China, US and Rebalancing towards Southeast Asia: The Case of Multilateral Regional Arrangements in the Region

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Abstract

This paper seeks to answer some crucial questions with regard to emerging significance of the Southeast Asian region and the growing involvement of China in the region, i.e., how China’s rise and growing involvement in multilateral arrangements within the region has triggered competition among various rising powers for seeking influence in the region and how it tries to rebalance the region against the existing US influence. Using the case study of Chinese and US involvement in various Southeast Asian regional multilateral institutions and arrangements it is argued that amidst growing Sino-Southeast Asian relations and China’s involvement in regional institutions since the end of last century, there is increasing competition between these two great powers to rebalance the regional order towards bipolarity, if not to seek the leadership.

Key Words: Southeast Asia, rebalancing, regional order, hedging

The recent developments in the Southeast Asian region, namely the establishment of ASEAN (Association of Southeast Asian Nations)\(^1\) Economic Community and the first ever ASEAN-US Leaders Summit in United States (US) have been the focus of attention in the international forum. The study of the contest for influence in the region has become more significant in the light of its ever increasing economic significance and the due to its geopolitics.

Recently, China’s economic rise and growing involvement in the multilateral arrangements within the region has triggered competition among various rising powers for seeking regional influence in the region by achieving rebalance in the Southeast Asian region. The increased interest of US and Chinese strategists in the region has made this region economically, politically, and strategically more crucial. It has been observed that the focus of US’s „Pivot“ to Asia is Southeast Asia (Nicolas 2016), the region where the US and Chinese Military deployments are most likely to confront each other (Ott and Allen 2015).

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\(^1\) ASEAN was founded in 1967 and the ten member countries of ASEAN are Brunei Darussalam (Brunei), Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.
Using the case study of involvement of China and the US in various Southeast Asian regional multilateral institutions and arrangements, including ASEAN, the main regional multilateral organisation in the region, ASEAN Regional Forum (ARF), Asia-Pacific Economic Cooperation (APEC), Regional Comprehensive Economic Partnership (RCEP), Trans Pacific Partnership (TPP), East Asia Summit (EAS), Lower Mekong Initiative among others, it can be argued that amidst growing Sino-Southeast Asian countries’ relations and China’s involvement in the regional institutions since the end of last century, there is an increasing amount of competition between these two great powers to rebalance the regional order towards bipolarity, if not to seek the leadership.

The Context behind US Re-positioning Of Its Southeast Asia Strategy

Southeast Asia has been economically and strategically significant for US. Being home to some of world’s most critical sea lanes including Strait of Malacca, Southeast Asia is very important regarding sea routes for US naval deployments around different regions including Middle East and South Asia. It is also significant due to diplomatic and strategic reasons, for being the “site of contest” for influence between US and China. Moreover, the increased Chinese presence in the region has left US anxious with regard to its policy towards Southeast Asia.

As far as the ASEAN is concerned, US policy towards ASEAN had been more productive over the past seven years (Zhang 2016). In 2009, US President Obama declared US as an Asia-Pacific country and its need to strengthen the Asia-Pacific interests. In July 2011, US Secretary of State Hillary Clinton proclaimed US Silk Road Strategy (Clinton 2011), which talked about building infrastructure in South and Central Asia. In continuation to her statements, in October 2011, Clinton announced the “pivot to Asia” (Ott and Allen 2015). In June 2012, US announced the “rebalancing” policy or “pivot to Asia” which earmarked US’ growing interests and policy augmentation. As part of this rebalancing policy, US not only focused on increasing ties with individual Southeast Asian countries and re-initiating engagement with multilateral institutions but also indicated using it as a part of covert strategy to contain China’s influence in the region. US did not stop only by directing its policy advocacies against China in the region but also influenced policies of the extra-regional actors. For instance, The US put direct pressure on South Korea, Australia and Britain not to join the Asian Infrastructure Investment Bank (AIIB) and claimed that the AIIB would not meet international transparency criteria (Gan and Mao 2016: 112, Griffith Jones 2016).
During last decade, US has improved its bilateral relations with individual Southeast Asian countries, and at the same time, worked towards enhancing its partnership with ASEAN by entering number of multilateral initiatives led by ASEAN. The first ever ASEAN-US Leaders Summit held in February 2016 in US can also be seen as part of US' rebalancing strategy in the region.

The US was also a party to the Treaty of Amity and Cooperation in Southeast Asia (TAC, a diplomatic document of ASEAN) in 2009 (Nicolas 2016), which further made US entry in East Asia Summit easier. Besides, US has been participating in ASEAN Defense Ministers' meeting since 2010 (to advance security cooperation in the region) (Nicolas 2016). US President Obama has so far already made 7 visits to ASEAN regional countries, more than any previous US presidents, proclaiming the increased significance of Southeast Asia in US' rebalancing strategy (The White House 2016b). US also tried to hedge against China’s increasing influence by strengthening its economic and military ties with individual Southeast Asian countries. As stressed by President Obama during the ASEAN-US Leaders' summit this year (2016), the trade between US and ASEAN has increased by 55 percent, making ASEAN region the fourth largest goods trading partner of US (The White House 2016b). Besides, US has provided the development aid of US$4 billion to ASEAN countries since 2010 (The White House 2016b).

At strategic level, the final draft of TPP, negotiated by the United States and 11 partner countries across the Asia-Pacific region, was concluded in the first week of November 2015 (Reif 2015). Another significant multilateral initiative by US and five other Southeast Asian countries includes the Lower Mekong Initiative (LMI), which was created in 2009.

Shift in China’s Strategy towards Southeast Asia

China’s One Belt, One Road policy (yidai yilu, OBOR), which connects various regions in the world including Southeast Asia, has been argued to be China’s balancing strategy towards US rebalancing policy in Asia. It can

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2 US shares economic and strategic relations with number of Southeast Asian countries including Vietnam, Indonesia and Philippines. In recent times, US has also improved its relations with Myanmar and Laos.

3 The status of US was upgraded to a strategic partner of ASEAN at the 3rd ASEAN-US Summit in Kuala Lumpur (ASEAN Information Center 2016).

4 For more detail, see The White House (2016a).

5 It is yet to be passed by US Congress before being operationalized.

6 Currently, LMI includes five Southeast Asian countries, namely Cambodia, Laos, Thailand, Vietnam and Myanmar. LMI emphasizes cooperation in the areas of environment, health, education, and infrastructure development (Lower Mekong Initiative 2016).
be argued that U.S" policy of rebalancing has caused tension among Chinese policy makes, but attributing the China’s New Silk Road initiative solely to U.S” “Pivot to Asia” would be unreasonable (Gan and Mao 2016). Many other initiatives have been taken by China including setting up of Asia Infrastructure Investment Bank (AIIB) in October 2014 and establishing the Silk Road Fund (SRF) in November 2014 to sponsor Asian connectivity (Gan and Mao 2016: 106). China’s involvement in the Southeast Asian region has been marked by regional disputes, engagement in various multilateral regional arrangements and dialogues, emphasis on the principles of non-interference and mutual benefits in its statements with regard to this region. China’s policy towards Southeast Asian countries was stressed in its 2011-2015 Five Year Plan as well as 2014 White Paper on China’s Foreign Aid. More than US, China has a lot more stakes involved in this region.

Though China has been expanding its presence in Southeast Asia since early 2000s, with the signing of TAC in 2003 as the first external signatory, China became more active recently in terms of its regional engagements. China holds a special bilateral engagement with ASEAN countries through the ASEAN-China Senior Officials Consultations, ASEAN-China Joint Cooperation Committee meetings, ASEAN Plus China framework (alongside ASEAN+3), and regular ASEAN-China summits. Economically, at present China has an FTA with ASEAN as a whole as well as with individual ASEAN countries. The FTA between China and ASEAN came into being in 2010 and has resulted in combined GDP of US$13 trillion and intra-trade of over US$5 trillion (Ha 2016). China, which signed the Agreement on Trade in Goods with ASEAN in 2005 and Agreement on Trade in Services with ASEAN in 2007, has emerged the largest trading partner of ASEAN countries since 2009. In 2010, China concluded Agreement on Investment with ASEAN. It is regularly participating in cross-regional forums like APEC, which includes the countries from Asia-Pacific region. China and other 15 Southeast and East Asian nations have also started negotiating Regional

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7 It emphasized on the development of infrastructure and connectivity in the region. It also emphasized on the opening up of border areas, for instance, Guangxi was called a new “highland” for cooperation with ASEAN (British Chamber of Commerce in China n.d.).
8 The White Paper describes in detail the assistance provided to ASEAN by China in the fields of agricultural development, and providing technical training among others (People’s Republic of China 2014).
9 On the contrary, US have a free trade agreement (FTA) with one ASEAN country, Singapore. It is interesting to note that neither of the FTAs signed between China and ASEAN countries addresses certain aspects of trades which are addressed in US-Singapore FTA (signed in 2004), such as intellectual property, labor rights, etc. (GAO Highlights 2015)
10 Bilateral trade between China and ASEAN totaled US$480 billion in 2014, up 8.3 percent from the previous year and growing six-fold from US$78 billion in 2003 (China Briefing 2015; Xinhua 2015). The trade volume was nearly US$450 billion in 2015 (China Daily 2016a)
Comprehensive Economic Partnership (RCEP)\textsuperscript{12} which is expected to be concluded by the end of 2016. Recently, China under the Lancang-Mekong Cooperation\textsuperscript{13} (LMC) mechanism announced concessionary loans of US$1.54 billion (RMB10 billion) and credit lines of up to US$10 billion to support infrastructure construction and production capacity cooperation in the Lancang-Mekong region (\textit{Xinhua} 2016). China has also been active participant in ASEAN-Mekong River Basin Development Cooperation (AMBDC) (1996).

China’s engagement with the region, on political and strategic front also, cannot be neglected. China has been active participant in ASEAN led regional institutions such as ASEAN Regional Forum\textsuperscript{14} (ARF), ASEAN+1, ASEAN Plus Three dialogue (APT- China, Republic of Korea and Japan) among others. Another significant forum where these Southeast Asian countries and US and China are part of is Asian Development Bank (ADB) (Asia Development Bank 2016). However, it is also evident that China’s involvement in the regions is not without challenges. It is too early to predict which way this struggle for influence will head as there are number of factors which have the potential to play a significant role, for example, unfolding trends in China’s domestic politics and economy and its bilateral relations with the countries in the region as well as with the US On the other hand, US is also aware of the challenges with regard to its distance from the region vis-à-vis China’s geopolitical proximity to Southeast Asia.

It can be argued that amidst growing Sino-Southeast Asian countries relations and China’s involvement in the regional institutions since the end of last century, there is increasing competition between these two great powers to rebalance the regional order towards bipolarity, if not to seek the leadership. Recently, China is paying more attention to its Southeast Asian nations as part of its Maritime Silk Road (Gan and Mao 2016). This, in turn, has made US worried that China seeks its preeminence over Southeast Asia, which includes the south China sea, whose waterways are crucial to Japan and Republic of Korea for trade, and also to US However, Chinese President Xi in 2013, emphasized on the principle of non-interference and “no seeking for hegemony” in the “New Silk Road Economic Belt” speech and proclaimed that China does not see regional dominance (Xi 2013).

\begin{itemize}
\item \textsuperscript{12}RCEP was first proposed by ASEAN in 2011.
\item \textsuperscript{13}Lancang-Mekong Cooperation mechanism includes Thailand, Cambodia, Laos, Myanmar and Vietnam besides China. It was proposed in 2014 and its first foreign ministers' meeting was held in November 2015.
\item \textsuperscript{14}Both China and US are members of Asia Regional Forum (ARF), which was established in 1994.
\end{itemize}
The future order of the Southeast Asian region depends on many factors, like, how Sino-US bilateral relations unfolds in coming decades, their relations with individual Southeast Asian countries and the role played by the ASEAN, how Chinese economy performs in coming years, among others. However, major question which remains to be addressed is what form of regional order is in the process to be established in the region. China’s rising economy and increased trade with Southeast Asian countries has made some scholars indicate towards a shift from US-centered to China-centered regional order in Southeast Asia. In light of these speculations, it becomes vital to look at what role ASEAN, the leading and most significant multilateral institution in the region, play in setting up a new regional order in the presence of these external powers.

**Balancing, Rebalancing or Counter-balancing? Policy Options For ASEAN**

This sections attempts to answer some crucial questions with regard to the role played by Southeast Asian regional institutions, including ASEAN, in dealing with Sino-U.S” contest for influence in the region. When Both China and US are contesting for influence in the region and acting towards rebalancing the regional order, it is ASEAN which can play a significant role towards managing great power relations in the region. ASEAN, comprising the third-largest economy in Asia and the seventh largest in the world, with a combined GDP of US$2.4 trillion, has three options to choose from in dealing with this: balancing, rebalancing and counter-balancing. As part of the balancing strategy, ASEAN would strive to manage the potential threat from external forces using modest efforts, mostly by entering into more economic and strategic partnerships with these forces. ASEAN has benefited a lot from economic and strategic partnerships with many external powers in the region, be it China, or US. As emphasized by the President of the Philippines in 2010, “the US is a major trading partner of ASEAN, and ASEAN in turn has been one of the fastest growing export markets and host of US investments…ASEAN-US Trade and Investment Framework Arrangement will lead to an economically viable and strong ASEAN which in turn will lead to economic growth, job creation, and improved welfare of our peoples” (Government of the Philippines 2010). As a balancer, ASEAN would continue to enhance its economic and military capabilities through cooperation and engagement, which it has successfully done in past two decades.

As part of rebalancing strategy, ASEAN could rather play an active role in hedging, using one power to contain another’s dominance in the region. ASEAN’s hedging strategy to balance both these powers against each other may prove crucial in the coming decades. For now, none of the ASEAN
countries, which enjoys good economic, strategic and military ties with US seem to alienate it from the region. At the same time, they are aware of the repercussions of alienating China from the region. In such a scenario, when both the countries are inevitable partners of ASEAN in the achievement of long term regional stability, ASEAN should welcome Indian, Japanese, and Australian involvement in the region, where regional states desire such involvement, as a means of multilateral zing external power engagement and preventing it from being perceived in bi-polar terms between the United States and China (Lum, et al 2008). However, the more significant question from the point of policy strategy is how this can be achieved. Here, ASEAN countries need to manage the major power dynamics in the region rather than being overwhelmed by them (Liow 2015). This could be possible if ASEAN countries can set aside residual bilateral tensions between regional states (Liow 2015).

Another upcoming challenge which ASEAN needs to deal with has to do with TPP and RCEP. These signify two different model of economic integration: one non-US, loosely declarative RCEP and other one, US-led, „gold standard” TPP, which stresses on domestic reforms as one of the conditions (Emmerson 2013). Many a times, TPP has been perceived as a mechanism by US to seek power to “create an Asia-Pacific economic sphere that is also dominated by the United States, and to get the US deeply involved in the Asia-Pacific economic integration process” (Wu 2015).

The two opposing blocs, defined by TPP\textsuperscript{15} and RCEP, which give rise to the possibility of bipolar regional order, should be avoided. Rather, focus should be to figure out a cooperative relative relationship between these two initiatives (Zhang 2016). As Wu Sike (2015), Member of the Foreign Affairs Committee of the Chinese People’s Political Consultative Conference, suggests, US could help China join the TPP while China helps US join RCEP as this could joint promote the construction of Asia-Pacific FTA Zone. Since its feasibility appears to be a major concern and full of uncertainty, it cannot be denied that there are huge possibilities of cooperation among US, China and ASEAN in the field of clean energy, illegal fishing, human and drug trafficking, and diseases prevention. People-to-people exchanges at multiple levels (Zhang 2016). Both need to reach an „understanding of non-confrontation and no conflict so as to achieve a win-win situation through economic cooperation” (Ha 2016).

Third policy option before ASEAN is „counter-balancing”, whereby ASEAN would take the lead in the region. This is the most crucial policy option before ASEAN, which could ensure not only a regional governance but also long-term regional stability. For instance, ASEAN has been stressing on

\textsuperscript{15}Four ASEAN member countries namely Brunei, Malaysia, Singapore and Vietnam have already joined TPP.
international norms and peaceful means in solving South China Sea dispute, issuing joint statement in 1995 on the issue, as emphasized in one of the speeches by ASEAN leaders, “ASEAN and China have had the Declaration on Conduct of Parties in the South China Sea (DOC) for 13 years and have engaged in COC consultations for three years, and yet, the South China Sea waters have never been really still, especially in recent years, when we have continued to witness incidents endangering peace, stability, maritime security, commercial activities, and freedom of navigation such as China’s placement of an oil rig in an area that it, in no way conforming to international law…ASEAN has come out with collective response, upholding ASEAN"s unity and credibility in our shared commitment and efforts to preserve peace, stability and maritime security in the South China Sea” (ASEAN 2015).

This role can be very crucial for the regional stability only if it is willing to look beyond narrow strategic limits and interests of its individual member states (Amador III 2013). As most of the multilateral arrangements in Southeast Asia are led by ASEAN (except APEC), it provides ASEAN a lead and special role in deciding the regional order in the region. As recent regional economic arrangements such as TPP, RCEP, AIIB among others are perceived as attempts by the major powers to dominate and control the regional order in the Southeast Asia, this characteristic of ASEAN could prove to be of tremendous significance. Be it APT, EAS, or ARF, all of these are chaired by either of ASEAN member state which ensures prevention of hegemony of any external powers. Another significant feature of the ASEAN functioning is the consensus-based decision making principle. The strong adherences to such a functional attribute of ASEAN and ASEAN-led other multilateral organisations can add to successful counter-balancing against any threat of dominance from extra-regional powers.

There have been speculations since the establishment of ASEAN Economic Community in November 2015 that ASEAN has the potential to emerge successful in an economically and socially integrated region in coming decades. However, despite the establishment of ASEAN Community at 27th ASEAN Summit, in November 2015, the challenges remain ever mounting (Hoo Tiang Boon 2016). In the past, there have been instances where the Southeast Asian nations have failed to demonstrate their commitment to regional governance through ASEAN. For instance, during East Timor crisis (1999) referral was sent to United Nations instead of ASEAN. Again in 2002, the Indonesia and Malaysia preferred to accept resolution of sovereignty dispute by International Court of Justice over heading to ASEAN High Council to resolve the dispute over ownership of islands of Sipadan and Ligatan (Foot 2011). The fault lines within the region’s composition weaken its hedging capacity against the outside powers. ASEAN is still far from achieving that homogeneity in non-economic fields of cooperation.
Conclusion

Both China and US differ in their policy towards ASEAN. Though both argue for a stable Southeast Asian region, both tend to disagree on the notion of ASEAN centrality, on maritime rights i.e., South China Sea, and propose different kind of economic architecture in the region i.e., US-led TPP and ASEAN-led RCEP. The US and China need to seek opportunities to meet each other half-way rather than run in opposite directions (Zhang 2016). Both the countries need to find ways to cooperate on issues of common interest such as humanitarian assistance, disaster relief, etc. Both need to come to terms with each other's stakes in the region and prioritize the regional stability and security over bilateral differences. Here, ASEAN can play a significant role as a balancer.

At the same time, competition in terms of influence or balancing the rebalancing forces can prove to be beneficial for the region. The competition can lead to greater cooperation depending on how the Southeast Asian countries deal with this and how well they hedge. It would not only help in establishing long term regional stability and prosperity but will also be benefitting the region in terms of increased FDI in the Southeast Asian countries. The active involvement of external powers other than US and China in the region would help realizing strategic diversification and preventing regional hegemony of any one external power.

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<table>
<thead>
<tr>
<th>Issue No/ month</th>
<th>Title</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 10 May 2015</td>
<td>The China-Pakistan Economic Corridor: India’s Options</td>
<td>Alok Ranjan</td>
</tr>
<tr>
<td>No. 9. Oct 2014</td>
<td>India And China: An Agenda For Cooperation On Afghanistan</td>
<td>Srinjoy Bose</td>
</tr>
<tr>
<td>No.8. Sep 2014</td>
<td>Composition, Intensity and Revealed Comparative Advantage in Sino-Indian Bilateral Trade: A Preliminary Study</td>
<td>Samar Tyagi</td>
</tr>
<tr>
<td>No.7. Jun 2014</td>
<td>Territory, Tribes, Turbines: Local Community perceptions and responses to Infrastructure Development along the Sino-Indian Border in Arunachal Pradesh</td>
<td>Mirza Zulfiqur Rahman</td>
</tr>
<tr>
<td>No 6. Dec 2013</td>
<td>India–China Economic Relations: Trends, Challenges And Policy Options</td>
<td>Joe Thomas K.</td>
</tr>
<tr>
<td>No.5. Aug 2013</td>
<td>China and the Cooperative Architecture in the South China Sea: Prospects and Problems</td>
<td>Sithara Fernando</td>
</tr>
<tr>
<td>No.4. Feb 2013</td>
<td>Comparing India and China’s Economic Performance since 1991</td>
<td>Manmohan Agarwal</td>
</tr>
<tr>
<td>No 3. Jan 2013</td>
<td>Catalogue of Materials Related to Modern China in the National Archives of India Part One (Special Collections)</td>
<td>Madhavi Thampi &amp; Nirmola Sharma</td>
</tr>
<tr>
<td>No.2. Oct 2012</td>
<td>China’s Relations with the Indian Ocean Region: Combining Realist and Constructivist Perspectives</td>
<td>Sithara Fernando</td>
</tr>
</tbody>
</table>
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