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FACULTY OF POLITICAL SCIENCE AND SOCIOLOGY

Bachelor's Degree Dissertation

Title: ASEAN's Strategic Response: Navigating US-China Competition through
Institutional Hedging

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Abstract: The Southeastern Asian region is the main hotspot of the escalating competition between the United States and China. The Association of Southeastern Asian Nations (ASEAN) underpins its centrality in the territory, while being challenged by the two powers. This research focuses on how regional institutions react to the strategic rivalry between the US and China, and its aim is to analyse ASEAN's response to it in the trade dimension. It relies on the conceptualization of institutional hedging as the theoretical framework, which depicts the impartial position taken by the association to not make clear-cut alignment decisions to continue benefitting from structural opportunities. The methodology comprises a case study based on the analysis of two economic agreements settled with the respective powers: the RCEP with China and the IPEF with the US. ASEAN adopts a dual-track strategy to have a fallback position in case systemic uncertainties increase. Therefore, it preserves trade relations with both the US and China through the values of ambiguity and neutrality, to avoid potential external dangers without putting its autonomy on stake.

Resumen: La región del Sureste Asiático es el principal foco de la creciente competición entre los Estados Unidos y China. La Asociación de Naciones del Sudeste Asiático (ASEAN) apuntala su centralidad en el territorio, mientras que está desafiada por las dos potencias. Esta investigación se centra en cómo las instituciones regionales reaccionan a la rivalidad estratégica entre los EEUU y China, y su objetivo es analizar la respuesta de la ASEAN a la misma en su dimensión comercial. La metodología comprende un estudio de caso basado en el análisis de dos acuerdos económicos suscritos con las respectivas potencias: el RCEP con China y el IPEF con EEUU. La ASEAN adopta una estrategia de doble vía para tener una posición de repliegue en caso de que aumenten los riesgos sistémicos. Por ello, preserva las relaciones comerciales tanto con EEUU como con China a través de los valores de ambigüedad y neutralidad, para evitar posibles peligros externos sin poner en juego su autonomía.

Resum: La regió del Sud-est Asiàtic és el principal focus de la creixent competició entre els Estats Units i la Xina. L'Associació de Nacions del Sud-Est Asiàtic (ASEAN) apuntala la seva centralitat al territori, mentre està desafiada per les dues potències. Aquesta investigació es centra en com les institucions regionals reaccionen a la rivalitat estratègica entre els EEUU i la Xina, i el seu objectiu és analitzar la resposta de l'ASEAN a aquesta en la seva dimensió comercial. La metodologia comprèn un estudi de cas basat en l'anàlisi de dos acords econòmics establerts amb les respectives potències: el RCEP amb la Xina i el IPEF amb els EEUU. L'ASEAN adopta una estratègia de doble via per tenir una posició de replegament en cas que augmentin els riscos sistèmics. Per això, preserva les relacions comercials tant amb els EEUU com amb la Xina a través dels valors de l'ambigüitat i la neutralitat, per evitar possibles perills externs sense posar en joc la seva autonomia.

Keywords: ASEAN, institutional hedging, trade, uncertainty, US-China competition

Palabras clave: ASEAN, *hedging* institucional, comercio, incertidumbre, competición sino-estadounidense

Paraules clau: ASEAN, *hedging* institucional, comerç, incertesa, competició sino-estadounidenca

LIST OF ABBREVIATIONS

AIIB: Asian Infrastructure Investment Bank

AOIP: ASEAN Outlook on the Indo-Pacific

ASEAN: Association of Southeast Asian Nations

BRI: Belt Road Initiative

E3: Expanded Economic Engagement

FDI: Foreign Direct Investment

FTA: Free Trade Agreement

IPEF: Indo-Pacific Economic Framework

POA: Plan Of Action

RCEP: Regional Comprehensive Economic Partnership

TIF: Trade and Investment Framework Arrangement

TPP: Trans-Pacific Partnership

US: United States

USTR: United States Trade Representative

WTO: World Trade Organization

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1. INTRODUCTION

The rivalry between the United States (US) and China is a core geopolitical struggle that mirrors traditional great power competition, as the two countries challenge one another in all levels of power for global influence. It is an all-encompassing quest for the leadership, as it has been fought in areas like the control over the Indo-Pacific rimland, the pursuit of technology dominance, and the military advancement. However, the key is at its economic and trade contention, as Washington has acknowledged China being a strategic commercial competitor and it is concerned about the increasing deepening of China in economic inroads globally (Hussain, 2023). Considering them as the largest economies in the world, they are engaged in a competition for primacy in both innovation and production capacity (Atkinson, 2022).

The power conflict has shown China as a peer competitor of the US, which is also interested in rising its regional influence, as the way the US dominates the Western hemisphere (Chau & Wang, 2023). Consequently, due to its growing economic and strategic importance, the main hotspot of the US-China competition is the Southeastern Asian region, in which the geopolitical friction erupts in a more remarkable way with both powers trying to consolidate their leadership. In fact, in December 2017, the National Security Strategy of the US stated that “a geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region” and that “although the US seeks to continue to cooperate with China, China is using economic inducements and penalties, influence operations, and implied military threats to persuade other states to heed its political and security agenda” (The White House, 2017: 45-46). On the other hand, China believes that the US wants to contain its rightful rise to maintain regional hegemony (Valencia, 2020).

In the case of Southeast Asia, the Association of Southeast Asia Nations (ASEAN) has positioned itself as the central actor in shaping the zone’s order, despite being increasingly challenged by the two major powers. This organization was created in 1967 and it is composed by ten member states: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand

and Vietnam. Among its aims and purposes are the cooperation in multiple fields and the promotion of regional peace and stability through abiding respect for justice and the rule of law. Nowadays, and having in mind the current competition between the US and China, ASEAN is the most important regional organization in the Asia-Pacific, as it acts as a leader to other countries in the region, who look to ASEAN's understanding and tactical response to major power competition as a model to follow in terms of strategic adjustment to the game between China and the US (Zhang, 2023).

Regarding the trade dimension, the US and China have respectively made efforts to become closer to ASEAN, as one way of increasing regional power is through the support to regional organizations (Meisel, et al., 2021). The competition taking place in Asia might not be limited to a two-player game, as ASEAN's economic ties to both great powers have been important to the institution. The US and China are the association's largest trading partners, and their economic growth is an essential instrument in driving the economic development of the bloc members (Sayavongs, 2023). Both of them are tight with ASEAN to promote a policy of forging partnerships and mutual trust, while also creating a compelling situation for ASEAN state members to make "either-or" choices regarding regional and international affairs.

Having stated that there is a growing economic and trade US-China rivalry with its major focus on Southeastern Asia and with ASEAN as the pivotal institution in the region, this dissertation seeks to answer the following research question: *How does ASEAN respond towards the strategic competition between the US and China in its trade dimension?* To answer this question, this research relies on the explanation of the institutional hedging strategy as the theoretical framework. This notion accurately describes the behaviour that the Asian institution is taking towards the two competitors, as it uses organizational arrangements or joint actions for pursuing group ends, while also fighting to mitigate and offset risks or uncertainties issued from the rivalry. In this way, the ASEAN's performing lines involve concurrent efforts in pursuing active impartiality, inclusive diversification and prudent contradictions to cultivate a fall-back position (Kuik, 2022).

The case study is embodied in the analysis of two economic agreements settled by the institution with the two diverging powers: the Regional Comprehensive Economic Partnership (RCEP) with the People's Republic of China and the Indo-Pacific Economic Framework (IPEF) with the US. Taking into account the current importance of the US-China rivalry that is shaping global dynamics, as well as the growing role of the ASEAN in the region, the research follows a methodology with a qualitative approach to have deeper insights on how the institution reacts towards the uncertain competition. In fact, the response adopted by the institution is exemplified by the strategy of institutional hedging, which consists in not making clear-cut choices nor aligning with one specific power. In this way, ASEAN adopts a dual-track strategy that allows it to have a fallback position in case risks from uncertainty increase, and therefore, it preserves trade relations with both the US and China with the values of ambiguity and neutrality at its centre. This impartiality opens the opportunity for the institution to continue benefitting without putting its autonomy on stake, as well as avoiding potential external dangers.

Fundamentally, the dissertation will be based on the study of primary sources such as government official statements, declarations and speeches, and trade agreements to have a first-hand resource that depicts more closely how the main actors view the competing scenario. The research also counts with secondary sources, such as books, policy papers, press articles and official reports, to acutely comprehend better the key details on the topic.

In addition to this introductory chapter, the following writing is structured in five parts. Firstly, the literature review that gathers the scholarly relevant work about the possible responses of institutions towards the strategic competition between the US and China. Secondly, a theoretical framework that will clarify the essential concepts and will provide the proper lens to analyse them, followed by the deepening on the methodological lines required to develop the case study. Fourthly, the analysis of the dissertation will be structured in two parts: the contextualization of the trade competition between the US and China at its height, known as the Trade War initiated by the former US president Donald Trump (2017-2021), and the further analysis of ASEAN's reaction towards the rivalry, including the

exemplification of two trade agreements led by the institution with the US and China, which supports the argument of “institutional hedging”. Lastly, the dissertation includes some conclusions in order to summarize the work, but also to have a proper and a clearer approach on ASEAN’s role in the US-China strategic trade rivalry.

2. LITERATURE REVIEW

Notable previous academic work about US-China strategic competition has already been published, as these two countries have a trackable history that has opened debates about possible coexistence or potential conflict. In response, scholars worldwide (Murphy and Marston, 2023) have popularised the notion of a “new Cold War”. However, far from the historical one, the US and China are performing what Schindler and DiCarlo (2023) call “a network-based competition”, which describes how the two countries currently compete on a global scale for centrality in four interrelated networks that they anticipate will underpin hegemony in the 21st century: infrastructure, digital, production and financial networks (Schindler & DiCarlo, 2023: 2, 4). Donald Trump’s Trade War is a clear example of using the production and trade networks as an instrument of counterbalance. It started as a way to reduce the US trade deficit, rather than to inhibit China from upgrading its industrial capacity. Nevertheless, Trump subsequently made important shifts in the latter direction (Schindler & DiCarlo, 2023: 20), by pointing China as responsible for unfair trade practices, as well as imposing tariffs to Chinese products, to finally engage what Zeng (2023) calls “the largest commercial conflict in modern history” (Zeng, 2023).

Moreover, regarding the reaction of ASEAN and its positioning in the strategic competition, Murphy (2023) affirms that there is a consensus in the international relations literature that the safest environment for small and medium-sized states in a context of a rough balance of power is the one in which they can secure political and economic benefits from all sides (Murphy, 2023). In fact, Stromseth (2019) defends that great power competition is not completely harmful for Southeast Asia, since it can provide opportunities to hedge and secure benefits from both rival camps. This is why, the author refers to the common refrain “Don’t make us choose”

to describe the behaviour of Southeastern Asian states, as they do not want to align directly with one of the competitors, due to the risk of great power interference in their domestic affairs (Stromseth, 2019).

This strategy that states adopt is referred as “hedging”, which is a relatively new term to determine the positioning of a state towards two countries with diverging interests. The body of literature on hedging has expanded significantly since the term’s introduction in the early 2000s, as scholars of international relations have expressed frustration with realism’s tendency to reduce East Asian countries’ behaviour to simplistic concepts of “balancing” and bandwagoning” (Marston, 2023). Actually, Jackson (2014) states that hedging is the central tendency in Asian international relations, as uncertainty and complexity are core features of the region’s contemporary security environment (Jackson, 2014). However, it is worth to mention that ASEAN does not hedge as an individual state, but as an institution. Therefore, it is important to develop what Kuik (2022) named as “institutional hedging”, the strategy adopted by ASEAN to mitigate and offset risks caused by the US-China strategic competition (Kuik, 2022). Institutional hedging is also the theoretical framework of the dissertation, which seeks to analyse more specifically the practice performed by the institution.

3. THEORETICAL FRAMEWORK

In a context of rivalry between two competitors with opposing interests, the causes of alignment have been central in debates on foreign policy, as alliances are the most common response to external threats. According to Stephen M. Walt (1985), there are two main behaviours when states might feel threatened: balancing and bandwagoning. The balancing strategy defends that states join alliances to protect themselves from states or coalitions whose superior resources could pose a threat, as they risk their own survival against a potential hegemon. In order to do that, the safer tactic is to join with those who cannot dominate their allies, and therefore, avoid being dominated by those who can (Walt, 1985 : 5). As a counterpart, the bandwagoning behaviour is not based on binding with the weakest ones, but aligning with the threatening state, to avoid an actual attack on itself or to share the spoils of victory (Walt, 1985: 8). Both strategies involve a clear-cut choice

in which states side with one power over another by adopting single-directional measures to counter the threat (Kuik, 2021: 302). However, the regional factors that shaped strategy choice in Southeast Asia were such that these two traditional security concepts are insufficient to understand how they respond to the US-China rivalry. Therefore, the regional institution and its multilateral mechanisms have provided an avenue to hedge against multiple risks associated with the strategic competition and wider uncertainties (Kuik, 2022a).

Hedging is a concept that lacks a precise definition, and it is used by different authors in various ways (Nedić, 2022). Goh (2005) defines hedging as “a set of strategies aimed at avoiding -or planning for contingencies in- a situation in which states cannot decide upon more straightforward alternatives (...) Instead, they cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another” (Goh, 2005: 2). Jackson (2014) also affirms that when the required information and assurance for a firm alignment with one power over another are lacking, hedging is the most viable and attractive option for a state to increase its own security, while avoiding potential abandonment or capitulation in the face of a formidable threat (Jackson, 2014: 339). However, as the hedging strategy is not performed by an individual state, but conducted by a regional institution, the concept of “institutional hedging” is necessarily worth developing.

As the US-China situation rises as more unclear, regional multilateralism in Asia is becoming a significant aspect of the international relations in the region. Some scholars as He and Feng (2023) argue that ideas, rules and norms of international institutions can facilitate the efforts of secondary states to constrain and even shape great power’s behaviours. In the case of ASEAN, Oba (2019) states that in order to tackle the uncertainties, the institution has developed several regional frameworks within an ASEAN-led architecture that indicate it is adopting the “institutional hedging strategy” to ensure that its interests are met and the regional order is sufficiently conducive to reaching its political and economic aims (Oba, 2019).

Kuik (2022) introduces the term “institutional hedging” as a strategy that aims to mitigate and offset risks which might include a wide range of diffused dangers, potential harms, and probable losses; rather than tackling a direct threat. The core organizing principles are impartiality, by insisting on not taking sides; and inclusivity, which remarks on engaging all key players (Kuik, 2022: 365). Completely aligning with one single power against another expose smaller states to the risks of entrapment, abandonment, polarization and marginalization (Kuik, 2022). Unlike a sovereign state, a regional organization predominantly hedges through institutional means, organizational arrangements, or concerted actions for pursuing group ends. The author also highlights that ASEAN’s group hedging is a converged but not necessarily coordinated act, as it is composed by diverse sovereign states with distinct identities and differing threat perceptions. Nevertheless, the states are bonded by shared vulnerabilities, collective memories and disadvantaged positions; which are channelled through impartial and inclusive multilateral platforms to hedge and develop robust relationships to the greatest extent possible with both contending powers (Kuik, 2022: 355-357).

4. METHODOLOGY

This research follows an explanatory sequential design that leads to the use of a case study (Yin, 2009). It counts with the assessment of several scholars’ literature analysing the present situation, as well as the use of qualitative data from several sources.

The dissertation examines a contemporary phenomenon focused on the response of a regional Southeastern Asian institution towards the US-China trade competition; through the lens of the institutional hedging strategy. In fact, the goal is to answer the overarching research question: *How does the Association of Southeastern Asian Nations (ASEAN) responds to the US-China competition in its trade dimension?* Therefore, the agreements made by ASEAN with both competing powers are analysed as the one case study: the Regional Comprehensive Economic Partnership (RCEP) with China, and the Indo-Pacific Economic Framework (IPEF) with the US. The choice of the region as an object of study is due to the growing strategic position of Southeast Asia within the major powers’ game. Especially

because of the last decade, US-China relations have been the main axis of competition, and the basic challenge for ASEAN has been to decode how to position itself while the US and China grope towards a new “modus vivendi” (Kausikan, 2019).

Being the Trade War issued by the Trump administration one of the most obvious manifestations of the commercial rivalry, the central point of analysis is the respective consensuses made by the regional organization in the economic and trade dimension. As previously mentioned, in this uncertain situation, ASEAN has avoided to make alignments with one specific power. This is why, it is interesting to have these two agreements as case studies, as they are the empirical proof of how the institution is developing its hedging strategy. In this way, ASEAN has initiated economic negotiations with both competitors through ASEAN-led mechanisms, in order to assure a fallback position and avoid the potential risks issued from the rivalry, while maintaining its autonomy in the region. On whole, the examination of these arrangements allows to have a more accurate perspective on the behaviour adopted by ASEAN, looking forward to approach the author’s hypotheses about the strategy used by the organization to project impartiality, given the rapidly escalation context of strategic competition between the two rivals.

The research will use a qualitative approach, using the case study as the main driver, and the documentary analysis is based on a variety of evidence. Written primary sources such as government official statements and speech records from both US and China governments, as well as the ones made by ASEAN-led mechanisms. The secondary sources will include books, policy papers, national and international press articles, journals and magazines articles, and official reports.

5. ANALYSIS

This section seeks to analyse the factors that contribute to the development of the research question about the strategy adopted by ASEAN towards the trade rivalry between the US and China. It is divided by the explanation of the Trade War as the culmination point, and the exemplification of the hedging attitude of ASEAN through the adoption of economic agreements with both competitors.

5.1. THE TRADE DIMENSION OF US-CHINA COMPETITION

Globally, China's rising influence capacity has intervened by posing real challenges to the long-standing US position of regional pre-eminence (Meisel et al., 2021). In economic terms, China is seeking for dominance in a range of key industries, and it is simultaneously boosting investment and trade through foreign aid programs and initiatives like the Belt and Road Initiative (BRI) and the Asian Infrastructure and Investment Bank (AIIB). The goal is to establish independent economic and technological relations with countries to situate China as their dominant partner, in order to have opportunities to undermine US alliances and compel states to realign with China (Tunsjø, 2020).

In the context of a rising China, former President Donald Trump (2017-2021) launched a Trade War with the world, involving multiple battles with China, each of them driven by a particular US legal rationale, such as calling foreign imports a national security threat (Bown & Kolb, 2023); or directly pointing China as a "competitor that steals US intellectual property valued at hundreds of billions of dollars every year" (The White House, 2017: 21). Firstly, the former president's administration threatened with the withdrawing from bilateral and regional free trade agreements, to compel other states to renegotiate those consensuses and make one-sided concessions to the US. In plus, it jeopardized the existence of the World Trade Organization (WTO), leaving it without members to adjudicate disputes and making it possible for states to block the adoption of the organization's panel rulings (Hopewell, 2022; Shaffer, 2021). The US bypassed WTO dispute settlement provisions to launch a "tariff war" against China: the initial tariff list was up to 25% on 545 Chinese products in June 2018 (Wong & Chipman, 2020).

Understood in the US-China strategic competition context, the US President signed a memorandum which included acts like filing WTO cases against China for their discriminatory licensing practices and the "theft of American technology and intellectual property"; in order to undermine China's presence in the trade organization. Actually, the US Trade Representative (USTR) Robert Lighthizer openly criticized the WTO stating that "the WTO is completely inadequate to stop China's harmful technology practices (...). Although the panel did not dispute the

extensive evidence submitted by the US of intellectual property theft by China, its decision shows that the WTO provides no remedy for such misconduct”. A part from the continuous accusations, the USTR also stated that “the United States must be allowed to defend itself against unfair trade practices, and the Trump Administration will not let China use the WTO to take advantages of American workers” (US Trade Representative, 2020).

On the other hand, China has also implemented rounds of tariffs on US products and filed WTO complaints against it. Nevertheless, its spokespersons of the Commerce Ministry have always made clear the country’s position on the relevant trade issue. They claim that “the US side is calling white, black, and making groundless accusations against China in order to get away with its unilateral and protectionist behaviours. Acting in a wayward way, the US side chose to abandon its previous consensus with China and reignite the trade war (...)”. Neglecting the accusations from the US, China remains steady by stating that “Though a trade war is not something we want, we are definitely not afraid of one. We will continue to take effective measures to firmly safeguard the interests of our nation and our people (...)”, “Our advice for the US is that it should come back to its senses and stop saying or doing anything that benefits none” (Office of the Commissioner of the Ministry of Foreign Affairs of the People’s Republic of China, 2018).

On whole, the Trade War’s aim was to pressure Beijing into changing what Washington views as unfair Chinese trade practices (Murphy, 2023), but this also compelled Beijing to attach greater urgency to ending China’s dependence on US supplier for its economic and technological advancement. Although both countries have divergent perspectives on who made the first move, the US-China rivalry is likely to undermine economic interdependence, while forcing China and the US towards a zero-sum understanding of trade (Tunsjø, 2020).

Trade and tariff wars exemplify how dependence can be used to exercise influence, and this is the case of China managing to achieve dependency from countries in Southeast Asia. This fact has not prevented them from pushing back

vigorously against Chinese coercion (Roy, 2020), and has allowed China to retain its position as ASEAN's largest trading partner since 2009 (ASEAN Secretariat, n.d.). On the other hand, the US has also endured a strong economic partnership with ASEAN, becoming the second largest one (ASEAN Secretariat, n.d. a). As a consequence, and due to Southeast Asia's reliance on trade and sensitivity to economic shocks in the region, the US-China economic competition has injected uncertainty into the market that is detrimental to regional countries that do want a stable economic environment.

It is true that the standoff between Beijing and Washington has presented opportunities to ASEAN such as acting as new hosts to companies seeking to relocate their manufacturing operations away from China or benefitting from clear strategic shifts and redirected fluxes of trade and foreign direct investment (FDI) (Blackwell et al., 2020). However, the uncertainty grows in terms of international trade flows, and it has also exposed structural weaknesses. Therefore, for ASEAN members states decoupling is not an option, as a full economic unlinking between the Chinese economy and the West could result in trade diversion, higher production costs and reduced welfare over the long term (Yan Ing, 2023). Economically dependent on both the US and China, Southeast Asian countries do not want to choose between them, so ASEAN needs to move decisively to hedge against long-term uncertainties, while being in a position in which it may find itself pressured to make stark choices in order to take advantage of available opportunities (Kausikan, 2018).

5.2. ASEAN's INSTITUTIONAL HEDGING

In a pre-emptive move to counter potential US or Chinese trade retaliation, the ASEAN countries have been seeking to improve their trade infrastructure and manufacturing capacity, while also strengthening regional cooperation (Blackwell et al., 2020). Aware of both the regional deficiencies and the great economic potential ahead, ASEAN countries have agreed to continue maintaining trade relations with both countries, in order to endure its centrality in the region, while navigating through great power competition.

5.2.1. The Regional Comprehensive Economic Partnership (RCEP)

Given Southeast Asia's overall reliance on trade, most ASEAN member states welcome free trade agreements (FTA). Therefore, the Agreement on Trade in Goods of the China-ASEAN FTA entered into force in July 2005. Two years later, the two parties signed on Trade in Services, and in August 2009, the Agreement on Investment. The establishment of China-ASEAN FTA sought to enhance the close economic and trade relations between the two blocks, and to contribute to the economic development of Asia and the world at large (Ministry of Commerce of People's Republic of China, n.d.).

The parties have a long record of negotiation rounds, as well as different upgrades in their trade agreements. In November 2012, the Regional Comprehensive Economic Partnership (RCEP) negotiations were initiated by the 10 ASEAN member states, alongside six ASEAN FTA partners, these being Australia, People's Republic of China, India -withdrawn from the discussions in 2019-, Japan, Republic of Korea and New Zealand. The objective of launching RCEP negotiations was to achieve a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement, which covered trade in goods and services, investment, economic and technical cooperation, intellectual property, competition and dispute settlement, among other issues (ASEAN Secretariat, 2016). The RCEP was finally signed on November 2020, and entered into force on the 1st January 2022 for ten original parties, with the last being Philippines on June 2023, and constituting the world's largest free trade agreement by members' GDP (Department of Foreign Affairs and trade of the Australian Government), and the zone with the greatest economic scale and biggest development potential.

This consensus has strengthened the ASEAN-China bilateral trade relations, as it "serves as a fertile ground for trade and investment expansion" between the two parties (Sarimento, 2023). Both countries agree with this pact laying a "new milestone for the development of the bilateral relationship" and to "work together for its effective implementation, to deliver benefits to business and people in the region (...)" to "further reinforce the level of complementary advantages (...)" and bring tangible benefits to both" (Zhiqiang, 2022).

As the Ambassador Han Zhiqiang stated, “multilateralism and economic globalization have encountered *headwinds*. as the *withdrawals* of the United States have led to a myriad of chaos in international relations (...)”. Through the implementation of this mutually beneficial agreement, China and countries of the region “demonstrate to the world the right and just path of multilateralism and free trade, and inject a *booster* into the very uncertain global economy” (Zhiqiang, 2022). For their part, Dato Lim Jock Hoi, Secretary General of ASEAN (2018-2022), remarked the contribution of the agreement to the association on November 15, 2020 in Jakarta by stating that “the signing of the RCEP Agreement is a historic event as it underpins ASEAN’s role in leading a multilateral trade agreement of this magnitude, despite global and regional challenges and eight years of negotiations” (Lim Jock Hoi, 2020). Although the RCEP is critical for global trade and regionalism given the current context of global uncertainty from the US-China trade war, it also contributes significantly to East Asia mitigating its negative effects (Petri and Plummer, 2020), as it creates a positive impact on output in the region through market access, greater flexibility and better technology adoption in the zone (Kimura et al., 2022). As a consequence, although China-related issues are one of the most pressing challenges in the eyes of Southeastern countries; maintaining its economic relations with the country is part of their “riskification” process, as they prioritize undergoing some risks by downplaying others issued from the US-China competition in order to continue benefitting (Kuik, 2022b).

5.2.2. The Indo-Pacific Economic Framework (IPEF)

In contrast, as the second largest ASEAN’s trading partner, its economic cooperation with the US is stipulated under the Trade and Investment Framework Arrangement (TIFA) and the Expanded Economic Engagement (E3); signed on 25 August 2006 and 19 November 2012, respectively. Under these two initiatives, both parties have strengthened cooperation in a broad range of areas, including but not limited to digital trade, trade facilitation, environment, development and harmonisation of standards (ASEAN Secretariat, n.d. a). It was under the Obama Administration (2009-2017) when the Trans-Pacific Partnership (TPP) was initiated as a central piece of the “Pivot to Asia”, which was the strategic US shift towards the Asia-Pacific region. However, with the arrival of D. Trump, the hopes of

ASEAN to diversify economic relations through increased trade with the US failed, as the administration withdrew from the agreement in January 2017 (Maduz and Stocker, 2021), and the trade conflict started by Trump quickly evolved into a multidimensional strategic rivalry between the US and China.

Nonetheless, following the upgrade of the ASEAN-China relationship, the institution announced the establishment of an embryonic cooperation framework with the US under Biden's administration, launched in Tokyo on May 23, 2022 and under open negotiations still in 2024. Known as the Indo-Pacific Economic Framework (IPEF), it excludes three ASEAN members -Cambodia, Laos and Myanmar- and it means the re-engagement strategy of the US in the region through the economy; by seeking to advance in resilience, sustainability, inclusiveness, economic growth, fairness and competitiveness for the 14 IPEF economies. It looks forward to fuel economic activity and investment and benefit workers and consumers across the region by engaging intensive discussions to scope out each of the four pillars of the framework: trade, supply chains and clean and fair economy (US Department of Commerce, n.d.).

The lack of unanimity among the institution's members and the importance of this new US movement, makes much less clear if it is a complete strategy or an adequate policy package to counter China's gains in the economic sphere in Asia (Saha, 2022). The true intentions of the US in the region were questioned, as some might see it as a tactic to construct a security network of alliance and partnership, in order to exclusively target China and therefore, as an additional contribution to the China-US competition (Zhang, 2023). As opposed to that argument, the White House affirmed that although China's "coercion spans the globe (...)" "Our objective is not to change the Peoples Republic of China, but to shape the strategic environment in which it operates (...)" "the United States is committed to an Indo-Pacific that is free and open, connected, prosperous, secure, and resilient" (The White House, 2022). Regardless the controversy, the ASEAN has continued with the negotiations, already planning a Plan of Action (POA) to implement the ASEAN-United States Strategic Partnership for the upcoming period of 2021-2025 (ASEAN, 2023).

During IPEF negotiations, the institution -and more relevantly Indonesia- proposed the ASEAN Outlook on the Indo-Pacific (AOIP), which embraces the ASEAN centrality principle, and “it is intended to enhance ASEAN’S Community building process and to strengthen and give momentum for existing ASEAN-led mechanisms to better face challenges and seize opportunities arising from the current and future regional and global environments” (ASEAN, 2020). Through this political instrument, the IPEF should persuade the three remaining ASEAN member countries to join, as well as being consistent with the institutions’ role in shaping regional architectures in Southeast Asia.

Both great powers have acknowledged this document, and their respective economic agreements must be commensurate with it. On one side, China stated on Mutually Beneficial Cooperation on the AOIP, and supported “ASEAN’s effort on mainstreaming the AOIP and reinforcing ASEAN-led mechanisms in building mutual trust and confidence (...)”, “with ASEAN at the centre with a common view of contributing to peace, stability, and prosperity in the region” (ASEAN, 2023a). Alternatively, US leaders also stated on Cooperation on the AOIP by affirming “our support for the objectives and principles of the AOIP, which provides a guide for ASEAN’s engagement in the wider Asia-Pacific and the Indian Ocean regions and a conceptual basis for growing cooperation between ASEAN and the United States”. ASEAN emphasized “that it is in the interest of ASEAN, with the support of external partners including the United States, to remain at the centre of the regional architecture and shape its dynamics to bring about peace and security for the peoples (...)” (ASEAN, 2023b). The fact that the two opposing competitors have accepted this document reaffirms ASEAN’s centrality in the region, while dealing with systemic uncertainties culminated by the US-China rivalry. In this way, it exemplifies the decision by ASEAN to adopt prudent contradictions to cultivate fallback positions, thereby reducing exposure to undesired eventualities in order to preserve strategic autonomy and maintain its political manoeuvrability (Kuik, 2022b).

On the whole, the AOIP is an effective instrument that promotes ASEAN’s role in preserving regional stability, while contributing to their supreme goal of achieving progress and prosperity of the Indo-Pacific region. In fact, “in light of

numerous new challenges such as the economic decoupling between the US and China across various sectors (...)", "the AOIP becomes even more relevant". Actually, in the 43rd ASEAN Summit in Jakarta on September 4, 2023, the institution recognized and "expressed concern over the intensifying geopolitical tensions in the region". However, supporting their assurance-seeking impartiality on the issue, the association members "were determined to further promote the AOIP in our interactions with partners (...), and welcomed the advancement of cooperation between the AOIP and the respective initiatives of Dialogue Partners on the Indo-Pacific (...)", by looking "forward to the adoption of similar Joint Statements with the United States, the Republic of Korea, and China" (ASEAN, 2023c). Once more, the Director of External Cooperation of ASEAN at the Ministry of Foreign Affairs demonstrated active non-partisanship by stating that "ASEAN embraces major countries to cooperate in the Indo-Pacific region through the core principles of AOIP (...)", and that "these principles serve as a guide for ASEAN to address various challenges, while also demonstrating that ASEAN does not favour any major power in its efforts to maintain peace in the Indo-Pacific region" (ASEAN, 2023d).

The willing to stay neutral has gone beyond the AOIP and has been manifested through exclusive declarations on the US-China geopolitical context. For example, in the Chairman's Statement on the ASEAN Leader's Meeting on the 24th April 2021, the institution declared that "we underscored the importance of further strengthening ASEAN centrality and unity in our engagement with ASEAN's external partners through ASEAN-led mechanisms (...)". "In this regard, we instructed the ASEAN Foreign Ministers to hold their meetings with the People's Republic of China and the United States as soon as possible (...)" (ASEAN Secretariat, 2021).

Overall, the AOIP alongside other initiatives with both competitors were hoped to play the role of a "bridge builder" and foster dialogue that could accommodate all actors in the region (Darmawan, 2022), thereby ensuring ASEAN centrality and arbitration amid the great power competition through its impartial and neutral behaviour.

6. FINAL REMARKS

The goal of this dissertation was to analyse the response of the ASEAN towards the strategic competition between the US and China in its trade dimension. In order to do that, the work relies on a previously examined literature review to know the current status of the issue, including the contextualization of the competition as a “New Cold War”, with its climax in the Trade War initiated by the former US President Donald Trump; and the strategy adopted by the ASEAN to deal with this situation of competing interests. The latter is accurately understood within the theoretical framework of institutional hedging, as ASEAN’s behaviour does not aim to tackle direct threats, but future risks and uncertainties issued from the US-China rivalry. In doing so, the institution’s members have developed several ASEAN-led multilateral mechanisms which help them navigate securely within the great power competition.

In the interest of maintaining its regional centrality, the association makes the preventive choice of remaining neutral and impartial, while fighting against competing pressures from both great powers. By not making clear-cut decisions, ASEAN builds a fallback position and takes advantage of a broad range of potential opportunities and benefits, brought by the preservation of trade relations with both the US and China. In order to exemplify this position, the methodology used is the analysis of two economic agreements settled with the respective great powers: the Regional Comprehensive Economic Partnership (RCEP) with the Popular Republic of China, and the Indo-Pacific Economic Framework (IPEF) with the United States. Taken as cases of study, they seek to demonstrate the hedging attitude of the institution through both primary and secondary sources, the first being official statements, speeches and final reports written by all the involved actors; and the latter concerning books, policy papers and press articles.

The remarkable rise of China in the international scene has questioned US global supremacy in several power dimensions. Due to its geostrategic position, the Southeastern Asian region has been one important focal point to witness the rivalry, as both countries try to dominate key sectors and further influence the regional advancements. However, the competition might not be limited to a two-player game,

as the ASEAN acts as the main institution in the region, underpinning its centrality and serving as an example for other actors to follow in dealing with the great powers' participation in the zone.

Although the escalation has been noticed in all-encompassing scopes, the US and China trade competition has represented a turning point regarding the dynamics and changes of the global trade chains. Having acknowledged China as a strong economic challenger, the confrontation reached its peak when Donald Trump initiated a tariff war and imposed other restrictive measures to force China on what the US says are longstanding unfair trade practices and intellectual property theft. On their side, China responded the same way, accusing the Trump administration of engaging in a nationalist protectionism, and took punitive action. This mutual balancing between the two powers, has led to a situation of high uncertainty in the Southeastern Asian region, as both the US and China are ASEAN's greatest trading partners, and the association is sensitive towards the regional shifts concerning economic issues.

Since Southeast Asian countries prize their autonomy and fear being drawn into great power competition, they seek to maximize potential benefits, as well as protecting their interests individually as a region from risks and uncertainties. Due to the unpredictability of the international situation, ASEAN wants to enhance its influence by extending economic partnerships regardless geopolitical tensions and consolidate its central position to reinforce its strategic value, thus hedging against the pressure brought about by US-China competition. In order to exemplify this attitude, the analysis of this dissertation was focused on the examination of the ASEAN-China Regional Comprehensive Economic Partnership (RCEP) in 2020 and the US-ASEAN Indo-Pacific Economic Framework (IPEF) in 2022. The settlement of trade negotiations with both powers depicts ASEAN's determination to hedge to continue benefitting from both relations, and as a way to prevent encountering future risks and systemic distrusts that might jeopardize its role in the region.

In conclusion, ASEAN's institutional hedging reinforces the institution's position to pursue a dual-track strategy by maintaining trade closeness with both powers through the values of ambiguity and neutrality. In this way, ASEAN tends to prioritize immediate, concrete gains that are politically significant at the present moment, over potential external dangers in the unknown future. As it does not take risky decisions, the association acknowledges the needs to develop contingency measures by pursuing multiple partnerships on an inclusive and impartial manner, as it is the safest choice to assure a disengagement position and to not take "either-or" choices that compromise regional needs.

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