



## Asean Economic Integration: A Community Vision Versus Structural Reality

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**ABSTRACT:** Economic integration within ASEAN, facilitated by the establishment of the ASEAN Economic Community (AEC), constitutes a strategic legal and policy framework aimed at transforming Southeast Asia into a unified market and production hub with enhanced global competitiveness. This article analyses the disparity between ASEAN's aspirational vision of economic integration and the actual legal and structural realities of its implementation. Employing a normative juridical approach complemented by regional legal and policy analysis, the study demonstrates that, although ASEAN has successfully established a low-tariff legal regime and attracted significant foreign direct investment, the AEC continues to face challenges stemming from fragmented legal implementation and inconsistent regulatory enforcement. Reliance on soft law instruments, limited legal certainty, and the emergence of non-tariff barriers impede the realization of a true single market, thereby hindering inclusive economic growth. Particular emphasis is placed on Indonesia's strategic legal role through the implementation of RCEP, potential accession to CPTPP, and domestic legal reforms supporting micro, small, and medium enterprises (MSMEs). It is concluded that the future success of ASEAN's economic integration hinges upon enhanced legal harmonization, improved compliance and enforcement mechanisms, and the development of a more binding regional legal framework aligned with the ASEAN Community Vision 2045.

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### 1. INTRODUCTION

As one of the regions demonstrating the most dynamic levels of economic integration worldwide, the Association of Southeast Asian Nations (ASEAN) is a regional organization comprising countries in Southeast Asia. ASEAN was established on 8 August 1967, through the signing of the Bangkok Declaration in Thailand by five founding member states: Indonesia, Malaysia, Thailand, Singapore, and the Philippines.<sup>1</sup> ASEAN was established to foster economic development, social advancement, and cultural enrichment within Southeast Asia, whilst also ensuring regional peace and stability. This foundational vision was formulated to support the realization of a singular vision, identity, and community among its member states.

As one of the world's largest regional economic blocs, ASEAN is currently undergoing a complex process of economic and political consolidation. At present, ASEAN is undergoing a significant transformation and pursuing economic integration through a distinctive approach that enhances cooperation among member states and promotes their collective welfare. This process of economic integration extends beyond the mere liberalization of trade in goods and services, investment flows, and skilled labor mobility, encompassing efforts to establish a regional governance framework that can reconcile the national interests of individual members. Simultaneously, the global economic order is entering a new era—a period characterized not only by rapid digitalization

<sup>1</sup> Direktorat Jenderal Perundingan Perdagangan Internasional Kementerian Perdagangan Republik Indonesia, *Sekilas ASEAN*, <https://ditjenppi.kemendag.go.id/asean/asean1/sekilas-asean>. Accessed 5 Desember 2025.

but also by unprecedented challenges and complexities.

ASEAN economic integration is realized through the establishment of the ASEAN Economic Community (AEC). The AEC has emerged as one of the premier models of regional economic integration within Asia and signifies a strategic initiative to enhance the region's stature in the global supply chain.<sup>2</sup> The establishment of the ASEAN Economic Community (AEC) signifies the collective dedication of the ten ASEAN member states to addressing the challenges posed by global free trade through enhancing regional integration. This agreement was formally ratified in December 2015, to transform Southeast Asia into a cohesive and highly competitive economic bloc. The AEC was instituted to position ASEAN as a resilient regional economy with an influential role in the global marketplace order.<sup>3</sup> This integration vision is founded upon four strategic pillars that function as the blueprint for ASEAN's regional objectives. These four pillars of the AEC are delineated in the AEC Blueprint, which received endorsement at the 38th ASEAN Economic Ministers (AEM) Meeting held in Kuala Lumpur in August 2006.<sup>4</sup> This Blueprint was devised to facilitate ASEAN economic integration and offers a guiding framework for ASEAN member states to realize the ASEAN Economic Community (AEC).

The initial and most fundamental pillar of the ASEAN Economic Community (AEC) is the establishment of ASEAN as a single market and production base. This pillar aims to enable enterprises in ASEAN to benefit from enhanced economies of scale, expanded market access, and optimized production efficiency.<sup>5</sup> The second pillar seeks to establish a highly competitive economic region by implementing effective competition policies, protecting intellectual property rights (IPR), and enhancing infrastructure. The third pillar emphasizes the development of an area characterized by equitable and balanced economic growth.<sup>6</sup> The objective is to foster inclusive economic development, particularly through advancing small and medium-sized enterprises (SMEs) and the ASEAN Integration Initiative. This initiative seeks to diminish development disparities among member states. Ultimately, the fourth pillar emphasizes establishing a region fully integrated into the global economy by implementing a coordinated strategy for external economic relations, including negotiating free trade agreements (FTAs) and enhancing participation in global production networks and value chains (GPN/GVC).

In accordance with the AEC Blueprint 2015, ASEAN adopted the AEC Blueprint 2025 as its successor, delineating five interconnected features: a highly integrated and cohesive economy; a competitive, innovative, and dynamic ASEAN; enhanced connectivity and sectoral cooperation; a resilient, inclusive, and people-centered ASEAN; and a globally connected ASEAN. Moreover, AEC cooperation encompasses human resource development and capacity building, closer consultation on macroeconomic and financial policies, specific measures to facilitate trade financing, infrastructure development, increased private-sector engagement to advance the AEC, and mutual recognition of professional credentials and qualifications.<sup>7</sup>

Recent developments in ASEAN economic integration include the creation of the AEC Strategic Plan 2026–2030, which is part of the ASEAN Community Vision Post-2025. This long-term plan has been agreed upon with a target timeframe extending to 2045.<sup>8</sup> This strategic plan delineates 6 (six) Strategic Goals, 44 (forty-four) Objectives, and 192 (one hundred ninety-two) Strategic Actions, constituting a comprehensive initiative to address remaining structural challenges. Its strategic emphasis underscores the development of a Resilient, Sustainable, and Resource-Efficient Community (Strategic Goal 1) alongside an Entrepreneurial, Bold, and Innovative Community (Strategic Goal 3), highlighting that future integration will be predominantly propelled by technological adaptation, energy resilience, and intelligent solutions mobility.<sup>9</sup>

The trajectory of the ASEAN Economic Community (AEC) demonstrates a notable shift in focus. Initially, integration efforts

<sup>2</sup> Tahsin Binta Anis, Mohammad Mamun, and Md. Mizanur Rahman. 2021. "ASEAN Economic Community (AEC): An Empirical Impact Analysis". *South Asian Journal of Social Studies and Economics* 12 (4):338–353. <https://doi.org/10.9734/sajsse/2021/v12i430340>.

<sup>3</sup> Aflah, Aflah; Purba, Hasim; Suhaidi, Suhaidi; and Siregar, Mahmul (2023) "Impact of The Enforcement of ASEAN Economic Community on Policy and Strategy of Sea Transportation Development in Indonesia," Indonesian Journal of International Law: Vol. 20: No. 4, Article 2.

<sup>4</sup> Kementerian Luar Negeri Republik Indonesia, Masyarakat Ekonomi ASEAN, [https://kemlu.go.id/kebijakan/asean/masyarakat-ekonomi-asean-\(mea\)-?type=publication](https://kemlu.go.id/kebijakan/asean/masyarakat-ekonomi-asean-(mea)-?type=publication). Accessed 5 Desember 2025.

<sup>5</sup> Ayu Isti Prabandari, Tujuan Utama MEA: Membangun Integrasi Ekonomi ASEAN yang Kuat, <https://www.liputan6.com/feeds/read/5904467/tujuan-utama-mea-membangun-integrasi-ekonomi-asean-yang-kuat?page=9>. Accessed 23 Mei 2025.

<sup>6</sup> *Ibid.*

<sup>7</sup> Binus University, Masyarakat Ekonomi ASEAN (MEA), <https://binus.ac.id/character-building/2020/05/masyarakat-ekonomi-asean-mea/>. Accessed 5 Desember 2025.

<sup>8</sup> Menko Airlangga: Jadikan Kawasan ASEAN sebagai Pusat Pertumbuhan Regional, Mesin Pertumbuhan Global, dan Tujuan Utama Investasi yang Terpercaya - Kementerian Koordinator Bidang Perekonomian, <https://www.ekon.go.id/publikasi/detail/5339/menko-airlangga-jadikan-kawasan-asean-sebagai-pusat-pertumbuhan-regional-mesin-pertumbuhan-global-dan-tujuan-utama-investasi-yang-terpercaya>. Accessed 23 Mei 2025

<sup>9</sup> Economic Community - ASEAN Main Portal, *A Prosperous Single Market*, <https://asean.org/our-communities/economic-community-1/>. Accessed 25 Mei 2025.

primarily focused on conventional trade liberalization, particularly the elimination of tariffs under the ASEAN Free Trade Agreement (AFTA). More recently, the primary challenges have evolved to address more intricate structural issues, such as regulatory harmonization, development disparities, and adaptation to global trends, including digitalization and the green energy transition. The emphasis on the quality of integration and economic resilience in the ASEAN Community Vision 2045 implicitly acknowledges that the current level of integration continues to face substantial challenges and vulnerabilities. Based on the preceding discussion, this article seeks to address the legal challenges and constraints encountered in implementing the ASEAN Community Vision 2045, and to examine Indonesia's role in contributing to its successful realization by 2045.

## II. METHOD

This study employs a normative legal research approach, focusing on the analysis of legal norms, principles, and regulatory frameworks governing ASEAN economic integration. The research relies solely on secondary data, including ASEAN legal instruments, policy documents, international agreements, relevant national regulations, and scholarly literature such as books, peer-reviewed journal articles, and authoritative legal commentaries related to the subject. The collected materials are systematically examined through qualitative legal analysis and interpreted using deductive reasoning to develop coherent legal arguments and address the research questions.

## III. RESULTS

### 1. Implementation Realities: Disparities and Institutional Barriers

The establishment of the AEC was conceived as a response to the increasing interdependence in the global economy. Accordingly, ASEAN pursued the AEC as a mechanism for collective learning among its member states in implementing regional economic integration, aiming to strengthen institutional capacity, promote regulatory harmonization, and develop the coordination experience necessary for effective participation in the global economic system. In this regard, the AEC represents a form of regional economic integration characterized by a dynamic, evolving process shaped by continually changing economic conditions. The formation of the AEC has demonstrated positive effects on international integration and contributed to economic growth across Southeast Asia.<sup>10</sup> ASEAN member states have utilized the AEC as a framework to foster and enhance the development of their respective domestic sector economies.<sup>11</sup> Nevertheless, the accomplishments of the AEC remain partial and inconsistent among member states.

Although the AEC Blueprint delineates an ambitious vision of establishing a single market, the realities of implementation reveal considerable fragmentation that hampers the attainment of its primary objectives, particularly Pillar 1 (Single Market) and Pillar 3 (Equitable Economic Development). The designation of the AEC as a "single market" is not fully embodied in ASEAN's regional trade patterns. Currently, intra-ASEAN trade constitutes approximately 20 percent of the region's total trade. This stands in stark contrast to more advanced integration frameworks, such as the European Union, where intra-regional trade comprises approximately 60 percent of total trade. Additionally, qualitative disparities are evident: intra-ASEAN trade predominantly involves intermediate goods, whereas intra-European Union trade is composed mainly of final products.<sup>12</sup>

The inability to establish a coherent single market is primarily attributable to the persistence and expansion of non-tariff barriers (NTBs). Following the successful reduction of import tariffs to nearly zero through mechanisms such as the Common Effective Preferential Tariff (CEPT) within the ASEAN Free Trade Area (AFTA), NTBs have emerged as the primary obstacle to the free movement of goods. These barriers encompass not only discriminatory import policies but also technical requirements related to standards, testing, labeling, certification, and the enforcement of anti-dumping regulations measures.<sup>13</sup>

The analysis indicates that the predominant barriers include customs surcharges, impacting approximately 2,683 tariff lines. Moreover, technical requirements and product-specific characteristics, such as obligatory testing standards, impose constraints on over 975 tariff lines.<sup>14</sup> These non-tariff barriers artificially elevate trade costs, diminish profit margins in the absence of import tariffs, and generate bureaucratic complexities, particularly for micro, small, and medium-sized enterprises (MSMEs).<sup>15</sup> International organizations, such as the International Monetary Fund (IMF), have assessed the scope of these inefficiencies. The IMF estimates that eliminating remaining non-tariff barriers could increase ASEAN's Gross Domestic Product (GDP) by

<sup>10</sup> Nguyen, Chien Van. 2025. "The Role of Economic Integration Policies in Increasing Economic Growth in Selected Southeast Asian Countries" *Journal of Risk and Financial Management* 18, no. 5: 229. <https://doi.org/10.3390/jrfm18050229>.

<sup>11</sup> Permatasari, Yunita. 2020. "Building Indonesia Through ASEAN Economic Community". *JAS (Journal of ASEAN Studies)* 8 (1):81-93. <https://doi.org/10.21512/jas.v8i1.6040>.

<sup>12</sup> General News, *Reducing Non-Tariff Barriers Can Boost ASEAN GDP By 4.3 Pct Over Long Run - IMF*, <https://bernama.com/en/general/news.php?id=2483562>. Accessed 20 November 2025.

<sup>13</sup> Masnur Tiurmaida Malau, *Aspek Hukum Peraturan dan Kebijakan Pemerintah Indonesia Menghadapi Liberalisasi Ekonomi Regional: Masyarakat Ekonomi ASEAN 2015*, Jurnal Rechtvinding Media Pembinaan Hukum Nasional, Vol. 3 No. 2 Agustus 2014, hal. 163-182.

<sup>14</sup> Main Portal ASEAN, *Non Tariff Barriers*, <https://asean.org/non-tariff-barriers/>. Diakses 20 November 2025.

<sup>15</sup> ASIAN Trade Centre, *Tackling Non-Tariff Barriers in ASEAN*, <https://asiantradecentre.org/talkingtrade/tackling-non-tariff-barriers-in-asean>. Accessed 20 November 2025.

approximately 4.3 percent in the long term, highlighting the substantial growth potential that has been foregone due to regulatory challenges and fragmentation.

**Table I: Types and Prevalence of Major Non-Tariff Barriers (NTBs) in Intra-ASEAN Trade**

Non-Tariff Barrier Categories	Spesific Example in ASEAN	Estimated Number of Affected Tariff Lines	Analytical Implications
Para-Tarif Measures	Customs surcharges, additional internal charges or taxes	2,683	Artificially increases trade costs and reduces the benefits derived from zero-tariff regimes. <sup>16</sup>
Technical Measures	Mandatory Standardization, Testing, and Certification Requirements	>975	Creates duplicative compliance costs and hinders the flow of manufactured and food products. <sup>17</sup>
Monopolistic Measures	State Trading Administration	10	Restricts competition and obstructs free market mechanisms (Pillar 1). <sup>18</sup>

## 2. Challenges in Regulatory Harmonization and Implementation Gaps

A fundamental component of Pillar 2 (a Highly Competitive Economic Region) is a robust, coordinated legal framework. Nevertheless, the implementation of the ASEAN Economic Community (AEC) continues to encounter difficulties in regulatory and legislative harmonization among member states. ASEAN member states have yet to establish a fully harmonized legal system across jurisdictions, which has delayed the achievement of the AEC's objectives. In practice, resolving issues among ASEAN member states primarily relies on consensus-based mechanisms, commonly known as the "ASEAN Way." While this approach fosters regional unity, it is often regarded as insufficient in terms of legal protection, particularly for investors who necessitate a high degree of legal security certainty.

Furthermore, ASEAN member states frequently rely on soft law instruments to implement the ASEAN agenda. This reliance stems from their primary dependence on political commitments, particularly within the ASEAN Economic Community (AEC). Consequently, member states tend to prioritize their national economic sovereignty over binding commitments under the AEC framework.<sup>19</sup> Therefore, a comprehensive legal framework is required that equilibrates the monetary sovereignty of AEC member states with their obligations under the AEC. To develop a competitive and credible regional economic zone, it is essential to implement enhanced legal protections and regulatory harmonization across multiple sectors, including but not limited to competition policy and intellectual property rights protection.

The enforcement of AEC commitments remains a significant challenge. If the AEC is to transcend its role as merely a symbol of political solidarity and genuinely fulfill its objectives, ASEAN must establish mechanisms that considerably reinforce the binding commitments of its member states.<sup>20</sup> Robust mechanisms for implementing commitments are essential to achieving and upholding the AEC's goals. The long-term viability and continuity of the AEC primarily depend on ASEAN member states' capacity to synchronize their regulatory frameworks. Conversely, the primary challenge to the AEC's effectiveness and sustainability will emerge in the coming years if all ASEAN member states do not fully implement AEC commitments.

The integration of the ASEAN Economic Community (AEC) is conducted in sequential phases, with each ASEAN member state

<sup>16</sup> Main Portal ASEAN, *Non Tariff Barriers*, <https://asean.org/non-tariff-barriers/>. Accessed 20 November 2025.

<sup>17</sup> Masnur Tiurmaida Malau, *Op.Cit.*

<sup>18</sup> Main Portal ASEAN, *Non Tariff Barriers*, <https://asean.org/non-tariff-barriers/>. Accessed 20 November 2025.

<sup>19</sup> Ali Abdillah, Navigating the Political Economy Trilemma in the ASEAN Economic Community: A Legal Perspective. 2025. *Journal of Indonesian Legal Studies* 10 (2): 715-50. <https://doi.org/10.15294/jils.v10i2.5417>.

<sup>20</sup> Jayant Menon and Anna Melendez, "Realizing the ASEAN Economic Community: Progress and Remaining Challenges", *The Singapore Economic Review*, vol. 62, no. 03, <https://doi.org/10.1142/S0217590818400052>

responsible for fulfilling the Annual Priority targets delineated in the AEC Blueprint 2025.<sup>21</sup> However, annual reports indicate persistent implementation gaps in several critical domains, including investment, services, and the digital infrastructure economy.<sup>22</sup> The lack of sufficient regulatory harmonization and inconsistent enforcement mechanisms has emerged as a significant obstacle to investments seeking to capitalize on regional integration efforts. This situation has engendered concerns that ASEAN is operating under a “two-speed integration” framework.<sup>23</sup>

### 3. Regional Economic Disparities as Barriers to Inclusivity

The objective of Pillar 3 of the ASEAN Economic Community (AEC), which strives for equitable and inclusive economic development, encounters significant obstacles due to substantial economic disparities among member states. These income disparities are vividly exemplified by per capita GDP data, underscoring the pronounced inequality within the region. For instance, Singapore’s GDP per capita, calculated using Purchasing Power Parity (PPP), is USD 148,196, ranking it among the highest globally. This figure exceeds the PPP-based GDP per capita of Indonesia (USD 16,540) and Vietnam (USD 16,493) by more than 9 times.<sup>24</sup> Even in nominal terms, Singapore’s Gross Domestic Product per capita (USD 89,372) is considerably higher than Indonesia’s (USD 4,368–4,980).<sup>25</sup>

Notwithstanding the record USD 230 billion in foreign direct investment (FDI) flows to ASEAN in 2023—reflecting the region’s robust investment appeal—such investments tend to be concentrated within already developed economic hubs characterized by well-established infrastructure, strong regulatory frameworks, and highly skilled human capital. This uneven distribution of FDI underscores the concern that ASEAN integration may elevate capital concentration in more advanced member states, potentially hindering inclusive development across the region. Concurrently, the targeted focus of FDI—particularly in established economic centers—may exacerbate economic inequality and widen global disparities. Furthermore, openness to trade and elevated GDP per capita have been positively correlated with rising income inequality in several ASEAN nations.<sup>26</sup> In accordance with this, free trade implies that the benefits of economic growth are likely to be disproportionately awarded to higher-income individual groups.<sup>27</sup> Domestic economic disparities within ASEAN member states remain substantial even after the implementation of the AEC and, in some cases, have widened due to foreign direct investment (FDI) inflows and the growth concentrated in key economic regions. This situation is primarily due to the structural nature of FDI, which is typically concentrated in areas with higher levels of economic development, better infrastructure, and greater absorptive capacity. These patterns of concentration ultimately reinforce the dominance of economic growth centers and increase development gaps between core regions and their peripheral areas.

The current progress of the ASEAN Economic Community (AEC) integration demonstrates two distinct trajectories: trade liberalization advances swiftly among the more developed core member states, whereas peripheral members continue to confront structural impediments exacerbated by economic disparities. The substantial GDP disparities indicate that ASEAN’s single market operates more like a fragmented hub-and-spoke system than a seamlessly integrated market. Non-tariff barriers (NTBs) and the absence of regulatory harmonization impose considerable burdens on small and medium-sized enterprises (SMEs) within developing member states, sectors essential for equitable development. Consequently, SMEs face significant challenges in integrating into regional value chains, thereby impeding the achievement of the objectives delineated in the Equitable Economic Development Pillar. Bridging this divide relies heavily on the effective implementation of the ASEAN Integration Initiative, particularly through targeted support for infrastructure projects and capacity-building for regulatory equivalence.<sup>28</sup>

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<sup>21</sup> Kementerian Koordinator Bidang Perekonomian Republik Indonesia, *Pertemuan Dewan MEA: Indonesia Dorong Negara-Negara ASEAN Tuntaskan Isu-Isu Prioritas dan Persempit Kesenjangan*, <https://ekon.go.id/publikasi/detail/786/pertemuan-dewan-mea-indonesia-dorong-negara-negara-asean-tuntaskan-isu-isu-prioritas-dan-persempit-kesenjangan>. Accessed 20 November 2025.

<sup>22</sup> UNCTAD, *ASEAN Investment Report 2024*, <https://unctad.org/publication/asean-investment-report-2024>. Accessed 20 November 2025.

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> Goh, L.T. Assessing the impact of human capital development on income inequality in the ASEAN region: an empirical analysis. *Eurasian Econ Rev* **15**, 813–844 (2025). <https://doi.org/10.1007/s40822-024-00309-4>.

<sup>27</sup> *Ibid.*

<sup>28</sup> Liputan6, *Memahami Tujuan MEA, Sejarah, Pilar Utama, Peluang, dan Tantangannya*, <https://www.liputan6.com/feeds/read/5830287/memahami-tujuan-mea-sejarah-pilar-utama-peluang-dan-tantangannya?page=3>. Accessed 20 November 2025.

**Table II: Comparison of Key Indicators of Economic Disparities in ASEAN (Latest Estimated Data)<sup>29</sup>**

Key States Member	Nominal GDP per Capita (USD)	GDP per Capita (PPP) (USD)	Primay Competitiveness Focus
Singapore	\$89,372	\$148,196	Financial and Digital Services, High Level Innovation
Thailand	\$7,532	\$25,213	Automotive Manufacturing, Production Base
Indonesia	\$4,368 - \$4,980	\$16,540	Large Domestic Market, Natural Resources
Vietnam	-	\$16,493	Manufacturing, Labor-Intensive Exports

The data presented above clearly illustrate the existence of economic disparities. The figures indicate substantial inequalities in per capita income among ASEAN member states. Furthermore, the primary areas of national competitiveness differ considerably, reflecting significant variations in business structures and industrial development across countries. Overall, economic inequality within ASEAN is primarily attributable to uneven development among member nations. In this context, factors such as transportation, urbanization, financial openness, mineral resource revenue, and tax revenues are highly pertinent to global inequality.<sup>30</sup>

#### IV. DISCUSSION

##### 1. Contemporary Economic Issues and ASEAN's Resilience (Epicentrum of Growth)

Currently, the global economy remains characterized by significant uncertainty, evidenced by increasingly complex international economic dynamics. This uncertainty arises not only from identifiable, quantifiable risks (known unknowns) but also from factors previously unforeseen or omitted from traditional economic models (unknown unknowns). Regarding the implementation of AEC, ASEAN member states' economic resilience must be sufficiently robust to withstand global shocks and challenges. In this context, resilience pertains to the capacity to maintain the adaptive strength of economic, social, environmental, and institutional systems, as well as behavioral patterns, by leveraging the entire spectrum of economic resilience potential to effectively navigate economic uncertainties and the escalating complexity of global challenges and competition.<sup>31</sup> In line with these objectives, ASEAN member states are also implementing proactive measures to anticipate and mitigate factors that may threaten their economic stability, thereby safeguarding the sustainability of the AEC.

Despite experiencing internal structural challenges, ASEAN has demonstrated considerable resilience to external shocks, with its Gross Domestic Product reaching USD 3.6 trillion in 2022.<sup>32</sup> The region collectively projects an approximate growth rate of 4.3 percent in 2024 and 2026, primarily driven by robust policy fundamentals and the private sector's adaptability. Nevertheless, this outlook requires ASEAN to respond to three global megatrends: geopolitics, digitalization, and sustainability.

###### a) Global Geoeconomic Impacts and Supply Chain Fragmentation

Geopolitical issues have emerged as a significant concern for ASEAN Economic Ministers, alongside supply chain fragmentation, the green transition, and digital developments innovation.<sup>5</sup> Geopolitical tensions—particularly between the United States and China—are not solely regional but also exert systemic effects, leading to significant changes in global supply chains and the movements of multinational foreign direct investment (FDI).<sup>33</sup> From a theoretical perspective, these tensions drive phenomena such

<sup>29</sup> List of ASEAN Country by GDP, [https://en.wikipedia.org/wiki/List\\_of ASEAN\\_countries\\_by\\_GDP](https://en.wikipedia.org/wiki/List_of ASEAN_countries_by_GDP). Accessed 20 November 2025.

<sup>30</sup> Chen, Guohui, and Jie Zhang. 2023. "Regional Inequality in ASEAN Countries: Evidence from an Outer Space Perspective." *Emerging Markets Finance and Trade* 59 (3): 722–36. doi:10.1080/1540496X.2022.2119810.

<sup>31</sup> Romarina, Arina. "Economic Resilience pada Industri Kreatif gunamenghadapi Globalisasi dalam Rangka Ketahanan Nasional." *JURNAL ILMU SOSIAL* 15, no. 1 (2016): 35-52. Accessed 10 Desember 2025. <https://doi.org/10.14710/jis.15.1.2016.35-52>

<sup>32</sup> Kementerian Koordinator Bidang Perekonomian Republik Indonesia, *Pertemuan Dewan MEA: Indonesia Dorong Negara-Negara ASEAN Tuntaskan Isu-Isu Prioritas dan Persempit Kesenjangan*, <https://ekon.go.id/publikasi/detail/786/pertemuan-dewan-mea-indonesia-dorong-negara-negara-asean-tuntaskan-isu-isu-prioritas-dan-persempit-kesenjangan>. Accessed 20 November 2025.

<sup>33</sup> Alfonso Maria Satifa Umbu Zaza, dkk., *Dampak Ketegangan Geopolitik Terhadap Investasi Asing Langsung (FDI) di Indonesia*, SCIENTIFIC JOURNAL OF REFLECTION: Economic, Accounting, Management and Business, Vol. 8, No. 3, July 2025, hal. 949-958.

as production relocation and friendshoring, in which investment is shifted to countries with greater diplomatic influence and stability.

Indonesia, as an integral part of the Indo-Pacific region, offers strategic opportunities to attract spillover investments, particularly in manufacturing and green energy.<sup>34</sup> FDI inflows to ASEAN hit a record of USD 230 billion in 2023,<sup>35</sup> demonstrating that the region remains an appealing destination amid global supply diversification trends. However, these prospects are diminished by risks stemming from external protectionism. Alterations in trade policies enacted by major powers—such as amendments to U.S. tariffs with proposed rates reaching 19–20 percent following negotiations, coupled with more stringent rules of origin—may adversely affect regional manufacturing. Such disruptions are evident in the challenges encountered by companies operating in Vietnam and Malaysia.<sup>18</sup> This uncertainty requires ASEAN to strengthen its regional trade and supply chain architecture.<sup>5</sup> ASEAN economic integration is a vital collective strength in making sure the region stays a dependable and integral part of the global supply chain.<sup>19</sup>

#### b) Digital Economy Acceleration and Financial Integration

Digitalization serves as an essential catalyst for regional structural reform and economic resilience. ASEAN emphasizes seamless digital connectivity and a cohesive digital economy ecosystem.<sup>36</sup> The primary initiatives within the financial sector are the Regional Payment Connectivity (RPC) and the Local Currency Transaction (LCT). These initiatives are spearheaded by the Central Banks of member countries to enhance financial integration and bolster resilience against external shocks. The RPC is designed to improve the advantages of cross-border payments by streamlining the processing chain. Additionally, all economic priority agendas (PEDs) concerning payment connectivity and monetary policy have been finalized and reported during the 10th ASEAN Finance Minister and Central Bank Governor Meeting (AFMGM) in August 2023.<sup>37</sup>

Although the level of financial inclusion has improved substantially, with the exclusion rate reaching 22.62% as of December 2022, digital financial literacy remains a significant challenge. The Association of Southeast Asian Nations (ASEAN) has established the Implementation Guidelines for Strengthening Digital Financial Literacy to guarantee that the advantages of digital financial services are accessible to all segments of society, particularly the financially marginalized. It is noteworthy that ASEAN experts acknowledge their inability to regulate competition from major firms' powers.<sup>38</sup> However, they can manage their internal responses. Therefore, the RPC and Digital Economy Framework Negotiation (AD-EFNC)<sup>39</sup> is a strategic approach designed to reduce transaction costs associated with physical and bureaucratic NTBs, thereby facilitating a faster, more modern integration pathway within the service sector.

#### 1. Sustainability and Green Transition Agenda

The green transition and sustainability are fundamental pillars of the AEC's strategy, including in Vision 2045. ASEAN is committed to advancing Transition Finance to support sustainable finance and the green economy. The concept of the Circular Economy is also promoted as a key component to ensure ASEAN's service economy remains resilient and prepared to face future challenges.<sup>40</sup> The region has emerged as a focal point for investment in renewable energy. Since 2020, the number of international initiatives for renewable power plants, primarily solar and wind, within ASEAN has increased by an average of 15% per year, exceeding global growth rates.<sup>41</sup> This trend indicates that foreign direct investment entering ASEAN is becoming progressively concentrated on digital and green technologies, thereby reaffirming the region's status as a future-oriented growth area hub.

### 1. Indonesia's Strategic Role and Policy in Promoting Integration

Indonesia, as the largest economy within the Association of Southeast Asian Nations (ASEAN), assumes a pivotal role in fostering regional integration and addressing income disparities. The nation's policies exemplify deliberate strategic initiatives aimed at capitalizing on geoeconomic opportunities while concurrently addressing internal structural challenges. Indonesia implements a dual-track strategy in its external trade engagement partnerships.

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<sup>34</sup> *Ibid.*

<sup>35</sup> UNCTAD, *ASEAN Investment Report 2024*, <https://unctad.org/publication/asean-investment-report-2024>. Accessed 20 November 2025.

<sup>36</sup> Bank Indonesia Institute, *ASEAN Pusat Pertumbuhan Inklusif dan Berkelaanjutan*, Jakarta: Bank Indonesia Institute, 2024, <https://www.bi.go.id/id/bi-institute/publikasi/Documents/ASEAN-Pusat-Pertumbuhan-Inklusif-dan-Berkelaanjutan.pdf>. Accessed 20 November 2025.

<sup>37</sup> *Ibid.*

<sup>38</sup> Syifa, *Indonesia Dorong Perdagangan Inklusif dan Berkelaanjutan Melalui CPTPP-ASEAN Dialogue*, <https://infoekonomi.id/2025/11/indonesia-dorong-perdagangan-inklusif-dan-berkelaanjutan-melalui-cptpp-asean-dialogue/>. Accessed 22 November 2025.

<sup>39</sup> Kementerian Koordinator Bidang Perekonomian Republik Indonesia, *ASEAN Digital Economy Framework Negotiation Committee Meeting: Komitmen ASEAN Mempercepat Pertumbuhan Ekonomi Digital di Kawasan*, <https://ekon.go.id/publikasi/detail/6593/asean-digital-economy-framework-negotiating-committee-meeting-komitmen-asean-mempercepat-pertumbuhan-ekonomi-digital-di-kawasan>. Accessed 22 November 2025.

<sup>40</sup> Syifa, *Op.Cit.*

<sup>41</sup> ASEAN, *ASEAN Economic Integration Brief*, Jakarta: ASEAN Secretariat, 2024, <https://asean.org/wp-content/uploads/2024/12/AEIB-No.16 December-2024.pdf>. Accessed 22 November 2025.

## 1. RCEP Implementation

Indonesia has consistently endorsed the implementation of the Regional Comprehensive Economic Partnership (RCEP), a comprehensive regional agreement that accounts for approximately one-third of the global economic population.<sup>42</sup> RCEP is regarded as a strategic platform for enhancing supply chain efficiency and broadening access to Indonesia's export market. The analysis predicts significant advantages, including GDP growth of 0.07% and a trade surplus surpassing USD 900 million by 2040, contingent on optimal implementation.<sup>43</sup>

### 1. CPTPP Exploration and Standards Improvement

Along with RCEP, Indonesia is actively exploring membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).<sup>44</sup> The primary strategic objective of this investigation is to elevate national trade standards to a higher echelon (high-standard agreements), with the expectation of increasing trade volumes and providing the Indonesian market with opportunities to utilize elevated external standards (CPTPP) as a political leverage to facilitate challenging domestic structural reforms, such as improving intellectual property rights protections, standardization processes, and bureaucratic efficiencies. These reforms are essential to underpin Pillar 2 of the AEC.

Indonesia is also committed to a rules-based multilateral trading system, including supporting the WTO's consultative function and maintaining a two-tier dispute resolution system. Additionally, through initiatives such as the Future Investment and Trade Partnership Ministerial Meeting (FIT), Indonesia enhances international collaboration to sustain supply chain stability and promote digital trade development.

**Table III: Indonesia's Strategic Policy (Latest) Supports ASEAN Economic Integration**

Policy Areas	Latest Key Initiatives	Objectives in the Context of ASEAN Policy	Source of Policy/Legal Basis
Regional Trade <sup>45</sup>	Strengthening RCEP Implementation	Expanding export market access and strengthening supply chain efficiency.	Coordinating Ministry for the Economy.
Global Standard <sup>46</sup>	Exploring CPTPP Membership	Pushing national policies to higher standards, increasing global competitiveness.	Coordinating Ministry for the Economy, Ministry of Trade.
Inclusivity & Digital <sup>47</sup>	MSMEs Go Digital, Go Global	Integrating MSMEs into GVC/GEC, overcoming digital literacy and financing challenges.	Coordinating Ministry for the Economy
Regional Finance <sup>48</sup>	Regional Payment Connectivity (RPC) & LCT	Strengthen financial integration, accelerate cross-border transactions.	Bank Indonesia, Coordinating Ministry for Economic Affairs

## 2. Strategies to Boost the Competitiveness of MSMEs (Pillar of Inclusivity)

The development of the global economy over the past decade demonstrates increasingly competitive and integrated dynamics,

<sup>42</sup> Lembaga Pertahanan Nasional, *Penguatan RCEP: Strategi Cerdas Indonesia Tingkatkan Perekonomian Nasional*, <https://perpustakaan.lemhannas.go.id/?p=408>. Accessed 22 November 2025.

<sup>43</sup> *Ibid.*

<sup>44</sup> Kementerian Koordinator Ekonomi Republik Indonesia, *Keanggotaan CPTPP Indonesia di Depan Mata, Peluang Pasar ke 590 Juta Penduduk Kian Terbuka*, <https://ekon.go.id/unduh/publikasi/6679/keanggotaan-cptpp-indonesia-di-depan-mata-peluang-pasar-ke-590-juta-penduduk-kian-terbuka>. Accessed 22 November 2025.

<sup>45</sup> Lembaga Pertahanan Nasional, *Op.Cit.*

<sup>46</sup> Kementerian Koordinator Ekonomi Republik Indonesia, *Keanggotaan CPTPP Indonesia di Depan Mata, Peluang Pasar ke 590 Juta Penduduk Kian Terbuka*, *Op.Cit.*

<sup>47</sup> Pusat Investasi Pemerintah Ditjen Perbendaharaan, Kementerian Keuangan Republik Indonesia, *UMKM Didorong Go Global Dengan Digital*, <https://pip.kemenkeu.go.id/berita/45/umkm-didorong-go-global-dengan-digital>. Accessed 22 November 2025.

<sup>48</sup> Bank Indonesia Institute, *Op.Cit.*

marked by the acceleration of technological innovation, digitalization, and expanding market activity mobility.<sup>49</sup> In this context, the micro, small, and medium enterprises (MSMEs) sector assumes a strategic role as a fundamental pillar of the national economy, particularly in developing nations such as Indonesia. A prominent feature of the Indonesian economy is the predominant role of MSMEs in domestic economic activities, despite variability in the ratio of MSMEs to large enterprises across sectors.<sup>50</sup> The dominance of MSMEs serves not only as a buffer for domestic economic stability but also as a principal catalyst for employment generation and community empowerment at both local and regional levels. Furthermore, MSMEs make substantial contributions towards tackling issues such as poverty, economic disparity, and unemployment, especially in regions located distant from economic hubs.

Indonesia regards Micro, Small, and Medium Enterprises (MSMEs) as the fundamental cornerstone of the national economy and a vital component in enhancing supply chain resilience amidst global volatility. Elevating MSME participation is essential to achieving the objectives of Pillar 3 of the ASEAN Economic Community (AEC). The Indonesian government has established an ambitious target of integrating 30 million MSMEs into digital platforms by [specific date] 2024.<sup>28</sup> The Go Digital, Go Global MSME program seeks to empower the sector to transform into an export-oriented global participant by integrating into the Global Value Chain (GVC) and engaging with the international e-Commerce market.<sup>51</sup> The export contribution of Indonesian MSMEs has increased from 14.37% in 2020 to 15.69% in 2021. Nonetheless, MSMEs continue to face substantial challenges, particularly in innovation and digital literacy financing.<sup>52</sup> To address the financing gap—where 46.6 million of the 64 million MSMEs in 2020 lacked access to banking financing.<sup>28</sup> The government provides the People's Business Credit (Kredit Usaha Rakyat) program as a guarantee scheme aimed at enhancing access to inclusive financial services financing.<sup>31</sup> Indonesia's emphasis on digital transformation for MSMEs and its support for RPC are directly intended to address disparities and elevated transaction costs in regional markets caused by NTBs. By facilitating MSMEs' access to regional and global markets via digital channels, Indonesia is effectively fostering a more equitable and inclusive economic landscape integration.

## V. CONCLUSION

ASEAN Economic Integration has successfully established a low-tariff zone and attracted record levels of foreign direct investment (FDI), thereby strengthening its position as an “Epicentrum of Growth” and demonstrating resilience amid global shocks. Nevertheless, the Single Market Vision (Pillar 1) remains predominantly aspirational. Its actual implementation reveals persistent market fragmentation caused by intricate non-tariff barriers (NTBs), exacerbated by considerable economic disparities (Pillar 3) among member states. The primary challenges have shifted from tariff-related issues to structural concerns, including regulatory harmonization, legal certainty, and the necessity to adapt to emerging geo-economic trends such as supply chain fragmentation and technological innovations, notably digitalization. Indonesia's approach—centered on domestic reforms driven by high-standard commitments (CPTPP), the implementation of regional agreements (RCEP), and the enhancement of MSME competitiveness through digitalization initiatives (Go Digital)—constitutes an appropriate strategy for transforming these structural challenges into a solid foundation for realizing Vision 2045.

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## VII. DISCLOSURE

The author declares no conflicts of interest related to this work.

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<sup>49</sup> Otoritas Jasa Keuangan Institute, UMKM Mendunia: Strategi Peningkatan Skala Bisnis Menembus Pasar Nasional dan Internasional, [https://institute.ojk.go.id/ojk-institute/id/capacitybuilding/upcoming/4941/umkm-mendunia-strategi-peningkatan-skala-bisnis-menembus-pasar-nasional-dan-internasional#\\_ftn1](https://institute.ojk.go.id/ojk-institute/id/capacitybuilding/upcoming/4941/umkm-mendunia-strategi-peningkatan-skala-bisnis-menembus-pasar-nasional-dan-internasional#_ftn1). Accessed 25 November 2025.

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<sup>51</sup> Pusat Investasi Pemerintah Ditjen Perbendaharaan, Kementerian Keuangan Republik Indonesia, *Op.Cit.*

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