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Is ASEAN's Economic Security Model Still Fit for Purpose?

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Photo credit: ASEAN Secretariat

It is tempting to view ASEAN's approach to economic security as a direct copy of Western neoliberal theory, which emphasises the positive association between economic interdependence and peace under multilateral frameworks. Nevertheless, ASEAN's approach is rather more home grown and far more pragmatic. In the 1960s and 1970s, Southeast Asian states faced distinctive realities of the region, including underdeveloped economies, weak institutions, limited industrial capacity, deep social divisions and, in some cases, active insurgencies. ASEAN and its member countries' pursuit of economic cooperation was intended not merely to promote trade and investment, but also to support domestic consolidation and generate

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politically sustainable growth, while promoting external stability. Regional peace, economic development, and regime durability were therefore closely intertwined.

ASEAN's approach to regional economic security was thus less an ideology than a pragmatic bargain. External market openness was combined with an internal emphasis on comprehensive security and often moderated by political and social considerations of domestic interests. Yet the region's success over many decades has also made institutional reforms more difficult, as long-standing institutions and practices inevitably acquire powerful defenders. Against a backdrop of global fragmentation, the question is whether ASEAN's economic security model remains fit for purpose.

Two key conditions underpinned this economic security arrangement. The first was an open, rules-based global economic system in which export-led growth offered a viable development strategy for ASEAN's predominantly small and medium-sized economies. The second was that the major powers, particularly the United States and China, despite their differences, did not require Southeast Asian economies to choose sides as conditions for closer regional economic cooperation and integration. Thus ASEAN's economic security model functioned fairly well under a permissive international environment that allowed political leaders in the region to utilise the gains from economic cooperation and integration for domestic political and socioeconomic priorities.

Both conditions that have effectively sustained ASEAN's economic security, however, are now weakening. Major powers increasingly view economic interdependence not simply as a source of mutual gain, but as a vulnerability to be managed or exploited. Rising global protectionism across countries and the expanding adoption of investment screening mechanisms (ISMs) against foreign firms from 21 to 52 economies over the past decade signal countries' changing views on the security implications of trade and investment.

More importantly, the intensifying US-China rivalry in trade and technology leaves Southeast Asia highly exposed to uncertainty stemming from geopolitical dynamics. Southeast Asia's economic growth has long relied on a bifurcated pattern of global supply chain integration, with China supplying many of its production inputs and the United States remaining a major market for final exports. What once offered the best of both worlds now places the region's long-established supply chains and production networks at the centre of strategic rivalry. A series of protectionist measures that the United States has imposed over the past few years is also exerting mounting pressure on Southeast Asian economies.

Starting from the "Liberation Day" reciprocal tariffs, the Trump administration has continued to add various protectionist measures and sanctions on Chinese technology, including rules-of-origin disputes, heightened transshipment scrutiny, stricter local content requirements, and trade coercion exercised through legalistic instruments, signalling that ASEAN economies should take sides with either of the two great powers. The US's coercive measures to discourage the region's connection with China in the global supply chain are also well represented by its recent conclusion of the Section 301 investigation on forced labour, which targets seven out of eleven ASEAN countries with tariffs of 10–12.5 percent. Beyond the US-China competition, the ongoing Middle East conflict and the Strait of Hormuz disruptions have raised serious energy security concerns for ASEAN countries that rely on Middle East oil and gas, exposing them to rising fuel costs, price volatility, and inflationary pressures. Ongoing geopolitical dynamics, including great power rivalry and regional conflicts, are now directly being transmitted into ASEAN's economic security model. Openness still matters, but it can no longer deliver the stability and prosperity it once promised.

ASEAN's characteristic response to external shocks is one of gradual institutional adaptation rather than transformation—a process often described as "institutional layering." Each crisis adds another distinctive framework, working groups, or funds to the existing architecture, while leaving the underlying governance framework largely intact. Financial crises produced regional safety nets; health emergencies generated new forms of cross-pillar coordination; and trade disruptions have accelerated existing integration initiatives rather than prompted fundamental institutional reform. Yet institutional layering has its limits, and ASEAN may be approaching them. The accumulation of mechanisms can produce an architecture that is dense but without the speed, depth, and decisiveness required for crisis management. Some regional initiatives have never been tested in practice. For example, the Chiang Mai Initiative (CMI), created after the 1997 Asian Financial Crisis, remains unused as a crisis-response mechanism. Stronger national buffers may have reduced the need to use it, but the more sobering conclusion is that its effectiveness in a major financial crisis remains uncertain.

Three constraints make this institutional shallowness a material risk. Many mechanisms are underfunded and dependent on voluntary contributions or external partners. Consensus-based decision-making is often too slow for fast-moving crises, pushing members towards national responses precisely when collective action is most needed.

ASEAN also lacks rigorous post-crisis reviews, limiting institutional learning and subsequent reforms. In a compound crisis involving financial stress, trade disruption, health emergencies, and climate shocks, the regional response risks being too small, too slow and too poorly coordinated to matter.

The solution is not to create more institutions, but to strengthen those already in place. ASEAN should fund them adequately, establish clear activation triggers and decision-making procedures in advance, and institutionalise post-crisis reviews so that adaptation becomes cumulative rather than repetitive.

The deeper shift concerns what ASEAN seeks to secure. ASEAN's economic security model has traditionally prioritised the state, assuming that human welfare would follow from growth. That assumption is increasingly untenable as the costs of geoeconomic fragmentation, rapid technological transformation and automation as well as climate disruption fall unevenly across different communities. A genuinely people-centred economic security agenda must therefore treat adjustment support, skills development and social protection as core objectives, while fostering closer cooperation among governments, business and civil society.

ASEAN must also confront widening development gaps among its member states, particularly following Timor-Leste's accession. While more capable economies can absorb external shocks, the most vulnerable cannot. If these gaps widen, ASEAN risks becoming a multi-tier grouping, undermining the effectiveness of regional cooperation and integration.

The case for rethinking ASEAN's existing economic security model is compelling. But the real constraint is political will, and no regional framework can fix this. ASEAN's economic security model remains relevant but relevance is not enough. It must now be recalibrated or risk being overtaken by the very challenge it was designed to manage.

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