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Sustainable Business and Global Supply Chains in ASEAN: Escaping the Middle-Income Trap

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Abstract

This study explores the influence of sustainable business strategies and facilitative policy frameworks on ASEAN companies' upgrading and integration into global supply chains (GSCs). The study employs a qualitative document analysis approach to critically examine 12 national and regional policy reports, 6 international institutional reports, and 12 firm-level sustainability and annual reports. Thematic coding and cross-case comparative analysis were conducted using ATLAS.ti software to determine main drivers of sustainable GSC involvement at firm and policy levels. There are suggested and argued conceptual frameworks: the Sustainable Value Chain Upgrading Framework and the Policy-Driven Sustainable Trade Framework. Evidence indicates that firms embracing environmental, social, and governance (ESG) values, circular economy approaches, and innovation investment possess higher market positioning and supply chain resilience. Meanwhile, green growth policies at the national level and international efforts promoting sustainable trade assist in guaranteeing main compliance reduction and corporate sustainability uptake incentives. Cross-country analysis reveals growing convergence towards ASEAN global ESG standards among ASEAN firms, with differences in social impact strategies localized. The article contributes to the existing literature by integrating firm- and policy-level perspectives and offers practical recommendations to policymakers and business managers interested in pursuing economic upgrading through sustainability in the region. The findings call for dynamic firm-policy interactions to attain resilient, inclusive, and sustainable engagement in global value chains.

Keywords: sustainable global supply chain; ASEAN enterprises; value chain

1. Introduction

Middle-income economies in ASEAN are confronted with the age-old dilemma of escaping the middle-income trap (MIT), where countries experience rapid economic growth but fail to move up to high-income status. ASEAN economies, such as Vietnam, Indonesia, and the Philippines, have employed global supply chains (GSCs) to generate economic growth, industrialization, and employment creation (Gill & Kharas, 2007). Yet to sustain this momentum and progress beyond the middle-income level, these countries need to tackle structural challenges of productivity, innovation, and competitiveness. Since these economies have been struggling to escape MIT, sustainable business strategies have emerged as a critical element of long-term growth (World Bank, 2019).

In the past decades, sustainable business has attracted more attention, and efforts have been made to incorporate environmental, social, and governance (ESG) principles into business operations (Elkington, 1997).

This global shift is necessitated by growing awareness of environmental degradation, social justice, and shifting expectations about corporate responsibility (Porter & Kramer, 2011). For ASEAN middle-income economies, mainstreaming sustainability in business planning is not just a compliance matter, but also an opportunity to enhance competitiveness and drive broader economic transformation. Approaches such as adopting circular economy strategies, improving resource efficiency, and strengthening corporate social responsibility efforts can firmly underpin the resilience and performance of firms operating in global markets (Bocken et al., 2016).

Over time, international value chains have served as strong vehicles for growth based on export and economic expansion. But nowadays, networks are undergoing vast transformations as companies try to include sustainability in the operational design of diminishing harmful impacts on the environment, ensuring more efficiency, and fulfilling increased customer demand (Gereffi & Lee, 2016). At the ASEAN level, firms that are able to sustain the trend of sustainability can raise their competitiveness, enter new markets, become a pull-factor for responsible investment, and secure long-term survival (OECD, 2018). Introducing international supply chain models into the particular economic, institutional, and technological landscapes of ASEAN middle-income economies remains, however, a challenging task (Yeung, 2016).

This study seeks to consider how the inclusion of sustainable business models in global supply chains can assist ASEAN middle-income countries in avoiding the middle-income trap. By examining the ways in which sustainability is embedded in business models and GSCs, this research examines the role of sustainable practices in enhancing economic competitiveness, driving innovation, and building resilience in the face of evolving global market conditions. It also explores how these strategies can trigger industry upgrading, intensify value-added production, and support economic diversification — all of which are important for escaping the middle-income trap (Jenkins, 2009).

Through this research, hopes are high that the study can shed light on how sustainable business models can offer new prospects for expansion and transformation in ASEAN economies. To achieve this, it assists in deepening better knowledge of global value chain convergence and sustainability, offering policymakers, business leaders, and industry players firm recommendations to navigate the shifting dynamics of sustainable development and economic upgrading in the region.

2. Literature Review

This section outlines the theories central to this study, namely the middle-income trap (MIT), global supply chains (GSCs), sustainable business strategies, and ASEAN contexts. Through scanning and synthesizing existing literature, it formulates the premise on which one comprehends the relationship between sustainability, economic upgrading, and supply chain engagement in middle-income ASEAN economies.

Middle-income trap (MIT) is a condition where economies, after becoming middle-income, experience prolonged stagnation and cannot advance to high-income levels (Gill & Kharas, 2007). Structural factors like sluggish productivity growth, weak technological innovation, and weak industrial upgrading are often cited as the main obstacles to escaping the MIT (World Bank, 2019).

Though productivity growth continues to be central to economic development, numerous middle-income nations continue to experience chronic challenges in maintaining high productivity levels, typically as a result of inefficient resource utilization and inadequate investment in technological competence (Rodrik, 2016). Unlike low-income countries, which benefit from low-cost labor, or high-income countries, which leverage innovation, middle-income economies face diminishing returns from labor-intensive industries without having yet developed the advanced technological capabilities needed to compete globally (Eichengreen et al., 2013).

Innovation capacity is another critical factor for escaping MIT. Despite having large and growing domestic markets, middle-income economies typically exhibit weak research and development (R&D) ecosystems, limiting their ability to move beyond basic manufacturing into higher value-added industries (Aghion &

Howitt, 2006). This dependency on foreign technologies constrains firms' long-term competitiveness and deepens the trap (Felipe, 2012).

Industrial upgrading is equally essential, yet many ASEAN middle-income economies continue to face challenges such as weak institutional support, regulatory inefficiencies, and shortages of skilled labor (Doner & Schneider, 2016). The transition from labor-intensive industries to capital- and knowledge-intensive sectors requires not only policy interventions but also active corporate engagement in sustainable and innovation-driven practices to enhance global competitiveness.

Recently, the World Development Report 2024 further highlighted the increasing difficulty for middle-income countries to reach high-income status in today's context of high debt, aging populations, and rising global protectionism (World Bank, 2024). The report advocates for the adoption of a "3i strategy," proposing a sequenced policy approach based on development stages: investment (1i) for low-income countries; investment plus infusion of know-how and technology (2i) for lower-middle-income countries; and investment, infusion, and innovation (3i) for upper-middle-income countries. Success in implementing this strategy hinges on governments' ability to discipline vested interests, reward merit through better talent development and allocation, and leverage crises—such as climate change—as catalysts for structural reform (World Bank, 2024).

In sum, overcoming the MIT requires addressing barriers to productivity growth, strengthening indigenous innovation ecosystems, and facilitating industrial upgrading through coordinated policy and private-sector strategies. In today's global context, ensuring a balance between economic development and environmental sustainability is more critical than ever before, particularly through initiatives such as enhancing energy efficiency and reducing emissions. In this respect, encouraging sustainability in global value chains offers a critical path for middle-income economies seeking to ensure long-term, inclusive, and resilient growth.

2.1. Global Supply Chains (GSCs): Contribution to Economic Growth and Sustainability Problems

Global supply chains (GSCs) have contributed heavily to the economic growth of middle-income countries by enabling firms to become part of global production networks and enjoy technology transfer, knowledge spillovers, and foreign direct investment (FDI) (Gereffi & Lee, 2016). The offshoring of production to different places has allowed firms of ASEAN economies to specialize in certain stages—e.g., assembly, component manufacturing, or raw materials processing—through exploiting cost economies and raising exposure to global markets (OECD, 2018). GSC participation not only spurred the growth of exports and job creation but also motivated industrial learning, subjecting companies to international norms, management culture, and technology innovation.

However, alongside these key benefits, GSC integration also poses significant sustainability issues. Many middle-income countries are struggling with compliance with the increasingly tighter environmental, social, and governance (ESG) standards set by global buyers and the developed economies (Kaplinsky, 2013). Meeting international sustainability norms—i.e., reducing carbon footprints, following fair labor procedures, and following best practices for responsible sourcing—has become essential for maintaining access to high-value segments of markets (UNCTAD, 2020). Yet, financial constraints, limited technological capabilities, and poor regulatory institutions typically hinder ASEAN middle-income economies' businesses from fully embracing sustainable practices (Gereffi et al., 2005). Such constraints can threaten the marginalization of firms in GSCs and undermine their long-term competitiveness.

The COVID-19 crisis also revealed vulnerabilities in international supply chains, highlighting risks associated with excessive dependence on complex, geographically dispersed networks and emphasizing the urgent need for increased resilience (Baldwin & Evenett, 2020). Disruptions to production and logistics systems have prompted businesses to rethink supply chain configurations, and there has been a heightened focus placed on regional diversification, nearshoring, as well as integrating sustainability and resilience into business planning. In this evolving scenario, firms combining participation in GSCs with sustainability-focused innovation and strategic upgrading are likely to improve their long-term competitiveness and adapt to evolving global trade patterns (Javorcik, 2020).

Generally, even as GSCs continue to be essential drivers of economic upgrading, their benefit increasingly depends on the ability of firms to meet higher sustainability expectations. Going forward, policy support, greater availability of green financing, and international coordination become essential for promoting ASEAN middle-income economies in leveraging GSC engagement to catalyze inclusive, resilient, and sustainable development.

2.2. Sustainable Business Strategies: ESG, Circular Economy, and Corporate Sustainability

There is a need for increasingly more sustainable business strategies in order to balance corporate profitability with environmental responsibility and social accountability (Elkington, 1997). The incorporation of environmental, social, and governance (ESG) considerations has emerged as a universal standard for firms vying in international markets, influencing investor decision, as well as compliance and competitiveness (Porter & Kramer, 2011). Companies today are under mounting pressure from numerous stakeholders—customers, investors, and governments—to demonstrate responsible business conduct and tangible contributions towards the achievement of sustainable development goals (SDGs).

Business environmental sustainability is complementary to the circular economy concept that encourages resource efficiency, waste reduction, and extension of product lifespan as substitutes to traditional linear production methods (Bocken et al., 2016). Firms that adopt circular economy practices can reduce dependence on scarce raw materials, lower operational costs, enhance potential for innovation, meet new regulation requirements, and build brand image in international markets (Ghisellini et al., 2016). For ASEAN middle-income economies, working to develop their industrialization foundation, circular economy principles offer a valuable strategy for maintaining competitiveness while promoting increased environmental responsibility.

Social sustainability concentrates on improving labor practices, talent development, and community engagement. Research indicates that firms promoting social sustainability—by providing fair compensation, improving working conditions, advancing gender balance, and giving back to local communities—experience higher productivity, lower employee turnover, and higher social legitimacy (Carroll & Shabana, 2010). In ASEAN economies, wherein labor-intensive sectors remain dominant, achieving maximum social sustainability is important for fostering inclusive development, industrial stability, and diminishing social unrest risk (ILO, 2019).

Governance plays a crucial role in ensuring transparency, ethical practice, and compliance with regulation in supply chains. Companies with well-functioning governance structures—aided by accountability, stakeholder engagement on a pro-active footing, and anti-corruption procedures—are better protected from supply chain shocks and reputation damage (Eccles et al., 2014). Governance also makes companies more attractive to ethical investors and facilitates access to sustainable funds. Though ASEAN economies have progressed in having corporate governance systems, there are issues with uniform enforcement, corporate responsibility, and safeguarding stakeholder interests (ASEAN CSR Network, 2020).

In general, integrating ESG considerations and circular economy principles into corporate strategies offers one of the important pathways for sustainable upgrading by ASEAN firms within global value chains. Improving corporate sustainability contributes not only to increased long-term competitiveness but also to broader regional ambitions for more inclusive, more resilient, and more environmentally sustainable development.

2.3. ASEAN Context: Case Studies on Vietnam, Indonesia, and the Philippines in Sustainable GSC Participation

Vietnam, Indonesia, and the Philippines have emerged as significant participants in GSCs, offering informative case studies on both the potential and challenges of increasing sustainable supply chain engagement of middle-income ASEAN economies.

Vietnam has also become an important manufacturing center, leveraging free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to expand its export market base and attract foreign direct investment (UNESCAP, 2021). Its export-led growth model—especially in textile, electronics, and furniture—has been the foundation of robust economic growth. Vietnam still, however, struggles with the tensions between rapid industrialization and environmental sustainability (Nguyen & Pham, 2020). Although the government has developed plans for promoting green energy, setting renewable energy targets, and enhancing environmental protection by regulation, regulatory enforcement remains inconsistent, particularly in SMEs.

Indonesia has embarked on an industrial diversification policy, trying to shift its economic base from natural resource extraction to value-added manufacturing and service sectors (Patunru & Rahardja, 2015). Yet, sectors such as palm oil and mining have attracted international condemnation for deforestation, environmental devastation, and abuse of human rights (Obidzinski et al., 2012). The institution of the Indonesian Sustainable Palm Oil (ISPO) certification standard is a sign of efforts at enhancing ESG compliance and integrating sustainability into key sectors (Koh & Wilcove, 2008). However, economic development and environmental sustainability remain a key policy issue, requiring more robust monitoring systems, incentives for sustainability, and additional support for firm-level innovation.

The Philippines, traditionally strong in its services industry—particularly business process outsourcing (BPO)—has more recently sought to diversify its GSC engagement through incursions into manufacturing and renewable energy investment (Austria, 2018). Though plagued by persistent challenges like weak regulatory enforcement, infrastructure limitations, and vulnerability to climate change (World Bank, 2020), the country also witnessed heightened corporate sustainability activities. Various firms have invested in renewable energy, inclusive business models, and social enterprise ventures (Tolentino, 2019), suggesting that leadership from the private sector may hold some of the solutions to addressing some of the policy gaps in achieving sustainable development objectives.

Together, the Vietnam, Indonesia, and Philippine cases shed light on both the promise and dilemma of spearheading sustainable upgrading in GSCs under the ASEAN context. Though considerable progress has been made through policy reforms, private sector initiatives, and international cooperation, entrenched issues—such as loopholes in enforcement, financing gaps, and institutional weaknesses—continue to define their sustainability trajectories. Enhancing the coherence of national policy, business practice, and global sustainability standards are key to ASEAN economies achieving resilient, competitive, and inclusive places in global value chains.

2.4. Research Gaps and Questions

While there has been substantial research on the middle-income trap (MIT), global supply chains (GSCs), and sustainable business models, knowledge gaps remain in the understanding of how sustainability-focused business models can drive economic upgrading and competitiveness in ASEAN middle-income economies. Existing studies often treat sustainability as a compliance requirement rather than a transformative driver of long-term economic growth. This study identifies three key research gaps that require further exploration.

First, while traditional MIT research emphasizes weak productivity growth, limited innovation, and structural inefficiencies as key barriers (Gill & Kharas, 2007; Doner & Schneider, 2016; Rodrik, 2016), it largely overlooks the potential role of sustainability-oriented strategies—such as ESG integration, circular economy practices, and green supply chain management—in enabling economic upgrading. Few studies have examined how ASEAN firms can strategically leverage sustainability practices to escape the MIT and transition toward high-value industries.

Second, although ASEAN economies are deeply embedded in GSCs, their participation remains predominantly cost-driven rather than value-driven (Gereffi & Lee, 2016; Yeung, 2016). The shift toward sustainable trade, driven by evolving buyer expectations and regulatory pressures (UNCTAD, 2020; Eccles et al., 2014), demands that firms reposition themselves through sustainability-led differentiation. However, limited research explores firm-level adaptation strategies within ASEAN, particularly how sustainability can serve as a pathway to higher value-added GSC roles rather than merely compliance obligation.

Third, while there is growing scholarship on ESG reporting, circular economy adoption, and supply chain resilience (Ghisellini et al., 2016), existing studies remain fragmented and lack a comprehensive, integrated framework linking sustainability strategies with firm-level upgrading and GSC competitiveness. Without such a holistic model, both policymakers and business leaders lack practical guidance for leveraging sustainability as a catalyst for economic transformation and MIT escape in ASEAN.

Addressing these gaps is critical for shaping a more resilient and sustainable future for ASEAN middle-income economies. Accordingly, this study develops a strategic framework that integrates sustainability-driven business models, GSC repositioning, and economic upgrading to guide firms and policymakers toward long-term competitiveness.

Based on these identified gaps, the research question (RQ) guiding this study is: How do sustainable business strategies and policy alignments shape ASEAN firms' integration into global supply chains?

2.5. Proposed Conceptual Frameworks

This study adopts a dual-framework approach to investigate how sustainability-oriented strategies and policies can promote ASEAN firms' participation in global supply chains (GSCs). By combining firm-level and policy-level perspectives, this study offers a more comprehensive understanding of the drivers, mediating factors, and outcomes that shape sustainability-led integration into global trade.

2.5.1. Sustainable Value Chain Upgrading Framework (Firm-Level)

This framework draws on Gereffi's Global Value Chain theory (2014) and Porter's Competitive Advantage theory (1985), emphasizing how internal corporate strategies can enable ASEAN firms to transition from low-value to high-value positions within global supply chains (GSCs). Sustainability-oriented practices—such as ESG integration, adopting circular economy principles, and sustainable sourcing—are theorized as independent variables that influence GSC engagement through mediating variables such as innovation capacity, market differentiation, and regulatory compliance (Elkington, 1997; Gereffi & Lee, 2016; Krippendorff, 2018). Firm outcomes are quantified in terms of better supplier relationships, higher value-added trade, and higher foreign direct investment (FDI) inflows, reflecting an increased role in GSCs (World Bank, 2021).

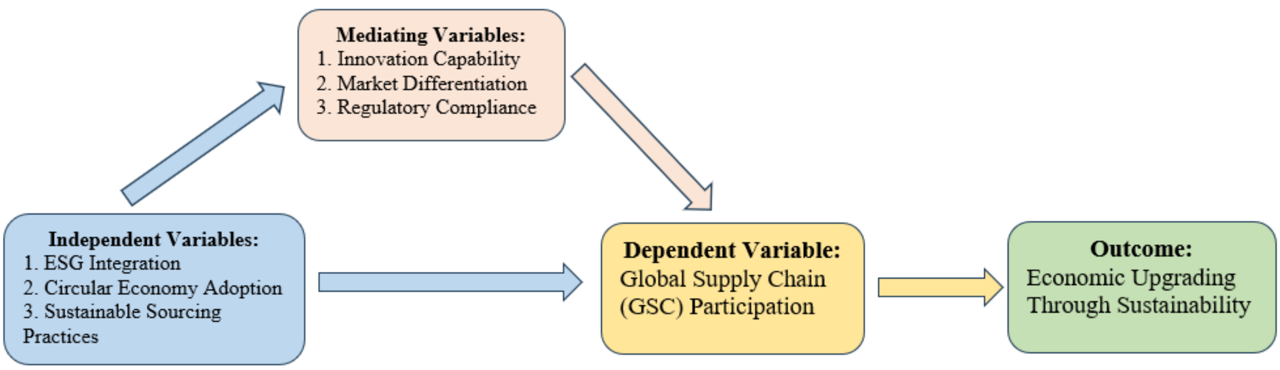

Figure 1. A proposed conceptual framework exploring the relationship between sustainable business strategies and ASEAN enterprises' integration into global supply chains as the firm-level.

Figure 1 illustrates how sustainable business strategies affect ASEAN firms' integration into global supply chains. The key independent variables—ESG integration, circular economy, and sustainable sourcing—are the essential sustainability strategies. Firms that adopt such practices not only have higher compliance with international regulatory stipulations but also higher efficiency in their operations and attractiveness to multinational firms (Elkington, 1997; Gereffi & Lee, 2016). Such practices are increasingly important in the context of upgrading the value chain from low-value supply chain functions to higher value-added functions, e.g., high-end manufacturing and branded product exports (World Bank, 2021).

To this end, innovation capacity, market differentiation, and regulatory compliance are mediating factors. Firms that spend on R&D, develop green products, and acquire sustainability certifications (e.g., ISO 14001) can improve their competitive position in GSCs (Krippendorff, 2018). Additionally, adherence to international sustainability legislations—e.g., the European Union's Carbon Border Adjustment Mechanism (CBAM)—can facilitate market access and decrease trade barriers (WTO, 2020). Such mediating roles enable firms to strengthen their positions in global supply chains.

The dependent variable—GSC participation—is operationalized through indicators such as greater supplier contracts, value-added export expansion, and increased foreign direct investment inflows. Firms that can incorporate sustainability into their functions are more inclined to shift from resource-based competition toward innovation-led growth, supporting their escape from the middle-income trap through strategic economic upgrading (Eisenhardt & Graebner, 2007). Overall, the framework sees sustainability as a core driver for ASEAN businesses to move up the global value chain and achieve long-term competitiveness.

2.5.2. Policy-Driven Sustainable Trade Framework (Policy-Level)

This framework draws on Institutional Theory (Scott, 2001) to examine how outside institutional pressures—e.g., national sustainability policy, free trade agreements, and public-private partnerships—shape the context in which firms can make transitions to sustainability. Independent variables include measures initiated by government such as carbon pricing regimes, ESG report requirements, and green incentives on trade (OECD, 2021; UNCTAD, 2022). Firms' adaptation strategies, regulatory compliance costs, and international customer expectations are examples of mediating variables that have a primary impact in defining direction towards integration within global supply chains (GSCs). The dependent variable focuses on the engagement of companies in sustainable trade networks and their upgrading to certified green production roles (WTO, 2020; Porter & Van der Linde, 1995).

Figure 2 illustrates how ASEAN policymakers and companies may increase the compatibility between sustainability objectives and international supply chain incorporation. Core independent variables—e.g., policymaking for sustainability, free trade arrangements promoting green supply chains, and public-private collaborations—explain key policy mechanisms driving companies' engagement with sustainable trade. Policies like carbon pricing, tax incentives to green investments, and ESG reporting requirements place incentives for firms to adopt more sustainable approaches (OECD, 2021). Additionally, preferential tariff treatment of environmentally friendly products and government-private firm-NGO joint schemes enable enabling platforms for greener supply chain transformation (UNCTAD, 2022).

The model identifies the response strategies of the firms, regulation compliance costs, and buyers from other nations' requirements as the mediating variables. Firms are being forced increasingly to invest in environmentally sustainable operations, implement process innovations, and overcome regulatory barriers to remain competitive in GSCs (Porter & Van der Linde, 1995). Although the cost of realizing carbon emissions reductions and obtaining sustainability certifications can be a significant challenge, firms that adapt successfully are likely to obtain privileged access to overseas markets (Gereffi & Lee, 2016). Moreover, large global buyers have started adopting ESG criteria into their buying plans, putting ASEAN firms under pressure to adhere to stricter levels of sustainability if they hope to expand or sustain their supply chain activities (WTO, 2020).

The dependent variable—integration of GSC—is quantified through indicators such as being involved in green sustainable trade agreements, supply chain upgrading, and being part of certified green production networks. Effective policy intervention enables firms to make a transition away from low-value production activities and pursue high-value operations, such as green manufacturing with sophisticated technology and innovation in sustainable products (World Bank, 2021). It accentuates the focus of policy-oriented sustainability programs on promoting ASEAN firms' global market competitiveness under a globalized environment while encouraging international-level compliance with environmental and social governance standards.

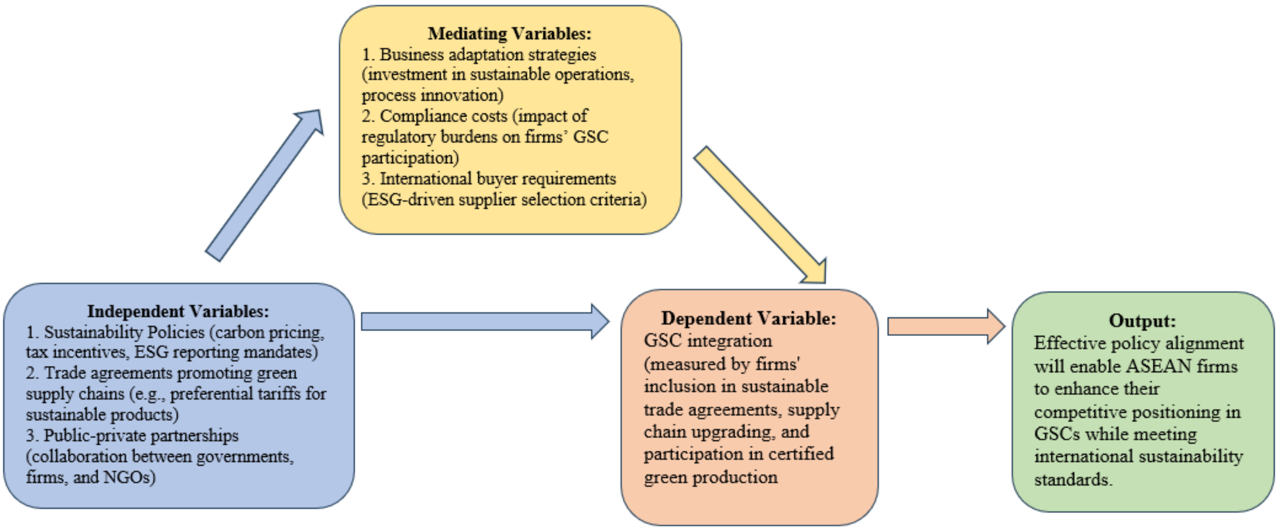

Figure 2. Policy-driven sustainable trade framework: aligning sustainability goals with global supply chain linkages between ASEAN policymakers and businesses.

Seamlessly aligning these two symbiotic frameworks, this article offers a multi-faceted approach towards analyzing how firm-level sustainability strategies such as ESG adoption and eco-innovation and policy-level institutions such as regulatory incentives and sustainable trade agreements individually and collectively influence ASEAN firms' ability to penetrate and ascend global supply chains. This dual perspective includes both the internal abilities that firms must develop and the external institutional forces that frame strategic opportunity, offering a more cohesive perspective on how sustainable development goals can be reconciled with economic upgrading regionally and globally.

3. Methodology

3.1. Research Design

This study employs a qualitative, multiple-case study design based on secondary sources only. It examines the interactive relationship between sustainability strategy and policy structure, and how these affect ASEAN companies' engagement and positioning within international supply chains (GSCs). Case study design is most appropriate for in-depth, local context analysis of both firm strategy and institutional arrangements across different national environments (Yin, 2018). Vietnam, Indonesia, and the Philippines are selected as comparative cases since all of them have growing roles in GSCs and each one of them has a distinct approach to incorporating sustainability.

3.2. Data Collection

The data for this study are drawn from publicly available secondary sources like corporate sustainability reports and annual reports, country policy documents, free trade agreements, international development reports (e.g., UNCTAD, OECD, ADB), and industry publications. Special focus is given to ESG disclosures, sustainable trade-related policy statements, and green industrial development strategies. Apart from this, scholarly journal papers and working papers from institutions such as the World Bank and WTO are used to reinforce analysis and interpretation of sustainability trends (Creswell & Poth, 2018).

3.3. Sampling

The strategy employs purposive sampling to obtain cases and documents that align with the research aim of examining the influence of sustainable business strategies and policy alignments on ASEAN firms' integration in GSCs. Because secondary data are dependent upon, the sampling approach focuses on selecting information-rich sources representing diverse industries, country contexts, as well as varying levels of sustainability maturity. The sample includes 6 to 9 firms operating in ASEAN lower-middle-income countries—specifically Cambodia, Lao PDR, Indonesia, Myanmar, Vietnam, and the Philippines—that are actively involved in GSCs and have publicly disclosed sustainability initiatives (e.g., ESG compliance, circular economy practices). These firms were selected across key sectors such as manufacturing, electronics, agribusiness, and apparel to capture variation in supply chain roles and sustainability practices.

In addition, 3 to 5 national or regional policy documents per country (Cambodia, Lao PDR, Indonesia, Myanmar, Vietnam, and the Philippines) were reviewed, including government-issued green growth strategies, ESG-related tax or compliance mandates, and trade policies that promote sustainable practices. These are complemented by 3 to 5 international institutional reports from bodies such as the World Bank, ADB, UNCTAD, and OECD, offering macro-level insights into ASEAN's role in sustainable trade and GSC upgrading. This multi-layered sampling strategy ensures adequate depth and comparative breadth to capture key patterns, facilitating a robust qualitative analysis of policy-business dynamics in GSCs.

3.4. Data-Analysis

The study applied thematic content analysis to systematically interpret textual data from reports and policy documents. Coding was guided by theoretical constructs such as ESG integration, circular economy practices, innovation capacity, and institutional alignment with sustainability goals (Elkington, 1997; Gereffi & Lee, 2016). A cross-case comparative analysis helps identify recurring themes, differences, and causal mechanisms linking sustainability-driven business and policy decisions to GSC integration outcomes (Eisenhardt & Graebner, 2007). ATLAS.ti was used to facilitate coding and traceability of themes.

To address the research objective—developing a strategic framework integrating sustainability-driven business models, global supply chain (GSC) repositioning, and economic upgrading in ASEAN—a qualitative document analysis was conducted. The research employed a hybrid coding approach using ATLAS.ti software. Thus, 18 textual documents were analyzed, consisting of twelve national/regional policy documents and six international institutional reports. Each document was systematically reviewed and coded based on a structured codebook, which integrated both deductively defined codes (rooted in theoretical and policy frameworks) and inductive insights emerging from the data.

Initial codes included categories such as:

- Sustainability Strategy
- Green Innovation and Investment
- Supply Chain Repositioning
- Policy Alignment and Coordination
- Economic Upgrading
- Capacity Building and Skills Development

These codes were refined through iterative review and applied across the corpus of documents to identify patterns, themes, and strategic priorities across levels. Following this, a second round of coding was applied to 12 firm-level sustainability and annual reports collected from leading enterprises across Vietnam, Indonesia, the Philippines, Cambodia, Lao PDR, and Myanmar. This analysis phase emphasized firm-level initiatives, restructuring activities of supply chains, and mechanisms for integration of sustainability. The selected quotes were coded, categorized, and thematically examined to understand patterns of firm behavior and engagement with broader policy mechanisms.

4. Results

4.1. National and Regional Policy Reports and International Institutional Reports Findings

This chapter draws together the key results from qualitative coding and thematic analysis of 12 national and regional policy reports and six international institutional reports, undertaken using ATLAS.ti 24. Analysis explores how sustainable development agendas and policy convergences in ASEAN member countries intersect with global institutional architectures, shaping firms' integration into and upgrading within global supply chains (GSCs). Three interrelated themes emerge: (i) policy-driven GSC repositioning, (ii) institutional alignment for green investment, and (iii) regional cohesion and integration barriers. Overall, the review of the policy and institutional landscape indicates that ASEAN's policy frameworks are undergoing significant transformation, underscoring the growing role of sustainability in shaping the region's engagement with global supply chains. The results are summarized in Figure 3.

The comparative analysis of the 12 national and regional policy documents (Document_Analysis_02) and six international institutional reports (Document_Analysis_03) reveals a pronounced focus on the thematic categories of Strategy Influence (Gr=189) and Policy Role (Gr=184), which exhibited the highest frequency of references across both datasets. Document_Analysis_02 accounted for the majority of the coded references, demonstrating a stronger emphasis on strategic direction and policy frameworks at the national and regional levels. In contrast, Document_Analysis_03 enriched the thematic landscape by contributing to categories such as Policy Role: Policy Alignment (Gr=66), Policy Role: Integration (Gr=42), and Alignment Challenges (Gr=40), highlighting the importance of coordination and harmonization in international institutional discourse. Lower-frequency categories, including Strategy Influence: Integration (Gr=26), Strategy Influence: Sustainability (Gr=22), and Strategy Influence: Collaboration (Gr=16), illustrate more nuanced discussions around firm-level sustainability integration and collaborative governance mechanisms. The integration of findings from both document sets advances a more comprehensive understanding of how strategic influence and policy mechanisms are articulated and operationalized across governance scales, reinforcing the critical role of alignment, integration, and sustainability in achieving policy coherence and upgrading within GSCs.

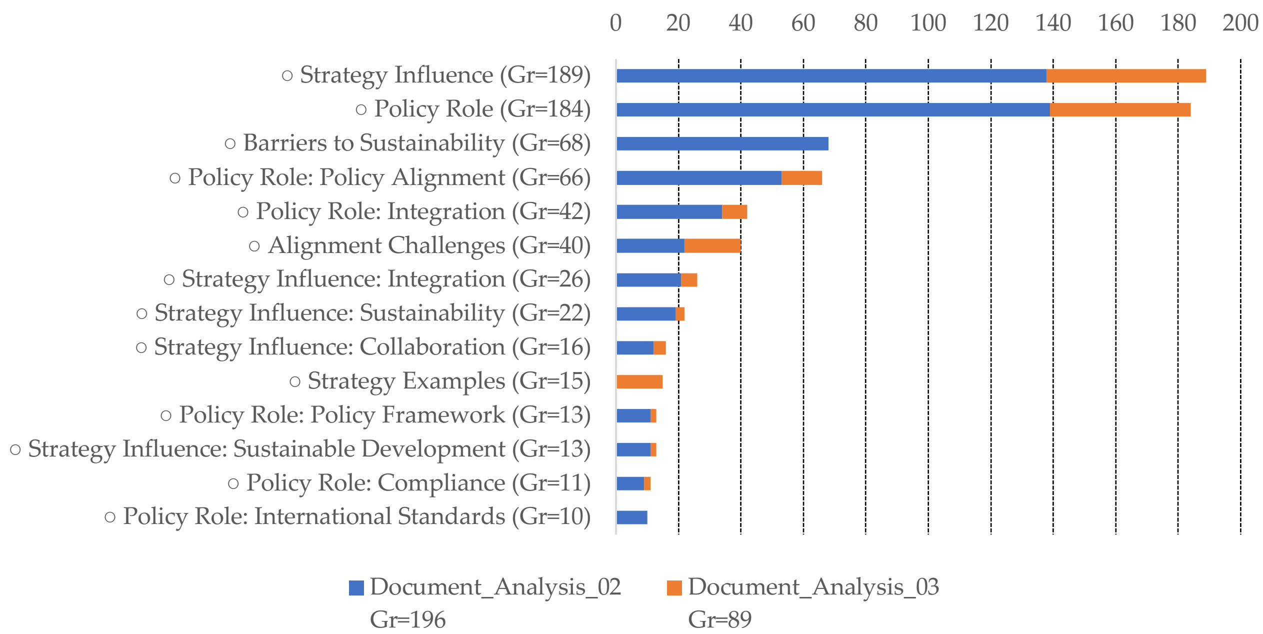

Figure 3. Study results output for research question.
Source: ATLAS.ti outputs.

Based on the analysis, three interconnected themes emerge:

1. Company Policy Momentum towards Green Growth and Global Supply Chain Repositioning in ASEAN
A few of the ASEAN member nations, like Vietnam, Indonesia, and the Philippines, have formulated national policies that put green growth, low-carbon development, and attainment of Sustainable Development Goals (SDGs) on their priority agenda. The policies are aimed towards industrial decarbonization of the economy, sustainable agriculture, and development of renewable energy sectors. In all the national policy documents analyzed, there is a shared aspiration to synchronize economic growth plans with sustainability objectives. Policies like Vietnam's Green Growth Strategy and Indonesia's Low-Carbon Development Pathway focus on efforts of economic reform, the adoption of low-emission technologies, and sectoral transition in energy, agriculture, and manufacturing industries (USDA and GAIN, 2021; MEF, 2021). These policy strategies are reshaping the business environments of enterprises and influencing their international supply chain competitiveness (GSCs). For example, Vietnam's Power Development Plan VIII is aimed at substantially raising by 2030 the utilization of renewable energy, reflecting a strategic reorientation of the nation's industrial base away from dirty production models toward cleaner ones in accordance with international sustainability and sourcing trends (MIT, 2021). Similarly, the Philippines' and Cambodia's national development plans center on enhancing trade competitiveness and supporting sustainable consumption, demonstrating that governments are integrating sustainability agendas into higher-level industrial and trade policies increasingly, and doing so in shifting their economies within the new emerging global division of labor.

2. Institutional Drive for Regional Interconnectedness, Green Investment, and Supply Chain Resilience
Global institutional reports highlight the need for concerted action to raise ASEAN's supply chain linkages, particularly in sectors such as renewable energy and electronics. Foreign direct investment (FDI) is being directed more towards sustainability-driven infrastructure projects, backed by technical assistance from multilateral institutions. Institutional reports complement national policy by projecting sustainable development as crucial not only for ASEAN's post-pandemic rebound but also for advancing the region's long-term competitiveness in global markets. Institutions such as the ADB (2021), UNCTAD (2024), and OECD (2023; 2024) emphasize the role of multinational enterprises (MNEs) in catalyzing green investment, particularly in renewable energy, and advocate for policy reforms to attract environmentally responsible FDI. Notably, the ASEAN Investment Report highlights case studies such as Apple's and Rolls Royce’s expansion of operations in the region to meet green standards and innovate in digital supply chains. However, these reports also caution that sustaining such investments requires enabling policy environments, particularly improvements in infrastructure quality, regulatory transparency, and human capital development.

3. Economic Resilience, Inclusive Development, and Regional Integration Challenges
ASEAN national and regional policies increasingly emphasize inclusive growth by supporting SMEs, promoting skills upgrading, and enhancing local capacity-building efforts. Strategies such as the ASEAN Comprehensive Recovery Framework and Greater Mekong Subregion initiatives focus on fostering labor market resilience, raising environmental standards, and ensuring equitable access to emerging technologies. Despite these ambitions, fragmentation in policy implementation and regulatory coherence remains a significant obstacle. International reports highlight uneven progress in services integration, labor inclusivity, and institutional capacity, particularly in less developed member states such as Cambodia, Lao PDR, and Myanmar. For example, while Cambodia has introduced a Green Financing Policy, enforcement mechanisms remain at a nascent stage (FFC, 2024). Furthermore, many national policies call for stronger inter-agency coordination, broader stakeholder inclusion, and the establishment of more robust data systems to monitor sustainability outcomes. The lack of harmonized sustainability standards and institutional alignment across ASEAN continues to hinder cohesive supply chain upgrading efforts, especially for firms operating across borders.

Together, these findings suggest that policy environments across ASEAN are increasingly facilitating the integration of sustainability and competitiveness into national and regional development agendas. However, challenges persist in coordinating implementation, harmonizing standards, and ensuring that SMEs and other vulnerable actors are not excluded from the sustainability transition. Following these initial findings from the qualitative coding of policy and institutional documents, a second round of thematic coding was conducted on 12 firm-level sustainability and annual reports from leading enterprises in Vietnam, Indonesia, the Philippines, Cambodia, Lao PDR, and Myanmar. This subsequent analysis captured firm-specific strategies, supply chain restructuring initiatives, and sustainability integration practices, offering deeper insights into how firms are adapting to and shaping the evolving sustainability-policy landscape within ASEAN.

4.2. Firm-Level Findings: Sustainability Strategies and Supply Chain Integration in ASEAN Enterprises

Following the initial analysis of 12 national and regional policy documents and six international institutional reports using ATLAS.ti, a second round of coding was conducted on 12 firm-level sustainability and annual reports from leading enterprises in Vietnam, Indonesia, the Philippines, Cambodia, Lao PDR, and Myanmar. The analysis of these firm-level reports reveals a growing alignment with global Environmental, Social, and Governance (ESG) standards, particularly across three core themes: environmental sustainability, sustainable supply chain practices, and social and community development. These findings highlight several commonalities and strategic trends in how ASEAN enterprises are responding to sustainability imperatives within global supply chains, with the three key themes emerging most prominently.

An examination of randomly chosen 12 leading firms across Vietnam, Indonesia, the Philippines, Cambodia, Lao PDR, and Myanmar demonstrates diverse yet converging approaches to sustainability and ESG integration within supply chains, as can be seen in Table 1. Vietnamese companies such as Vinamilk (2023) and Traphaco (2023) prioritize emissions reduction, sustainable sourcing, and the certification of agricultural suppliers to enhance environmental performance. In Indonesia, Unilever Indonesia (2023) and PT Indofood CBP Sukses Makmur Tbk (2023) emphasize renewable energy adoption, supply chain traceability, and the sustainable procurement of raw materials. ASEAN firms are increasingly embedding sustainability into their operations, as reflected in the initiatives summarized in Table 1. Philippine companies such as Ayala Corporation (2023) and Jollibee Foods Corporation (2023) are prioritizing carbon neutrality, supplier engagement, and the reduction of environmental impacts through innovations like sustainable packaging. In Laos, Mekong Timber Plantations (2023) emphasizes sustainable forestry management and biodiversity conservation, while KPMG Vietnam (2023) and Cambodia (2023) promote corporate sustainability through responsible procurement policies. Cambodian firms—including ACLEDA Bank (2023) and Emerald Resources NL (2023) —are integrating ESG principles into financial services and mining activities, advancing green finance and ethical sourcing practices. Meanwhile, companies in Myanmar, such as Myanmar C.P. Livestock Co., Ltd. (2023) and Yoma Strategic Holdings Ltd. (2023), are focusing on food safety, community development, and sustainable urban infrastructure. Collectively, these initiatives signal the growing momentum among ASEAN enterprises to align business operations with broader national and regional sustainability goals.

1. Incorporating Environmental Sustainability into Core Strategy

The majority of the companies highlighted have made specific commitments to environmental sustainability, ranging from goals of net-zero emissions, increasing renewable energy consumption, and improved waste and water management. Vinamilk (Vietnam, 2023) and KPMG (Vietnam and Cambodia, 2023) have both laid out specific roadmaps to net-zero emissions, while Unilever Indonesia (2023) and Indofood CBP (2023) have already taken renewable energy initiatives and embarked on plastic reduction initiatives. Companies like Emerald Resources (2023) and Mekong Timber Plantations (2023) have high levels of compliance with international environmental standards, such as FSC certification, and emphasize resource effectiveness, particularly through water conservation measures. Furthermore, companies like Vinamilk (Vietnam, 2023), Ayala Corporation (Philippines, 2023), and Indofood (Indonesia, 2023) are embedding sustainability deeply into its core corporate management, emphasizing particularly carbon savings, energy savings, and aligning business development with national sustainability objectives to deliver long-term value.

2. Green Supply Chain Initiatives and Sustainable Practices

Many companies are actively reshaping their supply chains to place even more attention on environmental and social considerations. Mekong Timber Plantations (2023) and Myanmar CP Livestock (2023), for example, have launched supplier outreach programs to promote sustainable procurement, while some companies are putting investments in building capacities among local partners to help support inclusive growth and improve supply chain resilience. Commitments to sustainability increasingly extend beyond the companies' own operations. Companies like Traphaco (2023), Jollibee Foods (2023), and CP Myanmar (2023) have initiated initiatives to enhance supply chain traceability, promote local procurement, and deepen supplier collaboration. Of specific interest, FMCG (2023) and agribusiness companies are driving packaging innovation and responsible sourcing efforts, applying ESG concepts to upstream and downstream supply chain operations.

Table 1. Summary of the examined 12 companies in ASEAN middle-income countries.

No.	Country	Company Name	Main ESG Goals	Primary Key KPIs
1	Vietnam	Vinamilk	Achieve net-zero emissions by 2050; enhance sustainable dairy farming practices	1. Reduction in greenhouse gas (GHG) emissions 2. Percentage of sustainable feed used
2	Vietnam	Traphaco	Promote green pharmaceutical production; ensure product quality and safety	Number of GACP-certified suppliers
3	Indonesia	Unilever Indonesia	Achieve net-zero emissions across the value chain by 2039; ensure deforestation-free supply chains by 2023	1. Percentage of renewable energy used 2. Number of suppliers trained in sustainable practices
4	Indonesia	PT Indofood CBP Sukses Makmur Tbk	Enhance food security; reduce environmental footprint	1. Reduction in energy consumption 2. Percentage of sustainable raw materials procured
5	Philippines	Ayala Corporation	Integrate ESG principles across all business units; achieve carbon neutrality	1. Reduction in carbon emissions 2. Number of suppliers assessed for ESG compliance
6	Philippines	Jollibee Foods Corporation	Ensure food safety and quality; minimize environmental impact	1. Reduction in single-use plastics 2. Percentage of suppliers compliant with sustainability standards
7	Lao PDR	Mekong Timber Plantations	Promote sustainable forestry; protect biodiversity	Area of certified plantations
8	Cambodia	KPMG Vietnam and Cambodia	Lead by example in corporate sustainability; support clients in ESG integration	Reduction in office energy consumption
9	Cambodia	ACLEDA Bank	Promote financial inclusion; support sustainable economic development	1. Number of microloans disbursed 2. Percentage of loans screened for ESG criteria
10	Cambodia	Emerald Resources NL	Conduct responsible mining operations; contribute to local community development	Reduction in water usage
11	Myanmar	Myanmar C.P. Livestock Co., Ltd.	Enhance food safety; support community well-being	Number of suppliers audited
12	Myanmar	Yoma Strategic Holdings Ltd.	Promote sustainable urban development; integrate ESG into business strategy	Energy efficiency ratings of buildings

3. Investment in Innovation, Social Impact, and Cross-Country Sustainability Trends

Through ASEAN, businesses are stepping up investment in innovation and digitalization to enhance competitiveness, citing the adoption of digital instruments, the acceleration of the application of renewable energy, and expansion of green products. KPMG (2023) and ACLEDA Bank's financial inclusion initiatives are an example of firms integrating data-based sustainability reporting and enhancing stakeholder transparency. Simultaneously, all the firms examined are adopting social inclusion and community development projects, though of differing scope and style by nation and industry. Businesses in the Philippines, e.g., Ayala (2023) and Jollibee Foods (2023), highly value community investment, inclusive workforce policies, and gender equality. Simultaneously, the companies in Cambodia, Myanmar, and Laos place utmost importance on programs such as farmer training programs, local employment generation, and extending financial services to excluded groups. ACLEDA Bank (2023) and CP Myanmar (2023) are two institutions that have developed exclusive programs to empower excluded groups.

Cross-country observations indicate that while environmental commitments are increasingly harmonized across the region, social engagement remains more localized, reflecting country-specific development needs. Firms in the Philippines and Indonesia lead in adopting international ESG disclosure frameworks, while firms in Cambodia, Lao PDR, and Myanmar emphasize localized sustainability efforts, particularly in agriculture, natural resources, and infrastructure sectors.

These findings indicate that ASEAN enterprises are not only aligning with global ESG expectations but are also increasingly engaging in proactive sustainability governance—positioning themselves as important drivers of regional economic upgrading within global supply chains (GSCs).

5. Discussion

The findings of this study substantiate the conceptual frameworks proposed earlier. At the firm level, the Sustainable Value Chain Upgrading Framework is validated by evidence that ASEAN enterprises are increasingly integrating ESG principles, circular economy practices, and sustainable sourcing into their business strategies. The firm-level analysis revealed that companies adopting these sustainability initiatives are enhancing their competitiveness, innovation capabilities, and supply chain resilience, which aligns with the mediating factors of innovation capacity, market differentiation, and regulatory compliance proposed in the framework.

The study proposed two conceptual frameworks—one at the firm level (Figure 1: A Conceptual Framework to Explore the Relationship between Sustainable Business Strategies and ASEAN Enterprises' Participation in Global Supply Chains (GSCs)) and one at the policy level (Figure 2: Policy-Driven Sustainable Trade Framework to Align Sustainability Goals with GSC Integration between ASEAN Policymakers and Businesses)—to explain how sustainability-driven strategies and enabling policy environments facilitate ASEAN firms' upgrading within global supply chains. The empirical findings offer strong justification for both frameworks.

The thematic analysis at the firm level obtained that innovation capability and market distinction through strategies such as ESG integration, adoption of a circular economy, and investments in innovation are the major drivers of GSC repositioning, consistent with earlier literature (Elkington, 1997; Porter & Kramer, 2011; Ghisellini et al., 2016). Firms with such practices are likely to enhance their innovation capability and market distinction, consistent with the results of Gereffi and Lee (2016) and Eccles et al. (2014). At the policy level, enabling environments are facilitated by institutional perspectives emphasizing regulatory incentives and long-lasting trade agreements (Scott, 2001; UNCTAD, 2020; OECD, 2023). The evidence confirms that ASEAN member states with higher institutional fit—such as Vietnam and Indonesia—experience more effective firm-level adjustment to global ESG standards consistent with the World Bank's (2024) and WTO's (2020) evidence. Together, the results solidify the fact that collaboration between firm-level capacities and conducive policy environments is essential in the pursuit of sustainability-driven upgrading and the development of regional economic resilience within global value chains.

This study contributes to the literature by providing an integrated understanding of how sustainable business strategies and supportive institutional frameworks enable ASEAN enterprises to escape the middle-income trap through GSC repositioning. It advances the field by emphasizing sustainability not only as a compliance requirement but also as a catalyst for firm-level innovation, competitiveness, and regional economic upgrading. Moreover, the dual conceptual frameworks offer a structured model for analyzing the simultaneous influence of firm-level strategies and policy-level drivers on global supply chain participation. The empirical findings, drawn from both policy and firm-level document analyses, offer novel insights into the operationalization of sustainability in diverse ASEAN contexts.

However, several limitations must be acknowledged. The study relies on secondary data sources, which may limit the depth of firm-specific strategic nuances. The document analysis approach, while systematic, may overlook internal decision-making processes not reflected in publicly available reports. Additionally, the sample size—12 firms and a limited number of policy documents—may constrain the generalizability of the findings across all ASEAN middle-income economies. Future research could address these limitations by incorporating primary data collection, such as interviews or surveys with firm executives and policymakers.

The findings have several implications for theory, policy, and practice. Theoretically, the study enriches sustainable development and global supply chain literature by positioning sustainability as a dynamic driver of firm-level upgrading rather than a peripheral compliance activity. It suggests that future research should adopt integrated frameworks that consider both internal and external drivers of GSC participation. For policymakers, the study highlights the importance of designing coherent, incentive-based policies that support firm adaptation to global sustainability standards. Green finance mechanisms, capacity-building initiatives, and regional integration policies are critical levers for enabling more inclusive and sustainable supply chain participation. For practitioners and business leaders, the findings underline the strategic value of embedding ESG principles into core business models. Firms that proactively align with sustainability imperatives are better positioned to access premium markets, attract responsible investment, and secure resilient supply chain positions in an increasingly sustainability-driven global economy.

6. Conclusions

This study explored how sustainable business strategies and policy alignments influence ASEAN firms' integration into global supply chains, with the goal of supporting efforts to escape the middle-income trap. By applying a dual conceptual framework—one at the firm level and one at the policy level—the study demonstrated that sustainability-driven business practices, combined with enabling policy environments, enhance firms' competitiveness, innovation, and resilience within GSCs. The document analysis of national policies, international institutional reports, and firm-level sustainability disclosures revealed a clear trend toward embedding ESG standards into business and trade practices across ASEAN economies. Despite persistent challenges in regulatory coherence and implementation, ASEAN firms are increasingly demonstrating proactive sustainability governance, positioning themselves as agents of regional economic upgrading. By advancing an integrated understanding of firm-policy dynamics in sustainable GSC participation, this study provides valuable insights for policymakers, business leaders, and researchers seeking to foster a more sustainable and competitive ASEAN economic landscape.

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