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Rethinking ASEAN Economic Security Amid Geopolitical Risks

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SYNOPSIS

The economic cost of geopolitical conflicts has driven countries to redefine their economic security policies. Despite the growing risk of supply chain disruption and weaponisation, ASEAN's approach still relies on the outdated paradigm that unrestricted trade will lead to a stable regional environment. ASEAN must adapt by incorporating the management of geopolitical disruption as part of its economic security approach.

COMMENTARY

Economic security has been defined broadly as the management of security encompassing food, health, environment, and other aspects achieved through economic prosperity. However, with the growing risk of geopolitical disruption in recent years, many states have adjusted their economic security policy to focus more narrowly on securing supply chains and ensuring economic resilience in the face of geopolitical adversaries.

Economic Security: ASEAN's Blindspot?

With the economic impact of the Russian invasion of Ukraine as a further catalyst, the [US](#), the [EU](#), and [Japan](#) have incorporated geopolitically-driven economic security strategies into their national policies. The strategies emphasise the importance of increasing supply chain resilience from the risk of disruption and weaponisation, particularly in the sectors central to national security, such as critical minerals, semiconductors, and emerging technologies.

ASEAN has mentioned "resilience" against "global economic shocks and volatility" as one of the ASEAN Economic Community (AEC) [Blueprint](#) 2025 goals. Similarly, the

ASEAN Comprehensive Recovery Framework ([ACRF](#)) that the grouping released in response to the COVID-19 pandemic also acknowledged the importance of increasing economic resilience against future crises. Despite acknowledging such threats, ASEAN has not yet introduced a dedicated policy to secure the economy from geopolitical conflicts that concern economically interdependent but geopolitically volatile Asia-Pacific.

In contrast, other players, such as the EU with its [2023](#) Economic Security Strategy and Japan with its [2022](#) Economic Security Promotion Act, have introduced various economic security policies to address emerging geopolitical risks, including supply chain diversification, subsidy, and investment screening on critical sectors.

Without a specific mention of geopolitical risks, ASEAN's economic security approach on the issue is still based on the traditional "prosper-thy-neighbour" paradigm, as mentioned in the 2003 Bali Concord II and implemented in the first iteration of the [AEC 2015](#). This [approach](#) hinges on the premise that deeper trade relations with regional countries will eventually lead to economic growth and disincentivise conflict, which leads to a secure regional environment.

The proliferation of ASEAN's trade relations had successfully [reduced](#) the incentive to engage in interstate conflict, resulting in ASEAN's so-called "long peace" until the early post-Cold War period. However, this approach might not be feasible in today's setting. Economic ingenuity aside, ASEAN's past success was highly [dependent](#) on a stable external geopolitical situation, which allowed ASEAN's trade ties to proliferate as the US-Soviet Union rivalry diminished.

As the competition between the US and China has escalated in recent years, ASEAN's approach might not be able to prevent states from engaging in conflicts. Particularly in today's setting when economic instruments are increasingly used to achieve geopolitical objectives.

The Limits of the "Prosper-Thy-Neighbour" Approach

Despite the immense benefits of being integrated into the global economy, a state tends to weaponise its economy when tensions occur. Between 2012 and 2023, China imposed 39 [economic sanctions](#), most of which were related to geopolitical contention. Likewise, the US bipartisan turn towards protectionism shows that the champion of neoliberalism can also betray its principles over security concerns.

These cases point to the limitation of ASEAN's traditional approach to economic security, as growing trade relations do not necessarily prevent states from engaging in conflicts. In fact, interdependence on global trade creates new competing grounds through the [weaponisation of the economy](#) (or "weaponised interdependence"), particularly in sectors monopolised by a few states. These include China in mineral processing and green technology and the US-aligned countries in advanced semiconductors.

Against such a backdrop, ASEAN's traditional approach could expose regional countries to greater risks of supply chain disruptions. Although ASEAN's hard-sought

neutrality might prevent it from being a direct target of geoeconomic instruments, its high exposure to extra-regional trade increases the impact of conflict.

In [2022](#), intra-regional trade only accounted for 22.3 per cent of ASEAN's total trade. This exposes over 70 per cent of ASEAN's trade to extra-regional nations, most of which are under geopolitical tensions, including China, the US, the EU, and Japan. Without secure management, the impact of future conflicts will be exponential for countries like Singapore and Malaysia, with trade-to-GDP ratios of over 330 per cent and 140 per cent, respectively, in 2022.

Lack of Policy Tools

While [successful](#) in gradually embracing liberalisation across its different economies, ASEAN's shallow economic integration has left an institutional hole in handling external shocks and other geopolitically related economic security threats.

While the AEC 2025 has economic resilience as one of its goals, it does not institutionalise the strategy to handle geopolitical risks that become more prevalent as states increasingly securitise their economies after the COVID-19 pandemic – even more so after the Russian invasion of Ukraine.

Relatedly, ASEAN has no common agreement on using policy tools to handle economic security risks. Some policy instruments, including foreign investment screening, monitoring of outbound investments, and subsidy in the critical sectors, are left to individual members without a common guide for the grouping as a whole.

Moreover, the existing policy of handling economic security risks is also ineffective. In response to the Asian Financial Crisis, for instance, ASEAN initiated the Chiang Mai Initiative, later upgraded to the Chiang Mai Initiative Multilateralisation (CMIM), a currency swap arrangement among the ASEAN Plus 3 member economies. However, the CMIM's high linkage with the IMF complicates its utilisation process, with states preferring bilateral currency swaps.

Towards a Broader ASEAN Economic Security

Given the likelihood of economic disruption in the current geopolitical climate, ASEAN must redefine its economic security in the area affected by geopolitical disruption. ASEAN must first enhance the flexibility and effectiveness of existing arrangements. ASEAN could increase the IMF de-linked portion of CMIM from the [initial](#) 40 per cent to 50 per cent to make it more appealing than a bilateral swap.

Also, ASEAN can better manage the impact of future crises by deepening the implementation of local currency settlement initiatives such as the ASEAN Plus 3 level of Asian Bond Markets Initiative (ABMI) and Local Currency Settlement Framework (LCSF), as promoted in last year's [ASEAN Summit](#).

As the risk to critical supply chains becomes more severe, the timing couldn't be better for discussing a common framework for economic security. A focus on protection and diversification in areas linked to national security – such as critical technology and minerals – could guide policy implementation across member states.

While some disagreements can be expected and region-wide implementation is unlikely due to the “ASEAN Way”, discussing such a framework could help ASEAN to gather views and find a common understanding of the application of economic security policies. The discussion will also be beneficial in guiding the economic security policy that has already been implemented by some ASEAN member states, such as investment screening by [Singapore](#). This will help other member states which are eager to adopt such measures according to their priorities.

Conclusion

The premise that economic openness leads directly to regional stability may have been successful in the past. However, the current geopolitical dynamics require ASEAN to balance economic openness with resilience. To adapt, ASEAN must expand its approach to economic security, from merely establishing peace through trade relations to managing geopolitical disruptions. Finding a common framework for economic security policies will make ASEAN's economic growth and ASEAN Centrality more resilient in the face of growing geopolitical risks in the region.

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