

ASEAN Industrial Projects Based Initiative (AIPBI) Framework

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1. Context and Background

Industrial cooperation is pivotal for ASEAN's global economic competitiveness, especially as economies worldwide intensify efforts to advance their industrial capabilities amidst shifting geopolitical and geoeconomic landscapes. Rapid changes in global value chains (GVCs), driven by evolving trade flows, technological innovation, and sustainability imperatives, demand a unified and strategic regional response. In this environment, ASEAN must capitalise on its collective strengths to remain a competitive force on the global stage. By fostering industrial collaboration, ASEAN Member States can strengthen their positions within GVCs and enhance regional resilience and innovation, ensuring their relevance in a rapidly transforming global economy.

The growing interest amongst economies to scale up industrial capabilities highlights the urgency for ASEAN to deepen its cooperation. Whilst ASEAN has made efforts in the past – such as through the ASEAN Industrial Projects (AIP),¹ ASEAN Industrial Cooperation (AIC),² ASEAN Industrial Joint Ventures (AIJV)³ in the 1970s, Brand-to-Brand Complementation (BBC)⁴ in the late 1980s, as well as the Priority Integration Sectors (PIS) in the 2000s – challenges persist in achieving seamless multi-country industrial integration. The limited success of these initiatives highlights the critical need for stronger alignment of national priorities, greater private sector involvement, and more coordinated policies to develop globally competitive industrial champions in the region.

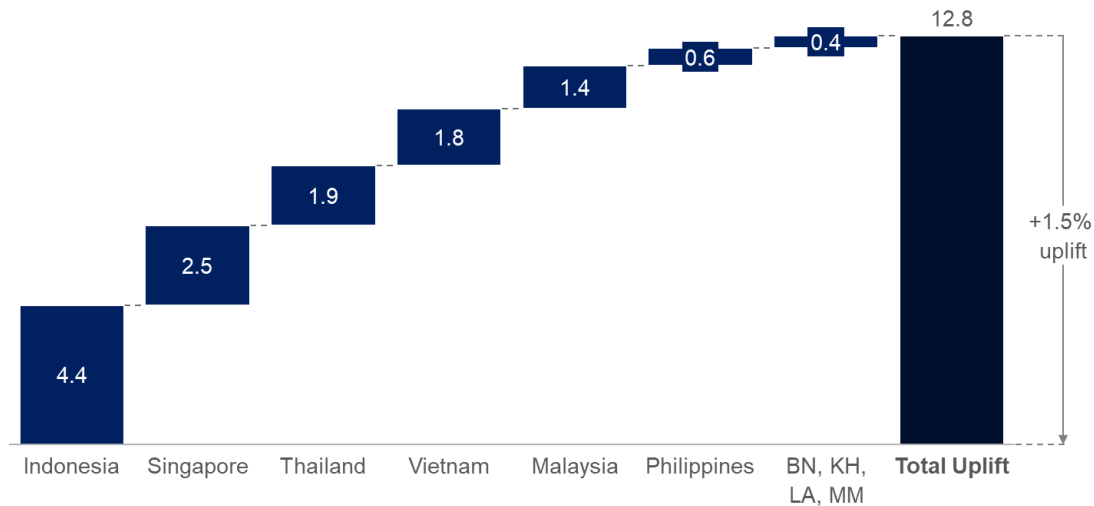
¹ Launched in 1976, the AIP aimed to establish large-scale regional industrial projects that would meet the basic needs of the region and ensure more efficient use of the region's resources. The AIP resulted in the establishment of the ASEAN-Acheh Fertilizer and ASEAN-Bintulu Fertilizer Plants. For further information see, *inter alia*, https://www.asean.or.id/history/asn_eco2.htm.

² The AIC and later the BBC, each launched in 1981 and 1988 respectively, were launched with the automotive sector in mind. They were designed to promote industrial complementation between companies operating in the region. The BBC Scheme, an offshoot of the AIC, was concerned with the production and exchange of automotive parts and components to facilitate horizontal specialisation in the production of these products in the region. The Schemes encouraged automotive brand owners to exploit economies of scale of production through rationalisation and specialisation of automotive production units by allowing exchange of approved automotive parts and components for specific automotive brand model. These automotive parts and components were granted 50 per cent Margin of Preference (MOP) of the prevailing MFN rate by the participating importing countries as well as local content accreditation. For further information see, *inter alia*, https://www.asean.or.id/history/asn_eco2.htm.

³ The AIJV Scheme was introduced in 1983 and later revised in 1987. The aim was to encourage greater investment into and within the region, and to increase industrial production through resource pooling and market sharing activities. AIJV products were granted 90 per cent MOP of the prevailing MFN rate and local content accreditation where applicable of the participating importing country. For further information see, *inter alia*, https://www.asean.or.id/history/asn_eco2.htm.

⁴ See footnote 2 above.

Figure 1: Total GDP uplift in key industrial sectors in 2030 (USD Bn)



The stakes are high. **Enhanced industrial cooperation could boost ASEAN’s GDP by 1.5 per cent by 2030, generating USD 12.8 billion in value-add across key sectors.**⁵ Acting as a unified economic region allows ASEAN to attract foreign direct investment (FDI), optimise resources, and foster innovation, particularly in medium- to high-complexity industries. This potential for growth is also reflected in benchmarks from other regional integration efforts, such as the Regional Comprehensive Economic Partnership (RCEP) and the North American Free Trade Agreement (NAFTA).⁶ As global players seek to consolidate their industrial strategies, ASEAN must seize this opportunity to advance its collective industrial agenda and secure its position as a global economic powerhouse.

The Framework for ASEAN Industrial Project-Based Initiative (AIPBI), or short for the AIPBI Framework, adopted by the ASEAN Economic Community Council (AECC) in 2023 under Indonesia’s ASEAN Chairmanship, presents a timely and strategic solution to ASEAN’s industrial challenges. Serving as a comprehensive roadmap, the Framework aims to revitalise regional industrial cooperation by enabling ASEAN Member States to capitalise on their collective strengths, address structural gaps, and implement impactful pilot projects that drive tangible progress. Crucially, the AIPBI reintegrates industrial cooperation into the core of ASEAN’s economic integration agenda, offering actionable steps to transform aspirations into concrete outcomes. It reflects ASEAN’s commitment to not only advancing regional economic priorities, but also realising its vision of a unified and resilient economic community. By fostering collaboration, aligning national priorities, and leveraging regional complementarities, the AIPBI strengthens ASEAN’s industrial competitiveness and fortifies its position within global value chains.

⁵ **Key industrial sectors** refer to sectors with medium to high complex value chains that require multi-country collaboration (e.g., electric vehicles and semiconductors, whereas food & beverage or textile may not be complex enough to require multi-country collaboration along value chains).

⁶ **Impact on GDP** as % of uplift based on literatures: RCEP (Regional Comprehensive Economic Partnership, ~1.5%), NAFTA (North American Free Trade Agreement, ~2.5%), Belt and Road Initiative (~4.5%), EU single market (~5.5%); Conservative approach taken in estimation with lower side of the range, considering nature of AIPBI facilitation has smaller scale relative to the benchmarked policies.

2. The ASEAN Industrial Projects Based Initiative (AIPBI)

Strategic goals

The intent of AIPBI Framework is to provide a commonly agreed mechanism for cross-border industrial cooperation amongst ASEAN Member States, with the long-term aim of forging ASEAN-based industrial champions. This initiative is particularly crucial given the significant megatrends currently reshaping global value chains. By fostering enhanced cooperation and leveraging regional complementarities, the AIPBI framework enables ASEAN countries to collectively navigate these thematic trends.

The strategic goals of AIPBI are to:

1. **Enhance ASEAN's regional competitiveness** by leveraging the complementarities across ASEAN Member States and achieving the scale of total ASEAN market to increase value-add in the global value chains.
2. **Increase ASEAN's value chain resilience** by fostering intra-ASEAN industrial cooperation and leveraging the complementarities across ASEAN Member States.
3. **Improve sectoral cooperation within ASEAN** by facilitating movement of goods, movement of talent, financing, and coordination of industrial policies.
4. **Promote long-term sustainable and equitable economic development** across ASEAN Member States, in particular mitigating risks and capturing opportunities from accelerated climate shifts and creating growth opportunities for MSMEs⁷ and jobs for all segments of society.

Guiding principles

In view of the strategic goals and lessons learned from prior phases of industrial cooperation, this Framework outlines five guiding principles to establish a common context for industrial cooperation in the region:

1. **Adopt a collaborative win-win mindset amongst ASEAN Member States:** Successful multi-country industrial collaboration requires an aligned vision amongst individual ASEAN Member States, ASEAN as a region, and private sector stakeholders. By collaborating, ASEAN Member States can create synergies that make the collective benefits greater than the sum of individual efforts. The win-win approach also needs to ensure that each country gains from the expanded opportunities that collaboration brings. Key enablers for achieving ASEAN's full potential include benefits that promote cooperation in the movement of goods and talent, facilitating financing, and cooperation on industrial policies.

⁷ MSME: Micro, small, medium enterprises

2. **Ensure strong ownership by the private sector:** Successful AIPBI project implementation hinges on the private sector not just being involved early but taking the lead in originating and running the pilots. When private sector actors assume ownership, they bring authentic market insights, drive innovation, and ensure that the proposed AIPBI projects are closely aligned with market demands. Proactive leadership from the private sector facilitates the resolution of existing market gaps and ensures effective end-to-end pilot execution.
3. **Promote inclusive and equitable processes to foster broad-based participation:** Diverse socio-economic interests and maturities across ASEAN Member States must be considered to ensure that the initiative provides benefit to a broad spectrum of ASEAN Member States and segments of population. Inclusive and equitable processes help to foster broad-based participation, making the collaboration more effective and sustainable.
4. **Align projects and facilitation benefits with the Strategic Goals:** To achieve the Strategic Goals, the proposed AIPBI projects must be carefully assessed and selected based on a set of commonly agreed eligibility criteria. Ensuring strong alignment means that projects effectively contribute towards these goals. Facilitation benefits should be pragmatic, openly communicated, and transparently administrated.
5. **Maintain a non-binding framework where individual ASEAN Member State maintain its autonomy and sovereignty:** The scope of AIPBI is clearly defined to enable cross-country facilitation and troubleshoot implementation of industrial projects involving multiple ASEAN member states. Maintaining a non-binding framework ensures that individual governments retain their decision-making autonomy and sovereignty, whilst the AIPBI addresses cross-border issues and enhances market access at the ASEAN level.

Elements of implementation

To implement the AIPBI Framework, there are three main elements for consideration:

A. Facilitation benefits

AIPBI aims to provide an ASEAN-level facilitation platform to coordinate ASEAN Member States in setting up strategic industrial projects. Based on consultations with ASEAN Member States and private sector stakeholders, facilitation under AIPBI may be provided across four categories, in addition to existing incentives already offered by ASEAN:

1. **Facilitation of movement of goods** - coordinating tariffs (e.g., inclusion of emerging goods under existing ASEAN FTAs) and non-tariffs incentives (e.g., more efficient procedures at customs) amongst participating AIPBI countries to enhance flow of goods.

2. **Facilitation of movement of talent** - facilitating one streamlined application process to ease the movement of skilled talents across all participating ASEAN Member States, fast-tracking talent assessment⁸.
3. **Facilitation of financing** – facilitating a multi-level blended finance platform by coordinating involved ASEAN Member States to support a larger pool of capital from concessional lenders to implement the proposed AIPBI projects.
4. **Coordination of industrial policies** - facilitating intra-ASEAN agreements (e.g., harmonisation of regulatory frameworks, incentives) to support industrial growth in priority sectors, boost investor confidence in new industrial sectors, and promote MSME backward linkages to the project proponents' value chain⁹.

Figure 2: Draft facilitation benefits by participating ASEAN Member States for qualified AIPBI projects

Draft Benefits	The idea	Voices from Industry
1 Facilitation of movement of goods	Coordinating tariffs (e.g., inclusion of emerging goods under existing ASEAN FTAs) & non-tariffs incentives (e.g., more efficient procedures at customs) amongst participating AIPBI countries to enhance flow of goods "We've experienced delays in movement of hazardous materials [required in coatings for semicon.]... dedicated customs lanes would be required for goods requiring special handling." - Sales Director, ASE Global
2 Facilitation of movement of talent	Facilitating one streamlined application process to ease the movement of skilled talent across all participating ASEAN member states, fast-tracking talent assessment "Talent mobility is one of the pertinent issues in a multi-country value chain." - Former Head of Strategy, Continental Auto
3 Facilitation of financing	Facilitating a multi-level blended finance platform by coordinating involved AMS to support a larger pool of capital from concessional lenders for AIPBI projects "ASEAN must invest ~\$490 billion cumulatively between 2025 and 2030 to power its manufacturing industry." - Convergence Blended Finance
4 Coordination of industrial policies	Facilitating intra-ASEAN agreements (e.g., harmonisation of regulatory and legal frameworks) to support industrial growth in priority sectors, boost investor confidence in new industrial sectors, and promote MSME backward linkages to the project proponents' value chain "Future investment in CCUS in Southeast Asia will depend on the establishment of legal and regulatory frameworks and policy incentives." - IEA (International Energy Agency)

Note: Convergence Blended Finance (a global network including leading public and private investors, foundations in blended finance, e.g., USAID, ADB, WWF, Green Climate Fund)

Source: ASEAN Guidelines for SEZs Development and Collaboration, ASEAN portal, Expert Interviews, BCG analysis

⁸ Seamless mobility of high-skilled talent is critical to foster research and development collaborations in the industrial sector among ASEAN Member States, accelerating knowledge and skills transfer, workforce development, and enhancing R&D capabilities across ASEAN.

⁹ Subject to ASEAN Member States discretion, facilitation may be extended to MSMEs to support their integration into project value chains depending on specific needs (e.g., connecting MSMEs with potential partners and value chains in new ASEAN markets, supporting capacity development of MSMEs, enabling technology transfer for MSMEs).

B. Mechanism

For public and private stakeholders to seek ASEAN-level facilitation benefits for potentially eligible projects through AIPBI, a mechanism has been designed to select and approve eligible projects. To ensure quick and successful implementation, a simple mechanism is proposed to leverage the existing bodies and capabilities of ASEAN.

First, industrial players interested in seeking facilitation under AIPBI, or project proponent, can surface requests for facilitation to the designated ASEAN body (i.e., FG-GVC¹⁰) through respective in-country SEOM leads. With support of the SEOM lead from the originating AMS., **the project proponent will submit a short project proposal** with responses to the eligibility criteria (see section C for detailed explanations) to the AIPBI inbox managed by ASEAN Secretariat, which will be assessed by independent technical experts appointed by ASEAN to validate the proposal based on the eligibility criteria.

Second, the FG-GVC plays a key role in overseeing the AIPBI projects. The FG-GVC will:

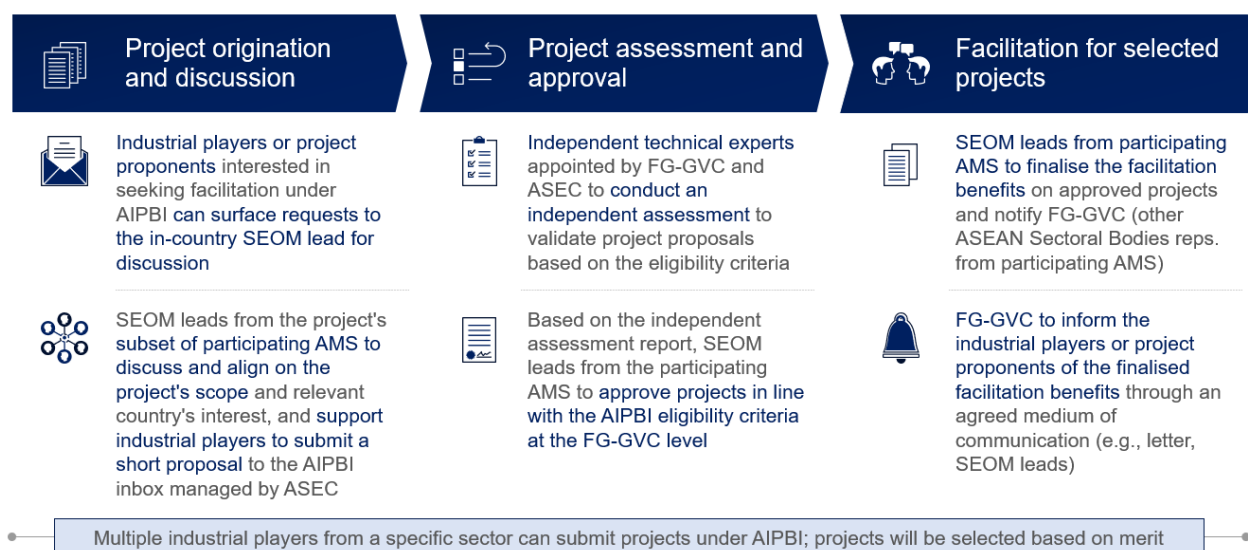
1. **Approve eligible projects:** Decide on the approval of submitted proposals through SEOM¹¹ leads from the participating ASEAN Member States, based on the independent assessment conducted by technical experts, to ensure they meet the minimum eligibility criteria for facilitation under AIPBI.
2. **Identify key challenges:** Collaborate with industrial stakeholders to identify challenges and barriers faced by the qualified AIPBI projects across four categories - movement of goods, movement of talent, financing, and industrial policies.
3. **Engage relevant ASEAN Sectoral Bodies:** Collaborate with relevant ASEAN Sectoral Bodies to address potential challenges associated with project implementation, ensuring alignment with regional agenda and priorities.

Finally, FG-GVC, along with relevant ASEAN Sectoral Bodies (where applicable), will finalise the facilitation benefits of the proposed project proposal through SEOM leads from the participating ASEAN Member States. FG-GVC will subsequently inform industrial players or project proponents of the finalised facilitation benefits (e.g., through a letter, SEOM leads), ensuring transparency and alignment amongst all stakeholders.

¹⁰ FG-GVC: Focal Group - Global Value Chain

¹¹ SEOM: Senior Economic Officials Meeting

Figure 3: AIPBI mechanism for public-private sector stakeholders



C. Eligibility criteria

For selecting projects that align with the collective interest of ASEAN Member States, a set of minimum criteria have been recommended with three parameters:

1. The project faces barriers and can benefit from at least one category of facilitation.
2. The project benefits two or more ASEAN Member States.
3. The project positively impacts to ASEAN's environmental and social objectives.




The stakeholders developing the proposal may collaborate with technical experts to assess and quantify project impact and alignment with the eligibility criteria. Where relevant, ASEAN may also consult its own experts to validate the proposal or offer alternative perspectives.

First, the project must demonstrate a need for facilitation in increasing intra-ASEAN market access. Project proposals need to clearly outline the nature of the project and objectives, explain the roadblocks faced in establishing intra-ASEAN value chains, and describe key potential market access support needed.

Second, the project must benefit at least two ASEAN Member States. Project proposals need to include quantifiable economic and social benefits (e.g., lift in GDP, increase in job creation, increase in MSME participation) to the participating ASEAN Member States with sound justifications.

Lastly, the project must meaningfully contribute to ASEAN's sustainability objectives. Project proposals need to include explanations on how the proposed project(s) will positively impact ASEAN's decarbonisation effort and/or foster inclusive development of ASEAN.

Figure 4: Proposed eligibility criteria of AIPBI projects

Eligibility criteria	Detailed parameter	Description
 <p>Require ASEAN-level support to increase market access and regional integration</p>	Project details	<ul style="list-style-type: none"> Background about nature of the industrial project
	Challenges faced	<ul style="list-style-type: none"> What roadblocks does the project face in establishing pan-regional value chain?
	Facilitation request	<ul style="list-style-type: none"> What kinds of market access support is needed, ranked by priority?
 <p>Benefit and require the participation of multiple AMS</p>	Number of AMS	<ul style="list-style-type: none"> Participation of at least two AMS
	Impact on region	<ul style="list-style-type: none"> Project's contribution to regional economic growth
		<ul style="list-style-type: none"> Project's potential for job creation in the region
<ul style="list-style-type: none"> Project's inclusion of and impact on domestic MSMEs & supplier networks 		
 <p>Contribute to sustainability ambitions of ASEAN</p>	Impact on sustainability	<ul style="list-style-type: none"> Project's impact on regional decarbonization
		<ul style="list-style-type: none"> Project's social impact on fostering inclusive development of ASEAN

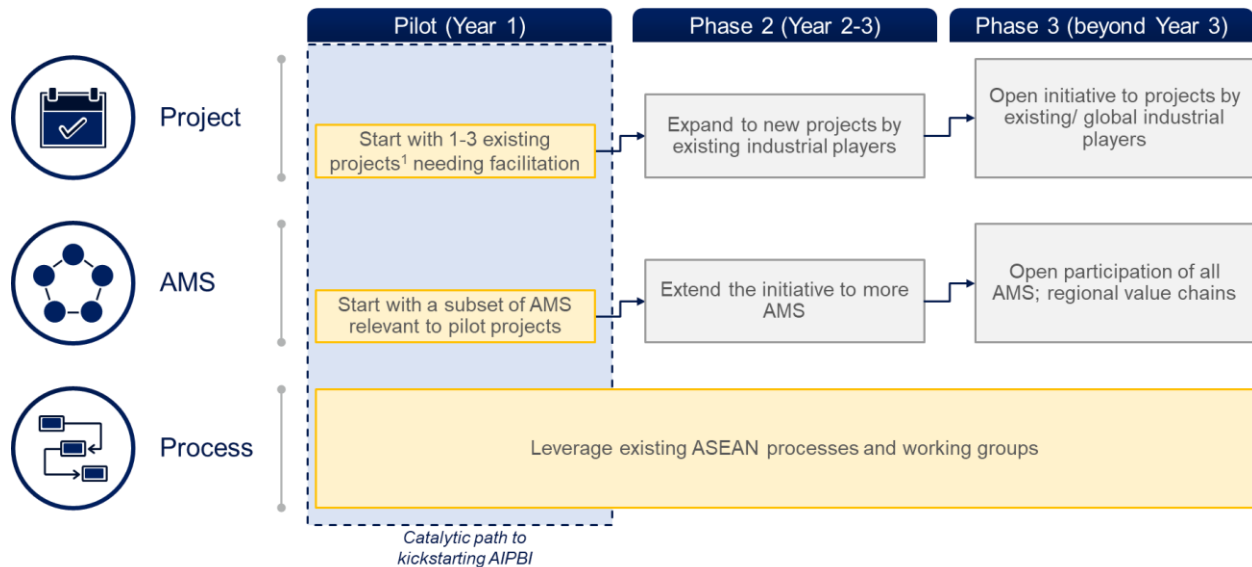
3. Implementation Mechanism

To achieve meaningful results, the AIPBI will be implemented in a phased and practical approach. As a starting point, the AIPBI can be launched as a pathfinder initiative on a best-endeavour basis, leveraging ASEAN’s existing decision-making approach, such as the ASEAN Minus X formula, to accommodate varying levels of readiness amongst ASEAN Member States. This initiative can begin by focusing on strategic projects already underway in ASEAN that face barriers to market access, prioritising those requiring facilitation to expand their value chains across multiple Member States. Initially, the implementation of the AIPBI will focus on a subset of ASEAN Member States directly involved in the proposed projects, leveraging existing processes and platforms to facilitate coordination and execution. As the mechanism matures, it can be expanded to include all ASEAN Member States, additional industrial sectors, greenfield projects, and broader regional and global initiatives.

Moving forward, dialogue and consensus should be pursued in a constructive manner to foster meaningful collaboration and address potential challenges that may arise during the implementation of the AIPBI. All parties should review and uphold the guiding principles of the AIPBI, ensuring that facilitation benefits deliver a “win-win” outcome for all participating ASEAN Member States and contribute to ASEAN’s collective progress, whilst respecting individual Member State’s sovereignty and autonomy. Potential challenges that demand attention for further resolution may be escalated by FG-GVC to relevant higher ASEAN Sectoral Bodies, such as the AEM and/or AECC, as necessary.

An illustrative pathfinder to start the implementation of AIPBI is indicated in Figure 5 below:

Figure 5: Illustration of potential catalytic path to kickstarting AIPBI



Monitoring and evaluation

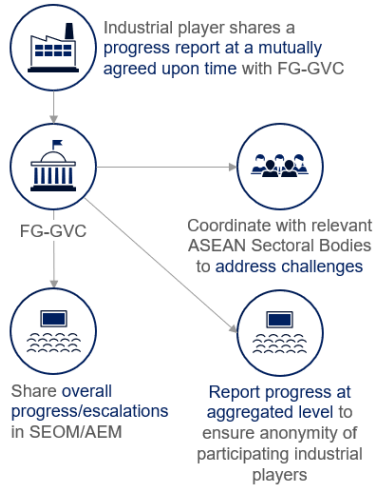
To track the success of AIPBI projects, the FG-GVC will establish a general monitoring and evaluation framework that will be aligned with the Strategic Goals of the AIPBI Framework. Additionally, a project-specific monitoring and evaluation report will be developed by the project proponent, with the results to be submitted to the FG-GVC at a mutually agreed upon time. The FG-GVC will report progress of AIPBI projects at the aggregated level to ensure anonymity of participating industrial players.

Potential KPIs to be included in such a monitoring and evaluation report may include, amongst others, the extent to which the proposed AIPBI projects:

1. Enhance ASEAN's regional competitiveness (e.g. contribution of the proposed project to uplift participating ASEAN Member States' economies and ASEAN as a whole, etc.);
2. Increase ASEAN's value chain resilience (e.g. number of product categories (e.g., based on HS codes) shifted from being imported from extra-ASEAN to domestically produced or intra-ASEAN due to AIPBI facilitation, etc.);
3. Improve sectoral cooperation across ASEAN (e.g. number of ASEAN Member States participating benefiting from the proposed project, contribution to intra-ASEAN trade volume (abs. value, % of total intra-ASEAN trade) due to AIPBI facilitation, etc.); and
4. Promote long-term sustainable & equitable economic development (e.g. number of new jobs created, contribution to ASEAN's decarbonisation targets, etc.).

Figure 6: Illustration of proposed mechanism to track success with KPIs linked to strategic goals

Monitoring process



Key performance indicators for monitoring of projects implemented under AIPBI

For each project implemented		
Enhance ASEAN's regional competitiveness	<ul style="list-style-type: none"> Contribution to GDP uplift for each AMS and ASEAN (\$ value, %) Contribution to export volume to extra-ASEAN for each AMS and ASEAN (\$ value, %) # of value chains supported 	
Increase ASEAN's value chain resilience	<ul style="list-style-type: none"> # of product categories shifted from extra-to intra-ASEAN \$ value of products shifted (aforementioned) 	
Improve sectoral cooperation across ASEAN	<ul style="list-style-type: none"> # of AMS involved Contribution to intra-ASEAN trade volume (\$ value, %) # of multi-country policies supported; success and delays 	
Promote sustainable & equitable economic dev.	<ul style="list-style-type: none"> # of new jobs created in each AMS and ASEAN Contribution to ASEAN's decarbonisation targets (vary by project) # of MSMEs involved in each AMS and ASEAN Impact on vulnerable groups (vary by project) 	
Overall AIPBI	Overall impact	<ul style="list-style-type: none"> Collective impact across projects # of companies entering or re-entering Forbes Global 2000 Total # of projects supported
