EXECUTIVE SUMMARY

China’s rise over the past decade has represented both a rapid shift in the regional balance of power and a direct assault on the legitimacy of the U.S.-led liberal international order. China is not only introducing ambitious multilateral economic initiatives like the Belt and Road Initiative (BRI), but is also expanding its military muscle through land reclamation and weaponization of artificial islands in the South China Sea. This is nothing short of an insidious assault on the foundations of the post-war liberal international order in East Asia, likely part of a grand strategy of creating a parallel Sino-centric order in Beijing’s immediate neighborhood. So how should we respond?

Given China’s centrality to the global economy and indispensability to the vitality of regional trade and investment flows — not to mention its entwinement with a thick network of regional cooperative mechanisms — Cold War-style “containment” is not an option, both normatively as well as materially. Instead, likeminded regional and international powers should opt for a strategy of “constrainment,” namely the calibrated and decisive deployment of a combination of diplomatic, economic, and military tools to check Beijing’s worst instincts, encourage its best intentions, and incentivize responsible leadership in the international system. China is neither inherently a disruptive power, nor is naturally inclined to work within the parameters of the liberal international order. Thus, an optimal response is a so-called Goldilocks approach of not-too-hot deterrence (against disruptive behavior) as well as not-too-cold encouragement (of good behavior) by the international community. Like any major reflexive power, China’s international behavior is a dialectical outcome of its interface with the rest of the world, especially other major powers and key regional neighbors.

So what to make of the Trump administration’s strategy, so far? In many ways, Washington’s Free and Open Indo-Pacific (FOIP) strategy — as a combination of diplomatic pressure, economic cooperation, and deepening military countermeasures vis-à-vis China — carried out in tandem with likeminded powers that are likewise perturbed by Beijing’s challenge to the existing order, is an exercise in constrainment. But there is huge room for improvement. The Indo-Pacific and FOIP discourse is often viewed skeptically in Southeast Asia as a thinly-veiled containment strategy against China by Washington and the other members of the so-called “Quad” (Australia Japan, India, and the U.S.). The Association of Southeast Asian Nations (ASEAN), as an organization, and the vast majority of Southeast Asian states categorically reject any narrow definition of China as a hegemonic threat that has to be contained by a counter-coalition of powers. Instead, almost all neighboring countries see Beijing as an “indispensable stakeholder” that should be engaged on an institutionalized, if not conciliatory, basis through ASEAN and other multilateral mechanisms. In this evolving regional context, the ASEAN
INTRODUCTION: A CHINESE WORLD ORDER?

In his 2014 book “World Order,” Henry Kissinger warns that an existing order — a set of commonly accepted rules, both formal and codified, which undergird inter-state relations — atrophies when there is “either a re-definition of legitimacy or a significant shift in the balance of power.”¹ In the past decade, China’s rise and its attendant foreign policy assertiveness have represented both a rapid shift in the balance of power and a direct assault on the legitimacy of the U.S.-led liberal international order in the Indo-Pacific mega-region.² And this should come as no surprise.

Reflecting on the future of the region’s security architecture, the late Singaporean Prime Minister Lee Kuan Yew cautioned: “The size of China’s displacement of the world balance is such that the world must find a new balance. It is not possible to pretend that this is just another big player. This is the biggest player in the history of the world.”³ Beyond just a tactical “balance-of-power” readjustment, Lee warned, China’s re-emergence as a great power portends a systemic shock to the post-World War II international system.⁴

More subtly, China has tried to challenge the existing order through the introduction of ambitious multilateral economic initiatives, first the Asian Infrastructure Investment Bank (AIIB) and, more notably later, the Belt and Road Initiative (BRI). On the most fundamental level, these initiatives seek to reorient both the hard and soft infrastructure of the Eurasian landmass and rimlands with Chinese characteristics, as more nations not only welcome large-scale Chinese loans and infrastructure investments, but also adopt Chinese technono-industrial standards and modes of governance. Without a doubt, bureaucratic politics, corporate and local government lobbying,⁵ and domestic developmental imperatives (especially the desperate drive to uplift conditions in China’s landlocked and ethnically-mixed regions) are some of the endogenous drivers behind the BRI.⁶ But as the veteran European diplomat Bruno Maçães pithily put it, the BRI and related projects are about creating a new Chinese-dominated order, first regionally but ultimately globally.⁷ (Although, some studies show that Beijing is so far primarily interested in consolidating existing trade linkages, rather than superimposing its vision onto the global geopolitical canvas.⁸)

No wonder then, that China’s challenge to the existing order is far from confined to the realm of investments and trade. Relishing its expanding military muscle, China has upped the ante in the past decade. Over a span of only 18 months between 2013 and 2015, China reclaimed — on an unprecedented scale and through once-unimaginable geo-engineering — as much as 1,170 hectares (2,900 acres) across the disputed Spratly Islands. These are among the biggest artificial islands in the middle of high seas, with a sprawling network of advanced military and civilian facilities in the heart of one of the world’s most important sea lines of communication. In recent years, China has effectively built the foundation of an air defense identification zone in a strategic chokepoint, as it boasts multiple artificial islands —
namely the Fiery Cross, Mischief, and Subi reefs — that host advanced military assets as well as three-kilometer-long airstrips capable of accommodating large military aircraft. This allows Beijing to project power from disputed land features at the peril of smaller claimant states and, arguably, freedom of (military) navigation and overflight in the area.\(^9\)

More troublingly, China has rapidly “weaponized” its artificial islands through the deployment of advanced assets, including HQ-9B surface-to-air-missiles, YJ-12B anti-cruise ballistic missiles, and electronic jamming equipment to the Spratlys, while conducting increasingly regular large-scale military exercises across the South China Sea.\(^10\) And more recently, we have witnessed what can be termed China’s “militia-ization”\(^11\) of disputes — deploying an ever-larger number of para-military forces to swarm and intimidate smaller claimant states at sea. In the first few months of 2019 alone, Beijing deployed an armada of up to 275 individual Chinese vessels over a span of three months, which laid siege on the Philippine-occupied Thitu Island in the Spratlys.\(^12\)

This represents a new and dangerous phase in China’s maritime policy in the South China Sea, as rivals scramble to construct an appropriate response without provoking unnecessary escalation. The militia forces, however, continue to represent the tip of the dagger of China’s modernizing conventional forces. In short, we are seeing a new China, which is no longer bound by Deng Xiaoping’s dictum of strategic temperance, namely to “hide our capabilities and bide our time, [and] never try to take the lead.” Instead, China is driven by a new level of assertiveness embodied by Xi Jinping’s bid for a “Chinese Dream” of “great [national] rejuvenation” — namely, Chinese strategic primacy in the 21st century.\(^13\)

**CONSTRAINTMENT, NOT CONTAINMENT**

None of China’s remarkable achievements, however, necessarily portend Chinese world domination, not even hegemony in Asia.\(^14\) To begin with, China suffers from acute structural vulnerabilities, including an impending demographic winter\(^15\) (i.e. that the aging population will surpass the working population within this decade) and excessively leveraged financial sector, which foretell an almost inevitable economic slowdown,\(^16\) if not worse, in the short to medium term.\(^17\) An examination of actual Chinese power — its net power of surplus resources,\(^18\) as opposed to gross resources for force projection during war — reveal a significant, if not widening, gap with more developed rivals such as the United States, which still boasts the largest pool of cutting-edge industries, Nobel laureates, high-quality human capital, and strategic natural resources.\(^19\)

As structural realities catch up with China’s maturing economy, and the specter of a “middle-income trap” haunts the once-booming nation, calls for foreign policy moderation, reduced defense spending, and reconfiguration of the BRI and other ambitious overseas projects are bound to intensify. Xi would reserve the potentially disastrous rally ‘round the flag option were the domestic situation to sink to a state of political desperation, calling for unity by engaging in jingoistic and ethnocentric nationalistic discourse, as we have seen during Hong Kong protests and more recently amid the pandemic.\(^20\) More crucially, China’s geopolitical assertiveness has provoked backlash across the Indo-Pacific, most prominently in the U.S., where there is an emerging bipartisan consensus on the need to craft a robust corresponding strategy. In a sign of the changing times, even former Treasury secretary and Goldman Sachs executive Henry Paulson, a former economic advisor to China and a long-time advocate for “constructive cooperation” with Beijing,\(^21\) has warned of an “economic iron curtain.”\(^22\) Similar anxieties have influenced threat perceptions vis-à-vis China among other major players,\(^23\) including Japan, India, and the European Union, which have stepped up their military presence and strategic countermeasures in the Asia-Pacific region.\(^24\)

At the same time, the fundamental geopolitical reality is that China is simply too big to be
“contained” in the George Kennan-like Cold War fashion of the 20th century. And unlike the Soviet Union, China is deeply embedded in and pivotal to the global economy. Instead, a more feasible alternative is what political scientist Gerald Segal termed as “constrainment” strategy, which “is intended to tell [China] that the outside world has interests that will be defended by means of incentives for good behavior, deterrence of bad behavior, and punishment when deterrence fails.” This approach, as Segal argues, will work if the U.S. and its partners “act in a concerted fashion both to punish and to reward China.” In many ways, the U.S. push for a rules-based Free and Open Indo-Pacific (FOIP) resembles a constrainment strategy against China. It draws on a combination of diplomatic pressure, economic cooperation, and deepening military countermeasures in tandem with likeminded powers, which have been perturbed by a revisionist China’s frontal challenge to the existing order.

THE SPECTER OF THE COLD WAR

In Southeast Asia, however, the whole Indo-Pacific and FOIP discourse is often seen, rather skeptically, as thinly-veiled containment strategy by the so-called “Quad” grouping of Australia, Japan, India, and the U.S. against a revanchist China. There is profound anxiety over broader implications for ASEAN and its “centrality” in shaping the regional security architecture. From a more skeptical standpoint, many in Southeast Asians even interpret the Indo-Pacific — and the corollary re-emergence of the Quad — as de facto marginalization of ASEAN, with big powers effectively stating: “Step aside little guys, let the big boys handle this China problem!” A fog of uncertainty is fueling suspicion and dismay. To begin with, there is general perplexity vis-à-vis the whole Indo-Pacific concept and, by extension, what the FOIP truly stands for. After all, as Southeast Asian expert Hoang Thi Ha notes: “There is no common understanding or authoritative definition of the term even among its proponents.” Beyond a conceptual vacuum, however, ASEAN is already profoundly worried by the prospect of an institutional vacuum, which would pave the way for naked great power rivalry. ASEAN’s fears of a return to Cold War, zero-sum geopolitics is far from baseless. The Trump administration’s National Security Strategy (NSS) suggests Washington’s full embrace of a great-powers-centered paradigm, where Beijing is a “revisionist” power that seeks to “challenge American power, influence, and interests” across the Indo-Pacific and beyond “to erode American security and prosperity.” In its National Defense Strategy (NDS), the Pentagon, in turn, accuses Beijing of “leveraging military modernization, influence operations, and predatory economics to coerce continues its neighboring countries to reorder the Indo-Pacific region to their advantage” and “continu[ing] to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the future” through the “displacement of the United States to achieve global preeminence in the future.”

ASEAN categorically rejects any narrow definition of China as a hegemonic threat that has to be contained.

Such official lexicon, highlighting the struggle for primacy between the U.S. and China, eerily echoes Cold War rhetoric and, by extension, revives dark memories of a brutal past in Southeast Asian collective consciousness. This is precisely why ASEAN constantly emphasizes its unwillingness to choose between competing sides. After all, its very post-Cold War raison d’être has been the prevention of a return to the old days of bipolar superpower competition.

In response to (real and perceived) threats to an ASEAN-anchored regional security architecture, Indonesia — the reticent natural leader in Southeast Asia and cradle of the “third way” Non-Aligned Movement (NAM) — has pushed for ASEAN’s own definition of the Indo-Pacific. The aim is for ASEAN to play a pivotal role in shaping the contours
of the emerging regional security architecture and its underlying values. In recent years, the Indonesian Foreign Minister Retno Marsudi has advocated for an alternative conception, which is “open, transparent and inclusive” and espouses “the habit of dialogue, promoting cooperation and friendship, and upholding international law.” This builds on the efforts of her dynamic predecessor, Marty Natalegawa, who devoted significant diplomatic capital to promoting ASEAN centrality in the past decade. Indonesia’s efforts reached an apotheosis in the ASEAN Summit in Bangkok in June 2019, when Southeast Asian nations adopted the ASEAN Outlook on the Indo-Pacific (AOIP).

The reality is that ASEAN’s refusal to choose on pivotal geopolitical issues represents a choice itself. From Jakarta’s (and ASEAN’s by extension) standpoint, China is not a monolithic “revisionist” power, but instead a core element of the emerging regional security architecture. For Southeast Asian countries, Beijing is an indispensable stakeholder, which has to be engaged on an institutionalized, if not conciliatory, basis—and perhaps even primarily through ASEAN mechanisms. ASEAN categorically rejects any narrow definition of China as a hegemonic threat that has to be contained by a counter-coalition of powers. In short, ASEAN primarily views China through the prism of money (engagement-economic axis) rather than missiles (threat-deterrence axis).

The AOIP calls for an ASEAN that will “continue to maintain its central role in the evolving regional architecture in Southeast Asia and its surrounding regions” and serve as an “an honest broker within the strategic environment of competing interests.” The AOIP underscores ASEAN’s commitment to an “open,” “transparent,” “inclusive,” “rules-based” order anchored by “respect for international law.” It reaffirms ASEAN’s long-held post-Cold War aspiration to “lead the shaping of their economic and security architecture and ensure that such dynamics will continue to bring about peace, security, stability and prosperity for the peoples in the Southeast Asia as well as in the wider Asia-Pacific and Indian Ocean regions or the Indo-Pacific.” And it underscores ASEAN’s pacifist values and emphasis on conflict-prevention and management through “avoiding the deepening of mistrust, miscalculation, and patterns of behavior based on a zero-sum game.”

But the AOIP appears at best defensive and, at worst, a desperate attempt at reasserting ASEAN centrality. Instead of just asserting centrality, and engaging in hermeneutic debates on its laudable geopolitical aspirations, ASEAN should achieve and earn a pivotal role in shaping the emerging 21st century order in the Indo-Pacific. The reality is that ASEAN’s refusal to choose on pivotal geopolitical issues represents a choice itself, potentially leading to its peripherality in regional affairs. And in many ways, ASEAN facilitates China’s revanchism by its stubborn neutrality. Not to mention that ASEAN has chosen sides on certain issues already, having criticized the U.S. and India, the other two major regional powers, on trade protectionism issues.

THE INEVITABLE CHOICE

The path forward should begin by first acknowledging and, accordingly, remediying ASEAN’s institutional decay. To be fair, ASEAN has had remarkable achievements, especially ending the dark days of Konfrontasi and intra-regional armed conflict as well as finalizing the ASEAN Free Trade Area ahead of schedule. It also boasts a myriad of assets, especially its convening power: namely, the establishment and preservation of multilateral mechanisms, which have mediated, with considerable success, broadly peaceful relations among great powers. The ASEAN Regional Forum (ARF) is among few multilateral platforms where all major Indo-Pacific powers and actors, including North Korea, can collectively negotiate the rules governing inter-state relations in the Indo-Pacific.
Yet, ASEAN is credibly suffering from what can be termed as a “middle institutionalization trap.” The very decisionmaking modalities and institutional arrangements that allowed ASEAN to integrate among the world’s most diverse nations are proving insufficient, if not counterproductive, vis-à-vis new geopolitical realities, namely the rise of China. In particular, ASEAN’s operational interpretation of consensus (Muafakat) as unanimity, especially in the realm of politico-security affairs, has proven to be a recipe for division, dissonance, and collective paralysis. In contrast, other regional organizations such as the European Union have operationalized the consensus principle through more optimal arrangements, including qualified majority voting. ASEAN’s unanimity-based decisionmaking process gives de facto veto power to each ASEAN member irrespective of the immense divergence in threat perceptions and degree of interest among Southeast Asian nations. This makes the regional body extremely vulnerable to sabotage, since an external power can simply lean on the “weak links” within the regional body to prevent a unified pushback.

If anything, this arrangement is even unfair to countries such as Cambodia, a member state heavily susceptible to Chinese pressure due to its reliance on Beijing’s economic assistance. This is precisely why Cambodian Prime Minister Hun Sen has repeatedly sought to either shun or block a robust ASEAN position on maritime disputes, where it has no direct national interest. As he complained amid ASEAN debates over the South China Sea arbitration case at The Hague against China: “It is very unjust for Cambodia, using Cambodia to counter China. They use us and curse us... this is not about laws, it is totally about politics.”

Key American allies, meanwhile, have proven equally unreliable. This is clearly the case in President Rodrigo Duterte’s dramatic reversal of longstanding Philippine strategic orientation by embracing a full-fledged China-leaning policy. Though bilateral defense ties with the U.S. have remained robust, Duterte has echoed Chinese talking points by insisting that the South China Sea disputes are “better left untouched” by external powers. Even to chagrin of his own people, he has gone so far as to effectively “set aside” the 2016 landmark arbitration award, which unambiguously nullified China’s expansive claims and aggressive behavior in adjacent waters.

Even more troublingly, the Duterte administration has welcomed joint development agreements with Beijing in contested waters. But this potentially violates both the Philippines’ own constitution as well as the 2016 arbitral ruling, legitimizing China’s expansive claims in the area. It also emboldens China’s controversial demand for exclusive sharing of resources within the South China Sea basin under an emerging Code of Conduct (COC) with ASEAN — a process currently overseen by the Philippines as the ASEAN-China country coordinator. The upshot of Duterte’s actions is the further weakening of ASEAN’s hand on arguably the most crucial flashpoint — the “Thucydides trap” — of our times. But not all is lost. In contrast to the Philippines and Cambodia, historically non-aligned Muslim nations of Malaysia and Indonesia have begun to step up their resistance to Chinese maritime intrusions like never before.

In December, Malaysia directly challenged China’s claims in the southern portions of the South China Sea but submitting its extended continental shelf at the United Nations. When Beijing furiously criticized the move, Malaysian Foreign Minister Saifuddin Abdullah immediately shot back by dismissing China’s expansive claims as “ridiculous.” He even warned of international “arbitration” to assert Malaysia’s maritime rights and claims against China, if necessary. Shortly after, Indonesia joined the fray by openly questioning China’s claims off the coast of the Natuna Islands, which overlap with the southern tip of the nine-dash line. In uncharacteristically strident language, the Indonesian Foreign Ministry accused China of “violation of [its] sovereignty” and, invoking the 2016 arbitral tribunal ruling, questioned the latter’s claims in the area as having “no legal basis” in the United Nations Convention on the Law of the Sea (UNCLOS).
In response to the intrusion of dozens of Chinese para-military and fishing vessels into Indonesia’s territorial sea, Jakarta has bolstered its military presence while President Joko Widodo made a high-profile visit to the Natuna Islands, where he warned China: “We have a district here, a regent, and a governor here. There are no more debates. De facto, de jure, Natuna is Indonesia.” Shortly before assuming the chairmanship of ASEAN this year, Vietnam threatened “arbitration and litigation measures” to constrain China’s aggressive behavior in adjacent waters. Emboldened by the Philippines’ successful precedence, Vietnamese academics have publicly supported compulsory arbitration as a potential countermeasure, especially in light of the months-long naval showdown over the Vanguard Bank last year.

The challenge for Vietnam, the current ASEAN chair, is to harmonize divergent positions within the region vis-à-vis the South China Sea disputes. While Malaysia and Indonesia have stepped up their efforts to resist Chinese intrusion into their waters, the Philippines’ strategic acquiescence remains to be a major obstacle to a unified and robust regional pushback against Beijing’s worst instincts. Fortunately, recent history shows that China responds to robust pressure, while the Philippines’ position is far from fixed. From its decision to forego veto powers within the Asian Infrastructure Investment Bank amid Western pushback to greater emphasis on debt sustainability and major concessions to Malaysia over “debt trap” concerns vis-à-vis the Belt and Road Initiative, Beijing has shown its willingness to recalibrate in face of concerted pushback. One reason China has refused to specify the precise coordinates of its nine-dash line claims is because it wants to maintain space for negotiations down the road. Absent a coordinated and coherent resistance among key regional states, China will likely continue its current course of transforming the regional maritime and geopolitical landscape in its own image.

RECOMMENDATIONS

Optimizing consensus-building: The way forward is for ASEAN to contemplate alternative and more optimal decisionmaking modalities, including the expanded adoption of the “ASEAN Minus X” formula, namely majority-based voting, which proved successful in trade negotiations. More ambitiously, ASEAN can examine the utility of the qualified majority voting modality, which incorporates differential (demographic, economic, geopolitical) weight of member states.

Embracing minilateralism: Crucially, ASEAN can more proactively adopt “minilateralism,” whereby core, likeminded Southeast Asian countries can adopt more expedient and robust responses to shared threats, including in cooperation with external powers. In recent years, we have seen “osmotic integration,” most notably in the case of the ASEAN Counter-Terrorism Convention, where minilateral arrangements were later adopted on the collective, multilateral level. Minilateral initiatives such as Indonesia President Joko Widodo’s call for joint patrols, Malaysian Prime Minister Mahathir Mohamad’s call for demilitarization in disputed waters, and the proposal for an intra-ASEAN COC, anchored by the UNCLOS, seem much more sensible and promising than the status quo.

Expanded partnerships: Perhaps, the time has also come for considering the impossible, namely negotiating associate membership for “far neighbors” such as Australia and New Zealand. ASEAN will either have to embrace creative solutions or risk fast fading into irrelevance amid festering Sino-American competition in the Indo-Pacific. Crucially, it is important for the Quad powers to continue and deepen their capacity-building initiatives in Southeast Asia, particularly maritime security capabilities of frontline states such as the Philippines, Vietnam, Malaysia, and Indonesia, which have been grappling and even resisting Chinese maritime aggression.
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