade and investment policies uphold fair market principles is essential to sustaining investor confidence and economic stability.

Further, governments should work together to enhance transparency in government procurement processes, ensuring equal opportunities for all businesses. Strengthening dispute resolution mechanisms and reinforcing international commitments to fair competition will help prevent market distortions and trade disputes.

OECD-Southeast Asia cooperation should also support responsible business practices and good governance. Aligning corporate sustainability reporting requirements and reinforcing anti-corruption measures can contribute to a business environment that is fair, predictable, and conducive to growth.

### **Business Recommendations for OECD - Southeast Asia Economic Cooperation:**

- **Address market distortions caused by state-owned enterprises and industrial subsidies to ensure a level playing field for all businesses.**
- **Enhance transparency and fairness in government procurement processes to foster competitive market conditions.**
- **Strengthen trade and investment dispute resolution mechanisms to prevent protectionist policies and safeguard investor confidence.**

# OECD Accession: A Strong Signal for Business

As the enlargement of the OECD can broaden the reach of established OECD standards, principles and good practices for the governance of market economies, we applaud the governments of Indonesia and Thailand for having formally engaged in the OECD accession process since 2024.

The OECD accession process implies a transformative, in-depth, multi-year opportunity for Indonesia and Thailand to enhance their international standing and raise the bar for economic and social governance. The private sector sees OECD enlargement as a critical opportunity, and *Business at OECD* stands ready to support a robust OECD accession process with indispensable on-the-ground insights.

For the business community operating in and with Indonesia and Thailand, the OECD accession process should result in tangible, long-term benefits, including;

- stronger economic growth;
- more trade and foreign investment;
- closer regulatory alignment and harmonization;
- better performing government services;
- higher financial stability and lower borrowing costs; and
- a more active, educated and healthy workforce.

As each accession candidate presents a different case, we underline that a thorough assessment of the current economic and legal environment – and particularly the commitment to open markets and rules-based economies – is critical.

The ability, capacity, willingness and responsibility of accession candidates to fully implement all OECD instruments and principles must be ensured. To support this process, all technical accession reviews must be adequately resourced. Trusted long-term alignment with OECD standards must take priority over considerations.

With strong political will, sustained reform efforts, and close engagement with the private sector, Indonesia and Thailand have a unique opportunity to position themselves as regional champions of open markets, regulatory best practices, and sustainable economic growth.



# Conclusion & Call to Action

Strengthening OECD-Southeast Asia economic ties is crucial for long-term prosperity through partnership. The key to success lies in business-driven policies that enhance trade, investment, and energy cooperation:

- **Advancing Rules-Based Trade & Investment Flows:** Open markets and streamlining of regulations are essential. Partnership between the OECD and Southeast Asia should focus on eliminating barriers and creating a predictable business environment that fosters growth.
- **Enhancing Supply Chain Resilience & Diversification:** As global supply chains are confronted with an ever-changing risk scenario, public-private partnerships are key to increase diversification options. The OECD and Southeast Asia should intensify their dialogue in this area.
- **Securing Investment in Sustainable Infrastructure:** Modern infrastructure is the backbone of economic development. By leveraging private sector expertise and promoting public-private partnerships, OECD-Southeast Asia cooperation can foster high, sustainable and long-term economic growth.
- **Unlocking the Potential of Innovation, Digital & AI:** Innovation is a key driver of growth. OECD and Southeast Asia collaboration should be instrumental for protecting intellectual property, promoting secure data flows, and adopting responsible AI frameworks that keep economies competitive.
- **Promoting Fair Competition & a Level Playing Field:** Fair competition is fundamental to open markets. Addressing market distortions caused by state-owned enterprises and industrial subsidies, enhancing transparency in government procurement processes, and strengthening dispute resolution mechanisms should foster competitive market conditions in OECD and Southeast Asian countries alike.

*Business at OECD* and the ASEAN Business Advisory Council are committed to working with the OECD and Southeast Asian economies to advocate for policies that support open markets, resilient supply chains, digital transformation, sustainability, and fair competition. Strengthening economic partnership will create opportunities for businesses, workers, and societies, and drive shared prosperity for the future.




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