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## **ASEAN Economies and a Post-COVID Era**

*By Jikon Lai*

### **SYNOPSIS**

*The recent election of President Biden and the on-going roll-out of COVID-19 vaccines should embolden policymakers to look ahead to a post-crises era. For the ASEAN economies, three inter-related issues will be important, especially the China-US geopolitical rivalry.*

### **COMMENTARY**

THE GLOBAL economy has been through turbulence in recent years. First, the administration of President Trump disrupted the liberal international economy as we knew it with its 'America first' approach to foreign economic policies. Then came the COVID-19 pandemic in 2020.

It is too early to claim that the end of the tunnel is getting near; but the recent election of President Biden and the on-going roll-out of COVID-19 vaccines should embolden policymakers to look ahead to a post-crises era. For the ASEAN economies, three inter-related issues will be important in this context: international economic cooperation; economic resilience and security; and the geopolitical rivalry between China and the US.

### **Weakening of International Economic Cooperation**

Almost all ASEAN economies have historically relied on integration with the global economy to develop their economies, lift their standards of living and, for some, also legitimise their domestic political order.

'Export-led growth' necessarily requires an international environment that is relatively stable and operates to a great extent on commonly accepted rules and practices, all

of which require the active support and cooperation of international economic partners. These conditions have come under significant strain in recent years.

On the one hand, the existing rules have not kept up with the evolution of the global economy. New areas such as the emergence and rapid growth of the digital economy have posed challenges to existing rules which were developed in an earlier analogue-dominant era. The intersection between contemporary 'national security' concerns and international trade is also poorly addressed by existing agreements.

Then, there are established rules that are no longer effective in achieving their intended goals because of 'slippages' in enforcement or changes on the ground.

On the other hand, certain key actors have chosen to turn their back against international cooperation and established rules. The predilection of the Trump administration to adopt unilateral measures to address concerns over trade balance and national security has [antagonised trade partners](#) and led them to question US' commitment to the liberal international economic order. Elsewhere, there is a growing chorus against China's use of 'economic coercion' to advance its economic and political interests.

### **Geopolitics & ASEAN's 'Wicked Problem'**

The liberal international economic order has also come under pressure from the recent re-emergence of geopolitical rivalry. For almost 30 years, the global economy experienced what in hindsight might be called the 'golden era' of globalisation that took off when the Cold War ended in 1991.

While this period had not been without conflict, most of these were addressed within established and agreed multilateral frameworks. That idyll came increasingly under threat as China's economy grew and its geopolitical ambitions became clearer.

Nevertheless, it was not until Trump became president that the idyll was loudly shattered and replaced at the very front and centre with the economic and political rivalry between China and the US.

This has presented ASEAN economies with a 'wicked problem'. They are deeply entangled economically with both China and the US through [complex production chains](#), albeit with variations in their individual intensities. Both great powers are major sources of investment, technology and export income. For a handful of ASEAN economies, the US is also a key security ally. ASEAN economies would prefer to contain the China-US rivalry and not have to choose sides.

Nevertheless, it is probably true that "[it is unlikely that the non-alignment playbook can be conveniently revived](#)" by members of ASEAN. Consequently, the economic fortunes of ASEAN economies would likely change should this geopolitical rivalry continue to escalate, and they are forced to stake a position.

While [one or two might benefit from unexpected opportunities that might emerge](#), all would almost certainly be economically worse off in the longer term compared with a situation where there might be greater harmony between the two major powers.

## **Economic Resilience and Security**

The COVID-19 pandemic and the China-US geopolitical rivalry have raised two issues that threaten to further weaken the international liberal economic order: economic resilience and economic security. These have arguably evolved from the earlier notion of 'decoupling' that became popular when Trump first launched his 'trade-war'.

Many soon realised that global production systems were far too complex, integrated and geographically dispersed to be decoupled completely, an observation that was reinforced during the COVID-19 pandemic.

Furthermore, while decoupling from the Chinese economy might suit the US, [it does not necessarily suit the bottomline of many American, and other, firms.](#)

The focus on 'decoupling' thus shifted to risk management and the [ability to withstand uncertain and unexpected shocks.](#) Although it is tempting, it would be mistaken to believe that an inward-looking approach to economic policy would help address national concerns over economic resilience and security.

With one or two exceptions, most countries do not have the ability or capacity to be self-sufficient without incurring significant costs. Identifying all vulnerable areas and all sources of vulnerability are also mammoth tasks.

In practice, economic resilience and security are best achieved through partnership with others, and therein lies the tension: concerns over economic resilience and security first arose out of inefficiencies and dysfunctionality in the liberal international economic order; yet the former cannot really be addressed without recourse to some form of international cooperation.

### **How Should ASEAN Build a Post-Crisis Economy?**

ASEAN's economic interests would be best served with a rejuvenated open international economic order. This could be achieved by engaging (major) economic partners to re-commit to international cooperation, uphold international rules and norms, work on updating existing rules, and develop new rules and new approaches to meet current needs and new challenges.

These efforts, while necessary, would however be limited if the China-US geopolitical rivalry, which is increasingly the main obstacle to greater global economic prosperity, is not addressed. While ASEAN economies' ability to influence this relationship is admittedly limited, their interests are nevertheless probably best served by taking active measures to facilitate and encourage détente or even rapprochement between the two major powers.

Standing back and watching this geopolitical rivalry from the sidelines will probably not serve ASEAN economies' interests well. Without some resolution to this rivalry, it is increasingly likely that we will enter another period of crisis rather than move into a post-crisis economic era.

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