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ASEAN and the role of Asian regionalism in managing asymmetric power

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Chapter 10

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Introduction

Asia is host to some unique ideas and experiments in economic integration and international economic diplomacy. These are the product of thinking that emerged about increasing cooperation and integration at the end of the 1960s and developed through a range of regional projects. The consensus-building approach to economic cooperation and the idea of open regionalism, in particular, have been central in shaping the development of the Association of South East Asian Nations (ASEAN) as well as broader regional arrangements in East Asia and the Pacific.

These principles have also been successfully applied to international diplomatic initiatives, such as the formation of the Asia Pacific Economic Cooperation (APEC) process and the G20. In the context of varied experience with international economic cooperation around the world, the ASEAN model can be viewed as a significant and unique innovation and achievement in international economic diplomacy, and in managing the dealings of smaller countries with major powers. Other models of regionalism with expansive supranational characteristics, such as in Europe, are increasingly fractured.

The diversity of Southeast Asia, East Asia and the Pacific region – in terms of stages of economic development, political systems, ethnicity and religious and cultural background – required innovation in building cooperative mechanisms around the sensitivities of sovereignty (coloured as it was by the legacies of colonialism in the region), disparities in power and institutional differences. The coup in Myanmar in early 2021 tested these sensitivities in an extreme fashion.

The ASEAN model will be tested more broadly by increasingly confrontational and non-cooperative relations between the United States and China. Though the Biden administration will likely adopt a more measured tone than its predecessor, the basic assumption that China is more rival than partner now underpins much American strategic thinking, and ASEAN's preference for cordial relations with both will be put under severe pressure. The institutional response of ASEAN to America's Open Indo-Pacific initiative, as well as to the Myanmar coup, is a promising sign that the historical focus of the association on acknowledging political and security disagreements within a broader framework that emphasises gains from economic cooperation and eschews zero-sum logic can be viable in dealing with the new challenges facing the model of open regionalism in Asia.

The design of ASEAN stands in stark contrast to the European Union's (EU's) promotion of supranational institutions in a system of legally binding decisions. Instead, a key component

of the ASEAN framework is still its adherence to the principle of non-interference and recognition of member state sovereignty. The ASEAN way of informal consensus in forging agreement and in decision-making has shaped the association's reputation as slow moving but has also, in many ways, contributed to its longevity and success.

ASEAN's outward orientation was economic as well as strategic. Unlike Europe's unification, Asia's economic integration was shaped by an openness and inclusiveness to countries outside its membership from the beginning, and by its global objectives. The inclusive approach of Asia's economic integration developed and was later enunciated using the dynamic term 'open regionalism'.

This chapter examines the success of this model in managing the region's economic relations with the industrial powers and the challenges it now faces with the intensification of strategic competition between the United States and China.

Evolution of Asian regionalism and its principles

The birth of ASEAN in 1967 gave strength to an historical shift in Southeast Asia's economies. The shift in thinking across the region and the domestic policy environment in member countries led to a move away from protectionism and import-substitution towards a more outward-looking orientation, and acceptance of the role of expanding economic relations with the major industrial economies in their development. ASEAN became an endeavour for ensuring that national efforts resulted in more productive regional outcomes. It created a space where regional integration supported and promoted domestic growth on the one hand, while strengthening engagement with the global economic system on the other.

The rapid growth of Japan's economy in the late 1960s through to the 1970s created huge demand for Southeast Asian exports. In 1968, Japan absorbed 21 per cent of all Southeast Asian exports. Over half of Southeast Asia's export trade was with advanced Pacific countries, including the US. A large proportion of the remainder was with Europe. Foreign direct investment (FDI), especially trade-oriented FDI from Japan, became an important element in Southeast Asia's trade and income growth. It soon became the key to early industrialisation through laying the foundations for the development of regional production networks.

The structure of ASEAN's engagement in the international economy thus recommended focusing on extra-regional markets such as Japan and industrialising North-East Asia, and targets of growth opportunity in the industrial world. Intra-regional ASEAN trade in 1967 was only 9.5 per cent of total ASEAN trade. In the late 1960s, intra-ASEAN trade was dominated, as it is today, by Singapore's entrepôt trade with Indonesia and Malaysia. Today, intra-ASEAN trade is still less than one quarter of total ASEAN trade (23 per cent in 2019), compared with 60 per cent in the European Union (EU) and 49 per cent in North America. The formation of ASEAN contrasted sharply with the earlier experience of Europe's integration in the 1958 European Economic Community, the early iteration of the EU. The two regional groupings developed for different reasons, according to different patterns and in response to their own set of circumstances. The differences between the two are evident in

their different perceptions of sovereignty, formal institutions and leadership. 'Design choices [for ASEAN] have been framed as the choice between institutionalisation and flexibility or between closed and open regionalism' (Murray 2010, 603).

The differences between ASEAN and Europe are also evident in the logic and structure of political relations in each region. The European enterprise was an important part of the political defence against the Soviet Cold War threat. ASEAN was designed to mend fractious political relations between Indonesia and its neighbours as a bulwark against communism in Asia with a non-aligned posture.

The diversity of Southeast Asia and of the Asia Pacific region required early innovation in building cooperative mechanisms around the sensitivities of sovereignty, disparities in power and institutional differences. The countries of Southeast Asia, 'despite their heterogeneity had two key overriding common interests: strong economic growth and development and political and diplomatic interest in neighbourly cooperation' (Drysdale 1988, 18). Over the past half century, 'these common interests provide[d] the simple but substantial focus for economic policies directed towards closer ... economic cooperation' (Drysdale 1988, 18).

The EU's promotion of supranational institutions in a system of binding decisions with legal force contrasts with ASEAN's framework of adherence to the principle of noninterference and recognition of member state sovereignty (see ASEAN 2007, Article 2 [2][a]). Informal consensus in forging agreement and in decision-making has encumbered ASEAN with the perception of its being a slow moving organisation, but it has also undoubtedly contributed to its continuing success.

Role of regional cooperation in alleviating conflict

ASEAN's economic focus has always been external, unlike the focus of the EU. Some see the difference as a matter of process: whereas the EU's integration is driven by policy, ASEAN's is driven by markets (Capannelli 2009). The markets in which ASEAN has had the largest stake have been large industrial powers and, increasingly, those within the neighbouring region.

Mahbubani warned in 1995 that Europe's exclusivism was a 'strategic error'. With the exclusion of Turkey, he argues, 'an opportunity was lost to demonstrate that an Islamic society could cross cultural boundaries and be like any other modern European state' (Mahbubani 1995, 109). ASEAN was able to integrate diversity, while the EU was not. Indeed, over 20 years later, with a domestic referendum in the United Kingdom driven, at least partially, along anti-Islamic lines, the people of Britain voted to leave the EU¹. While ASEAN has been warned against complacency and against not heeding the lessons of the EU losing one of its key players, the strength that its management of diversity brings to the ASEAN formula provides a measure of insurance.

¹ It is notable that the EU has welcomed Serbia and Croatia into the Union (both majority Christian states) while Bosnia has been put on the slow-burner and France blocked further negotiations with Albania (majority Muslim) and North Macedonia (33 per cent Muslim).

ASEAN's outward orientation is both economic and strategic. Unlike Europe's unification, Asia's economic integration was shaped by an openness and inclusiveness to countries outside its membership from the beginning. Its outward strategic orientation is symbolised in the Treaty of Amity and Cooperation (TAC) of 1976 that encapsulates a non-aligned strategic posture (see Table 10.1). TAC saw ASEAN keep diplomatic lines open to the former Soviet Union (later Russia) and early normalisation of relations with China at the same time as some ASEAN members maintained deep military ties with the US.

The inclusive approach of Asia's economic integration evolved and was pursued under the rubric of 'open regionalism', which has the political connotation of non-alignment as well as the economic connotation of multilateralism. This posture has kept open the space for ASEAN's effective engagement with actively competing bigger powers.

Open regionalism 'seeks to promote economic integration among participants without discrimination against other economies' (Drysdale and Vines 1998, 103). While the idea of open regionalism and the term did not become commonplace until the beginning of the 1980s, the evolution of the thinking behind it has longer antecedents. It emerged when the ASEAN project was challenged by the idea of broader regional cooperation and became a central tenet on the way towards the establishment of APEC between the late 1970s and 1989 (Drysdale and Vines 1998, 103). It found support and intellectual development in the Pacific Trade and Development (PAFTAD) conferences that had run continuously since 1968 (Elek 1991, 35). It was first articulated in the Canberra Pacific Community Seminar in 1980, later the Pacific Economic Cooperation Council (PECC), which was a precursor to APEC (Drysdale and Terada 2007). In ASEAN thinking it became entrenched in the notion of regional cooperation within a framework of concentric circles extending out around ASEAN centrality.

Open regionalism was largely based on the idea that, much like regional security cooperation, effective economic cooperation in Asia would have to conform to similar principles of openness, equality, and evolution (Drysdale and Vines 1998, 103). In this sense, ASEAN as an association for both security and economic cooperation was developed within the framework of similar conceptual parameters.

The ASEAN Free Trade Area, signed in 1992, is unique among such free trade arrangements in that it incorporates the purposeful multilateralisation of preferences initially exchanged between members. In this sense, it is a model for any preferential agreement that claims to have the global liberalisation of trade as its core objective. There are no other such agreements that embed a sunset clause on discriminatory trade treatment in this way. The principles of cooperation that came at the early stages of developing the concept of 'open regionalism' still dominate Asian economic regionalism and the philosophy of ASEAN, however challenged they are by contemporary big power tensions. ASEAN and Asia Pacific economic integration has proceeded a long way under the aegis of these principles. Table 10.1 below sets out the development of the key ideas and strategic commitments behind regional efforts that were ordered around the idea of an open regionalism in ASEAN and in Asia.

Foundations of ASEAN's centrality in Asia and its diplomatic success

There are two main elements in ASEAN's success in the management of its relations with the bigger powers. One, already noted implicitly, is widely understood. ASEAN's establishment saw a fundamental reshaping of its members' economic development priorities, led by the Suharto government in Jakarta, and the adoption of trade-oriented growth strategies – not every country all at once but step-by-step and irrevocably – rooted in the multilateral trading system and the protections it gave to smaller economic powers in their dealings with larger powers. Without the redirection of economic policies across the region, the innovation and success of ASEAN would hardly have become the lynchpin of East Asian political arrangements that it is today.

Table 10.1: The development of principles of Asian economic integration

	Inclusiveness and support for the global economic system	Support for multilateralism and non-discrimination
ASEAN Declaration 1967	‘Open for participation to all States in the Southeast Asian Region subscribing to [ASEAN’s] aims, principles and purposes’ (Article 4).	‘To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves’ (Article 2 [7]).
Treaty of Amity and Cooperation in Southeast Asia 1976	Promoting ‘close and beneficial cooperation with other States as well as international and regional organisations outside the region’ (Article 6).	‘Parties shall exert their maximum efforts multilaterally as well as bilaterally on the basis of equality, non-discrimination and mutual benefit’ (Article 5).
The Canberra Seminar 1980	‘The need to ensure that an outward-looking arrangement’ would also be ‘complementary’ to existing arrangements.	‘The need for an “organic approach” building upon private arrangements and exchanges which already existed in the Pacific’ and in opposition to a discriminatory trading arrangement in the Pacific.
APEC Bogor Goals 1994	‘To support an expanding world economy and an open multilateral trading system’ (Leaders’ Declaration, point 2 [2]) and to enhance regional and global growth.	‘[Opposed] to the creation of an inward-looking trading bloc that would divert from the pursuit of global free trade’ (Leaders’ Declaration, point 6).
Cambodia, Lao, Myanmar and Vietnam join ASEAN, 1995–97	‘The admission of Cambodia, Laos and Myanmar would serve the long-term interest of regional peace, stability and prosperity [and provide] ... a firm foundation for common action to promote regional cooperation in Southeast Asia’ (1997 Joint Communique of the 30th ASEAN Ministerial Meeting, Article 2).	‘The Foreign Ministers welcomed Vietnam as the seventh member of ASEAN. They also welcomed the accession of Cambodia to the Treaty of Amity and Cooperation in Southeast Asia ... these events marked a historic step towards building a Southeast Asian community’ (1995 Joint Communique of the 28th ASEAN Ministerial Meeting, Article 2).
ASEAN Charter 2007	To promote ‘the centrality of ASEAN in external political, economic, social and cultural relations while remaining actively engaged, outward-looking, inclusive and non-discriminatory’ (Article 2 [m]).	‘Adherence to multilateral trade rules and ASEAN’s rules-based regimes to move towards elimination of all barriers to regional economic integration, in a market-driven economy’ (Article 2 [2][n]).
AEC 2015	‘Furthering regional and global integration through bilateral and regional comprehensive economic partnerships’ (Article 2E [79]).	‘Continue strongly supporting the multilateral trading system and actively participating in regional fora’ (Article 2E [80][v]).
AEC 2025	‘ASEAN is continuing to make steady progress towards integrating the region into the global economy through FTAs and comprehensive economic partnership agreements (CEPs) with China, Japan, Republic of Korea, India, Australia and New Zealand’ (Article 79).	‘Reinforce ASEAN centrality in the emerging regional economic architecture by maintaining ASEAN’s role as the centre and facilitator of economic integration in the East Asian region’ (Article 6[ix]).
RCEP (negotiations concluded 2020)	‘The completion of the RCEP negotiations will demonstrate our collective commitment to an open trade and investment environment across the region’ (Joint Leaders’ Statement, November 2019).	‘RCEP will significantly boost the region’s future growth prospects and contribute positively to the global economy, while serving as a supporting pillar to a strong multilateral trading system and promoting development in economies across the region’ (Joint Leaders’ Statement, November 2019).

Sources: Drysdale (2017, 64–86), ASEAN (1967, 1976, 2007), Drysdale and Vines (1998), APEC (1994), ASEAN Secretariat (2015a).

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Economic cooperation and the growth of economic interdependence in East Asia occurred without preferential regional agreements, unlike in Europe through the EU or in North America through the North American Free Trade Agreement (NAFTA) and its successor. Yet economic integration in East Asia by many measures is already on par with that of these other regions. The main drivers were trade liberalisation (with successful commitments by the major East Asian players to liberalisation under the General Agreement on Tariffs and Trade or GATT and World Trade Organization or WTO), especially after and beyond the Uruguay Round of trade negotiations and competitive liberalisation of their investment regimes. The WTO International Technology Agreement gave a huge boost to the development of regional value chain production in the electronics sector (WTO 1999) – a regionally inspired initiative that was a product of work in the lead-up to the APEC summit of 1996.

The second element is the space that ASEAN's complementary, non-aligned tinged and inclusive political strategy gave it in leveraging its weight and influence in dealing with pressure from bigger powers as they sought influence within the region. This realpolitik dimension of ASEAN's influence is under-appreciated. It is underpinned by, and has credibility because of, the variegated though constrained engagement of its members with the big powers. This derives from the foundational principles of openness on which ASEAN institutionalisation progressed.

There have been no major initiatives in the Asian region without due deference to ASEAN interests or absent of ASEAN consent. Take, for example, the Australian and Japanese initiative that led to the formation of APEC, to which ASEAN assent to its modus operandi and structure was essential. Or consider Chinese President Xi Jinping's socialisation of his Belt and Road Initiative (BRI) in Jakarta in 2013. Or, today, consider the ASEAN response to America's free and open Indo-Pacific initiative.

Economic development came to dominate other political objectives in countries across the region, including China, as they committed to opening up their economies to international markets. The understanding that opening up to trade and investment and political amity were necessary for growth, development and prosperity gained momentum in East Asia in the 1970s and 1980s. The growing weight of the East Asian economies in the international economy, combined with their proximity and the complementarity of their economies, is why intra-East Asian economic relationships have grown so large.

As the East Asian economies have climbed the income ladder – Japan, South Korea, Hong Kong and Singapore are already high-income economies – their international economic policy interests have shifted from trade in goods and direct investment to trade in services, investment in production networks and financial market integration through capital account liberalisation. The economic cooperation agenda in East Asia, including in ASEAN, now encompasses all these issues – not just border trade liberalisation but the economic and institutional reform behind the border that is essential to attaining the region's future economic growth potential.

However, the diversity of the regional economies and polities, and difficulties stemming from historical and political baggage among them, profoundly shaped the nature of economic cooperation in Asia. Building a framework of shared priorities and trust through non-binding economic cooperation arrangements allowed rapid catch up through the gains from trade and commerce for growth and development.

With multilateral trade liberalisation stalled and the Doha Round going nowhere, Asia turned to imitating the negotiation of preferential bilateral agreements. Bilateral 'free trade' agreements proliferated but brought neither the large gains proponents claimed they would nor the damage critics argued they might (Armstrong 2015, 524). Limited coverage that excluded sensitive sectors, already low barriers to trade at the border and a lack of reform behind borders meant that these bilateral preferential agreements brought little significant benefit or large costs.

It is significant that the mega-regional arrangements, the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), which had the potential to exclude others, have both been purposed in East Asia and ASEAN (Drysdale and Pangestu 2019) as instruments to defend the multilateral trading system in a period in which it is under substantial threat.

ASEAN and Asian cooperation arrangements continue to be important international diplomatic assets. They contribute significantly to shared prosperity and political security in the Asia Pacific as pillars for trade liberalisation, investment, the movement of people and, most importantly, political certainty and trust. The political foundations of cooperation arrangements in East Asia and the Pacific were based on shared ambitions for regional economic development and appreciation of its different levels of development.

Regional cooperation arrangements such as APEC, the ASEAN-plus frameworks or the emergent RCEP are not fully hardwired institutionally into ASEAN. But they were born of the same parentage and are genetically inseparable from the principles and practices that sustain ASEAN's success economically and politically.

The diversity in stages of development, economic endowments, institutions, culture, religion and ethnicity may be an enduring source of regional political fragility. Yet it is also a fountain of strength economically, offering opportunity for specialisation that multiplies gains from trade for growth.

Growing economic security attenuated the politics of ASEAN and Asian diversity and ensured its reach and influence – though at times it surely appeared tenuous. It will be economic security and success that underpins Asia's political sway and effectiveness in the face of the greater political uncertainties that confront the world today. The question today is whether the regional frameworks that ideas about Asian regional cooperation inspired remain resilient enough in dealings with two big powers that have increasingly begun to cast themselves as strategic competitors.

Where ASEAN's relations with China and the United States have come from

Since the establishment of the ASEAN–China Dialogue Partnership in 1991, cooperation with China has expanded rapidly across all three ASEAN Community pillars: political security, economic and sociocultural exchanges. China may have been a latecomer to ASEAN, becoming a Dialogue Partner in 1996, but it moved fast to build on the relationship, and was the first Dialogue Partner to sign a free trade agreement (FTA) with ASEAN in 2002, acceding to the Treaty of Amity and Cooperation in 2003 and signing the Southeast Asia Nuclear Weapons-Free Zone Treaty without reservations.

In October 2013, President Xi Jinping, speaking to the Indonesian Parliament, presented his vision for ASEAN–China relations: an ASEAN–China Community 'of common destiny'. There is no doubt that ASEAN is integral to China's vision for an integrated region and that China has worked at initiatives to further that vision. ASEAN's response, on the other hand, has been more cautious, a posture calculated to maintain ASEAN centrality and balance its engagement with all its major dialogue partners.

In 2021, ASEAN and China will commemorate 30 years of formal relations. Both sides are likely to be working to design mechanisms and initiatives to advance the relationship on various fronts, perhaps significantly in maritime cooperation and in areas that would ease tensions and build trust and confidence in the region. After a time of escalating tensions between China and the US the opportunity of this anniversary will be crucial to ASEAN's taking hold of that narrative and showing the leadership needed to manage the thorniest issue between ASEAN members and China – the issue of resolving territorial claims and interaction in the South China Sea.

The formalisation of ASEAN relations with the US goes back more than 50 years to 1977. Framed more by US foreign policy from the Cold War period than by commercial interests, the relationship was quiescent until the Vietnamese invasion of Cambodia brought the US together with ASEAN and China to pressure Viet Nam's withdrawal. After the Cold War, ASEAN lost its importance as a US geopolitical asset and the relationship was on the wane. Nonetheless, ASEAN's accelerated growth in the 1980s saw the economic relationship flourish. Trade between the US and ASEAN more than doubled between 1980 and 1990, rising from US\$22.6 million in 1980 to US\$47.7 billion in 1990. US investment in the region also grew, with major US multinational corporations establishing a strong presence in the region. Only after the 11 September 2001 attack did the US come to appreciate ASEAN's strategic value in the war on terror and ASEAN did not spurn US gestures to rebuild ties. ASEAN and the US have shaped their economic relationship through various programs such as the Enterprise for ASEAN Initiative (EAI), ASEAN Cooperation Plan (ACP), ASEAN–US Technical Assistance and Training Facility and other USAID initiatives. In 2005 these programs were consolidated into an ASEAN–US Enhanced Partnership. The 2011–15 Plan of Action (POA) and, later, the 2016–20 POA were adopted to chart the implementation of the programs and activities under the ASEAN–US Enhanced Partnership.

The Obama administration brought a sharper focus on the region, driven not only by its need to balance the growing influence of China, but also by Obama's personal affinity with it. President Obama met ASEAN leaders eight times and visited the region more than any other US president.

Under Obama, the US worked to operationalise the relationship with ASEAN through the US–ASEAN Expanded Economic Engagement (EEE), a framework for cooperative activities to facilitate US–ASEAN trade and investment. Although this was welcomed, some ASEAN member states were wary of what they perceived as US hegemonic intentions, given that the EEE encompassed rules and disciplines for services trade and investment that were seen to be not just onerous but also intruding into domestic policy space.

Alongside its heightened engagement with ASEAN, the Obama administration employed the APEC forum as an umbrella under which to push the TPP arrangement. The TPP, among 12 key APEC member economies (including four ASEAN member states), was the harbinger of deeper US political reach into the Asia Pacific (and a pivot towards Asia) that aimed to reclaim leadership in setting new trade and investment rules.

While the Obama administration saw the US–ASEAN relationship as integral to the US pivot towards Asia, the Trump administration was less interested in deep engagement with the region. Although Trump attended an APEC and ASEAN summit and Vice President Pence visited Jakarta, the 'America First' rhetoric, the trade tensions with China, the abandonment of the TPP and the articulation of the Free and Open Indo-Pacific (FOIP) were all read in ASEAN capitals as signalling a lack of interest in the region – except through the prism of strategic rivalry with Beijing. Under the Trump administration, Southeast Asian policymakers sharply downgraded their assessment of American reliability (Anwar 2021).

The FOIP emerged, above all, as an attempt at balancing China's long-term strategy for the region, encapsulated in its BRI, and gathering partners to that cause. The Trump administration's focus on the FOIP and increasing tensions with China inevitably led to questions about the relevance and importance of ASEAN on the global stage that ultimately need an answer.

Challenge of the rise of China and 'America First'

The relationships between ASEAN, China and the US are evolving rapidly within a world in which the global order has changed dramatically in ways that threaten the shared prosperity and security promoted by Asia's economic cooperation arrangements. The change is a product of big shifts in the structure of global power facilitated by the success of those arrangements, with the rise of China (Mahbubani 2019) now a cause of deep disquiet within the US and elsewhere. These pressures have been intensified by the COVID-19 pandemic and its impact on big power tensions and the global economy.

There are five major theatres in which these gathering economic and political forces impact upon ASEAN and its dealings with the major powers: in the South China Sea over territorial and freedom of navigation issues, over the Chinese BRI, in the escalating trade and

technology war between the US and China, in the response to the US's FOIP and in relation to the COVID-19 pandemic.

Challenge of China's rise

The rise of China as a world economic power has increased its confidence and influence in the region, including vis-a-vis ASEAN and ASEAN's member states. Two areas in which China's growing power directly impacts ASEAN members are on territorial and navigation issues in the South China Sea and in responding to the large-scale financial assistance that China has offered through its BRI.

China's growing power is matched with a geopolitical ambition that now encompasses a broader conception of its maritime security interests including over large areas of the South China Sea that border ASEAN member states. President Xi Jinping's vision of a 'Chinese Dream' presented before the 13th National People's Congress in March 2018 embraced China's territorial claims in the South China Sea (*China Daily* 2018) as part of a grander effort to rebrand China's image and polish its credentials as a global actor (Casarini 2018, 26). These developments and calls to leave Asian affairs for Asians have fuelled concerns about China's embrace of its own Monroe Doctrine in the Asian region (Acharya 2011). Meanwhile, with China's military modernisation, the gap in military power between China and ASEAN countries has widened over the past few decades, elevating the threat perception in ASEAN member states, such as Vietnam and the Philippines, in dispute with China over territorial issues (Kosandi 2014). Elevation of the perception of China as a threat has lowered its standing among Southeast Asian policymakers in recent times (Anwar 2021).

There are three related challenges in ASEAN's diplomacy on the South China issue towards China. First, all touch upon the key question of ASEAN centrality as a credible paradigm for East Asian integration and the maintenance of regional peace and stability. Second is the question of unity among ASEAN members, and how to approach China over individual member state disputes. The disputed territories and areas directly affect some member states only, namely Vietnam, the Philippines, Malaysia and Brunei Darussalam. Efforts to reach solutions by ASEAN as a whole have always been fraught, as there are significant differences in national interest among member states on what is at stake. Third, the issue affects ASEAN's posture towards economic cooperation with China more broadly, especially within agreements with China under the ASEAN leadership.

The challenge to ASEAN unity was famously exposed when Cambodia was ASEAN chair. Cambodia moved first to exclude the South China Sea issue from the agenda of the ASEAN Summit in 2012 and, although forced to reverse this tactic under pressure from other member states, especially the Philippines and Vietnam, it failed to craft a joint communique that covered the matter. ASEAN unity on the issue was also tested when ASEAN's secretary general suggested that China be engaged in negotiating a Code of Conduct on the South China Sea, with the Philippines arguing for prior ASEAN consensus and Indonesia favouring China's involvement.

Negotiations between ASEAN and China on a code of conduct commenced in 2013 and are due to conclude in 2022. While the drawn-out negotiation has been cast as portraying

ASEAN fragility and weakness in the face of Chinese pressure (Nguyen 2019), there is no evidence that it has thus far threatened ASEAN unity (Koh 2020). A crucial test would be third-power intervention, especially from the US through its unilateral freedom of navigation operations, its established relations with member states or through the ASEAN East Asian dialogues processes.

A second major challenge for ASEAN member is over investments under China's BRI. As the 'land bridge' connecting China with the rest of Asia and Europe, the BRI envisaged ASEAN member states as frontline targets for the expansion of China's international infrastructure investment. The infrastructure gap meant that there was a large appetite for commitment to infrastructure projects across ASEAN member states. Table 10.2 sets out commitments to projects across ASEAN valued at US\$55.8 billion as at August 2018.

Table 10.2: BRI projects in ASEAN member states, August 2018

No.	Project	Type	Expected starting	Expected completion	Country	Value (USD)
1	Bangkok–Nakon Ratchasima (Phase 1)	Railway	2017	2021	Thailand	539 mn
2	Vientiane–Boten	Railway	2015	2021	Lao PDR	5.8 bn
3	Cirebon–Kroya	Railway	2017	2019	Indonesia	105 mn
4	NR 55	Road	2015	n.a.	Cambodia	133 mn
5	East Coast Rail Link	Railway	2017	2024	Malaysia	13.47 bn
6	Gemas Johor Baru Double Tracking	Railway	2016	2020	Malaysia	2.18 bn
7	Melaka Gateway	Port	2014	2019	Malaysia	1.96 bn
8	Muara Terminal	Port	2014	2019	Brunei D	3.4 bn
9	National Nighways No. 5	Road	2013	2016	Cambodia	160 mn
10	Phnom Penh–Sihanoukville Expressway	Road	2017	2020	Cambodia	1.9 bn
11	Preah Vihear–Kaoh Kong Railway	Railway	2013	2017	Cambodia	9.6 bn
12	KA Purukcahu–Bangkuang Railway	Railway	2018	2023	Indonesia	5.3 bn
13	National Road 214	Road		Completed	Cambodia	117 mn
14	Sumsel 5 Powe Plant	Power		Completed	Indonesia	318 mn
15	Jakarta–Bandung	Railway	2016	2019	Indonesia	5.5 bn
16	Morowali Industrial Park	Industrial	n.a.	n.a.	Indonesia	1.6 bn
17	Nam Ou Hydro	Power			Lao PDR	2.8 bn
18	Phongxaly–Yunnan	Road			Lao PDR	910 mn

Source: Jusoh(2018)

The promise of infrastructure investment on this scale, while seen as a positive and appreciated development, was not without potential complications for both recipients of the investment and its Chinese funders. Capital flows are inevitably accompanied by the scaling up imports of goods and services from China used directly or indirectly in these projects. Growing imports heightened perceptions of dependence on China, however well the projects were managed and executed. The interplay between recipient country political and official players in the delivery of projects raised political sensitivities about who benefited from this dependence. The context of expanding trade deficits with China highlighted these

perceptions of economic dependence and domination (Jusoh 2018) even if uncertainties about project governance were the core problem, not the trade deficits themselves.

Project evaluation and implementation risks caused project failures, completion delays and, especially in the case of large-scale strategic projects, compromised development plans, with political and diplomatic consequences. The Jakarta–Bandung railway project in Indonesia typifies problems of inexperience in large-scale international project delivery and management (*Jakarta Post* 2018). The Indonesian Government's vision of installing a very fast train network across Java in a relatively short time in the end required wholesale reassessment because of failures in project preparation, consultation with local government and in creating a joint venture entity to operationalise the project. These implementation problems are common, a consequence of the scale and the speed as well as the inadequate preparation of what is being put in place, and they contrast sharply with the success of China's multilateral Asia Infrastructure Investment Bank initiative.

US challenges

ASEAN member states are not alone in Asia as they confront the problems that result from the radical changes in the foreign and international economic policies of the US under Donald Trump's presidency. President Trump's 'America First' policy and his administration's rationalisation of trade protectionism in response to American job losses associated with offshoring production facilities to other countries, notably China, undermined commitment to the open multilateral trade regime. Trump's attack on the WTO's dispute settlement mechanism, his espousal of bilateralism and renegotiation of NAFTA in North America and KORUS with Korea, his withdrawal from the TPP and his effective launching of an all-out trade and technology war with China have rocked the foundations of the international economic system on which ASEAN relies. Trump's disrespect of its alliance relationships in the region added an additional level of uncertainty in Asia about US reliability (Anwar 2021). In unveiling his 'Indo-Pacific Dream' at the twenty-first APEC summit in Da Nang, Vietnam in 2017, Trump set American policy on a new course in Asia and the Pacific, declaring that he would 'make bilateral trade agreements with any Indo-Pacific nation that wants to be our partner and abide by the principles of fair and reciprocal trade'.

President Trump's 'Indo-Pacific Dream' is deep down about US strategic rivalry with China. It was crafted in response to American fears about the rise of Chinese power, putatively directed at revision of the American-led global order (Grossman 2018). Therefore, US–China rivalry is not so much about trade and commerce as it is about Washington's concern over China's potential to challenge US global technological supremacy and security dominance (Schneider-Petsinger et al. 2019). In this American conception of things, China, due to its state-driven technological advance, is cast as an unfair competitor that will overwhelm the competitiveness of US technology in the longer term if it is not stopped short now.

Although it is not clear that Trump himself had any coherent or consistent strategy of confrontation with China (despite the rapid ramp-up of his anti-China rhetoric in his bid for re-election), the forces in the US that advocate extreme economic decoupling (such as trade advisor, Peter Navarro) and strategic rivalry or containment (such as Secretary of State Mike Pompeo) coalesced within, and captured, the policy space surrounding him to forge a new

direction in US foreign and security policy. These developments, whatever their ultimate consequences for the US itself or for China, leave ASEAN and most states in Asia, deeply enmeshed as they are in China–US interdependence, struggling to find a way through. Even now, with the new Biden presidency, Washington cannot soon or easily reverse course on the retreat from globalisation or China decoupling strategies, especially in the aftermath of the COVID-19 pandemic crisis, despite its return to multilateralism on climate change and health.

These developments present ASEAN and the heavily economically integrated states of East Asia, which have long relied on rules-based, step-by-step diplomacy and multilateralism, with stark choices. They are choices that will put heavy internal pressure on ASEAN with its members' variegated structure of political and security ties with the US. They are pressures that have the potential to drive big wedges among ASEAN members but also between ASEAN and its dialogue partners, in the ASEAN+6 group and the ASEAN+8 (East Asian Summit) processes and inflict irreparable damage on the ASEAN-led East Asia integration enterprise. The cement of Asia's intense economic ties with China is susceptible to corrosion by the conflicted political relations of some regional states with China and, more importantly, by being jack-hammered asunder by the US through bilateral heavying on forcing choices between the two big powers. Unless it is resisted and an alternative strategy is articulated, a US strategy that unravels economic interdependence with China could well take East Asian interdependence in its path.

ASEAN response to early play among the big powers

The Free and Open Indo Pacific idea is the first essay by the US in pressuring ASEAN to choose sides and sign on to 'the new Cold War' in the gathering geopolitical tussle with China. Acceding to this framing of its diplomacy would present the prospect of an ASEAN divided and institutionally weakened, its centrality to regional diplomacy in tatters. ASEAN's response has been to take ownership of the idea and develop its own Outlook on the Indo-Pacific (AOIP). A stepchild of the Cold War itself, ASEAN had, in its over half century of existence, successfully straddled that ideological divide without so far being overwhelmed by it. ASEAN, and even those of its members who confront Chinese maritime power directly, have no inclination for the region to become the theatre of a 'new Cold War' great power conflict.

At its 34th Summit in Bangkok in 2019, ASEAN settled on a course for dealing with the possibility of being dragged into a period of prolonged US–China tensions. ASEAN's response was 18 months in the making, reflecting not a lack of will to tackle the issue but the intense backroom exchanges typical of ASEAN diplomacy in formulating it: that is, without openly acrimonious negotiations and with an outcome driven by the spirit of ASEAN consensus. The Outlook 'was cautious, muted and underwhelming ... [but] displayed ASEAN's ability to come together to set the direction for a sub-regional institution in light of the rising uncertainty in the strategic environment' (Singh and Tsjeng 2020). Indonesia was very much back in the driver's seat in shaping this response.

ASEAN's Outlook on the Indo Pacific ensured, above all, that the conversation about the Indo-Pacific idea was firmly embedded in the structure of ASEAN arrangements, specifically the East Asia Summit. Locating the AOIP in the East Asia Summit agenda cleverly obviated the need to create any other platform to prosecute these issues and captured ASEAN's veto power over its progression in the region. It demonstrated ASEAN centrality in a matter of strategic importance to the region. It served to dismiss perceptions that ASEAN was divided in the face of the rivalry between the United States and China. It effectively upgraded the ASEAN Regional Forum. It reflected ASEAN's determination to shape the future narrative around Indo-Pacific diplomacy.

ASEAN's Outlook is built on ASEAN principles. Importantly, it is inclusive and adds economic and development dimensions – two key aspects that demonstrate a clear departure from the maritime security conception that looked to China like a containment strategy. For ASEAN, RCEP is an instrument that helps to institutionalise that strategy.

ASEAN needed such a strategy in the face of the competing US FOIP and Chinese BRI initiatives. It was a strategy not unlike the genesis of ASEAN's collective response to the then TPP that set in train the negotiation of RCEP. Indonesia, as the ASEAN coordinating country for RCEP, played a key role in ensuring that ASEAN became the driver of that process of regional economic integration embracing China.

The rhetoric is that RCEP is a forward-looking, inclusive agreement that can be a 21st century model for integration among countries with different levels of economic development, political systems, ethnicity and cultural backgrounds. The reality, as with any free trade agreement, is that there are challenges, as evidenced in the missed deadlines that began in 2015 and the withdrawal of India from the final agreement. Despite this, what is important is that around the conception of RCEP there developed the political will to see it through.

ASEAN's success in the 16-party negotiations (and 15-party agreement) has been its ability to bring to the table China, Japan and Korea, countries that have not been able to find common ground for an FTA among themselves. Likewise, the engagement of India and China was crucial. While 15 of the parties agreed to sign the agreement in late 2020, India has not been able to make this commitment. The challenge for ASEAN, and Indonesia in particular, is to ensure that the agreement, which was eight years in the making, remains open to India to come on board at an appropriate time and allows India to engage in its regional cooperation agenda. It is hoped, for example, that RCEP 'will provide a more stable and predictable economic environment to support the much-needed recovery of trade and investment in the region, which has been adversely affected by the COVID-19 pandemic' (ASEAN 2020).

Unlike the TPP (now the CP–TPP), RCEP was envisaged as a trade and investment agreement that had a strong economic cooperation element. RCEP's economic cooperation agenda positions it as a valuable vehicle for building economic and political confidence in effecting the next big structural transformation in Asia, right across the region between East

Asia and South Asia, with China and India drafted to play leading roles, and ASEAN central to that endeavour.

Unfinished contest

A peaceful balancing of power between Washington and Beijing suits ASEAN best, allowing it to retain its own space to serve the interests of its member states rather than those of any hegemonic power. Power politics in Asia no longer need to hang on hegemonic power (Acharya 2015). The focus in East Asia is on interdependence stemming from economic ties, regionalism and the equal role of smaller, weaker states. It is in this context that the centrality of ASEAN has been so important to regional cooperation more broadly in Asia. This thinking also underlines the importance of the RCEP as a process for furthering and broadening regional and global economic integration and the position of ASEAN in the global system.

The ASEAN story is one of success in openness to the global economy. This is partly because that is where the economic opportunities and benefits are largest and partly because open dealings with other major economic powers have built ASEAN its own quotient of political security. Open regionalism, it turns out, has been both a good economic and a good political strategy. There have been bumps along the way – in liberalising trade, dismantling protection, and maintaining an open and inclusive system that is able to cope with diversity – but the overarching ASEAN strategy has got it right and is key to continuing to secure the prosperity and security of Southeast Asia in the region and in the world.

The next several decades, especially the decade through to 2030, however, will see momentous change and challenges for ASEAN with the countries of East Asia caught in the middle of the looming contest between the US and China (Soeya 2020). The story of ASEAN's success over the past five decades offers guidance to managing the challenges ahead but, in a global economic policy environment that has changed profoundly, past appeal to the global framework in which its multilateral interests were secured will no longer be sufficient.

ASEAN brings to the task, as its legacy, a policy philosophy and an experiment that has succeeded. Shaped by its underlying commitment to open regionalism and to an outward-looking and inclusive economic strategy, ASEAN has delivered economic improvement and cooperation that has underpinned political security. Despite variegation in its memberships' diplomatic posture, inclusiveness and multilateralism are also reflected in its overall non-alignment politically. The big difference for ASEAN and for its partners in Asia in the decades ahead is that they can no longer simply be support players with the established industrial powers writing the script, as has largely been the case in decades past.

Success in achieving their economic potential and political security will now depend on their assuming a role that is much more centre stage in the theatre of international economic diplomacy. The weight and importance that Asia now has in the global system suggests that leadership must come from the region to preserve and to strengthen the multilateral regime that has been at its core. This call for leadership is all the more needed as the region

focuses on collective COVID-19 recovery measures, with the added challenge for ASEAN of managing political crisis and violence in Myanmar. On Myanmar, ASEAN must ensure that it will not be used in a power-play between Beijing and Washington.² 'Instead of scoring points on Myanmar, both countries should work quietly with ASEAN to slowly and steadily persuade the Myanmar generals to reverse course and go back to status quo ante' (Mahbubani 2021).

No one country can lead in Asia, which has several large powers and divergent interests. Asian collective leadership is now critical to global economic and political outcomes that are at the centre of the interests of ASEAN and the arrangements that surround it (ABER 2020).

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² In the face of the violence and fatalities, there are calls for ASEAN to take firm action against Myanmar. But Myanmar's membership of ASEAN needs to be kept in perspective. When Malaysian Prime Minister Mahathir Mohamad succeeded in getting ASEAN approval for Myanmar's admission into ASEAN in 1997, it was believed that its economic and political transformation would come from its economic integration in the region and the benefits it would accrue from outward-looking policies, increased foreign investment, and expanded trade and tourism. Indeed, ASEAN faced a similar crisis point on Myanmar in 2007, when there was a violent coup just as the ASEAN Charter was on the launching pad. ASEAN's way of dealing with that crisis then, as now, was to avoid public moralising while delivering strong messages in private. Significantly, in 2021 ASEAN foreign ministers have publicly urged the Myanmar military to desist from violence and respect the will of the people.

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