

**Report of Network of ASEAN–China Think-tanks  
(NACT) Working Group Meeting**  
*ASEAN-China Collaboration on Industrial and Supply  
Chains*

Co-drafted by NACT China and NACT Viet Nam

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## **I. INTRODUCTION**

1. The global economy is facing significant challenges including increasing fragmentation, the threats of climate change and environmental degradation, and the disruptive force of emerging technologies. Despite these headwinds, ASEAN countries and China have cultivated a deeper industrial and supply chain interconnectedness over the past two decades. Trade and investment between the two regions have expanded rapidly, propelled by the ASEAN-China Free Trade Area (ACFTA) and the Regional Comprehensive Economic Partnership (RCEP). The ASEAN-China Joint Statement on Mutually Beneficial Cooperation on the ASEAN Outlook on the Indo-Pacific underscores the shared commitment to further strengthening connectivity and collaboration.

2. As ASEAN and China navigate the evolving global landscape, their partnership is uniquely positioned to capitalize on emerging opportunities. By leveraging complementary economies, a burgeoning middle class, and the growing demand for sustainable and innovative solutions, both sides can accelerate economic growth, foster regional development, and collectively address global economic challenges.

3. NACT China and NACT Vietnam co-hosted a Working Group (WG) meeting on ASEAN-China Collaboration on Industrial and Supply Chains on 6 July 2024 in Da Nang, Vietnam. Researchers from nine ASEAN NACT member countries, along with NACT China and the ASEAN Secretariat, participated and presented their initial findings relevant to the topic. The meeting aims at sharing each country's experiences and formulating potential recommendations for future ASEAN-China collaboration on industrial and supply chains.

4. The objectives of the WG meeting are as follows: (1) to analyse global shifts in industrial and supply chain dynamics and assess their implications for ASEAN countries and China; (2) to exchange insights on successful industrial and supply chain collaborations within the region, and to derive lessons from these exemplary practices; and (3) to identify sectors where enhanced collaboration between ASEAN and China

could be mutually beneficial in the realms of industrial and supply chain management.

5. ASEAN NACT countries and NACT China exchanged views on the driving forces reshaping global industrial and supply chains, analyzing their implications for manufacturing and economies. Participants delved into challenges, opportunities, and collaborative strategies for navigating shifting global trade patterns, strengthening supply chain resilience, and harnessing technological advancements. Their perspectives converged around three primary themes:

- First, strengthening connectivity, not only limited to physical infrastructure such as roads, railways, seaports, etc., but also including digital and institutional, people to people connectivity. This will facilitate the flow of trade, investment, and tourism among countries, promoting deeper economic integration in the region.
- Second, prioritizing clean and sustainable technologies to meet the urgent needs of environmental protection and climate change response, enhancing the resilience of supply chain, while creating new opportunities for industrial development and innovation.
- Third, promoting capacity building and technology transfer to support ASEAN countries to advance to higher positions in

the supply chain value ladder. This is considered a key to narrowing the development gap, ensuring inclusiveness, and enhancing the region's competitiveness.

## **II. POLICY RECOMMENDATIONS**

**1. Maximise the utilisation of existing mechanisms, such as the ASEAN-China Free Trade Agreement (ACFTA), the Regional Comprehensive Economic Partnership (RCEP), and the China-led Belt and Road Initiative, and it is imperative that ASEAN and China achieve greater alignment of their priorities and agendas.** This is particularly critical in view of ASEAN's forthcoming launch of the ASEAN Community Vision 2045 and the AEC Strategic Plan 2026-2030.

**2. Continue negotiations to upgrade the ASEAN-China Free Trade Area (ACFTA 3.0) to cover new areas such as digital economy, green economy, and supply chain connectivity.** Align these frameworks with Sustainable Development Goal (SDG) 9 to promote inclusive and sustainable industrialization and foster innovation.

**3. Improve infrastructure and connectivity between ASEAN countries and between ASEAN countries and China to facilitate trade and investment flows.** Enhance logistical

capabilities and industrial zones collaboration. Prioritize the improvement of infrastructure to support local enterprises and attract foreign investments. Further harmonise trade policies and regulations to reduce barriers and facilitate smoother economic integration within ASEAN and with China.

**4. Ensure sustainable practices, especially in resource extraction and management.** Focus on the adoption of green technologies and sustainable practices to enhance competitiveness and minimize environmental impact. Collaborate on joint R&D and skills training while adopting green standards and incentivizing eco-friendly investments.

**5. Encourage investments in technologies like Artificial Intelligence (AI), Internet of Things (IoT), electric vehicles, and automation to improve supply chain resilience and efficiency.** Establish partnerships to share technological knowledge and capabilities. Invest in digital infrastructure and cloud computing to support the growth of the digital economy and improve supply chain efficiency.

**6. Facilitate capacity-building initiatives such as technology transfer and skill development programs to empower lesser-developed countries and integrate them into regional economic activities.** Foster conditions that attract investments

and support local businesses. Enhance global value chain participation through shared manufacturing and leveraging regional strengths.

**7. Address social and economic inequality by implementing inclusive policies that mitigate income inequality and enhance social welfare.** Implement targeted poverty alleviation programs and skills development initiatives to uplift marginalized communities.

**8. Enhance Least Developed Countries' (LDCs) Participation in Global Supply Chains.** Encourage LDCs to participate as second and third-tier suppliers in Global Value Chains (GVCs), providing a practical pathway for these nations to upgrade their industries and boost productivity. Implement mechanisms such as information sharing, capacity building, cluster-based development policies, and technology transfer to enable effective LDC participation. Establish special regional mechanisms to provide targeted support, incentives, and capacity-building measures for LDCs, aiming to bridge the development gap and ensure equitable sharing of economic integration benefits.