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Review paper

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ECONOMIC INTEGRATION IN SOUTHEAST ASIA: ASSESSING THE IMPACT OF THE ASEAN ECONOMIC COMMUNITY (AEC) ON REGIONAL TRADE AND INVESTMENT

The ASEAN Economic Community (AEC) was established to enhance economic integration in Southeast Asia by supporting the liberalisation of trade, investment, and economic cooperation in the region. Although ASEAN has made significant progress in terms of tariff reductions and drawing in an influx of foreign direct investment (FDI), challenges remain in terms of non-tariff barriers, regulatory differences, and uneven economic growth among member states, which hinder further integration. One of the key challenges is the relevance of the AEC in terms of achieving its integration objectives. There are scholars who stressed the role of the community in promoting regional trade and investment, but there are those who argue that the consensus-based strategy of ASEAN and the lack of strong enforcement mechanisms limits its ability to deal with structural economic challenges. The study critically evaluates these debates in terms of neoliberal institutionalism by focusing on the impacts that ASEAN governing structures have on trade and investment performance. The study used a qualitative research method by reviewing policy documents, academic literature, and institutional reports. The results reveal that, despite the contribution of the AEC to the growth of the region, inconsistency of governance, non-tariff barriers, reliance on foreign trade partners, and economic imbalance within the region weaken its efficiency. This study finds that even with these hitches, the institutional structure of ASEAN is still vital in perpetuating regional trade and investment and that there is a need to reform the institutions to improve policy harmonisation, lower trade barriers, and augment institutional enforcement mechanisms.

Keywords: ASEAN; institutionalism; liberalism; multilateralism; trade

INTRODUCTION AND RESEARCH OVERVIEW

International relations experienced a new turn in the post-Cold war era with the rise in the number of regional institutions, which became characteristic of the twenty-first century. The Association of Southeast Asian Nations (ASEAN) is one of the most notable organizations that rose during this time. Unlike other more traditional collective defence or collective security organisations, ASEAN did not have any explicit security mandate when it was formed in 1967, although containment of communism was one of the main security issues. With time, ASEAN evolved to have a special and narrow security role that focused on political dialogue to solve the issue of insecurity (Leifer 1996). The Bangkok Declaration was signed on 8 August 1967 in Bangkok, Thailand, by Indonesia, Malaysia, the Philippines, Thailand, and Singapore. The role of ASEAN was to prevent tensions in the region, decrease the foreign impact, and enhance socioeconomic growth as a response to communist insurgency. First, ASEAN focused on interpersonal interaction, but with Vietnam reuniting in 1975, there was an urgent need to build up the organisation. A key development was the 1976 Bali Conference, where the heads of government of ASEAN signed a treaty called the Treaty of Amity and Cooperation (TAC), under which peaceful settlement of disputes and respect of sovereignty were recognised. Non-ASEAN states were allowed to join the TAC (Narine 1998; Ramli & Idris 2022).

Bilateralism was the prevailing trend in security dealings in the Asia-Pacific region during the Cold War. Nevertheless, the formation of ASEAN in 1967 marked a change to a multilateral policy at the subregional level. The main agenda of the ASEAN was based on building confidence, dialogue, and avoiding conflicts instead of military issues. The formation of ASEAN as the Bangkok Declaration was motivated by anti-communist states that aimed at achieving regional political stability so that they could focus on economic development (Tan et al. 2002). Being a complex entity, ASEAN is aimed at addressing political, economic, geopolitical, nationalist, and regionalist interests. ASEAN acknowledges the interrelation of the local, national, regional, and global problems and recognises that such issues need to be solved collectively (Natalegawa 2018).

Although much of the literature on regionalism has been concerned with the institutional framework and the design of regional institutions, ASEAN has received attention on being far apart in terms of the supranational integration model of the European Union. It is of special interest to analyse the norms, values, and degrees of integration facilitated by ASEAN and the preference of its member states toward integration (Jetschke and Theiner 2019). Institutions have become forums to increase

understanding and enjoy more cooperation (Whyte 2012). Regional institutions have been integrated and assumed more of a widened role since the conclusion of the Cold War. The relations between these institutions are likely to become major contributors to the international system in the twenty-first century. It is important to study regional organisations since they are the primary actors in the policymaking process, and it is necessary to learn their patterns of contestation and collaboration in order to understand the process of integration (Norkevičius 2014).

There are several characteristics of Asian regionalism, especially when it comes to economic growth. The market forces and the partnership between the state and the private sector make *de facto* regionalisation more salient compared to the formal one. Contrary to European regionalism, which is viewed as a closed regional relationship, Asian regionalism, which also comprises ASEAN, is seen to be more open. ASEAN is dependent on foreign nations in terms of goods, services, investment, and technology, making it more open to economic relations outside of the region. In addition, Asian regionalism has no central influence or visible leader of the region and is characterised by a network of bilateral free-trade agreements, commonly known as the spaghetti bowl or Asian noodle bowl (Shimizu 2021).

The first example of security multilateralism in Asia was the ASEAN Regional Forum (ARF), formed in 1994 and initiated by the non-Great Powers. However, ASEAN was initially reserved to play a bigger role because it feared autonomy and collective security partnerships with major powers. ASEAN states have been particularly influential in shaping the model of the corresponding security relations to be governed (Dickens 1998). Liberal institutionalism (LI) is especially applicable when it comes to tackling the security challenge, as institutions are discussed as the means of delivering information and enhancing cooperation (Ramli & Idris 2022). The LI approach can be seen in ASEAN regionalism in a number of initiatives, including the ASEAN Community, the ASEAN Regional Forum (ARF), and ASEAN Plus, which is indicative of the cooperative character of the organisation in terms of the creation of regional security cooperation. These efforts can be found in the idea of institutions as rules that control the behaviour of the state and specify acceptable and unacceptable actions. States negotiate these rules and represent higher norms that have been settled by international agreements and then institutionalised in organisations that have their own personnel and budgets (Ramli & Idris 2022).

ASEAN has established itself as a key player in economic integration in the East Asian region, which is the fastest-growing centre of the global economy (Shimizu 2021). However, the development of intra-ASEAN trade is predetermined by the relative size of member economies, and recent progress in the ASEAN Free Trade Area

(AFTA) is estimated to influence the overall economy of member countries only slightly, as less than 20 percent of the trade takes place within the member countries. To be more beneficial in trade, ASEAN is encouraged to focus on activities that will promote independent and joint actions towards minimising trade barriers in the region and other economies of Asia-Pacific (Sharma & Chua 2000). The formation of the AFTA was informed by three main reasons: the evolving political economy of the international system in the 1980s, the growing influence of business interests towards the liberalisation of regional trade, and the need to retain the relevance of ASEAN in an evolving region with many new forms of regionalisation organizations (Bowles 1997).

ASEAN is unique since it is the first viable regional grouping in Asia and prefigures Southeast Asia as the hub of discussions and encounters about the normative and mechanistic changes in regional cooperation in Asia (Acharya, 2017). The positive effects of its institution-building activities, including founding related organisations such as the ASEAN Economic Community and ASEAN Regional Forum, and strengthening internal administrative, political, social, and economic networks testify to the benefits that its members and neighbouring countries receive (Stubbs 2019a).

Problem Statement

Even though it has many benefits in terms of economy, politics, and security issues, the ASEAN region faces a great challenge that hinders its development. Non-adherence to international human rights standards, ethics, state-centrism, lengthy decision-making, and failure to respond appropriately to the actions of China in the South China Sea are among these challenges (Washington Center for Human Rights 2025). Though researchers admit that ASEAN has made dramatic changes to Southeast Asia and other countries, they emphasize the need for greater institutionalisation in the organisation (Natalegawa 2018; Chen et al. 2017). The impediments that the ASEAN Economic Community (AEC) faces to develop and integrate regionally include, but are not limited to, development gaps, governance and regulatory convergence differences, large unskilled workforce, uneven trade conditions, reliance on foreign investment, weak regional linkages, territorial conflicts, poor disaster management, and incohesiveness on key issues (Sundram 2015).

The ASEAN Regional Forum (ARF) has not been able to achieve its major aim of conflict resolution and minimisation of tensions in the region. To a large extent, it has been restricted to the passive aspects of making routine remarks about the issue of security without taking a proactive role in the mediation or moderation of conflict.

The fact that the ARF could not resolve particular conflicts or disputes and that geopolitical tension intensified with the militarisation of the South China Sea is a considerable challenge to ASEAN (Hassan 2021). The ARF does not have strong stipulations regarding the utilization of force and conflict resolution within its framework, which, unlike defense ministries, is mostly concerned with foreign ministries (Leifer 1996). In addition, the economic cooperation schemes and preferential trading arrangements in ASEAN are hampered by protectionism among others and the inability to compromise to expedite implementation (Bowles 1997). The economies in Southeast Asia are also susceptible to economic turmoil because they are open to foreign capital (Stubbs 2019b). Additionally, there are challenges of economic cooperation arrangements within ASEAN which are the barriers of protectionism and compromise challenges which lead to a slower pace of implementation (Bowles 1997). The opening up of Southeast Asian economies to foreign investments also subjects them to economic instability (Stubbs 2019b).

The effectiveness, legitimacy, and efficiency of regional institutions such as ASEAN are three elements that should be evaluated when assessing their performance. Effectiveness can be described as the achievement of the desired results and promotion of state goals, and legitimacy depends on ethical standards. Efficiency is used to evaluate work in relation to the number of resources spent (Stubbs 2019a). Despite the opposition to economic integration in competitive economies, it has positive outcomes due to increased efficiency and redistribution of resources (Chia 2013). However, the low dedication of ASEAN to the concept of the Zone of Peace, Freedom, and Neutrality (ZOPFAN) and the failure to prevent external interference has made ZOPFAN a more elusive goal than achievable (Southgate 2021). The issue of China and its growing economic power and the rivalry against ASEAN countries also adds complexity to the relations between the two regions.

Moreover, Southeast Asia is still facing unequal ecological exchange, highlighting the weaknesses of ASEAN in defining the behaviour and executive approach of bigger neighbouring states (Beeson 2019a). The political, security, and ecological concerns introduced into ASEAN challenge the organisation in terms of institutional capacity and make collaboration more difficult, whereas its principles of non-interference among member states impede the integration of the region (Acharya, 2017).

There is a well-recorded performance of ASEAN in the context of regional integration and security (Anh 2025; Austria et al. 2015; Putra et al. 2019), but a literature gap exists on the intersection of neoliberal institutionalism with the economic and security activities of ASEAN. Current literature tends to focus on one of the two aspects and does not focus on both domains simultaneously or analyze the impact of

internal and external pressures on the effectiveness of ASEAN at the same time, either by economically integrating AEC or security ARF. This study aims to close this gap by examining how the ASEAN institutional structure, which is based on neoliberal institutionalism, determines its ability to promote economic integration and solve regional security interests. By reviewing AEC and ARF, this study clarifies the interaction between internal norms (consensus decision-making, non-interference) and external pressures (China, the United States) and how they affect the performance of ASEAN. This question is guided by the question: How do the institutional structures and internal norms of ASEAN, analysed through the prism of neoliberal institutionalism, impact its performance in fostering economic integration and security cooperation?

Significance

This study is significant towards understanding the processes and impact of the Association of Southeast Asian Nations (ASEAN) in the region. ASEAN is a unique organisation in the Southeast Asian region that does not follow the supranational integration model witnessed in the European Union. To analyse regional cooperation and integration in Southeast Asia, it is necessary to conduct a systematic examination of the norms, values, and different degrees of integration of ASEAN and the preferences of the member states of this region. ASEAN is a key player in the development of the international system in the twenty-first century, especially in the area of economic integration in East Asia. As a facilitator of economic integration, ASEAN has become a major player because of its performance through the ASEAN Economic Community (AEC) and its security activities through the ASEAN Regional Forum (ARF). As a result, a study of how the two aspects interact is a major scholarly venture.

This study also touches upon ASEAN's challenges and its struggle to reach its goals. The study sheds light on the challenges hindering the integration of the region and cooperation by assessing the results of ASEAN in the economic and security sectors. Moreover, the study will help in evaluating the institutional structure of ASEAN and its influence on regional collaboration. The evaluation of the efficiency and shortcomings of the mechanisms (such as the AEC and ARF) provides an insight into the abilities of those mechanisms to achieve economic integration and conflict resolution. An in-depth analysis of the interdependences between ASEAN's economic and security functions is of paramount importance for understanding the course of the process of integration and the areas in which it can be improved. Additionally, the

conclusions of this study have practical significance for policy-makers, scholars, and stakeholders of interest to ASEAN and regional integration in Southeast Asia. The insights gained promote a comprehensive perception of ASEAN successes, issues, and the system. These lessons can be applied by policymakers as they seek to make decisions about the future of ASEAN, and to the researchers and interested parties to inform them about future research and policy guidelines through the analysis of the performance, effectiveness, and constraints of ASEAN.

THEORETICAL PERSPECTIVES

Transforming the institutional nature of ASEAN has taken place over the years. Initially, ASEAN was created as a socioliberal organisation when it was founded in 1967, but after 1976, the organisation shifted to a Westphalian orientation. In 1976 and 2003, ASEAN's institutional setups placed it close to other organisations, including the Shanghai Cooperation Organisation (SCO), COMECON, the African Union (AU), and the South Asian Association for Regional Cooperation (SAARC) (Jetschke and Theiner 2019). The discussion on ASEAN has been marked by the arguments and expectations of realism, which still dominate. However, differences in the methodology and principled approach to the study of ASEAN have formed what is referred to by Gindarsah & Teo (2025) as the ASEAN paradox. With an internal understanding of states as safe, external and territorial safety as the main priorities, and power as the main currency, realists view organisations as mechanisms to limit others. In contrast, constructivist and sociological schools take a bottom-up approach in the sense that they examine the construction of interests and institutions.

Institutional theory which is closely related to neorealism but shows some differences, has some features and assumptions similar to neorealism, which means that there is some intellectual common ancestry between these two approaches. Whyte (2012) argues that institutional theory deviated in its detailed analyses and explanation, but still there is a connection with neorealism. ASEAN can be viewed as the regime or an institution that represents the norms, rules, and principles of the behaviour of states. It is, however, the opposite of neorealism and neoliberalism regimes in which institutions are seen merely as a representation of material power structures between states devoid of power (Narine 1998). International organisations have been transformed into a more theoretical context after the normative orientation was changed to regime theory in the early 1980s which then evolved into neoliberal institutionalism. This shift expanded the scope and created intellectual links with other disciplinary institutions. Eventually, the regime terminology gave place to the insti-

tution, which shifted the focus towards the understanding of the role and impact of international organizations on international politics and collaboration (Stein 2008).

Neoliberal institutionalism, in contrast to previous versions of liberalism, emphasizes the importance of international regimes. Whereas commercial liberalism focuses on the connection between free trade and peace, republican liberalism focuses on the concepts of democracy and peace, and sociological liberalism is focused on international interactions and international integration; neoliberal institutionalism builds on these ideas, however, with a particular concern over the aspect of international regimes (Baldwin 1993). Neoliberal institutionalism serves as a useful framework in the study of ASEAN behavior, as it focuses on the role played by institutions in enhancing cooperation and preventing collective action problems between member states (Stein 2008). ASEAN, as a regional organization, provides a collaborative model to address mutual interests such as economic growth, security, and stability, making neoliberal institutionalism particularly relevant. Neoliberal institutionalism departs from neorealist assumptions by positing that institutions like ASEAN can foster coordination and reduce transaction costs without a centralized hegemon (Saleh et al. 2020). The reliance on consensus decision-making and gradual integration within ASEAN illustrates the main principle of neoliberal institutionalism: cooperation is built through norms and institutional regulations, rather than coercion (He 2008; Stephenson 2008). Institutional measures like the ASEAN Economic Community (AEC) and ASEAN Free Trade Area (AFTA) facilitate economic interdependence and prevent conflict, though ASEAN's lack of strong enforcement tools and its non-intervention concept lead to inconsistent policy enforcement. Therefore, while neoliberal institutionalism emphasizes the role of institutions in fostering cooperation, it also acknowledges the complexities involved in integrating a region where sovereign privileges and political structures can hinder uniform policy implementation (Kaloko 2025).

Neoliberal institutionalism is particularly applicable to ASEAN's role in both economic integration and regional security cooperation because the institutional architecture and deliberative processes of the organization align with key principles of the theory. ASEAN's consensus-based decision-making and the principle of non-intervention influence state behavior and reduce transaction costs (Sun 2024). This is evident in initiatives like the AEC and AFTA, which aim to foster economic interdependence by reducing trade barriers, while also minimizing conflict through common economic interests. In regional security, ASEAN's approach, especially through the ASEAN Regional Forum (ARF), reflects the soft-security paradigm central to neoliberal institutionalism. The ARF prioritizes dialogue, confidence-building measures, and transparency over coercive or military interventions, as seen in its handling of

the South China Sea dispute (Garofano 2002; Putra et al. 2019). This approach aligns with the theory's assertion that institutions can promote peace and stability by providing mechanisms for conflict resolution and cooperation.

The internal norms of ASEAN, including non-interference and consensus decision-making, are key to its institutional behavior. While these norms have allowed ASEAN to accommodate diverse political systems and varying economic capacities among its members, they also limit the organization's ability to act decisively, especially when faced with internal disputes or external pressures (Baba 2016). This interplay between internal norms and external geopolitical realities, such as China's growing influence, underscores the need for a nuanced understanding of ASEAN's institutional behavior. Neoliberal institutionalism provides a valuable lens to analyze how ASEAN navigates the balance between internal integration and external pressures.

In comparison to other theoretical frameworks, neoliberal institutionalism offers a more comprehensive explanation of ASEAN's goals of economic integration and regional security. Realism, which emphasizes power dynamics and state security, does not fully capture the role of institutions or the cooperative spirit that underpins ASEAN's economic integration (Fawcett 2025). While constructivism provides insights into the social construction of identities and norms, it lacks a deep focus on the operational realities of ASEAN institutions and the mechanisms that facilitate cooperation (Stein 2008). Neoliberal institutionalism, by contrast, highlights the importance of institutional design in promoting collaboration and avoiding conflict, making it the most appropriate framework for analyzing ASEAN's performance in both economic and security contexts.

Neoliberal institutionalism argues that international organizations like ASEAN reduce transaction costs, create reciprocity, and provide avenues for dispute resolution, thus promoting cooperation and economic liberalization. ASEAN's initiatives, such as the AEC and AFTA, exemplify this by reducing trade barriers and fostering economic integration (Mayer 2024). The AEC's success in lowering tariffs illustrates that cooperation can be achieved when economic interests are aligned, even in the absence of strict enforcement. ASEAN's regional security efforts, such as the ARF, emphasize dialogue and confidence-building rather than military solutions, contributing to peace through collaborative efforts. However, ASEAN's struggle to enforce agreements, due to the principle of non-interference, highlights the limitations of neoliberal institutionalism: divergent interests and sovereignty concerns hinder full policy implementation. Thus, while institutions can foster cooperation, they cannot overcome deeply ingrained national interests and external geopolitical pressures.

METHODOLOGY

The main source of secondary data used in the study is scholarly articles, books, policy documents, and institutional reports used to analyze the economic and security cooperation in ASEAN with a neoliberal institutionalism foundation. These sources were chosen to explain the need to contribute to the current scholarly discussion and to examine the practice of integration and governance of ASEAN. Analytical views of ASEAN's institutional structures and economic policies are provided through peer-reviewed academic articles, casting light on the theoretical implications of neoliberal institutionalism. To assess the ASEAN Economic Community (AEC) and the mechanism of regional security cooperation, a qualitative research design (with thematic and case-study analysis) was used. Thematic analysis showed that major institutional norms such as consensus decision-making, non-interference, and sovereignty determine the effectiveness of ASEAN in both economic and security realms. Empirical evidence of the performance of ASEAN and highlighting the challenges that exist, particularly brought about by these institutional norms, were presented in case study analysis of particular ASEAN initiatives, including the ASEAN Free Trade Area (AFTA) and the ASEAN Regional Forum (ARF). The methodological approach provides an all-inclusive view of how ASEAN contributes to trade and investment, as well as the security of the region, thus fitting the neoliberal institutionalism approach, which believes that institutions act as tools to alleviate conflict and encourage cooperation. Meanwhile, triangulation was used to support the reliability and validity of the results. The arguments of the study were further honed through peer reviews and professional opinion which added credibility and analytical rigor to it. It is through this holistic process that this study critically studies the alignment of ASEAN's institutional behaviour with the theoretical presumptions and its actual practical efficacy in the integration and resolution of conflicts in this region.

RESULTS AND DISCUSSION

ASEAN

In 1967, ASEAN was formed as an intergovernmental organisation with its goals including collaboration in various spheres as well as the need to achieve regional peace and stability through the ASEAN Declaration that was signed by the foreign ministers of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The declaration reit-

erated the fact that ASEAN was open to the involvement of all Southeast Asian states in line with its goals and objectives that reflected the will of the Southeast Asian nations to be friends, cooperate, and pursue peace and prosperity (ASEAN 2020). The ASEAN idea began with previous agreements, notably the Southeast Asia Friendship and Economic Treaty (SEAFET) of 1959. Despite some of the challenges and failures of SEAFET, it gave birth to the establishment of the Association of Southeast Asia (ASA) in 1961. ASA aimed at fostering peace, regional stability, and collaboration in different areas. Later on, MAPHILINO, a union of Malaysia, Philippines, and Indonesia, attempted to establish collaboration in the economy, culture, and social sciences. These were the programs which prepared the institutionalisation of ASEAN (Keling et al. 2011).

Over the years, ASEAN has played numerous central roles and functions in the Asia-Pacific, as Acharya (2017) has termed as a leader, driver, architect, institutional hub, vanguard, nucleus, and fulcrum to regional processes and institutional designs. Towards its twentieth anniversary in 1987, ASEAN proved to be a solid entity, a place of peace, stability, and extensive economic growth, which made it succeed in becoming a regional body (Stubbs 2020). Regardless of economic difficulties, the governments of ASEAN countries continued to interact with the rest of the world and pursue the targets of the ASEAN Free Trade Area (AFTA). The currencies of weakened ASEAN economies boosted trade and helped them overcome the recession. The dot-com bubble and Chinese economic growth also contributed significantly to ASEAN's low-cost manufacturing exports (Stubbs 2019b).

The 2010 signing of a framework agreement as the ASEAN-China Free Trade Area is a case in point where ASEAN is undertaking the concept of political and sequential agreements. This accord played a key role in making the economies of ASEAN and China more cooperative (Stubbs 2019b). As a result, the concept of centrality of ASEAN emerged. ASEAN centrality refers to the critical role of ASEAN in the centre of regional institutions in Asia, such as the ASEAN Plus Three (APT), the ASEAN Regional Forum (ARF), and the East Asian Summit (EAS). The institutional building block of ASEAN forms a basis and facilitates the formation of these larger regional entities, and its operations depend on the survival of ASEAN. Even when limited to the institutional consolidation of the Asian-Pacific regional structure, ASEAN centrality poses a great challenge to ASEAN. Since these institutions entail other and, in most cases, more influential states than individual ASEAN members, ASEAN centrality is prone to the vagaries of great-power politics (Acharya, 2017). Meanwhile, ASEAN has played a significant role in economic integration, multilateralism, peace, and trade in the region. The following are some achievements of this study:

Economic integration

The ASEAN, formed by Indonesia, Malaysia, Philippines, Singapore, and Thailand, holds a central role in achieving economic integration and regional cooperation in East Asia (Ishikawa 2021). Although the process of integration in ASEAN might seem as relatively drawn out when compared to the developed countries of the European Union and NAFTA, the organisation has recorded gradual improvements, and it has been acknowledged to work together as a collective. One of ASEAN's significant contributions to economic cohesion is that tariffs have been removed systematically and that movements in all fields of the economy, such as goods, services, investment, capital, and expertise labour, have been promoted to move freely. Despite the drawbacks of financial crisis experienced all over the world, ASEAN and the wider East Asian region have rebounded faster than the rest, which has made them strategic production hubs and markets of both intermediate and final commodities. To counter mounting protectionist-related forces, ASEAN established the ASEAN Economic Community (AEC) and signed the AEC 2025 Consolidated Strategic Action Plan (CSAP). The AEC was able to remove tariffs not only in its own structure but also in the wider ASEAN Free Trade Area (AFTA), and this was a significant step in the integration of the East Asian economies. However, continuous problems related to non-tariff actions, trade facilitation, and other matters should be considered as part of the AEC 2025 goals (Shimizu 2021).

One notable success in ASEAN on its drive towards economic integration was the adoption of the Regional Comprehensive Economic Partnership (RCEP). The RCEP was signed by the leaders of 15 East Asian states and is aimed at creating a regional economic partnership which is contemporary, comprehensive, high-quality, and mutually beneficial. The agreement is also a further consolidation of East Asian economic integration initiatives (Shimizu 2021). ASEAN has been critical in ensuring that East Asia has experienced economic integration and regional cooperation. With the establishment of the AEC and the signing of the RCEP agreement, ASEAN has achieved significant gains in the abolishment of tariffs, the encouragement of free flow, and the alleviation of a range of economic problems. Despite these challenges, ASEAN's economic integration activities have played a major role in enhancing the economic growth and development of the region.

However, Non-Tariff Barriers (NTBs) are a major barrier to ASEAN's economic integration, especially with regard to the ASEAN Economic Community (AEC). In spite of the declining tariffs, NTBs (such as quotas, licencing regulations, and nonconformity to diverse standards) still hinder intra-regional trade, creating inefficiencies and

other expenses (Austria et al. 2015). The cause of these barriers is the historical regulatory disparities and the ability of ASEAN to make decisions based on consensus which puts national sovereignty first and makes it hard to implement homogenous regulations. Indonesia and the Philippines have strict importation quotas as one such example, and Malaysia's delayed implementation of the ASEAN Harmonised Tariff Nomenclature adds another break to the trade movement. NTBs increase the prices of goods and services, and this limits the opportunities of small and medium-sized enterprises (SMEs) to participate in cross-border trade, making the region of ASEAN less competitive compared to other regions, such as the European Union (Association of Southeast Asian Nations 2012). Although efforts have been made to standardise such practices and discriminatory practices have been abolished, such as the ASEAN Trade in Goods Agreement (ATIGA), these efforts lack consistency and mechanisms to enforce them, meaning that regional economic imbalances continue to increase (Ouellet et al. 2024).

Multilateralism

The subject of multilateralism under ASEAN has been challenged by scholarly discussion in the English School paradigm, especially in the study of East Asian diplomacy (Ba 2020b). In this regard, the general emphasis usually revolves around ASEAN's intra-regional politics and the involvement of its member states. This focus is based on the importance attributed to diplomatic reciprocity and mutuality of interests in Asia which is particularly high in the multilateralism of consensus in ASEAN. As a result, not only China as an external power but also smaller-to-mid-sized powers acting in ASEAN have a higher level of influence compared to multilateral ones in other regions or at the international level. Multilateral collaboration is an appropriate methodological model to be used in dealing with the security issues involving ASEAN member states, and it corresponds to their standards of cooperative security. Such norms assert the pursuit of security by diplomacy, consultation, and confidence building, instead of only using military action. Through effective multilateral dialogue and consultations, ASEAN member states will be able to understand each other and build robust security frameworks in the region (Katsumata 2009).

Peace

The notion of peace is one of the aspects that has always been brought to the fore by the ASEAN as a key factor in maintaining stability in the Asian-Pacific region given the tensions between giant forces like the United States (US) and China. In 2020, ASEAN once again asserted the importance of peace because of the issue of regional

instability (Southgate 2021). This reaffirmation is a continuation of the previous one when ASEAN declared a zone of peace and neutrality (ZOPFAN) in Southeast Asia in 1971. It was then that the regional states focused on their interest in respecting the sovereignty and territorial integrity of every nation and also accepted that each state had the right to manage its national existence free of outside interference in internal politics. However, the concept of security multilateralism practiced by ASEAN in the larger Asia-Pacific environment has required the reevaluation of its current concept of multilateral security, ZOPFAN. ZOPFAN was originally developed as an exclusionary measure aimed at regional solutions, but this was challenged when the US military left the country in 1975 and Cambodia was later invaded by Vietnam in 1978. Such incidents compromised ZOPFAN's vision. Indonesian Foreign Minister Ali Alatas recognised the challenges in 1991 and promoted specific equilibriums between the major powers in the region (the US, Soviet Union, Japan, and China) on the one hand, and between the major powers and Southeast Asia (on the other hand) (Tan 2002).

Trade

In 1992, the ASEAN Free Trade Area (AFTA) was established to facilitate trade between ASEAN member states by lowering tariffs charged on manufactured goods (Sharma & Chua 2000). In 1994, the leaders hastened this, showing their interest in increasing economic integration and regional trade. However, regional collaboration and trade within ASEAN have been compared with those with non-ASEAN countries, which has become a barrier to the creation of a single market (Wiliyanto 2022). The AFTA can be considered an important development in the history of ASEAN, an event that marks a qualitative change in the perception of economic integration in the area (Bowles 1997). In 1993, the AFTA was meant to eliminate tariff barriers among member economies and encourage export-oriented industries in ASEAN. Past efforts at regional integration have failed because of a lack of strong political motivation and the absence of economic incentives. However, changing regional conditions have provided a better platform through which the successful enactment of the AFTA can take place (Narine 1998).

One factor that had a significant influence on the formation of the AFTA was the creation of the Asia-Pacific Economic Cooperation (APEC) forum. At the beginning, APEC states viewed by the ASEAN states as a potential killer of the organisation; however, as time elapsed, these states became members of the forum, leading to their change in institutional expansion strategies. At the same time as APEC, ASEAN concentrated on the formation of the ASEAN Regional Forum (ARF) which also serves

as a platform in dealing with security matters concerning the post-Cold War period. Canada and Australia first advocated the ARF in 1990, and it was endorsed by Japan and the United States (Narine 1998). The RCEP is an important project that will help enhance open markets and economic integration in ASEAN. The RCEP is even better than the ASEAN Economic Community (AEC) in terms of scope and agreement-based ratification, hence creating an opportunity to invest and liberalise. It also supports the movement of labour and technology across regions, which may change the perceived meaning of the AEC (Wiliyanto 2022).

According to the given information observed in Figure 1, it can be seen that, the ASEAN countries have, generally, experienced an increase in their real Gross Domestic Product (GDP) since 2021, except the year 2020, when many countries in the region had been negatively impacted by the COVID-19 pandemic. Although there is a slight downward trend in the projected growth between 2022 and 2023 in Malaysia, Singapore, Indonesia, and the Philippines, the level of the downward shift is relatively smaller. In general, a significant increase in the percentage of GDP growth is likely to be observed in ASEAN states within the given period (see Figure 1).

Figure 1: Real GDP Growth, in %

AMS	2019	2020	2021	2022f	2023f
Brunei Darussalam	3.9	1.1	-1.6	2.2	3.6
Cambodia	7.1	-3.1	3.0	5.3	6.2
Indonesia	5.0	-2.1	3.7	5.4	5.0
Lao PDR	5.5	3.3	3.5	2.5	3.5
Malaysia	4.4	-5.6	3.1	6.0	4.7
Myanmar	6.2	3.2	-5.9	2.0	2.6
Philippines	6.1	-9.6	5.6	6.5	6.3
Singapore	1.1	-4.1	7.6	3.7	3.0
Thailand	2.2	-6.2	1.5	2.9	4.2
Viet Nam	7.0	2.9	2.6	6.5	6.7
ASEAN	4.7	-3.2	3.4	5.1	5.0

Note: Green cell means improved forecast, red cell means lower compared to July estimates.

Source: ASEAN Secretariat, October 2022; Asian Development Outlook 2022 Update, September 2022.

Source: ASEAN (2022: 3)

Figure 2 shows that when key indicators like economy and trade are used as units of analysis, ASEAN has a GDP that is rated in billion dollars of countries with a favourable GDP per capita. Besides, the states are favourable in terms of trade in services, although the value of extra-ASEAN trade is greater than the intra-ASEAN trade volume, except for Malaysia (see Figure 2).

Figure 2: ASEAN member states: Selected key indicators for 2021

ASEAN MEMBER STATES: SELECTED KEY INDICATORS 2021											
Economy											
	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	ASEAN
GDP at current price (USDb)	13.9	27.2	1,185.8	19.6	372.8	72.9	393.6	394.6	505.9	362.0	3,348.2
GDP per capita (USD)	32,383.1	1,603.0	4,348.6	2,693.3	11,399.7	1,314.4	3,552.5	72,399.7	7,645.3	3,674.4	5,024.2
Real GDP growth (%)	(1.6)	3.0	3.7	3.5	3.1	(5.9)	5.6	7.6	1.5	2.6	3.4
Inflation rate, average (%)	2.0	4.1	0.6	5.3	3.2	7.3	3.6	4.0	2.2	1.9	n.a.
Trade											
	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	ASEAN
Total trade in goods (USDm)	18,686.0	42,440.2	427,799.5	13,584.8	537,501.6	28,463.9	201,936.8	862,846.2	540,318.2	666,544.9	3,340,122.0
- Intra-ASEAN (%)	21.3	33.6	28.6	20.6	56.7	25.9	41.4	23.8	24.8	21.1	10.5
- Extra-ASEAN (%)	78.7	66.4	71.4	79.4	43.3	74.1	58.6	76.2	75.2	78.9	89.5
- Total exports (USDm)	11,456.4	16,949.6	231,609.5	7,699.6	299,333.8	14,156.9	67,928.8	456,805.2	271,314.7	335,792.6	1,713,047.0
- Total imports (USDm)	7,229.7	25,490.6	196,190.0	5,885.2	238,167.8	14,307.0	134,007.9	406,041.0	269,003.5	330,752.3	1,627,075.0
Total trade in services (USDm)	1,097.4	2,761.3	42,779.7	377.4	56,504.0	4,273.1	53,079.5	453,271.1	88,757.2	42,944.0	745,844.6
- Total exports (USDm)	200.4	657.3	13,997.9	125.3	20,926.6	2,271.7	33,626.5	229,777.2	24,502.0	22,262.0	348,346.9
- Total imports (USDm)	897.0	2,104.1	28,781.7	252.1	35,577.4	2,001.4	19,453.0	223,493.8	64,255.2	20,682.0	397,497.7

Source: ASEAN (2022:8).

Despite the large foreign direct investment (FDI) that ASEAN has received, amounting to USD 175 billion in 2021, it does not escape the effects of economic changes and adversities on a global scale. Digital connectivity, climate change, environmental degradation, and supply chain disruptions are trend areas that are to bear a strategic implication and far-reaching effect on the ASEAN economic community-building agenda (ASEAN 2022). Having analysed the historical context and the achieved successes of ASEAN in the areas of economic integration, multilateralism, peace, and trade, the following section evaluates the ASEAN Economic Community (AEC) and ASEAN Regional Forum (ARF). The main aim is to analyze how effective

these institutions are by critically analysing their success and identifying the issues they face in their mandate execution.

ASEAN ECONOMIC COMMUNITY

The process of the development of the ASEAN Economic Community (AEC) has been characterized by careful planning and gradual steps. In 2003, ASEAN established an objective of establishing an AEC by 2020, but this target was revised to 2015, and some member states have a longer deadline (Chia 2013). The AEC is expected to attain high integration, which means the inclusion of multiple factors of production and the adoption of a dispute settlement mechanism. It is based on the ASEAN Vision 2020 and ASEAN High-Level Task Force recommendations (ASEAN, 2008). The AEC projects a facility of one market and production centre in ASEAN, which enhances competitiveness, encourages fair economic growth, and integrates with the global economy. Furthermore, Wiliyanto (2022) notes that the AEC is important in facilitating economic integration and cooperation in ASEAN. It intends to complement regional production networks and make ASEAN more influential in world supply chains, promoting cohesiveness, competitiveness, and resilience in the region.

It is worth adding that the AEC cannot be directly compared with the EU Single Market because it does not have a common external commercial policy and capital and labour mobility. Nevertheless, the single market and single production base formation will permit economies of scale and effective production networks, which will allow ASEAN to capitalize on the diverse economic development rates of its member countries (Chia 2013). Non-tariff measures have been slow to eliminate or reduce, although ASEAN has had relatively good progress in attaining a high degree of liberalisation and establishing a free trade area (Ishikawa 2021). Introduction of AEC Blueprint 2015 has seen improvement in tariff elimination, trade facilitation, service trade liberalisation, investment liberalisation, and labour mobility. Nevertheless, ASEAN is aware that the process of regional economic integration is not complete, and is currently working on starting studies of the AEC Blueprint 2025 (ASEAN 2015).

In enhancing competitiveness of ASEAN, the AEC pillar is concerned with competitiveness through competition policies, intellectual property rights (IPR), and development of infrastructure (ASEAN 2008). ASEAN has also constituted the Experts Group on Competition to ensure equitable practices in competition, and has come up

with guidelines and handbooks on competition policy laws. IPR activities seek to promote innovation and competitiveness by means of collaboration and capacity building efforts in collaboration with organisations and other stakeholders. It also focuses on infrastructure development, where the need to have efficient transportation and IT infrastructure to facilitate regional connectivity is realised (ASEAN 2008).

The AEC Blueprint 2025 is also geared towards ensuring a further enhancement of the free flow of goods, services, investment, capital, and skilled labour in ASEAN, development of trade and production networks, and the creation of a more unified ASEAN market by ASEAN firms and ASEAN consumers (ASEAN, 2015). It also prioritises the growth and development of micro, small, and medium enterprises (MSMEs) and the use of digital technology to improve different features of trade, investments, e-business, governance, and green technology (ASEAN, 2015). The blueprint has five pillars designed to promote trade, competitiveness, connectivity, inclusive development, and improve the global presence of ASEAN. The first pillar is aimed at establishing a highly integrated and cohesive Economic ASEAN; the second pillar is aimed at establishing a competitive, innovative ASEAN; the dynamic ASEAN; the third pillar aims at establishing economic connectivity across all sectors in ASEAN; the fourth pillar is aimed at establishing a resilient, inclusive, people-oriented, people-centred ASEAN; and the fifth pillar is an aim to establish ASEAN as a global economy. With the adoption of the AEC Economic Community Blueprint 2025, ASEAN is expected to have a flourishing economic zone that will support sustainable development, foster innovation, promote connectivity, and become inclusive. By establishing regional cooperation and interacting with other players in the world through economic integration, ASEAN aims to ensure that its economic potential is maximised and help improve the lives of its people.

Strategic activities to achieve successful implementation of the AEC Blueprint 2025 will include the following measures, as stated by ASEAN (2015):

1. The ASEAN Economic Community Council (AECC) will check and ensure adherence to the agreed measures, and special task forces or committees will help in addressing non-compliance problems.
2. An action plan will be formulated that will be the strategic action plan and which will comprise the key action lines that will operationalise the strategic measures in the blue print. The plan will be periodically revised in order to fit sectoral development.

3. Transparency and enhancement of notification procedures of any ASEAN economic agreement will be promoted in the AEC Blueprint 2025 in the form of the Protocol on Notification Procedures.

The AEC Blueprint 2025 has established its goals to improve the already existing areas of integration and address emerging areas of focus which include Global Value Chains (GVCs), good regulatory practices, sustainable development, global mega-trends, and new matters related to trade. Upon its formation, the AEC was a major force in the economy and its aggregate GDP was above US 2.4 trillion making it the sixth-largest economy in the world. ASEAN is the third-largest populous market in the world after China and India, with a population of close to 630 million people (ASEAN 2017). The ASEAN Economic Community and AEC Council endorsed the Monitoring and Evaluation Framework in 2016 to make the implementation of the AEC Blueprint 2025 successful. This framework goes beyond compliance monitoring and considers outcome monitoring and the impact assessment of regional economic integration. It can be used as a useful source to develop monitoring and evaluation mechanisms in different branches of the AEC based on the existing mechanisms that existed in the past (ASEAN 2017).

The characterization of the achievements and challenges of the institution has received much criticism and support from ASEAN. Stubbs (2019a) has done an outstanding job in describing the perspectives of conflicting positions. The opponents of ASEAN have expressed some issues about its efficacy and influence in the region, as Stubbs argues. They argue that one cannot attribute peace and stability in Southeast Asia to ASEAN alone when peace in the region is mainly determined by the balance of power at the international level and not by the endeavours of ASEAN. They also blame the inability of ASEAN to successfully handle its relations with major powers on the ASEAN way of conducting regional relations, which they perceive to be ineffective in addressing issues like China's dominance and aggressiveness in the South China Sea. Sceptics go on to cite that regional organizations such as ASEAN are a barrier to the broader multilateral action of breaking trade barriers in Asia, leading to a compounding network of multiple tariff regimes and rules of origin. They argue that geopolitical factors are more influential than economic factors in free trade arrangements, including those ASEAN has signed, and they do not have much to bring about economic gains. Furthermore, critics point out that the ASEAN Free Trade Agreement (AFTA) has been very slow compared to the European Union (EU) regarding the ability to foster economic integration among the member countries,

which is indicative of ASEAN being slow in encouraging economic integration among its member states (Stubbs 2019a).

Conversely, the supporters of ASEAN have highlighted the benefits of doing so (Stubbs 2019a). They claimed that ASEAN was vital in conflict resolution and peace between Southeast Asian countries during the ColdWar period. They mentioned ASEAN's role in pressurising Vietnam when it occupied Cambodia and its withdrawal talks. Another aspect that proponents emphasise is the role of ASEAN in institutionalising norms to maximise tensions and encourage states to work with one another. Furthermore, the supporters admit that the level of regional integration among members of the ASEAN is minimal and underline the roles of the organisation in ensuring long-term prosperity in the region. They cite the ASEAN Free Trade Area (AFTA), ASEAN Framework Agreement on Services (AFAS), and ASEAN Investment Area (AIA) among the catalysts to economic cooperation and integration. Such attempts are congruent with the development of the ASEAN Economic Community (AEC) in 2015, which was supposed to increase the level of economic integration and raise the level of regional competitiveness (Stubbs 2019a). Finally, Stubbs also notes that critics and their supporters are aware of the substantial economic growth in the ASEAN region that has seen GDP grow by US\$77 b.-US\$2.55 t. between 1999 and 2016. Nevertheless, the effectiveness and influence of ASEAN is a topic of discussion and analysis, despite divergent views of the effectiveness and influence of the organisation in the region.

Meanwhile, economic asymmetry is also one issue in the integration of the region by ASEAN as the countries are highly unequal in development, income, and infrastructure. They are caused by the existence of different amounts of gross domestic product, industrialisation, and global market accessibility (Anh 2025). Although Singapore is highly developed, some states, such as Myanmar and Laos, are struggling with serious underdevelopment. These differences create conflicting interests in ASEAN: richer states support integration, and poorer states prefer protectionism and self-sufficiency (Cilliers & van Rooyen 2025). The advantages of regional integration are therefore not shared equally with the richer states enjoying higher returns of trade liberalisation and foreign direct investment, although poor countries cannot compete because they have poor infrastructure, technology, and skilled labour. Mechanisms that ASEAN has implemented to reduce these disparities, such as the ASEAN Economic Integration Blueprint and the Initiative of ASEAN Integration (IAI), have been stalled by a lack of finances, political goodwill, and slow reforms in less developed countries. Second, the ASEAN centrality agreement limits the execution of macro

projects that are necessary in correcting economic asymmetry (Association of Southeast Asian Nations 2025).

The internal norms of ASEAN, rather than external geopolitics, are the major factors that lead to its weakness in developing deeper economic integration and regional security cooperation. These are internal rules, especially the rules of non-interference and decision-making by consensus which undermine the ability of ASEAN to be decisive and cohesive. Non-interference means that ASEAN cannot intervene in domestic problems like human rights violations or political crises, as observed in Myanmar (Schembera 2021). On the same note, unanimous decision making, which is part of consensus decision making, gives rise to lengthy, watered down decisions that often lead to no action being taken, particularly on issues of controversial nature like the South China Sea dispute. These norms are also limiting to the process of economic integration of ASEAN, and non-tariff barriers and unreliable regulatory frameworks are hindering the actualisation of the ASEAN Economic Community (AEC). This lacks binding enforcement mechanisms, further weakening the capacity of ASEAN to coordinate policies or impose trade laws. The internal norms in the security arena, especially non-interference, have undermined the effectiveness of the ASEAN Regional Forum in conflict management, even in South China Sea conflicts (Putra et al. 2019).

These internal challenges are compounded by external geopolitical pressures, including the emergence and development of China and the current US-China rivalry. The growing influence of China, especially in the South China Sea, is pushing ASEAN to its limits and is a challenge to the organisation to counterbalance its economic relationship with China and at the same time preserve regional security. Competition among world giants increases the insufficiency of ASEAN to remain neutral and state a common position. The result of this external pressure is strategic perplexity in ASEAN, where there is an internal guideline of neutrality and non-interference that is opposed by the need to tackle a geopolitical challenge externally (Xing & Mingjiang 2025). The South China Sea conflict is a case in point where ASEAN is failing to show unity of action in the face of external pressure, thus undermining its credibility and services in the governance of the region. The interplay of the internal norms of ASEAN and foreign geopolitical pressures results in a feedback cycle that enhances the weaknesses of this organisation. Intrinsic divisions undermine ASEAN's ability to act cohesively to enhance its vulnerability to external forces. External forces, in turn, highlight the constraints of the institutional framework of the ASEAN, highlighting internal fissures and making the organisation even weaker in terms of its capacity to maintain integration and security in the region.

ASEAN REGIONAL FORUM

The ASEAN Regional Forum (ARF) is a special form of multilateralism institution that defies traditional norms by uniting the major powers through the leadership of ASEAN which is a sub-regional coalition of mainly developing countries (Tan 2002). Since it was established in 1994, the ARF has been seeking to establish predictable and stable relations between the major powers and Southeast Asia as it has realised the necessity of including the great powers in regional matters. The ARF aims at fostering confidence and trust among its members, building norms of cooperation in security behaviour, and advancing security cooperation in a number of ways (Chanto 2003; Heller 2005).

The geographical coverage of the ARF includes Northeast Asia, Southeast Asia, and Oceania, although the active involvement of extra-regional players is also invited which makes it an inclusive and unique regional security group. This inclusivity complements other political and economic processes in the region, although it is not completely in line with them (Hassan 2021). The principles and norms of the ARF are based on the principles of the ASEAN Treaty of Amity and Cooperation in Southeast Asia (TAC), and they include mutual respect, non-interference, peaceful solving of conflicts, and effective collaboration among the state members of the ARF (Heller 2005). ARF uses confidence-building measures (CBMs), preventive diplomacy, non-proliferation, and arms control to promote security cooperation. The emphasis of CBMs is on multilateral cooperation, transparency, and disclosures in terms of military-spending with the aim of developing trust among member states. Preventive diplomacy entails solving or managing conflicts peacefully, whereas non-proliferation and arms control are meant to ensure that nuclear weapons do not proliferate and that a region is in a stable state (Chanto 2003). The aim of the ARF to achieve predictable and stable relationships in the region is assisted by these cooperative efforts.

The role of ASEAN in the ARF also cannot be underestimated because it started the formation of the forum itself and stressed its superiority in the development of the agenda. ASEAN attempts to retain its influence and domination in the region by exporting its diplomacy to other players (Narine 1998). The ASEAN Regional Forum (ARF) currently has twenty-three member countries, including Cambodia, Myanmar, India, Mongolia, and North Korea which joined the original 18 founding member countries in 1994. Each of the existing players has an affiliation with ASEAN (Heller 2005).

The ARF was established with the mission of promoting sustainable peace and trust based on confidence-building measures (CBMs) and dialogues as opposed to dispute resolution per se. Though significant improvement has been seen in confidence-building measures, the forum has been facing challenges in implementing effective preventive diplomacy systems and comprehensive conflict-management strategies (Weber 2009). The body is guided by the principles of the ASEAN Way, which emphasizes consensus, informality, and face-saving; however, this doctrinal framework has limited the flexibility of adapting to situations and prevented the formation of substantive preventative diplomacy. Despite having a wide-ranging agenda and allegedly a high rate of implementation, the ARF is often described as a failed process due to its conceptual underpinnings and hierarchy of bureaucratic structures (Le Thu 2019).

The success of the ARF has mostly focused on maintaining the status quo and consolidating the principles of state sovereignty and non-intervention, but its cooperative security has not been so successful. The forum is, in essence, a competition and manoeuvre platform, specifically concerning the South China Sea issue, and has not been effective in managing emerging tensions and transnational issues (Ortuoste 2019). As a result, the irrelevance of the ARF to regional security has elicited suggestions for alternative or supplementary forums. The dependence of the ARF on avoidance strategies has failed to address the effects of the South China Sea dispute on its proceedings which has threatened the already weak institutional structure of the organisation (Tan 2019).

Compliance with the ASEAN Way has prevented the ARF from addressing controversial topics and enforcing treaties. The centrality of ASEAN and the protection of national sovereignty are sensitive issues that have limited practical avenues for solving domestic challenges (Beeson 2019). The failure of the ARF to meet its goals of regional security and managing conflict has been occasioned by its institutional structure and the limitations of the ASEAN Way, known as ASEAN Way, in which it predicts consensus, non-interference, and informality. The ARF has no binding enforcement procedures and a formal conflict-resolution structure, which makes it prone to inaction (Serey 2021). The voluntary participation and consensus structure means that states are not compelled to follow through with their commitments, and hence, its effectiveness in solving major security problems like the South China Sea dispute is limited. The ASEAN Way also makes it difficult to use hard means of security by the ARF and places more emphasis on dialogue and confidence-building, which is important but ineffective when there is a crisis (Caballero-Anthony 2022). Such lim-

itations are highlighted by the fact that the ARF has proven incapable of dealing with tensions in geopolitics in the context of the aggressiveness of China in the South China Sea, as its consensus-based and non-interference policy restricts the management of crises. Despite the fact that regional security could have been triggered by the confidence-building actions of the ARF, the overall effectiveness of these tools is inconclusive (Beeson 2019b).

CONCLUSION AND RECOMMENDATIONS

The Association of Southeast Asian Nations (ASEAN) continues to play a significant role in determining regional economic integration, where the ASEAN Economic Community (AEC) is an important tool in promoting trade and investment. Contrary to the supranational pattern of the European Union, the ASEAN model is intergovernmental, with an emphasis on establishing national sovereignty and slow institutional development. The AEC has promoted economic liberalisation and intensified market integration; however, there are still some unresolved issues such as non-tariff barriers, inconsistency of regulation, and economic differences among the member states that hinder its full potential. Irrespective of these challenges, ASEAN's institutional structure is imperative for the maintenance of regional trade and investment. Although the AEC has contributed greatly to lowering tariffs and the influx of foreign direct investment, member states have different economic policies and governance systems that limit further economic integration. ASEAN's extreme dependency on foreign trading partners is an issue of concern in terms of economic resilience and the need to have strong intra-regional collaboration. To deal with them, more policy coordination, improved enforcement structures, and a more organised economic harmonisation approach will be required.

Based on the discussion of this study, the following recommendations are made. ASEAN should harmonise the economic policies of its member states to seal the loopholes in the regulatory frameworks that discourage the integration of the economies. Despite the progress made by the AEC to liberalise trade, the lack of consistency in governance, regulations, and economic policies still presents obstacles. A comparison of trade rules and investment policies would make ASEAN more competitive and intra-regional trade stronger. This would also create a more predictable business and investor environment through more coherent policies. Even after tariffs have been removed by the ASEAN Free Trade Area (AFTA), non-tariff barriers (NTBs) continue to pose a major challenge to trade in the region. Member states must

alleviate these obstacles by enhancing the transparency of trade policies, reducing customs, and improving the trade facilitation process.

The formation of an autonomous body to monitor in ASEAN would help in the enforcement of trade agreements and accountability to the agreements. Tariff cuts alone will not significantly increase regional trade without first dealing with NTBs. ASEAN needs to be more active in regional security, especially in the South China Sea and other geopolitical issues. There are no strong conflict resolution mechanisms in the ARF, despite the fact that it has encouraged diplomatic involvement. The enforcement of ARF through prevention diplomacy in the formulation and incorporation of systematic mediation structures would empower ARF to handle regional conflicts. To ensure stability in the region, ASEAN must be more aggressive in dealing with security issues.

The ASEAN diplomatic strategy has assumed the principle of non-interference, but it limits the effectiveness of this organisation to respond to political and humanitarian crises. ASEAN must be more liberal in that it allows intervention when a need arises, particularly in cases of human rights abuse, failure of governance, and crises in the region. Although sovereignty is essential, ASEAN needs to care about stability as well as cooperation. ASEAN needs to ensure that it enhances its core position in the region and the global arena by increasing collaboration with other global economic and security stakeholders. Increased trade pacts and strategic security talks will boost ASEAN influence and will not inflict independence. The increased international collaboration will make ASEAN better placed in international decision-making.

The lack of a relationship between ASEAN policy undertakings and its actualisation needs to be addressed. ASEAN needs to strengthen its institutional capacity by giving more power to the enforcement organs to check adherence and provide resolution of disputes. The formation of an ASEAN economic and security task force would be beneficial in the adoption of AEC and ARF policies, so that the agreements yield tangible results. ASEAN should prioritise the digital economy to push the growth of the region. Increased digital infrastructure, technological innovation, and cross-border digital trade will enhance ASEAN's economic stability. Cybersecurity issues and enhanced digital transformation can also be developed through the creation of a regional digital governance structure. A logical online policy will keep ASEAN competitive in the world economy.

The difficulty in integrating ASEAN member states is due to the economic disparities among these member states. ASEAN needs to foster fair development by en-

sure that it invests in capacity-building projects, offers financial and technical assistance to less-developed member states, and adopts inclusive economic policies. The sharpening of the relationship between the state and business in areas such as education, infrastructure, and healthcare will create a more consistent and sustainable economic environment. It is important to ensure that ASEAN's economic integration is beneficial to all member states so that they can achieve long-term stability and growth.

This analysis provides crucial information about the effectiveness of ASEAN in its economic integration and cooperation in terms of region security; however, there are few limitations. The reliance of the study on secondary sources limits the level of understanding of the internal decision-making processes in ASEAN. The lack of primary empirical evidence such as interviews or surveys among ASEAN officials hinders a more informative discussion of the lived experience of the member states in the policy implementation process. As a result, future research should incorporate primary data such as interviews or surveys of ASEAN policymakers, diplomats, and economic leaders to provide a more immediate view on how member states perceive and how they are implementing their policies. Also, longitudinal research following the development of ASEAN in economic and security spheres would provide significant information about how the organisation is adjusting to the changing geopolitical environment, especially as far as the growing influence of China is concerned.

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EKONOMSKA INTEGRACIJA U JUGOISTOČNOJ AZIJI: PROCJENA UTICAJA EKONOMSKE ZAJEDNICE ASEAN-a (AEC) NA REGIONALNU TRGOVINU I INVESTICIJE

Ekonomska zajednica ASEAN-a (AEC) osnovana je radi unapređenja ekonomske integracije u jugoistočnoj Aziji podržavajući liberalizaciju trgovine, investicija i ekonomske saradnje u regiji. Iako je ASEAN ostvario značajan napredak u smislu smanjenja carina i privlačenja direktnih stranih investicija (SDI), izazovi ostaju u smislu necarinskih barijera, regulatornih razlika i neujednačenog ekonomskog rasta među državama članicama, što ometa daljnju integraciju. Jedan od ključnih izazova je relevantnost AEC-a u smislu postizanja njegovih ciljeva integracije. Neki autori su naglasili ulogu zajednice u promociji regionalne trgovine i investicija, ali postoje i oni koji tvrde da strategija ASEAN-a zasnovana na konsenzusu i nedostatak snažnih mehanizama provođenja ograničavaju njenu sposobnost da se nosi sa strukturnim ekonomskim izazovima. Studija kritički procjenjuje ove debate u smislu neoliberalnog institucionalizma fokusirajući se na uticaje koje upravne strukture ASEAN-a imaju na trgovinske i investicijske performanse. Studija je koristila kvalitativnu metodu istraživanja uvidom u dokumente o politici, akademsku literaturu i institucionalne izvještaje. Rezultati pokazuju da, uprkos doprinosu AEC-a rastu regije, nedosljednost u upravljanju, necarinske barijere, oslanjanje na strane trgovinske partnere i ekonomska neravnoteža unutar regije slabe njenu efikasnost. Ova studija otkriva da je, čak i uz sve ove probleme, institucionalna struktura ASEAN-a i dalje vitalna za održavanje

regionalne trgovine i investicija te da postoji potreba za reformom institucija kako bi se poboljšala harmonizacija politika, smanjile trgovinske barijere i ojačali mehanizmi institucionalne provedbe.

Ključne riječi: ASEAN; institucionalizam; liberalizam; multilateralizam; trgovina

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