



## ASEAN'S EVOLVING ALIGNMENT STRATEGY IN THE SOUTH CHINA SEA: BETWEEN MIDDLE AND MAJOR POWER DYNAMICS

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*ASEAN is a region of vital strategic importance where the United States' Indo-Pacific strategy and China's Belt and Road Initiative (BRI) collide. To avert geopolitical uncertainty and to avoid being pulled into full-fledged conflicts between major powers, the ASEAN states have employed a 'hedging strategy' by combining elements of bandwagoning and balancing. However, such a middle-positioning or ambiguous strategy is now challenged as geopolitical tension rises in the South China Sea. The future order of this region will depend on strategic choices and the relative power positions of the ASEAN nations and their agreed modes of conflict and cooperation. This paper focuses on capturing the evolving hedging strategy of the ASEAN states in the South China Sea and its regional implications.*

### Introduction

ASEAN is a region of vital strategic importance where the United States' Indo-Pacific strategy and China's Belt and Road Initiative (BRI) collide. Instead of taking a clear-cut position or formulating straightforward strategies, ASEAN countries have combined elements of both balancing and bandwagoning to avert geopolitical uncertainty and to avoid being pulled into full-fledged conflicts. While ASEAN has been bandwagoning on China's BRI for economic benefits such as attracting investment and building infrastructure, it has also conducted military exercises with the U.S. to handle escalating Chinese assertiveness. Such a middle positioning and strategic ambiguity of the ASEAN countries can be summarized as a 'hedging' strategy, which now faces a turning point as Beijing's hegemonic ambitions become more salient through the BRI and Washington raises pressure over China by strengthening its presence in the Indo Pacific region.

When the China-led Regional Comprehensive Economic Partnership (RCEP) came into effect, the Biden administration launched the Indo-Pacific Economic Framework (IPEF) in response, setting out a competition for leadership. The IPEF, which aims to strengthen cooperation between the U.S. and other Asian nations on economic, trade, and technology issues, is welcomed domestically and internationally. Some Southeast Asian countries such as Singapore, the Philippines, Malaysia, Vietnam, Indonesia, and Thailand have joined the IPEF, foreshadowing a shift in the regional balance and within ASEAN.

As the U.S.-China competition for hegemony intensifies and hedging based on strategic ambiguity faces realistic difficulties, the ASEAN nations are expected to express their position and engage more actively. Given the excessive demands and side effects of China's BRI and expanding military actions in the South China Sea, changes have been observed in ASEAN from 2016, shortly before the launch of

the Quad. The Philippines initiated arbitral proceedings with China by filing the South China Sea case at the Permanent Court of Arbitration (PCA) in 2016. Also, President Rodrigo Duterte extended the Visiting Forces Agreement (VFA), which provides the legal framework for the presence of U.S. troops in the Philippines for war games and joint activities. Moreover, Indonesia, which has been classified as pro-China, is leaning further towards the U.S. amid the growing maritime dispute with China over Natuna Sea.<sup>1</sup>

This paper investigates the strategic clash between China's Belt and Road Initiative and the United States' Indo-Pacific strategy as well as changes of hedging strategies in ASEAN during Xi Jinping's administration from three perspectives. First, through a theoretical approach to the 'hedging' strategy, this paper examines the survival strategies of weak and middle power countries under the hegemony competition and the nature of ASEAN's alignment behavior. Past studies have taken a monolithic approach to ASEAN's response strategy in terms of maintaining the Balance of Power (BoP), revealing limitations in capturing the behavioral changes of individual countries amid intensifying U.S.-China competition for hegemony. However, this study focuses on capturing the dynamics, presuming that the ASEAN's hedging strategy can be expressed in different forms across the spectrums of balancing and bandwagoning due to various factors such as domestic politics, economy, society, and culture, as well as geopolitics.

Second, this study analyzes and prospects alignment behaviors of ASEAN countries amid the strategic clash between China's BRI and the U.S.'s Indo-Pacific strategy by delving into various official documents, research reports, and

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media reports. While past research saw ASEAN's alignment behavior as a dependent variable of major power politics, this paper explores dynamics in which strategic interests of the U.S. and China collide, and how ASEAN countries are making necessary adjustments to their strategy, contributing to delicate shifts in regional balance of power in the face of epochal changes.

Third, the paper looks closer at the evolving strategic orientation in the South China Sea by examining the Philippines, Thailand, Vietnam, and Indonesia. Diverging strategic orientations may impact future relevance for ASEAN as a whole and be an important indicator for any attempt to form a collective security environment in the region. With the evolving and intensified securitization of economy and trade, ASEAN Centrality as a stabilizing factor may be at risk if the strategic orientation between the ASEAN nations diverges.

Through theoretical, political, and analytical approaches, this paper aims to shed new light on hedging strategies of ASEAN in the U.S.-China hegemonic competition represented by the Belt and Road Initiative and the Indo-Pacific Strategy. While ASEAN's hedging has been discussed in terms of seeking an equilibrium between the United States and China, changes are expected amid the deepening conflicts with individual ASEAN countries due to China's aggressive rise and with the formation of new economic and security groupings such as the Quad, AUKUS, and IPEF. ASEAN countries are engaged in trade, commerce, and investment with China for their economy but are deeply tied with the United States in the security sector, including in military capacity building, to contain China's rise and to mitigate the vulnerabilities resulting from dependence

on China and to implement a flexible foreign and security policy. Also, ASEAN countries are actively pursuing profits, breaking away from the woes of only suffering as weak countries at the periphery of the hegemonic competition. How ASEAN handles these challenges and the strategies adopted will present significant implications for ASEAN and the region.

### **Middle Powers' Alignment Behavior**

Attention is drawn to how alignment behaviors of ASEAN states will change to minimize uncertainty in the turbulent U.S.-China relationship and to maintain regional balance and stability. The ASEAN states have for long exercised a hedging strategy through selective, adaptive, and accumulative multi-layered alignment in various areas such as economy, politics, and military. Instead of taking a clear-cut position or implementing straightforward alternatives, the ASEAN states have strategically combined elements of both balancing and bandwagoning. They intended to avert the risk of entrapment or abandonment after making a full commitment, thereby securing autonomy and maneuvering power amid the U.S.-China confrontation. However, when the hardline Trump administration came into power in 2016 and the U.S. Indo-Pacific strategy came into full clash with China's Belt and Road Initiative (BRI), the ASEAN countries were inevitably left to choose between the two.<sup>2</sup> Since future changes in the alignment decisions of the ASEAN countries are directly related to changes in the regional balance of power, it is necessary to review literature on their hedging strategy.

A term used in international relations since the 1990s, hedging is understood as an umbrella term of complex strategies such as selective engagement and limited deterrence. Although 'Hedging' remains an underdeveloped concept without having a clear definition, it is used to describe a major strategy for weak and middle power countries to flexibly offset multi-layered threats and prepare for unexpected variables amid the huge uncertainties of international situations.<sup>3</sup> Recently, along with studies on weak states' propensity for hedging, ASEAN's hedging strategy in accordance of their differing geostrategic calculations amidst U.S.-China rivalry has drawn attention. Evelyn Goh explains that through hedging, ASEAN countries seek to contain Chinese dominance or hegemony, prevent U.S. withdrawal from the region, and seek stability of regional balance.<sup>4</sup>

However, ASEAN countries' hedging, and strategic ambiguity are criticized for not appropriately reflecting

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real politics vis-à-vis intensifying hegemonic competition between the U.S. and China and in more general terms a deteriorating security environment in the entire South East Asia region. In other words, the ideal strategy of achieving soft balancing against China's domination and threat through security ties with the U.S. while benefiting from China's investment and economic aid is no longer feasible.<sup>5</sup> ASEAN's so-called hedging strategy is often criticized as 'passive neutrality' or 'fence-sitting'.<sup>6</sup>

Given the criticisms that hedging itself is a very vague concept, new efforts have been made to re-define ASEAN's evolving alignment behaviors. Research has been actively conducted on how weak countries choose or give up on hedging, which is summarized into three categories. First, hedging is useful in a unipolar or multipolar system, but it loses its maneuvering power in a bipolar system. Carl Ungerer (2007) explains how bipolarity imposes structural constraints on middle powers' technocratic and supportive roles in multilateral institutions.<sup>7</sup> Koga (2018) warns that return of great power competition between the U.S. and China will impose constraints on ASEAN centrality. Second, studies have found that hedging is replaced by balancing when the hegemonic competition intensifies, and the threat becomes more imminent.<sup>8</sup> Kuik (2008) emphasizes 'threat perception' as a prerequisite for hedging, meaning that weaker countries strive to maintain the balance of power through balancing as an all-out war draws near.<sup>9</sup> Third, the status quo-preferring state pursues policy autonomy rather than security benefit by hedging. As China becomes more aggressive toward its neighbors and triggers more severe conflicts in the South China Sea, the ASEAN countries may seek to contain China by becoming revisionist powers.<sup>10</sup> That is, as the U.S.-China hegemonic competition intensifies, ASEAN will show a clear alignment behavior through bandwagoning or balancing.

Despite China's rapid growth after the post-Cold War, American realists and liberals emphasized the solidity of the U.S. hegemony in anticipation of ASEAN countries' balancing against China. Stephen Walt, a notable realist, argued that regional countries would form a balance of threat (BoT) by checking the rise of China's threat and restraining its growth.<sup>11</sup> Further, liberalist Professor Joseph Nye insisted on the robustness of U.S. hegemony, arguing that partnerships with U.S. allies and network power are the basis of soft power.<sup>12</sup> However, China has been aggressively implementing policies with neighboring countries since Xi Jinping came to power, and the ASEAN countries have been bandwagoning on China's rise rather than balancing against it for political and economic interests.

Since Xi Jinping took office in 2013, the Chinese government has been widening its influence in the region by including the ASEAN countries in its strategic space and expanding bilateral and multilateral relations through the BRI. The principle of '*Chin-Seong-Hye-Yong* (親誠惠容),' which emphasizes intimacy, sincerity, benefit, and inclusiveness for neighboring countries, served as the basis for eliciting the voluntary cooperation of ASEAN countries.<sup>13</sup> As a result, this has raised the likelihood that ASEAN countries, which are highly dependent on China for their economy, to bandwagon on the new international order provided by China. While the Trump administration withdrew from the Trans-Pacific Partnership (TPP) by changing its policy stance from 'Pivot to Asia' to 'America First,' China is filling the vacuum through initiatives like the BRI and RCEP.

With regional stability as a policy goal, ASEAN countries tend to choose positive feedback by bandwagoning instead

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of accepting the negative costs of balancing and countering China. In other words, they seek to divert or mitigate the emerging Chinese threat at the minimum cost and maintain the status quo or achieve the minimum policy goal through a bandwagoning strategy. Such motivations and behaviors of bandwagoning strategy can be explained by Randall L. Schweller's theory of balance of interest. According to this, ASEAN countries are either the 'jackal' type that seeks security guarantees or compensation from China or are the 'sheep' type that is highly likely to bandwagon with it to avoid sanctions or disadvantages from not joining China.<sup>14</sup>

Thus far, ASEAN countries have not presented clear policy positions in the U.S.-China hegemonic competition and have practiced hedging by only repeating rhetoric under strategic ambiguity. However, as the clash between China's BRI and the U.S.'s Indo-Pacific strategy becomes full scale, it will be more difficult to maintain this middle positioning. The official 'ASEAN Outlook on the Indo-Pacific (AOIP)' presented in 2019 for the first time merely confirms its existing stance on U.S.-China competition. It is questionable, however, whether ASEAN autonomy can be preserved through implementing the AOIP. Although multilateral approaches have enabled middle powers to assert their interests and reduce great powers' dominance, it does not provide the security guarantee that each state needs, particularly during great power competition.<sup>15</sup>

As bipolarization deepens, ASEAN countries are expected to make strategic choices, bringing about a change in the regional balance. Nonetheless, in-depth research or policy response to the prospects of ASEAN alignment behavior is still lacking. This study seeks to fill this gap by reviewing how Indo-Pacific strategy is asserted by Washington to contain China's BRI through mobilization of 'like-minded' partners and strengthening U.S. presence in the region, and how ASEAN states respond to this. Against this theoretical background, the next section discusses some of the core elements in the U.S.-China competition.

## U.S.-China Hegemonic Competition

The Belt and Road Initiative (BRI) is Xi Jinping's core strategy to achieve the *Chinese Dream* – rejuvenating the Chinese nation and re-attaining its position at the center of the world stage. It is an ambitious project to create a Chinese sphere of influence by connecting it to Central Asia, Southeast Asia, and the Middle East as well as Europe through the establishment of 'one land belt (一帶)' and a 'marine silk

road (一路).<sup>16</sup> After announcing the idea of establishing an economic belt on land in September 2013, President Xi Jinping then announced the '21<sup>st</sup> Century Maritime Silk Road Initiative' at the Indonesian National Assembly in October, proclaiming that he would expand support and cooperation with related countries. Then, in March 2015, the National Development and Reform Commission, Ministry of Foreign Affairs, and the Ministry of Commerce jointly announced the BRI's vision and five major action plans. Through this, China proposed to strengthen its policy communication with related countries (政策溝通), cooperation in maintaining related infrastructure (設施聯通), promote mutual trade (貿易暢通), expand financial cooperation (資金融通), and spur private exchanges (民心相通) such as culture and tourism to create 'community of interest,' 'community of responsibility,' and 'community of destiny.'<sup>17</sup>

About 130 countries, mainly developing ones, participate in the BRI, representing 40 percent of the world's total GDP. China mobilizes enormous financial power, led by the Asian Infrastructure Investment Bank (AIIB), to support BRI participating countries in building infrastructure such as roads, railways, and ports. Amid all this, the ASEAN countries are considered an important axis of the '21<sup>st</sup> Century Maritime Silk Road.' The Maritime Silk Road envisaged by China has two routes: The Quanzhou-Guangzhou-South China Sea-Singapore-Indian Ocean-Bangladesh-Tanzania-Red Sea-Mediterranean-European route, and the China-South China Sea-South Pacific route, and the ASEAN countries are located in the center of both. In particular, the North-South Economic Corridor that runs through Yunnan-Thailand-Malaysia is drawing attention

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as a detour in the Strait of Malacca, through which 80 percent of China's imported oil passes. This carries more than an economic effect as it can respond to Japan's East-West economic corridor and counter any U.S. Navy's blockade in the South China Sea.<sup>18</sup>

However, there are criticisms against BRI projects for indebting developing countries and not delivering on stated and agreed objectives. In fact, the Maldives owes \$5 billion to BRI alone, which is more than its total GDP of \$4 billion, posing a threat to the national finances.<sup>19,20</sup> Also, Sri Lanka built the Hambantota port with a Chinese loan but fell into debt coupled with the corollary of rendering its port operation rights to Beijing for 99 years in 2017.<sup>21</sup> Accordingly, the ASEAN countries are wary that China's massive investment and infrastructure support under the BRI scheme can drive them into a "debt trap." There are also concerns that the increase of economic dependence on China will ultimately infringe on national sovereignty and ASEAN centrality.

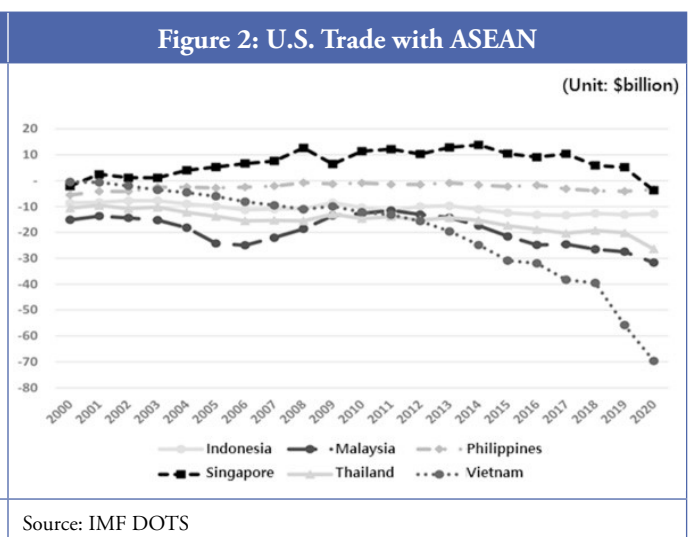
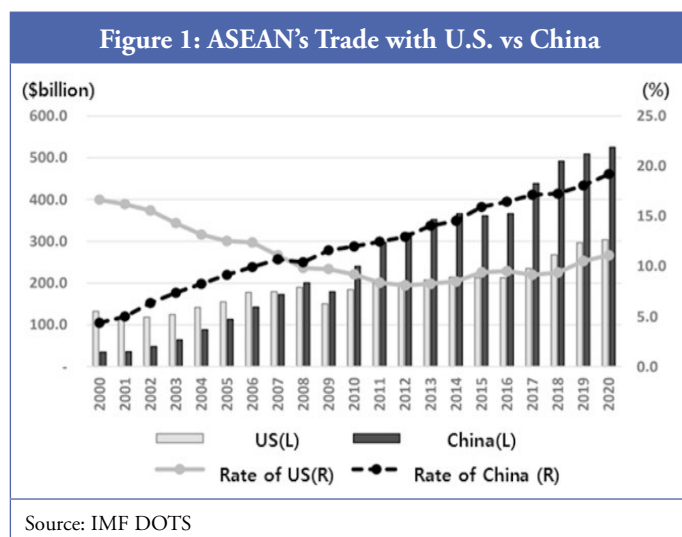
Several other countries in Eastern Europe engaged in BRI projects are raising concerns that the envisaged economic benefits of many such projects are delayed or not just met. Lately, several European countries have voiced concerns and up-front criticism, that China is using its increased economic clout to influence domestic politics. Accordingly, the ASEAN countries need to adjust their hedging to recalculate and further reduce dependence on China on the economic front and secure leverage on China by expanding cooperation with the United States, and potentially others like Japan, ROK, and the EU. Newly adopted Indo-Pacific

strategies by Japan, South Korea, and the EU indicate a strong ambition for all three to play a more active role in the region. This may offer ASEAN an opportunity for adopting more of a balance of power strategy.

While China has signed Free Trade Agreements (FTAs) with all ASEAN countries and is expanding its footprint in Southeast Asia through multilateral economic programs such as the Regional Comprehensive Economic Partnership (RCEP), the Trump administration displayed a passive attitude by withdrawing from the Trans-Pacific Partnership (TPP). While China's share of ASEAN's total trade increased by about 4.4 times from 4.4 percent in 2000 to 19.2 percent in 2020, the U.S.' share in ASEAN's total trade decreased from 16.6 percent to 11.1 percent.<sup>21</sup>

attacks or hostilities. In this shifting security environment of space, cyberspace, and information battlefields, new technologies are required.<sup>23</sup> In essence, this new broader view on security and deterrence is a recognition that we need a much more holistic approach to security, where most parts of our societies are affected. Protecting your national electric grid may be as important as protecting key military installations.

In addition, Biden expressed firm willingness to deepen interoperability with allies and partners, especially underscoring the role of the ASEAN countries to this end. The report reaffirmed support on ASEAN centrality, assuring high-level cooperation on health, climate, environment,



Criticizing Trump's passive ASEAN policy, the new Biden administration declared "development of an Indo-Pacific Economic Framework (IPEF)", promising trade facilitation, digital trade, supply chain resiliency, clean energy, and infrastructure, among others. However, despite the renewed diplomatic approaches and pledges, Biden's IPEF is consistent with Trump's Indo-Pacific strategy in its essence, which is to 'deter China's rise.'<sup>22</sup>

In 2002, the Indo-Pacific Strategy report raised the level of warning on China's threat. The report highlighted China's key line of efforts to combine economic, diplomatic, military, and technology capacity for hegemony, and underscored 'integrated deterrence' as a new countermeasure approach. On President Biden's watch, a new strategy is envisaged that integrates not only military power but also economic, technological, and information power to respond to enemy

energy, transportation, and gender equality issues, and promised to seek opportunities to enhance ASEAN's resilience and cooperate with the Quad. Specifically, through the Indo-Pacific Action Plan, the U.S. would expand investment for ASEAN's capacity building and unity over the next 1-2 years.

Furthermore, Biden resumed the summit with ASEAN in October 2021, which was suspended in 2016. The year 2021 saw several trips to Southeast Asia by high-ranking US officials. Secretary of Defense Lloyd Austin visited Singapore, Vietnam, and the Philippines in July 2021, and Vice President Kamala Harris visited Singapore and Vietnam in August 2021. In addition, Secretary of Commerce Gina Raimondo visited Singapore and Malaysia in November, and Secretary of State Antony Blinken visited Malaysia and Indonesia in December, respectively. The active visits

of high-ranking U.S. government officials to the ASEAN region seem to indicate that the Biden administration will reaffirm the strategic importance of the region and expand its involvement.<sup>24</sup> Coupled with the series of visits, the U.S. proposed the Indo-Pacific Economic Framework for Prosperity (IPEF) at the U.S.-ASEAN Special Summit in May 2022, materializing its plan further.

Similar changes in U.S. policy are evident in the South Pacific, where ripple effects of an intensified U.S.-China hegemonic struggle, and the growing importance of the South China Sea, are straining regional cooperative frameworks. In the lead up to the Pacific Islands Forum (PIF) leadership summit in Suva, Fiji, in July 2022, “there were high hopes that the political rifts that threatened to fracture the organization had [...] been resolved. The [...] abrupt announcement from the Kiribati government that it would withdraw, with immediate effect, from the proceedings [...]” dashed those hopes. Experts have since noted that “the move ultimately underscored the fact that the Pacific Islands are still facing internal hurdles at a time when the region is also being challenged by great power rivalries and ongoing environmental threats.”<sup>25</sup>

### **ASEAN Response to U.S.-China Rivalry**

To articulate and maintain the importance of the institutional role in this new and intensified strategic rivalry, the ASEAN announced the ‘ASEAN Outlook on the Indo-Pacific (AOIP)’ in 2019, formalizing its position on the Indo-Pacific strategy and reinforcing ASEAN-centered regional architecture. The AOIP reaffirmed ASEAN centrality and emphasized that the Indo-Pacific region is a platform for inclusive cooperation without excluding specific countries and claimed its aim

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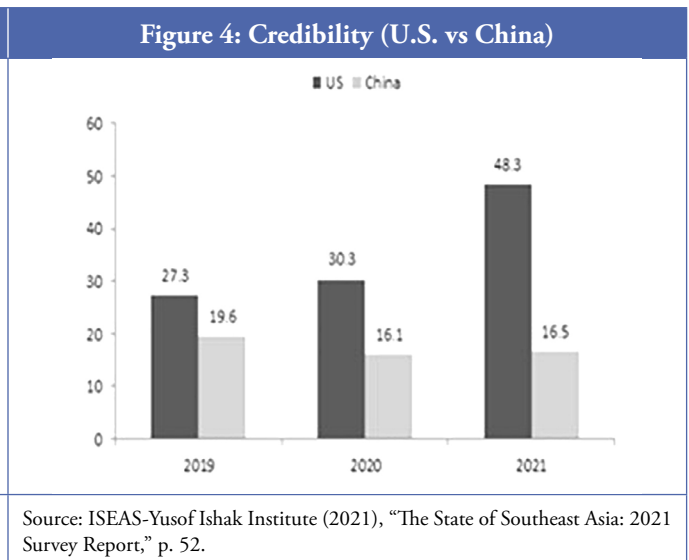
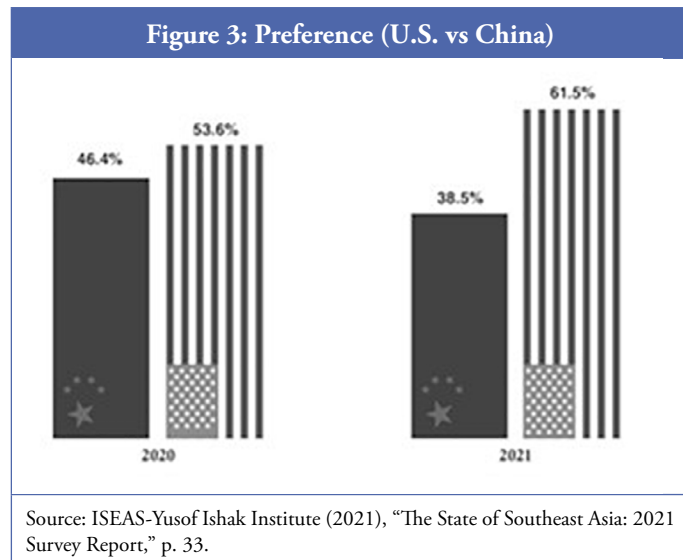
to lead regional cooperation via the ASEAN Multilateral Council through ‘connecting the connectivity’.<sup>26</sup>

The AOIP is not aimed at creating new mechanisms or replacing existing ones but it rather strengthens and optimizes existing ASEAN-led mechanisms and explores other ASEAN priority areas of cooperation including maritime cooperation, connectivity, the Sustainable Development Goals (SDGs) and more. Also, by consistently reinforcing principle of centrality, openness, transparency, inclusivity, rule-based framework, good governance, respect for sovereignty, non-intervention, and complementarity with the existing cooperation framework through AOIP, ASEAN formalized its intention to become an honest broker for the development of an inclusive regional order through collective leadership without siding with either the U.S. or China.

To recover maneuvering power and sovereignty amid U.S.-China competition, the ASEAN countries will seek to occupy a more important place in Biden’s Indo-Pacific Strategy. Unlike the Trump administration’s passive attitude toward regional integration, the Biden administration has openly expressed its intention to expand investment and involvement in ASEAN, which is changing the atmosphere in the ASEAN countries. According to the ISEAS survey on ASEAN’s preference for the U.S. or China, China was 53.6 percent in 2020, while the U.S. is leading with 61.5 percent in 2021. Also, in the evaluation of superpower credibility, the credibility of the U.S. has increased significantly to 48.3 percent in 2021 from 30.3 percent in 2020. In contrast, concerns over China’s growing influence were high among the maritime ASEAN countries led by Vietnam (97.7 percent), the Philippines (95 percent), Thailand (92.2 percent), Myanmar (91.4 percent), and Singapore (87.1

percent). Of the total, 46.3 percent said China would become a revisionist country in the future and would try to include Southeast Asia in their sphere of influence, while only 1.5 percent said that China would become a reciprocal neighbor.<sup>27</sup>

Laos, and Myanmar, which have participated in the RCEP and can be classified as pro-China, are not mentioned as new members of the IPEF. In the ASEAN region, 240 million Muslims, 140 million Buddhists, 130 million Christians,



In principle, AOIP underlines that the U.S.'s Free and Open Indo-Pacific (FOIP) concept should not be used as a Cold-War style "containment strategy."<sup>28</sup> However, the ASEAN countries are raising different voices with the launch of the U.S.-led IPEF, which is lowering the effectiveness of ASEAN centrality. Singapore's Prime Minister Lee Hsien Loong showed a positive response to the IPEF, saying that it should be 'inclusive' in areas such as digital, green economy, and infrastructure and provide real benefits to participating countries. Seven other countries including Malaysia, the Philippines, Indonesia, Vietnam, Thailand, and Brunei, are likewise pursuing participation.<sup>29</sup> In contrast, Cambodia,

and 70 million Hindus work together with respect for religious and cultural diversity, and the political economy system and social structures vary drastically due to rapid economic growth and legacies of the Cold War system. This presents many limitations in treating ASEAN dichotomously in the U.S.-China rivalry and requires a calibrated approach to the hedging strategies of individual ASEAN countries.

### **Evolving Strategy in the South China Sea: The Philippines, Thailand, Vietnam, and Indonesia**

Examining the situation in the South China Sea through an expanded lens, it is seen that many different factors combine to challenge ASEAN cohesion, centrality, and strategies. With the global economic and strategic center of gravity shifting eastwards, the South China Sea has become an area of growing geopolitical and economic importance, directly impacting ASEAN. The rules-based order, as we know it, is being challenged by China's improvements in military capability and its aggressive diplomatic and economic behavior. The U.S. is increasingly concerned that China seeks to turn the entire Indo-Pacific into a Chinese sphere of influence and the region, including the South China Sea and ASEAN, will become a battleground for the rules-based order and to contain or limit the influence of China.

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As already mentioned, we are moving in a direction where most nations need to adopt a more holistic or comprehensive approach to security. With new technologies being introduced, new doctrines being developed and the economy more deliberately being used by China to pressure or even coerce nations, the strategy by ASEAN to simultaneously build security partnerships with the U.S. and economic partnerships with China will be difficult to uphold. Furthermore, due to the global importance of the sea lanes passing through the South China Sea, the growing military activities in and around this area and the continued U.S.-China rivalry, the risk of spillover effects from, to and between different potential conflicts in the area are real. Any contingency related to the Korean Peninsula or the Taiwan Straits, will immediately affect the South China Sea and ASEAN. Access to military bases in several of the ASEAN countries, would from a military perspective be of significant advantage in any contingency related to the Korean Peninsula and/or the Taiwan Straits.

To address this development, both China and the U.S. are increasingly engaged in building partnerships in the region. The lack of a multinational and collective security architecture makes such efforts more complex and encourage bilateral approaches, possibly contributing to lack of transparency and inclusiveness—contrary to ambitions in the ASEAN AOIP. Although there are still many ambiguities as to what hedging strategies the ASEAN countries will implement to realize AOIP and to address some of the current security challenges, it is evident that they will actively seek mutual benefits, rather than simply maintaining neutrality or bandwagoning. While ASEAN countries have not deviated from an overall long-term hedging strategy, they have notably intensified criticism and deterrence against China's aggression. The AOIP especially emphasizes 'maritime cooperation' which is to target disputes in the South China Sea with China. It specifies that cooperation for peaceful settlement of maritime disputes should be based on the United Nations Convention on the Law of the Sea (UNCLOS), which is in line with the Philippines' filing of the South China Sea dispute in 2016. The ASEAN countries are wary of China's aggressive expansion of maritime hegemony with military and economic power, showing its intent to actively respond through multilateral rather than bilateral confrontation. China's apparent disregard for multilateral dispute mechanisms runs counter to the ambitions in the AOIP. Further, it displays a challenge to ASEAN centrality and cohesion, as ASEAN has been unable to agree on any concrete action to support the

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implementation of the Permanent Court of Arbitration (PCA) ruling in the Philippines case. The PCA ruling in 2016 is a clear example on how China implements its “Three Warfare Strategy”—public opinion warfare, legal warfare and psychological warfare often combined with grey zone tactics to make attribution more difficult.<sup>30</sup>

In geopolitical terms, the Philippines, Thailand, Vietnam, and Indonesia that are in dispute with China over the South China Sea perceive China's expansion as threatening to their sovereignty, to territorial rights including maritime resources and to the rules-based security order. Countries such as Thailand have been unable to present an active stance on the South China Sea issue due to Chinese pressure, but when China demarcated the U-shaped nine-dash line along the periphery of the South China Sea and actively claimed sovereignty over its area and the seabed, these countries began to bandwagon on Washington's move to contain China's aggressive rise. This highlighted the role of the U.S. as an offshore balancer of the region and affected the Quad alliance of the U.S., Japan, India, and Australia, launched in 2017.<sup>31</sup>

Vietnam has also sought a balance of power in the South China Sea, and is considered a promising candidate as a fifth member of the Quad.<sup>32</sup> Vietnam accelerated its security cooperation with the U.S. and its allies and participated in the Rim of the Pacific (RIMPAC) exercise for the first time in 2018. A year before the participation, Vietnamese President Tran Dai Qung presented its equivocal position in Washington's Indo-Pacific vision by stating that “Vietnam

will work together with U.S. to realize ‘a common desire to promote peace, cooperation, prosperity, and security in the Indo-Pacific’ during his meeting with Trump.<sup>33</sup>

Indonesia, which used to be classified as pro-China among the ASEAN countries, is also becoming more concerned over China’s territorial claims. By naming the northern part of Natuna Islands in the South China Sea as the ‘North Natuna Sea’ in 2017, Indonesia firmly clarified that this area was within its exclusive economic zone. Although the area overlaps greatly with China’s nine-dash line, Indonesia maintained a tepid attitude to avoid clashes with China. However, in 2017, the Indonesian government announced a new map that strongly claimed to protect its people’s fishing and development activities in the North Natuna Sea by mobilizing warships, heralding a change in relations with China.<sup>34</sup> The Biden administration’s emphasis on upholding international law in the South China Sea triggered Indonesia, the Philippines, and Vietnam to take a stronger stance against China’s so-called nine-dash line claim, which would take up approximately 90 percent of the South China Sea. Instead of following international law, Beijing continuously asserts its historical rights in the South China Sea so as to build the base for further step to promote its presence in chokepoints and vital sea lanes.<sup>35</sup>

## Conclusion

The return of great power rivalry between the U.S. and China poses new questions to the ASEAN’s hedging strategy and alignment decision. ASEAN is a critical region where Washington’s IPEF and Beijing’s BRI collide and ASEAN

***“The U.S. is increasingly concerned that China seeks to turn the entire Indo-Pacific into a Chinese sphere of influence and that ASEAN will become a battleground for the rules-based order and to contain or limit the influence of China.”***

has great value as a strategic partner that can lead to global cooperation in climate, digital infrastructure, and health issues. To avert uncertainty caused by geopolitics, and to avoid being ‘entrapped’ or ‘abandoned’, the ASEAN states have so far maintained an ambiguous position, which is often summarized as ‘strategic hedging’. However, as the U.S.-China conflict escalates, the ASEAN states are also realizing that their security and economic prosperity are no longer guaranteed through ambiguity in a shifting regional environment.

After securing his third term in power, Xi Jinping needs ASEAN to offset Washington’s growing concentration of diplomatic, economic, and military capacity. Most likely, China would need the full economic cooperation of ASEAN to maintain and continue its economic recovery post COVID-19. China has supported ASEAN countries through its BRI projects with loans, investments, infrastructure with enhanced interdependence in an ever-expanding array of domains. As a result, China has both incentives and potential leverage that it can use to assemble a coalition of ASEAN states to counterbalance Washington’s attempt to contain China. In addition, China has shown its propensity to take further steps to promote its presence in maritime chokepoints of the South China Sea.<sup>36</sup>

After years of relative neglect under the Trump administration, the Biden administration seeks to strengthen its ties with the governments of ASEAN member-states and the South Pacific. However, instead of opting for ASEAN leading the multilateral dialogue channels, the U.S. has focused on bilateral dialogues with individual ASEAN nations and forming the Quad and AUKUS security partnerships. Within ASEAN too, the emphasis has also been more on bilateral relationships of individual governments.<sup>37</sup> Accordingly, the ASEAN states are actively seeking a place on the international stage through active engagement, breaking away from the past hedging strategies based on ‘strategic ambiguity.’

The ASEAN countries that were in step with China, bandwagoning on China’s rise for economic benefits and prosperity, now begin to raise criticisms as they faced a higher burden of debt and entrapment. Concerns began to increase that the BRI projects would impose a heavy burden on the ASEAN nations, ultimately subordinating them to the Chinese economy and pulling them into the U.S.-China rivalry competition. With the advent of the global complex crisis after the coronavirus outbreak and

the war in Ukraine, the debt problem of BRI-participating countries has risen to the surface further. Whether the ASEAN countries participating in various BRI projects will join the anti-China coalition due to debt or run the risk of a debt 'entrapment' could be a major tipping point.

This paper especially focuses on how the ASEAN states have shown diverging interests with regard to the South China Sea, and how each state made delicate shifts in their alignment behaviors as Beijing's aggressiveness deepens. The ASEAN countries' multilateral approach will lose momentum as the bipolar structure deepens with the U.S.-China hegemonic competition, and individual countries are highly likely to exhibit various types of calibrated hedging strategies according to their diverging interests. Although ASEAN officially criticizes militarization of the region and strengthening presence of the Quad and AUKUS as threats to 'ASEAN Centrality', individual governments that have vital interests in the South China Sea implicitly seek to balance China's coercive behavior through bandwagoning on U.S.-led coalitions. The Philippines, Thailand, Vietnam, and Indonesia, all show indication to tip the delicate balance between China and the U.S. to counter China's expansionist design in the South China Sea.<sup>38</sup>

The U.S.-led FOIP strategy and China's BRI now compete with the ASEAN's own outlook for the Indo-Pacific (AOIP). Under so-called ASEAN centrality, ASEAN has spoken for the region as a whole to stay out of superpower competition. However, a notable crack in ASEAN's centrality is seen in issues regarding the South China Sea. Four Quad members of Australia, India, Japan, and the U.S. have conducted maritime exercises in the Philippine Sea and the Bay of Bengal in 2021, bypassing the ASEAN states. The fact that non-ASEAN states are moving forward in the critical area of maritime security is an indication of the difficulty in maintaining ASEAN centrality.<sup>39</sup>

The Indo-Pacific region is likely to continue to be a flashpoint where U.S.-China hegemonic rivalry confronts, but it can also become a meta-region where the interests of Washington and Beijing can be accommodated, providing a more stable and peaceful order. The future order of this region will depend on strategic choices and the relative power positions of the ASEAN member-nations and their agreed modes of conflict and cooperation.<sup>40</sup> ASEAN can be a moderating force mitigating the more severe implications of the U.S.-

China rivalry. To achieve this, ASEAN needs to maintain and strengthen internal unity, improve ASEAN centrality, and not the least uphold some of the basic principles of the rule of law as agreed in the AOIP and not let China pick and choose what rules to follow or not. ASEAN maintaining its centrality for regional stability and as the preferred platform for multilateralism could be an important actor to promote risk reduction and even a strong voice for a collective security architecture. However, ASEAN also risks being more fragmented due to increasingly differing views on central issues, like the rule of law, China's assertive behavior in the South China Sea and attempts to interfere in domestic politics. Signs of such fragmentation are already visible and if allowed to continue, would not only contribute to a more divided ASEAN but a more unstable South East Asia.

For ASEAN to push back against China's assertiveness and continuously save its maneuvering power amid the U.S.-China hegemonic competition, it needs adjustment in its hedging strategy, making delicate shifts from its ambiguous positioning.

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*Disclaimer: The views expressed in this paper are the authors' own personal views and do not reflect their employer or any organization they are affiliated with.*

## Endnotes

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