



***THE RISK OF ECONOMIC COERCION  
LOOMS OVER ASEAN'S GROWING  
DEPENDENCE ON CHINA***

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The geoeconomic shock from the United States' "Liberation Day" tariffs has pushed members of ASEAN closer to China's economic orbit. While deeper economic integration helps mitigate the growing uncertainty of international trade, it also makes ASEAN an increasingly vulnerable target for Beijing's economic coercion. Countries in the region must actively maintain open and diversified economic partnerships, while improving their management of diplomatic crises to mitigate the weaponization of their economic dependence.

**Riding the tariff momentum**

Southeast Asia remains among the regions hardest hit by US tariffs. Despite concessions during negotiations, the latest [agreements on reciprocal tariffs](#) that US President Donald Trump signed with Malaysia and Cambodia on Oct. 26 failed to reduce the 19% tariff rate imposed on both countries.

With the dependence on the US as ASEAN's number one export market, it is no surprise that the highly

trade-dependent bloc's first collective response was [not to retaliate](#) against the tariff but to deepen integration with alternative partners. China, the region's biggest two-way trading partner since 2020, is among the top priorities. China-ASEAN bilateral trade has experienced a record-high increase of over [9.7%](#) in the first eight months of 2025, compared with the same period last year. Nearly [20% of China's exports go to ASEAN](#) during this period as China seek alternative markets due the tariff restriction to the US market.

On the sidelines of the 27<sup>th</sup> ASEAN summit in Kuala Lumpur in Oct. 26-28 that President Trump also attended, Chinese Premier Li Qiang and Malaysian Prime Minister Anwar Ibrahim, as chair of ASEAN, oversaw the third upgrade of the [ASEAN-China Free Trade Agreement](#). This agreement will further strengthen China's economic links with Southeast Asia.

While the risk of overdependence is evident, it must be recognized that deeper regional economic integration has become a strategic imperative to mitigate the mounting uncertainty in global trade. Between 2019 and 2022, around [74.2% of ASEAN's imports from China](#) consisted of capital and intermediate goods that ASEAN countries depend on to produce competitive exports in the global market.

While reducing dependence on the US market is crucial, furthering dependence on China can be equally risky for ASEAN. Overdependence on any single country gives the bigger country leverage to use its monopoly of the economic network against the other country for security motives, a phenomenon called [weaponized interdependence](#).

**Records of economic coercion**

Weaponized interdependence is not a new development. To date, the [Chinese Economic Sanctions Dataset](#) suggests that Southeast Asian countries have become the target of at least nine cases of Beijing's economic sanctions, which have increased with China's growing assertiveness under Xi Jinping.

In the same way the US leverages its monopoly of the economic network, China's ability to coerce comes from its monopoly as the number one market for Southeast Asian products. In 2012, for instance, Beijing imposed restrictions on the Philippines' banana exports to China during their standoff over the disputed Scarborough Shoal in the South China Sea. Similarly, China also halted Vietnam's lychee exports from entering its market during the diplomatic crisis over oil rig exploration near the disputed Paracel Islands in 2014.

On the import side, dependence on China's goods can also turn into a tool of coercion, as exemplified in China's restriction of rare earth elements to Japan in 2010. Beyond lychees and bananas, analysis from the [Asia Competitiveness Institute](#) suggests that over 1,000 type of products imported by all 10 Southeast Asian countries between 2000 and 2022 are "highly concentrated" in China, meaning that over 50% of imports from each of these products come from China. These highly concentrated products roughly consisted of 30% consumer goods, 40% intermediate goods, and 30% capital goods.

[Records](#) from the Mercator Institute for China Studies suggest that China's coercion often deliberately did not target capital and intermediate goods, which constitute most of ASEAN's trade with China, to minimize the economic costs. However, the damage to consumer goods must not be downplayed. From 2020 to 2022, the total loss from China's coercion against Australia's top exports—such as coal, barley, and wine—amid their diplomatic tension reached as high as [AU\\$31 billion](#) (US\$20 billion).

Beyond the direct economic cost, the strategic value of economic coercion lies in its deterrence effect. The success of China's weaponized interdependence can be observed in the unwillingness of Southeast Asian countries to take tougher stances against China to prevent economic loss. The Philippines and Vietnam, for instance, never retaliated against Chinese economic coercion amid their standoff in the South China Sea in 2012 and 2014, respectively.

The potential economic benefits also become an allure pushing some ASEAN countries closer to Beijing, as

in the case of Indonesia implicitly acknowledging Beijing's illegal South China Sea claim in exchange for securing [joint development](#) in the area, followed by China's support for Indonesia's entry into the [BRICS](#) grouping as a full member last year.

### **Pathway toward economic resilience**

Admittedly, sharply reducing trade with China is not a wise option given the political and economic cost. The [economic openness](#) that Southeast Asian countries promote has previously contributed to regional stability that the bloc enjoyed. However, countries in the region can take steps to minimize the likelihood and cost of coercion.

First, ASEAN must actively diversify economic partnerships. Maximizing trade with partners beyond China will help reduce the range of goods that Beijing can weaponize. Indonesia's recent success in concluding [free trade agreement](#) negotiations with the European Union is a great example. Further substantiating the call to upgrade the Regional Comprehensive Economic Partnership ([RCEP](#)), the region's largest free trade agreement, is also vital to maintain the economic openness in the region.

Second, countries in Southeast Asia, individually and collectively, must maintain an open diplomatic channel to manage geopolitical tension with China. [China's economic coercion](#) often occurs when Beijing's political stakes are high, particularly during events such as diplomatic crises and territorial disputes. The ability of countries to exercise self-restraints and defuse tension, as exemplified in the collaborative efforts to manage the recent Thailand-Cambodia border conflict—which concluded with the signing of the [Kuala Lumpur Accord](#) during the latest ASEAN Summit—will be crucial in responding to similar conflicts with China in the future.

Collectively, ASEAN also bears responsibility for harnessing its ability to mitigate potential crises. ASEAN's ability to actively manage regional tension becomes key to avoiding economic coercion, particularly on the South China Sea dispute. Here, again, ASEAN's so-called "[centrality](#)" is being tested.

**Conclusion**

The impact of US tariffs has put ASEAN countries in a tight spot. While the tariff shocks offered momentum to deepen regional economic integration, they also complicated ASEAN's effort to make its supply chains resilient against weaponization. Countries in the region must actively manage regional tensions and internal divisions, as well as cultivate economic relations with partners beyond China to keep their trade relations resilient. Otherwise, they risk facing two-front economic pressure from Beijing's future economic coercion, plus Washington's tariffs.

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