

ASEAN's Middle Power Diplomacy toward China

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The Association of South East Asian Nations (ASEAN) is a regional grouping of ten nations in Southeast Asia.¹ Beginning its life in 1967, ASEAN has been a remarkably successful regional organization. Not only has it gradually transformed itself from a loose grouping into an institutionalized organization with its own charter, but it has also been a central actor in driving and shaping East Asian regionalism by spawning important regional frameworks such as the ASEAN Regional Forum and ASEAN+3. ASEAN is not a great power, however. Its collective GDP of approximately US\$2.3 trillion (about twice the size of South Korea) would make ASEAN a middle power. This issue brief examines how ASEAN has attempted to deal with the most pressing security issue in the region, namely, the rise of China.

ASEAN adopts a mixed strategy of enmeshment and hedging toward China.² ASEAN seeks to 'enmesh' China in a complex web of regional economic interdependence and institutional frameworks. By deepening economic relations with China and bringing China into existing regional institutions, ASEAN not only gives China a stake in the continuation of a stable regional order, but also prevents China from dominating regional affairs, as it will be checked by other regional powers which have already been part of regional institutions. In preventing any great power from dominating the region, ASEAN can enhance its bargaining power within regional institutions and maintain its centrality in East Asian regionalism. ASEAN's hedging strategy, on the other hand, entails that while it engag-

es with China economically, it guards itself against any potential risk China's rise might bring by keeping close relations with other external powers, such as the U.S. Here, ASEAN is deeply concerned with China's aggressive behavior in regard to the territorial disputes between China and some ASEAN members in the South China Sea (SCS). Simply stated, the mixed strategy reflects ASEAN's status as a middle power: ASEAN cannot ignore the reality of China's economic rise, nor can it be completely upbeat about China's future intentions and behavior in the region.

This issue brief is organized as follows. The first section discusses ASEAN's enmeshment strategy with a focus on China's trade with ASEAN, as well as its involvement in regional institutions. The following section will cover ASEAN's hedging strategy with a focus on ASEAN-China trade volumes and the South China Sea issue. The final section examines the pros and cons of ASEAN's mixed strategy toward China. The issue brief will end with a discussion of policy implications for South Korea.

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ASEAN's Enmeshment Strategy

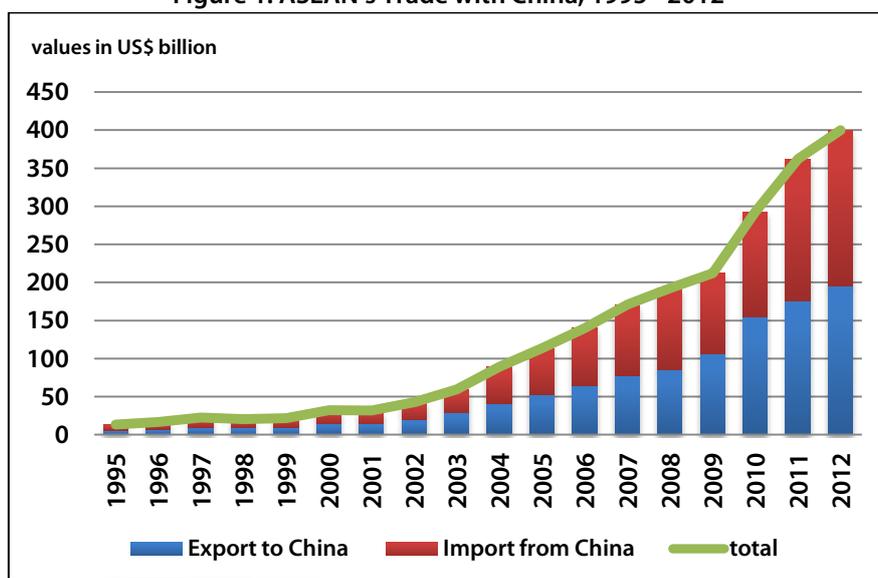
ASEAN and China had no official relationship before the 1990s, even though China had established diplomatic relations with individual ASEAN members. After establishing diplomatic relations with the last member of ASEAN, Singapore, in October 1990, the ASEAN-China relationship began to develop in earnest. China first became a Consultative Partner for ASEAN in 1991, and then a full Dialogue Partner in 1996. The first ASEAN-China summit meeting was held in July 1997 between Jiang Zemin and all ASEAN leaders. In 2003, when China acceded to the Treaty of Amity and Cooperation (TAC), a key document outlining behavioral norms in the region, the relationship was elevated to that of a Strategic Partnership.

Currently, with a Plan of Action for the period of 2011-2015 in progress, ASEAN-China relations are set to expand significantly for the foreseeable future, making it one of the most significant relationships in the region. The Plan of Action seeks to deepen and broaden ASEAN-China relations and cooperation in a comprehensive manner. Politically, it envisions regular high-level contacts and mechanisms for dialogue, as well as military exchanges and cooperation. Economi-

cally, it plans to expedite the implementation of the ASEAN-China free trade agreement, expand investment, and further cooperation in finance and agriculture. Culturally, it seeks to advance cooperation in education, science, culture, environment, and people-to-people exchanges.

ASEAN's enmeshing strategy has two facets: economic and institutional. First, ASEAN seeks to enmesh China into economic interdependence through trade and investment. By enmeshing China into a complex web of economic interdependence, ASEAN hopes to raise the stakes for China in the maintenance and continuation of regional stability. ASEAN-China trade volume has increased dramatically over the years. As Figure 1 shows below, the total volume of ASEAN-China trade grew from a meager US\$13.3 billion in 1995 to more than US\$400 billion in 2012, approximately a 30-fold increase during that period. Trade grew even more rapidly after the ASEAN-China Free Trade Agreement came into effect in 2010, and the amount is set to surpass US\$500 billion by 2015. Currently, China is ASEAN's biggest trading partner, and ASEAN is China's third-biggest trading partner, only after the EU and U.S.

Figure 1: ASEAN's Trade with China, 1995 - 2012



(Source: ASEAN Statistical Yearbook 2003 and 2011, <http://www.asean.org/resources/2012-02-10-08-47-55/statistical-publications>)



The flow of foreign direct investment from China to ASEAN has also increased significantly. In 2011, it amounted to US\$5.9 billion, up from US\$2.7 billion - an increase of 117%. There is also the China-ASEAN Investment Cooperation Fund, also known as the China-ASEAN Fund (CAF). It is a private equity firm wholly owned and controlled by China with the purpose of investing throughout Southeast Asia. The CAF was established in 2009 and began operations in 2010. As Chinese president Xi Jinping said of the CAF at the 9th China-ASEAN Expo, "We [China and ASEAN] are also each other's major partners of investment, with two-way investment growing steadily ... China has provided financial support to ASEAN to the best of its abilities by setting up the China-ASEAN Investment Cooperation Fund and making concessional loans, facilitating economic development in ASEAN countries."³ The Fund hopes to raise US\$100 billion to invest in ASEAN countries in the future.

The other aspect of ASEAN's enmeshment strategy is institutional. ASEAN brings China and other great powers such as the U.S. and Japan into ASEAN-led regional institutions, mainly the ASEAN Regional Forum (ARF) and ASEAN+3. There are two purposes here. First, ASEAN seeks to maintain a balance between the great powers, so that no one power can dominate regional affairs. By keeping the great powers in balance, ASEAN can enhance its voice and influence in shaping regional affairs. Second, ASEAN can attempt to socialize China into regional norms as well as 'soft-balance' China within multilateral frameworks. Hence, ASEAN can help China become a responsible regional stakeholder without creating a perception of containment, which 'hard' or military balancing would engender.

As mentioned above, China has already signed the TAC, the *modus operandi* document in ASEAN's behavior in regional affairs. The TAC sets out behavioral norms in regional interstate interactions, upholding principles of state sovereignty, promoting consultation and compromise, and renouncing the threat or use of

force to settle disputes. Although the TAC does not have the mandate to prevent states from using force, it does generate reputational costs for a potential violating state that deviates from the TAC. ASEAN has also encouraged China to sign its Treaty on the Southeast Asia Nuclear Weapon-Free Zone, and China has affirmed its readiness to sign it in the near future.

China has also been part of formal institutions such as ARF and ASEAN+3. Initially, China was suspicious of multilateralism due to the concern that such multilateral arrangements could be harmful to its sovereignty and might ultimately turn against China. It, however, decided to join ARF in 1995, in order to ensure that ARF would not become an anti-China group and to cultivate close ties with Southeast Asian nations. Over time, China has felt more comfortable with multilateral processes and become proactive in ARF. Not only did it host ARF meetings on numerous occasions, but it also proposed its own policy initiative, a change in China's behavior that ASEAN officials often attribute to ASEAN's successful socialization of China. Table 1, below, shows the ARF meetings on traditional security issues hosted or co-chaired by China.

The most important aspect of this dimension of ASEAN's enmeshment strategy is to bring other great powers into the same regional institutions where China participates. Hence, the U.S. and Japan are also members of ARF, and Japan is part of the ASEAN+3 framework. By bringing in and keeping other regional great powers in the same institutions, ASEAN can prevent one great power from dominating regional affairs and act as an intermediary between them, thereby promoting dialogue and consultation as well as generating peer pressure and reputation costs. While ASEAN-led institutions cannot compel great powers to cooperate in situations resembling the prisoner's dilemma, they can ameliorate tensions by lessening the likelihood of misperception and miscalculation through increased transparency and information-sharing.



Table 1: Meetings on Traditional Security Issues Hosted or Co-chaired by China

Year	Meetings
1997	Co-chaired the ISG on CBMs with the Philippines in Beijing
1999	Hosted the ARF Professional Training Program on China's Security Policy in Beijing
2000	Hosted the fourth ARF Meeting of Heads of Defence College, Universities and Institutions in Beijing
2002	Hosted ARF Seminar on the Outsourcing of Military Logistics Support in Beijing
2003	Co-hosted the ISG on CBMs with Myanmar in Beijing
2004	Hosted the first ARF Security Policy Conference in Beijing
2006	Co-chaired the ARF Seminar on Non-proliferation of Weapons of Mass Destruction with the United States and Singapore
2009	Co-chaired ISM on Non-Proliferation and Disarmament with the United States and Singapore in Beijing
2010	Co-chaired ISM on Non-Proliferation and Disarmament with the United States and Singapore in Singapore
2011	Co-chaired by ISM on Non-Proliferation and Disarmament with the United States and Singapore in Las Vegas
2012- 2013	To co-chair the ISGs on CBMs and PD with Brunei

(Source: ARF's Chairman's Statements 1996 – 2012, <http://aseanregionalforum.asean.org/library/arf-chairmans-statements-and-reports.html>)

ASEAN's Hedging Strategy

In combination with its enmeshment strategy, ASEAN adopts a hedging strategy toward China. A hedging strategy is necessary because ASEAN is deeply concerned with the potential adverse implications of China's rise, especially relating to its maritime security and interests. In other words, ASEAN is uncertain about China's future intentions and behavior. This uncertainty leads ASEAN to hedge against China's rise by maintaining close relations with other great powers, especially the U.S. Here, the interests of the U.S. and ASEAN converge. Both are concerned with China's rise, want to maintain regional peace and stability, and share the norms of free navigation and free flow of maritime trade on which Asia's economic success is heavily dependent.

The most important issue that leads ASEAN to be concerned with the rise of China is the disputes in the South China Sea (SCS). At the heart of the issue are the conflicting claims by multiple countries over various maritime features in the SCS. While several ASEAN nations — Vietnam, the Philippines, Malaysia and Brunei—claim parts of the Spratly and Paracel Islands, China claims all of the maritime features, as well as most of the waters, of the SCS (Figure 2). China's justification for its nine-dashed line that demarks its maritime claims, or what the Vietnamese call a cow's tongue, is mainly based on historical claims, rather than effective control and exercise of sovereignty. It, however, has increasingly attempted to demonstrate its sovereign rights.

China's behavior in the area has fluctuated over the years, but has shown signs of increasing aggression and assertiveness in recent years. In 1995, China



clashed with the Philippines over Mischief Reef when the Philippines found out that China had occupied a portion of the reef claimed by the Philippines and built structures on it. The Chinese action alarmed ASEAN, because this was the first time that China had unilaterally changed the status quo at the expense of a claimant other than Vietnam. It was also alarming that China covertly established its presence in an area falling within the Exclusive Economic Zone (EEZ) of the Philippines. The incident catalyzed ASEAN to muster a diplomatic effort in order to come to a shared understanding on the issue. The effort culminated in the Declaration on the Conduct of the Parties in South China Sea (DoC) in 2002. The DoC was essentially a non-binding agreement whose purpose was to maintain the status quo. It confirmed the principle of peaceful resolution of disputes and self-restraint without clearly setting out how this goal would be achieved.

It also envisioned the enhancement of confidence-building through mutual exchanges of military officers and cooperation in maritime research. Given the toothless nature of the DoC, it is not surprising that it did very little to defuse tensions in the SCS. Several claimants pursued their own methods to strengthen their sovereignty claims. For example, Vietnam passed domestic legislation in June 2012 that strengthened its jurisdictional claims over the disputed territories and increased its naval patrols in the area. China also took measures to strengthen its claim. It not only countered the Vietnamese action by issuing passports with the nine-dashed line map on the cover, but it also elevated the administrative status of Sansha City, a body created in 2007 to govern the disputed archipelagos.

At the same time, verbal assertiveness intensified from the Chinese side. The People's Daily carried a commentary stating that China could launch a

Figure 2: South China Sea Disputes



“counter-strike” against the Philippines if it did not stop “provoking” Beijing in the South China Sea. From April to May 2012, China and the Philippines also had a tense military confrontation over the Scarborough Shoal. In the end, the Philippines was forced to back down, but made sure that China would pay for its actions when it moved closer to the U.S. and Japan by agreeing to joint maritime patrol exercises.

Once again, a series of crises proved to be the catalyst for a major diplomatic endeavor to advance some sort of regional regime among the parties to maintain stability and peace in the SCS. The ‘guidelines’ for the implementation of DoC were adopted at the July 2011 ASEAN Ministerial Meeting. While the guidelines were rather general and vague, and hence were not very effective, the meeting also approved the creation of a binding code of conduct (CoC). The CoC is something that ASEAN has been working on for several years to turn the DoC into a binding agreement. The working-level talks to develop a workable CoC between ASEAN and China were held in Beijing in September 2013. The talks, however, only confirmed that the parties agree in principle to a CoC and would seek “gradual progress and consensus through consultations” without producing specific adjustments necessary to draw up a functioning document, suggesting that the conclusion of any agreement on the issue is far away.

Indeed, the prospect for a successful CoC is not so bright - at least in the near future. Both China and some ASEAN members are to be blamed. China is hesitant to sign a binding agreement that would limit its activities in the SCS. It would rather focus on enhancing confidence-building measures such as environmental research and joint resource development. China has already made it clear that while it is open to dialogue on a proposed CoC, ASEAN should have “realistic expectations” and take a “gradual approach” to the CoC. Furthermore, China prefers to deal with the issue on a bilateral basis with individual ASEAN

claimants, rather than go along with ASEAN’s multi-lateral approach.

In addition, it is unclear whether some ASEAN countries are willing to make adjustments in order to produce a functioning CoC. Vietnam, for instance, has begun offshore exploration projects with countries like Russia and India within what it claims is its EEZ. Since the Scarborough Shoal incident in 2012, the Philippines has also strengthened its military ties with both the U.S. and Japan and is set to welcome President Barack Obama this month. It is highly unlikely that China would agree to a CoC as long as these exploration projects continue and some ASEAN countries maintain an anti-China ‘rebalancing’ posture in cooperation with external powers. ASEAN also differs from China in how to deal with the disputes, preferring a multilateral approach to China’s bilateral negotiations. ASEAN argues that while the sovereignty disputes are relevant to the claimant parties only, all ASEAN states are involved in the issue as far as maritime jurisdictional issues, especially demarcation of the EEZ, are concerned.⁴

Essentially, China fears the internationalization of the issue through the involvement of the U.S. or the United Nations. Beijing blasted Manila for turning to the UN to seek arbitration over their maritime disputes and accused the country of provoking tensions. In recent trips to Southeast Asia, Chinese Foreign Minister Wang Yi deliberately bypassed a visit to Manila, while visiting other ASEAN countries, a move which was interpreted as Beijing’s attempt to isolate Manila within ASEAN. On the other hand, the Philippines and Vietnam, with the support of Indonesia, would like to rely on international bodies to deal with the issue and have pushed for incorporating dispute settlement procedures based on the UN Convention on the Law of the Sea (UNCLOS) into the CoC.

In recent years, there has been increased diplomatic maneuvering by the parties on the issue. The Philippines and Vietnam strengthened their ties with



the U.S. and Japan, both of which share deep concerns with China's increased assertiveness and aggressiveness in the SCS. Former Secretary of State Hilary Clinton reaffirmed military ties with the Philippines when she visited Manila in 2011. In a highly symbolic public act, she stood on the deck of an American warship and said, "We [the U.S. and the Philippines] are making sure that our collective defense capabilities and communications infrastructure are operationally and materially capable of deterring provocations from the full spectrum of state and non-state actors."⁵ Japan, which has a territorial dispute with China over the Senkakus (or Diaoyu Islands in Chinese), has bolstered its maritime military cooperation with the Philippines. Both countries announced that they would establish basing arrangements in the Philippines. The Philippine defense minister called China an oppressive neighbor and a bully at the doorstep.⁶

Given rising nationalism in China and several ASEAN countries, as well as the desire for natural resources,⁷ we are unlikely to see a resolution to the disputes anytime soon. In the meantime, the parties will try to reduce tensions and seek to advance a binding CoC, while diplomatic maneuvering will continue to seek leverage over each other's weaknesses.

ASEAN's Middle Power Diplomacy and Lessons for South Korea

ASEAN adopts a mixed strategy of enmeshment and hedging toward China because ASEAN is a middle power that can neither ignore the reality of China's rise from which it can reap economic benefits, nor can it be unconcerned with the potential adverse security effects of China's rise, especially in the SCS. The mixed strategy allows ASEAN to engage with China economically and institutionally, thereby enmeshing China into a regional web of economic interdependence as well as regional norms and institutions. At the same time, ASEAN hedges against China's rise by keeping

close relations with other great powers, especially the U.S., so that in case a rising China becomes a source of instability in the region, ASEAN could lean on the other great powers for assistance.

ASEAN's middle power diplomacy has three distinctive advantages for ASEAN. First, by trading with China and bringing China into regional institutions, ASEAN can reap economic benefits and, at the same time, create an opportunity to socialize China into regional norms and behavior. A fundamental problem with a containment policy toward China is that when China's intentions are uncertain, such a policy might lead China to adopt a more aggressive posture toward other countries due to a perceived anti-China coalition. This may result in an outcome that the parties sought to avoid in the first place.

Second, by enmeshing China and other regional great powers in the same regional institutions, ASEAN can encourage dialogue and consultation among them, and prevent any one great power from dominating the region. While not a concert of great powers, ASEAN's strategy leads to a delicate balance of power in the region. Within this arrangement, therefore, ASEAN can seek to manage, albeit to a limited extent, the relations between great powers by acting as an intermediary.

And finally, by preventing one great power from dominating regional affairs, ASEAN can maintain its centrality in East Asian regionalism. In order to stay relevant as a regional organization, ASEAN must maintain its centrality in shaping regional norms and institutions, so that interstate relations are conducted in a rule-based system rather than in the realm of unconstrained power politics. ASEAN's number of member states and unity matter a great deal for this purpose, and enhance ASEAN's status and influence in shaping regionalism.

However, ASEAN's strategy has also created opportunities for China to drive a wedge between ASEAN members. ASEAN unity is a necessary condition for ASEAN's strategy toward China to work, but the increasing economic dependence of some ASEAN



states, especially Cambodia and Laos, has meant that China could at times successfully pressure them to deviate from ASEAN's collective stance and side with China. In 2012, for example, China successfully drove a wedge between ASEAN nations and prevented the issue of SCS disputes from being placed on the agenda, with Cambodia and Laos reportedly favoring China's position. As a result, for the first time in its entire 45-year history, ASEAN failed to issue a final communiqué due to sharp divisions within ASEAN. If the dependence of some ASEAN members on China continues in the future, it could be further exploited by China to weaken ASEAN's internal unity, thereby weakening ASEAN's multilateral diplomacy toward China.

What lessons can be drawn for South Korea from the foregoing analysis of ASEAN's approach toward China? Like ASEAN, South Korea is also a middle power facing similar concerns with the rise of China. There are four lessons for South Korea.

1. While it is impossible for South Korea to play the role of a balancer, or even intermediary, between the U.S. and China due to its alliance ties with the U.S., ASEAN's diplomacy toward China suggests that South Korea can still usefully engage with China and reap the benefits of China's growing market. So far, the Korean government has been careful not to conduct its alliance with the U.S. in a way explicitly detrimental to its constructive relationship with China - South Korea has not said Taiwan falls within the ambit of the ROK-U.S. Alliance - and this policy should continue. When it cannot help but adopt a policy that might be detrimental to China's interests, it needs to communicate its intentions and aims clearly to China, so it would not be perceived as anti-China containment. For example, even if South Korea decides to join the U.S.-led Trans-Pacific Strategic Economic Partnership (TPP) negotiating rounds rather than the China-led Regional Comprehensive Economic Partnership (RCEP), it can avoid creating the perception of an anti-China coalition by encouraging China to join the TPP, or continuing with the current three-way FTA negotiations with China and Japan.
2. South Korea should work together with other regional countries to socialize China into regional norms and acceptable behavior. While an alliance can be useful in deterring an actor, it is an ineffective means to socialize an actor into acceptable norms and behavior. Sole or excessive reliance on deterrence as a means of maintaining regional security and stability is unlikely to result in a genuine and lasting peace. It could even lead to the worst scenario for all regional countries, namely, a potential China-U.S. military conflict. That is the scenario that middle powers should work together to avoid.
3. While South Korea should continue to expand its engagement with China on all aspects, from trade (a three-way FTA involving China) to sociocultural activities (human exchanges and tourism), the Korean government should at the same time be careful not to become overly dependent on China, which increases China's bargaining power over Korea. While ASEAN's experience with China demonstrates that China can be usefully engaged and nudged toward a more cooperative direction, it also shows that overdependence on China could produce negative results, as China may seek to use its economic power to achieve its political purposes. The Korean government should seek to diversify its exports and imports markets.
4. South Korea should cooperate with other middle powers, especially ASEAN, in setting and strengthening regional norms and strengthening regional institutions, in order to make regional interstate relations a rule-governed system. Power politics serve the interests of great powers, while a rule-governed system is more likely to be fair and just for all states, thereby serving the interests of weaker powers. Given the strategic and economic importance of East Asia, great powers all have a stake in how the regional order will



be shaped in the future. The challenge for middle powers is to ensure that regional affairs will be conducted according to agreed-upon rules rather than unconstrained power politics. A key factor is unity among lesser powers, including middle powers. The ASEAN experience suggests that when ASEAN speaks in one voice, then its number (ten countries) works to enhance ASEAN's bargaining power, as well as generate peer pressure and reputational costs. Hence, while engaging with great powers is important, especially China, it is equally important that South Korea interact actively with other middle powers in the region and seek to agree on a set of regional rules and norms that are to be promoted. ■

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Notes

¹ They are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

² Evelyn Goh treats enmeshment as part of hedging strategy. But I think enmeshment strategy is a distinct strategy different from typical hedging strategy, which mixes engagement with some form of balancing, whether it is military or institutional. For more details, see Evelyn Goh, "Meeting the China Challenge: The US in Southeast

Asian Regional Security Strategies" *Policy Studies* 16 (2005, East-West Center, Washington, DC).

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