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ASEAN and De-dollarization: Regional Currency Integration or Economic Fragmentation

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Abstract
The dominance of the U.S. dollar in global finance has long shaped the economic architecture of the Association of Southeast Asian Nations (ASEAN), influencing trade, reserves, and external debt. However, growing geopolitical tensions, financial vulnerabilities, and calls for monetary sovereignty have led ASEAN to explore pathways toward de-dollarization. This study examines the region's evolving efforts to reduce dollar dependence through local currency settlement frameworks, bilateral swap agreements, and digital payment integration initiatives. Drawing on structuralist perspectives in International Political Economy, the research analyzes whether these de-dollarization efforts signal a move toward deeper regional currency integration or risk exacerbating economic fragmentation. The findings reveal that while ASEAN has made notable progress particularly through the Local Currency Settlement Framework and the Chiang Mai Initiative these efforts remain constrained by institutional asymmetries, infrastructural gaps, and political divergences among member states. Comparative insights from the Eurozone and BRICS underline both the potential and the limitations of regional monetary reform in the absence of a supranational authority. The paper concludes that ASEAN stands at a crossroads: effective coordination could enhance economic resilience and autonomy, while disjointed strategies risk deepening internal divisions and reinforcing external dependencies. The future of ASEAN's monetary direction will significantly impact the global financial landscape.

Introduction

After World War II ended and the Bretton Woods system was set up, the U.S. dollar became the most important currency in the world. It has had a big effect on international trade, financial markets, and global foreign exchange reserves because it is the main reserve currency. This special status gives the United States a lot of power, allowing it to shape global economic trends and stay strong in the world of politics. The U.S. can use financial sanctions, change the flow of international capital, and set economic policies that affect the whole world. But worries about this dollar-based system are growing, especially among emerging economies that are becoming more and more dependent on decisions made by U.S. financial authorities.

The balance of power in the world has started to change in the last few years. As economic nationalism grows, trade disputes become more common, and the world becomes more multipolar, many countries and regions have tried to become less reliant on the U.S. dollar. Through the imposition of sanctions on countries such as Russia, Iran, and Venezuela, there has been an increase in awareness regarding the dangers associated with the utilization of a currency that functions as a geopolitical instrument. There has been an increase in the number of people calling for changes to be made to the worldwide monetary system. This is because of the growing debt that is denominated in dollars, the global inflation, and the financial instability that has been caused by the COVID-19 epidemic. "De-dollarization," which refers to the gradual shift away from using the United States dollar for international business, has been discussed by many people.

The Association of Southeast Asian Nations (ASEAN) is a vital area to keep an eye on as things change. ASEAN is now an important element of the world economy. It contains ten different member states: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. These countries make constitute the world's fifth-largest economic bloc. This is because their populations are growing, their middle classes are growing, and commerce and infrastructure are making them more connected. ASEAN is becoming more important in global supply networks, trade routes, and digital commerce, which makes it a powerful player in both regional and global affairs.

The United States dollar remains a significant factor in the management of external debt, trade settlements, and foreign reserves for ASEAN countries, despite the fact that this influence is increasing. Due to the fact that they are dependent, they are susceptible to shocks that originate from outside the country and are brought about by measures taken by the United States government regarding monetary policy. The fluctuations in interest rates, the implementation of quantitative easing, and the existence of fiscal imbalances are all examples of these shocks. The dollar is extensively utilized in ASEAN due to historical factors, financial practicality, and market liquidity. Nonetheless, in the long term, it may precipitate complications, particularly as the region aspires to attain greater economic independence.

In response, the countries of ASEAN have started looking into ways to make their monetary systems more diverse. Some member states have implemented rules that encourage the use of their own currencies in trade between two countries. For example, Indonesia, Malaysia, and Thailand have made Local Currency Settlement (LCS) arrangements to make their economies less reliant on the dollar. There have also been efforts to increase financial cooperation in the region through things like the Chiang Mai Initiative Multilateralization (CMIM), which is a regional currency exchange agreement that helps provide liquidity during crises. There is also a growing interest in regional monetary integration, as seen by efforts to make cross-border digital payments and banking work together.

On the other hand, these moves are confronted with significant obstacles. The lack of economic and political homogeneity among ASEAN members is one of the most serious issues that has to be addressed. In this region, there are countries with the least developed economies, such as Laos and Cambodia, as well as those with sophisticated economies, such as Singapore. Such discrepancies make it difficult to harmonize monetary policies, financial rules, or currency values. ASEAN does not have a supranational central bank or monetary body to guide a national currency strategy, unlike the EU. ASEAN's political stance of non-interference in domestic matters limits economic and institutional integration.

This contradiction raises a critical inquiry: can ASEAN diminish its reliance on the US dollar by promoting collaboration among regional currencies, or would this lead to complications and destabilize the economy? The region can reconcile its political and structural disparities with its economic goals.

This study examines ASEAN's initiatives to eliminate the dollar by analyzing both the measures implemented and the underlying political and economic motivations. Regional case studies, including currency swap agreements and cross-border settlement procedures, facilitate an understanding of current dynamics and inherent limitations. The study examines theories from international political economics to analyze ASEAN's monetary actions and constraints.

This view understands that de-dollarization is a long and complicated process that depends on cooperation between regions, local political will, and changes in the global economy. The study does not think that de-dollarization will be an easy process. Some ASEAN countries may use their own currency to improve their financial stability and independence, while others may use the dollar as a safe place to keep their money when things are uncertain.

Research Questions

1. What factors are motivating ASEAN member states to pursue de-dollarization?
2. To what extent have initiatives such as local currency settlement frameworks and bilateral swap arrangements reduced ASEAN’s reliance on the U.S. dollar?
3. How do economic disparities and political differences among ASEAN members affect prospects for regional monetary integration?

4. Does the move toward regional currency cooperation enhance ASEAN's economic sovereignty, or does it risk deepening internal fragmentation?

Theoretical Framework

This paper examines, through the lens of structuralist theory in international political economy, ASEAN's endeavors to eliminate the dollar and the impact of these activities on the integration of regional currencies. Structuralism can be employed as a framework to examine the disparities inherent in the global financial and monetary systems. The hierarchical architecture of international economic interactions is discussed in addition to the processes that sustain the dominance of core (developed) states over periphery countries. Trade inequities, financial dependency, and the legacy of colonialism are such mechanisms.

The international monetary system is advantageous to main economies, particularly the United States, according to structuralism theory. The US dollar serves as a symbol of global hierarchy in its capacity as a reserve currency. This enables the United States to enforce severe sanctions, manage international financial flows, and preserve monetary sovereignty. Other developing regions, such as Southeast Asia, are obligated to maintain dollar reserves, fulfill international obligations in dollars, and engage in transactions in a currency that they do not control. This dependence renders nations susceptible to external disruptions, such as inflation and interest rates in the United States, which could potentially disrupt their financial systems.

De-dollarization is being pursued by ASEAN in order to mitigate this imbalance. The dollar reluctance of these economies is explicated by structuralists. The initiative extends beyond economic or technological factors to address structural disparities. In order to regain a portion of the financial independence of central economies, the Chiang Mai Initiative will implement cross-border payment collaboration, local currency settlement agreements, and multilateralization.

The structuralist perspective emphasizes the inconsistencies of ASEAN that obstruct the establishment of a unified currency. The economic development, institutional efficacy, and business openness of ASEAN members are subject to significant variation. Structuralist analysis has been able to investigate whether internal imbalances may potentially accelerate regional fragmentation due to the bloc's financial strength.

It is not merely a policy decision; rather, de-dollarization is an essential component of the struggle for economic sovereignty and structural reform from this perspective. The measures taken by ASEAN may be perceived as an attempt to alter its global ranking, given the region's economic difficulties and the dollar's dominance.

This structuralist investigation illustrates the impact of power imbalances on the global monetary system and ASEAN. This theoretical framework elucidates the political and economic factors that contribute to de-dollarization, as well as the structural challenges that must be resolved in order to establish a regional monetary union.

Literature Review

The fact that the U.S. dollar is the most important currency in the world has long been seen as a key part of international trade. The dollar has always been important for international trade, financial reserves, and settling debts across borders, from the Bretton Woods system to the current system of floating exchange rates. Barry Eichengreen (2011) says that the U.S. economy stays on top because it is big and stable, but also because of institutional credibility, deep capital markets, and network effects that make the dollar a safe and liquid store of value. However, more and more research is questioning the fairness and long-term viability of this dollar-centered order, especially as multipolarity grows and developing and middle-income countries call for monetary sovereignty.

Structuralist and dependency theories are two of the most important criticisms of the dollar's role in the world. They say that monetary power is a way to affect geopolitics and keep global inequality going. The dollar gives the United States too much control over global capital flows, monetary policy spillovers, and financial governance institutions like the International Monetary Fund (IMF) and the World Bank. Researchers like Benjamin Cohen (2008) and Eric Helleiner (2014) have said that the dollar's importance lets the U.S. move its economic problems outside its borders, keep running current account deficits, and use finance as a weapon through sanctions and transaction monitoring. Critics say that these changes put too much stress on developing economies, especially those that depend on trade and debt that is denominated in dollars.

In response to these worries, the idea of de-dollarization has come up. De-dollarization is the process of using currencies other than the U.S. dollar for trade, investment, reserves, and payments. It is both a policy goal and a sign of changing global economic power. Tikhonova (2021) and Setser (2020) are two scholars who talk about two types of de-dollarization: market-led de-dollarization, where companies and banks naturally diversify their currency exposure, and policy-driven de-dollarization, where governments actively encourage the use of domestic or regional currencies. The literature also stresses the strategic aspects of this change, such as lowering the risk of U.S. sanctions, reducing exchange rate fluctuations, and gaining more control over national economic policy.

This debate is especially important in the context of Southeast Asia. The Association of Southeast Asian Nations (ASEAN) is made up of ten countries that have very different political systems, levels of development, and financial resources. The ASEAN bloc is still very dependent on the U.S. dollar, even though trade liberalization and regional economic integration have come a long way. The Asian Development Bank and the central banks of the region say that more than 80% of ASEAN's trade with other countries is done in U.S. dollars, even when the U.S. isn't involved. Also, a lot of ASEAN members' foreign reserves are held in dollar assets, and dollar-denominated debt is still a major source of financial vulnerability, especially for poorer members like Laos and Myanmar.

A lot of the writing talks about the historical roots of this dependency. Rajan and Siregar (2002) looked at how the Asian Financial Crisis of 1997–98 made the dollar even more powerful in the region by forcing countries to borrow in dollars and follow IMF rules. The crisis made people less confident in their local currencies, caused a lot of capital to leave the country, and showed how risky it is to have different currencies when you have external debt. In response, ASEAN countries have since focused on strengthening macroeconomic fundamentals and building foreign exchange reserves often in dollars as a buffer against future crises. This has ironically made the dollar even more important in the region's financial system.

More recent research has started to look at ASEAN's new efforts to stop this trend. The Local Currency Settlement (LCS) frameworks between Indonesia, Malaysia, and Thailand are examples of programs that try to encourage the use of domestic currencies in trade between the two countries. This lowers conversion costs and dependence on the dollar. Patunru and Basri (2022) say that these mechanisms are a big step toward transactional de-dollarization, but they have some problems that make them hard to use. These include the fact that regional currencies can't be easily exchanged, foreign exchange markets are shallow, the private sector doesn't trust them, and there are technological problems with cross-border payments.

ASEAN's bigger plan also includes safety nets for the region's finances. The Chiang Mai Initiative Multilateralization (CMIM) is a regional currency swap agreement that was made with China, Japan, and South Korea (ASEAN+3). Its goal is to help countries that are having trouble with their balance of payments. Grimes (2015) says that the CMIM is an important institutional development, but it hasn't been as effective as it could be because it still relies on IMF-linked mechanisms, politicians are hesitant to activate swaps, and the institutions aren't independent enough. Because of this, the CMIM has been more of a symbolic effort than a real alternative to dollar-based safety nets.

There has also been some writing about the idea of monetary regionalism. Cohen (2003) says that monetary regionalism is when neighboring states work together to make their economies and currencies more integrated, for example by using the same currency, having the same monetary policies, and having the same rules for businesses. People often point to the European Union as the most advanced example, but its model has been hard to copy in other places. When it comes to ASEAN, researchers like Beeson (2009) and Nesadurai (2012) stress that the region is hesitant to create supranational institutions because its founding principles are national sovereignty, non-interference, and decision-making based on consensus.

This political framework makes it very hard to bring together different currencies. ASEAN's push to de-dollarize is still incomplete and uneven because there is no central monetary authority, common legal framework, or unified financial market. Some members, like Singapore and Malaysia, have better financial systems and currencies that can be used around the world. But others still have problems with inflation, capital controls, and not having enough institutions. Acharya (2014) calls this "functional regionalism without institutional depth" because these structural differences make it hard to coordinate.

More and more research is showing the dangers of economic fragmentation that can happen when de-dollarization efforts aren't well-coordinated. Lamberte (2010) says that different monetary policies and ad hoc bilateral agreements could hurt ASEAN's economic unity, which would lead to inconsistent rules, financial arbitrage, and market distortions. This is especially risky when the economy is unstable, because not having a unified response could make things worse instead of better. So, even though de-dollarization is meant to give regions more freedom, it could actually make them less coherent if it isn't done carefully.

Another area of academic research that is starting to get more attention is the geopolitical aspect of de-dollarization. ASEAN's central role in the U.S.-China rivalry makes its monetary policy more complicated. Narine (2018) and Higgott (2013) say that ASEAN's member states have to deal with conflicting influences. The U.S. is still a key security and economic partner, but China's rise brings both chances and dangers. Some people think that China's efforts to make the renminbi (RMB) more global through projects like the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB), and the Cross-Border Interbank Payment System (CIPS) could be a way to balance out the dollar. But ASEAN is still careful about getting too close to China's monetary orbit because they are afraid of becoming too dependent on China economically and politically.

Even though these debates are changing, there are still three important gaps in the current literature. First, there hasn't been much real-world testing of ASEAN's recent efforts to get rid of the dollar. Most studies are still mostly descriptive and don't include any data-driven evaluations of trade volumes, trends in currency use, or how well institutions are doing. Second, not many studies look at the political economy within ASEAN, especially how differences in development and governance within the group affect group monetary decisions. Third, the long-term effects of de-dollarization on institutional change, like the possible creation of a digital currency platform or a regional financial authority, have not been studied much yet.

Overall, the current literature gives us a lot of information about the reasons behind, the methods used, and the problems with ASEAN's de-dollarization agenda. Experts agree that reducing reliance on the dollar is a good way to improve monetary sovereignty and financial stability. But they also say that success depends on political commitment, regional coherence, and new ideas in institutions. Using structuralist theory helps us understand even better how global and intra-regional power imbalances limit the range of monetary reform. This study builds on these ideas by looking at ASEAN's efforts from a political economy and empirical point of view, focusing on whether regional currency integration can happen without breaking up the economy.

The Dollar's Role in ASEAN Economies

The U.S. dollar has long served as the cornerstone of ASEAN's external economic engagement, deeply embedded in its trade, reserves, and financial architecture. Even though intra-regional trade has grown significantly—now accounting for roughly 23% of total ASEAN trade—the majority of these transactions are still settled in U.S. dollars. This reflects both market preferences and legacy structures in global finance, where the dollar's liquidity and stability make it the default medium for international exchange.

Most ASEAN exports, including commodities such as palm oil, rubber, and electronics, are priced in dollars, regardless of their destination. Importantly, even bilateral trade between ASEAN nations or with other regional partners like China and Japan often defaults to dollar settlement. This entrenched reliance not only increases transaction costs due to currency conversion but also heightens vulnerability to U.S. monetary policy, which ASEAN states do not influence.

Additionally, ASEAN countries hold a substantial portion of their foreign exchange reserves in U.S. dollars. For instance, the central banks of Malaysia, Thailand, and Singapore maintain significant dollar-denominated reserves to manage exchange rate volatility and ensure investor confidence. Similarly, a notable share of ASEAN's sovereign and corporate debt is issued in dollars, especially in countries with less stable domestic currencies. This exposes these economies to currency mismatches and refinancing risks during periods of dollar appreciation or interest rate hikes by the U.S. Federal Reserve.

Current dollarization trends vary across the region. In more financially liberalized economies like Singapore and Malaysia, dollarization manifests mainly through trade invoicing and investment. In less developed economies such as Cambodia and Laos, however, there is partial "currency substitution," where U.S. dollars circulate alongside or even dominate domestic currencies in daily transactions and savings. This reflects not only limited confidence in local monetary institutions but also a structural dependence on dollar remittances and foreign aid.

Together, these patterns underscore ASEAN's deep-rooted integration into a dollar-centric global system. While offering short-term stability and access to global markets, this dependence also curtails monetary sovereignty and policy flexibility, thus motivating recent efforts toward de-dollarization.

De-dollarization Initiatives in ASEAN

Recognizing the strategic and economic risks of overreliance on the dollar, several ASEAN member states have begun promoting alternative monetary arrangements, with a growing focus on **local currency settlement (LCS)** and regional financial cooperation.

The LCS Framework—initiated by Indonesia, Malaysia, and Thailand—is one of the most notable de-dollarization efforts within ASEAN. Under this framework, the three countries have established bilateral arrangements to settle trade and investment transactions in their respective national currencies. The primary goal is to reduce exchange rate risks, enhance the use of local currencies, and strengthen regional financial markets. These efforts include direct quotations between local currencies, relaxed documentation for traders, and increased central bank coordination.

Following early success, the LCS network has expanded to include the Philippines and Singapore. The Bank of Indonesia, in particular, has actively advocated for LCS as part of a broader financial diplomacy agenda. According to recent data, the proportion of intra-ASEAN trade settled in local currencies under LCS remains small but is growing steadily, especially in high-volume corridors.

In parallel, ASEAN has developed **bilateral currency swap agreements**, notably through the **Chiang Mai Initiative Multilateralization (CMIM)**. Initially designed as a regional safety net following the 1997–98 Asian Financial Crisis, the CMIM has evolved into a multilateral pool of over $240 billion. Member countries can access this pool to stabilize their economies during liquidity crises, reducing their dependence on dollar-backed IMF programs. However, actual usage of CMIM facilities has been limited, partly due to IMF-linked conditionalities and bureaucratic complexities.

China's growing financial presence in the region has added another layer to ASEAN's de-dollarization landscape. The **use of the Chinese yuan (RMB)** in bilateral trade with ASEAN members has gradually increased, facilitated by the People's Bank of China's bilateral swap agreements and regional investment through the Belt and Road Initiative. Nevertheless, ASEAN countries remain cautious about shifting from dollar dependence to yuan dependence, as concerns over transparency, capital controls, and Chinese political influence persist.

In the realm of payments infrastructure, the **Asian Payment Network (APN)** plays a critical role. Launched to promote interconnectivity between national payment systems, APN seeks to enhance digital financial integration across ASEAN. This includes cross-border QR code payments, fast transfer systems, and digital wallet interoperability. Such developments are essential for facilitating LCS and reducing reliance on third-country (usually dollar-denominated) financial clearing systems.

However, these initiatives face multiple challenges. First, infrastructure gaps remain a concern, particularly in lower-income ASEAN states where digital and banking systems are underdeveloped. Second, trust deficits both in local currencies and institutions—limit private sector uptake of non-dollar settlement options. Finally, currency volatility in some ASEAN nations discourages traders and investors from shifting away from the perceived stability of the U.S. dollar.

Integration vs. Fragmentation: Risks and Prospects

The pursuit of de-dollarization and regional currency integration presents both promising opportunities and substantial risks for ASEAN. On one hand, successful integration can enhance **monetary sovereignty**, improve regional **economic resilience**, and reduce **external dependency** on Western financial systems. On the other hand, poorly coordinated efforts or unequal capacities may lead to **fragmentation**, undermining ASEAN's unity and long-term stability.

Proponents of deeper monetary integration argue that de-dollarization is essential for ASEAN to assert greater control over its economic destiny. By increasing the use of local currencies and reducing reliance on the dollar, ASEAN countries can buffer themselves from unpredictable U.S. monetary policy shifts and geopolitical disruptions. Furthermore, enhanced monetary cooperation—through regional reserves, payments systems, and currency swaps—can strengthen collective responses to financial crises, similar to the Eurozone model. This is particularly important as global financial shocks are becoming more frequent and interconnected.

Another argument in favor of integration is its potential to **stimulate intra-regional trade and investment**. Local currency use lowers transaction costs and reduces exchange rate risks, especially for small and medium enterprises. It also fosters greater financial market development, encouraging regional investors to allocate capital within ASEAN rather than external dollar markets. In this sense, de-dollarization could act as a catalyst for ASEAN's broader economic integration goals.

However, the path to integration is fraught with risks. The most pressing is the **asymmetry in economic development and institutional capacity** across ASEAN. Countries like Singapore, Malaysia, and Thailand possess well-developed financial sectors and stable currencies, while others like Myanmar and Laos face macroeconomic instability, limited financial infrastructure, and political unrest. These disparities hinder the feasibility of a one-size-fits-all monetary framework.

Moreover, **China's growing role** in ASEAN's financial landscape presents a strategic dilemma. While Chinese support—especially through yuan-based financing and payment systems—facilitates diversification from the dollar, it also raises concerns about substituting one form of dependency for another. Some ASEAN members fear being drawn too closely into Beijing's orbit, particularly given rising tensions in the South China Sea and growing scrutiny of Chinese investment practices. As a result, the region remains divided between cautious engagement and assertive hedging.

Another critical challenge is the **absence of a central monetary authority** within ASEAN. Unlike the European Union, which has the European Central Bank (ECB) and strong fiscal rules, ASEAN's economic cooperation remains intergovernmental and consensus-based. This "ASEAN Way" emphasizes non-interference and gradualism, which limits the bloc's ability to enforce binding monetary commitments or respond quickly to financial crises. Without supranational coordination, efforts to harmonize currency policy or standardize financial regulations remain uneven and voluntary.

Therefore, the dual pressures of integration and fragmentation are constantly in tension. The region's political diversity, historical mistrust, and varying degrees of openness to external powers make monetary cooperation a complex and contested endeavor. De-dollarization may indeed strengthen regional identity and resilience, but without sufficient institutional support and inclusive planning, it risks aggravating divisions among member states.

Comparative Insights

ASEAN's de-dollarization journey draws inevitable comparisons to other regional blocs pursuing monetary autonomy, particularly the **Eurozone** and **BRICS**. While the EU offers the most institutionalized example of currency integration, its model also highlights the difficulties of coordinating monetary policy across diverse economies. The Eurozone's sovereign debt crisis revealed structural flaws in operating a common currency without a fiscal union, and ASEAN aware of these limitations has been reluctant to pursue a similar path.

Nevertheless, certain lessons are instructive. The EU's success in building transnational institutions, such as the European Central Bank and regulatory frameworks, underscores the importance of **institutional capacity and legal harmonization**—both of which are currently weak within ASEAN. Furthermore, Europe's early stages of integration focused

on functional cooperation before moving toward monetary union, a stepwise process that ASEAN may need to replicate.
In contrast, **BRICS nations** (Brazil, Russia, India, China, South Africa) have recently accelerated their own de-dollarization efforts through mechanisms such as a shared development bank, alternative SWIFT systems, and plans for a common digital currency. While still nascent, these efforts reflect a broader global shift toward monetary diversification. Unlike BRICS, however, ASEAN lacks a unifying political project or common anti-hegemonic agenda. Its members maintain varied alignments with both the U.S. and China, limiting the possibility of cohesive financial resistance.
ASEAN's institutional readiness for monetary integration remains comparatively low. The absence of a regional monetary fund, regulatory harmonization, or even a unified payments system beyond pilot projects hinders progress. While ASEAN's pragmatic and flexible approach has served it well in trade integration, the lack of centralized authority poses a major constraint on achieving deeper financial cohesion.

Implications for Global IPE

ASEAN's push for de-dollarization carries important implications for the broader field of International Political Economy (IPE). First, it signals a **regional recalibration** in response to an increasingly multipolar world. As the U.S. dollar faces challenges from competing currencies and geopolitical realignments, ASEAN's pursuit of monetary autonomy reflects a shift away from a unipolar financial order.
Second, these developments could contribute to a **more fragmented global monetary system**, where multiple currencies share transactional and reserve roles. While this may enhance global resilience and reduce overreliance on any single currency, it also raises questions about systemic coordination and financial governance. For IPE scholars, ASEAN offers a compelling case of how regional blocs manage power asymmetries and navigate between autonomy and dependence.
Third, ASEAN's choices will influence the **strategic balance in Southeast Asia**, where financial integration may either reinforce or counterbalance U.S. hegemony. If ASEAN successfully diversifies away from the dollar while maintaining internal cohesion, it could become a model for other regions. However, if fragmentation prevails, it may reinforce the dollar's grip and leave the region vulnerable to external shocks.
Ultimately, ASEAN's monetary future will shape not only its regional development but also the evolution of global financial power dynamics.
This study has examined ASEAN's evolving efforts to reduce reliance on the U.S. dollar through de-dollarization initiatives, regional monetary cooperation, and financial infrastructure development. While the rationale for these efforts is compelling—ranging from economic sovereignty to crisis resilience the path forward remains uncertain and contested. The literature

suggests that while ASEAN has made important strides through local currency settlements, swap agreements, and payment connectivity, these remain fragmented and limited in scope. Structural inequalities among member states, geopolitical complexities, and the absence of a central monetary authority continue to inhibit full-fledged regional currency integration.

The prospects for success hinge on ASEAN's ability to coordinate monetary policies, build institutional trust, and balance relations with external powers like China and the U.S. Failure to manage these challenges may lead to increased fragmentation, with wealthier states moving ahead while others lag behind, undermining the bloc's collective influence.

In conclusion, ASEAN's currency future is not predetermined. It lies at a crossroads between **integration and fragmentation**. With careful policy design, institutional development, and inclusive cooperation, the region could gradually reduce its dollar dependence and enhance monetary sovereignty. However, without deliberate and united efforts, ASEAN's de-dollarization may remain aspirational, and its vulnerability to global financial shocks will persist.

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