



FACULTY OF POLITICAL SCIENCE AND SOCIOLOGY

Bachelor's Degree Dissertation

Executive summary

Title: ASEAN's strategic response: Navigating US-China Competition through
Institutional Hedging

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Date: May, 2024

Bachelor: Degree in International Relations

In the recent decades, it has been globally witnessed an all-encompassing quest for the leadership between the United States and China. However, an important area of contention is in its economic and trade dimension, as Washington has acknowledged China as a peer competitor, and it is concerned about its increasing deepening in economic inroads internationally (Hussain, 2023). Being the largest economies in the world, they are engaged in a competition for primacy in both innovation and production capacity (Atkinson, 2022).

The main hotspot of the US-China competition is the Southeastern Asian region, where the geopolitical friction erupts in a more remarkably way due to its growing strategic importance. Nevertheless, the competition is not limited to a two-player game, as the Association of Southeast Asian Nations (ASEAN) has positioned itself as the central actor in shaping the regional order. It acts as a leader to other countries in the territory, and serves as a model to follow in terms of strategic adjustment to the game between China and the US (Zhang, 2023). Regarding the trade dimension, both powers have respectively made efforts to become closer to ASEAN, as they are the institution's largest trading partners and promote a policy of forging partnerships and mutual trust. In contrast, due to the increasing economic rivalry in the zone, the US and China are parallelly creating a compelling situation for ASEAN members to make "either-or" choices in relation to regional and international affairs. Having it all in mind, 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?*

Previous academic work about US-China competition such as Schindler and DiCarlo's (2023) states that both countries are involved in a "network-based competition" as the two currently fight on a global scale for centrality in four interrelated networks that they anticipate will underpin hegemony in the 21st century (Schindler and DiCarlo, 2023: 2, 4). In this specific work, the Trade War issued by the former US President D. Trump is analysed to exemplify the use of trade networks as an instrument of counterbalance. This led to an escalation of accusations between Washington and Beijing concerning China's responsibility on unfair trade practices and US' implementation of tariffs towards Chinese products. In this context, the economic competition between ASEAN's greatest trading partners has injected uncertainty in the region, making unfeasible for the institution to fully decouple, as the unlinking from the Chinese economy and the West could eventually harm the development of the region in many economic aspects (Yan Ing, 2023).

Aware of the regional deficiencies and the great economic potential ahead, the ASEAN maintains trade relations with both powers to fight against long-term uncertainties, while being in a lock-in position that requires making stark choices to continue benefitting from available opportunities. This attitude is reflected in the theoretical framework of the dissertation, as the association moves decisively to institutionally hedge to avoid the potential risks issued from the US-China trade competition. According to Kuik (2022) “institutional hedging” aims to mitigate and offset dangers or potential harms; rather than tackling a direct threat. It is implemented through institutional means and the core organizing principles are impartiality, by insisting not taking sides; and inclusivity, which remarks on engaging all key players (Kuik, 2022: 365).

As an exemplification of this neutrality, the ASEAN has initiated negotiations with both contending powers that resulted in two economic agreements: the Regional Comprehensive Economic Partnership (RCEP) with the Popular Republic of China, and the Indo-Pacific Economic Framework (IPEF) with the US. Therefore, the methodology used is the analysis of these two consensuses as a case of study to demonstrate the empirical implementation of the institutional hedging by the ASEAN. In plus, the investigation relies on primary sources such as government official statements, declarations and speeches to have a first-hand glance and secondary sources being books, policy papers, press articles and official reports, to acutely comprehend better the key details on the topic.

The analytical guides and the conclusion point out that the ASEAN has settled the RCEP and the IPEF in order to maintain its regional centrality, while making the preventive choice of remaining neutral and impartial towards the competing pressures. By not making clear-cut decisions and through the values of ambiguity and neutrality, ASEAN builds a fallback position to take advantage of a range of potential opportunities. In this way, ASEAN’s institutional hedging reinforces the association’s position to pursue a dual-track strategy by maintaining trade relations with both the US and China. Doing so, it prevents encountering future risks and systemic distrusts that might jeopardize its role in the region and assures a disengagement position based on not taking sharp choices that compromise regional needs.

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