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To cite this article: Huong Le Thu (2018): China's dual strategy of coercion and inducement towards ASEAN, The Pacific Review, DOI: 10.1080/09512748.2017.1417325
To link to this article: https://doi.org/10.1080/09512748.2017.1417325

Published online: 15 Jan 2018.
China’s dual strategy of coercion and inducement towards ASEAN

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ABSTRACT
This article contributes to the discussion about China’s divisive influence on the Association of Southeast Asian Nations (ASEAN). It argues that recent China–ASEAN relations are based on Beijing’s successful implementation of a dual strategy of coercion and inducement. The effectiveness of this strategy is tested against the South China Sea disputes – the issue that lies in the core of regional security and a key platform of power display. The article outlines Beijing’s recent interaction with individual ASEAN member-states and its implications for the regional multilateral diplomacy. While by no means identical, Beijing’s dual strategy of coercion and inducement with individual ASEAN states have resulted in an effective abuse of the ASEAN consensus principle – a tactic often referred to as ‘divide and rule’. Consequently, the group’s internal discord has further eroded and affected the institutional confidence of ASEAN. This article draws attention to the psychological effect of coercion as a perception of punishment, and inducement as a perception of reward.

KEYWORDS ASEAN–China relations; coercive diplomacy; inducement; South China Sea; institutional confidence; intra-ASEAN relations; Southeast Asian politics

Introduction

While the Association of Southeast Asian Nations (ASEAN) has evoked both scepticism and confidence, until not too long ago, there seemed to be sufficient ground for both sentiments. In 2000, a rather optimistic observer wrote of ASEAN: ‘Cohesion, while regularly stained by bilateral differences, has not really been a problem as long as “like-minded” countries were involved’ (Kraft, 2000, p. 456). Indeed, ASEAN has struggled with the diversity that defines it, but largely managed to perpetuate a spirit of cooperation. In 2017, however, despite that grouping’s golden 50th anniversary, the word ‘cohesion’ strike one as ironic when describing current intra-ASEAN relations. Voices of scepticism have appeared even among those who advocated for an ASEAN-centric culture of international cooperation. ‘ASEAN centrality’ (e.g. Caballero-Anthony, 2014; Ho, 2016) – once a mantra in the 2000s – is fading away from the formal ASEAN language. Although conceptually vague, ‘centrality’ generally refers to ASEAN’s sense of confidence that it is at the centre of regional dynamics; or, using ASEAN language, it was in the ‘driver’s seat’ (Jones, 2010; Kausikan, 2016; Pitsuwan, 2011). ‘Centrality’ advocated
for ASEAN’s institutional confidence that regional architecture takes ASEAN as a core, both in terms of structure as well as norms. Recent developments in the region, however, have cast such doubts on ASEAN’s ability to play such a central role.

Faith in ASEAN’s regional role and relevance is diminishing for a number of reasons, including its inherent internal diversity. While intrinsic differences within the group, as well as their divergent visions about the Association remains a valid argument, they are a constant variable – they have been there and ASEAN proved ineffective in mediating those differences. On the other hand, external factors – primary China’s rise – are rapidly changing and affecting the development of ASEAN. This article contributes to the debate about the Association’s response to China’s growing power. China’s militarization in the region, particularly since 2012, have introduced increased volatility and shaken ASEAN’s confidence in multilateral and norms-based cooperation. In particular, Beijing’s explicit disapproval of multilateral dialogue in regards to the South China Sea (SCS) disputes has undermined the Association’s institutional confidence. Chinese political leaders regularly and openly express their preference of avoiding the SCS issues in the multilateral fora and instead cultivating bilateral dispute resolving mechanisms. Over the past five years, there has been a noticeable change in the ASEAN diplomatic behaviour towards increasingly towards accommodating Beijing’s preference. However, not only did this trend contributed to resolving the disputes, but it has further accentuated internal divide within ASEAN. Incoherent responses to the regional security matters have cost ASEAN its reputation and self-confidence and hence generated ASEAN’s crisis of relevance. This article argues that the causes for ASEAN’s fading regional credibility can be categorized in the following logics: (1) It is a result of China’s dual strategy of coercion and inducement; (2) ASEAN member-states varying responses have caused a deepening perception of an internally divided region due to states’ divergent calculations of threat-benefit balance – ASEAN members have dissimilar threat and benefit perception of China; and finally (3) Lack of solidarity further erodes intra-ASEAN trust and confidence in the regional body. As a result, Southeast Asian state’s bargaining power is minimized and hence causing them to be increasingly prone to Beijing’s coercion. Graph 1 illustrates the process:

Graph 1. Mechanism of China–ASEAN interaction.
China’s dual strategy of coercion (intimidation for undesirable behaviour or creating psychological imagination of such) and inducement (providing incentives for preferred behaviour or psychological imagination of such) has further accentuated the power gap and additionally undermined Southeast Asian states’ institutional confidence in the Association. ASEAN’s designed shallow institutionalism is, hence, easily exploited by China, including in the case of the SCS disputes. This article sees ASEAN’s relevance as subject to international dynamics as well as its own political commitment and confidence. As such, as one observer has incisively noted: ‘ASEAN [states are] not powerless, but the degree to which they exercise power is contingent on their perception of the dynamics, of great power relations’ (Tow, 2004, p. 454). This argument is pushed further here with the suggestion that the sense of intra-ASEAN confidence needs to be included in any analysis of China-ASEAN relations. After all, it was this confidence, derived from group-backing that allowed smaller, postcolonial, developing countries to initiate a regional body that at some point claimed centrality vis-à-vis many more powerful actors. In other words, ASEAN’s institutional confidence is also a subject conditioned by their relations with the great powers. The confidence in ASEAN-centric regional architecture has been seriously challenged by the Asian Financial Crisis 1997. But recent developments, including the ones related to the SCS, again question the political relevance of ASEAN.

It is argued here that ASEAN’s institutional retrogression is partially self-inflicted because of ASEAN elites’1 tend to too readily give-in to Beijing’s coercive and inducing practices. This inherently curtails institutional independence and weakens ASEAN as a regional actor. Across Southeast Asia, a major strategic consideration is how to maximize benefits emanating from China’s rise, but simultaneously minimize costs from related challenges. ‘Not having to choose’ between China’s interests and those of other great power rivals has become a mantra across governments in the region. However such conviction already testifies that the states already function in a strategic realm where avoiding (or postponing making) the choice affect their decisions. It is important to appreciate these circumstances of uncertainty which accentuates Southeast Asian states’ sense of vulnerability and hence elevates the need for alignment. Such conditions, in addition to Beijing’s preference for bilateralism, have created an increasingly unsupportive environment for ASEAN-style multilateralism, and hence disturbs its institutional confidence.

**Forms of coercion**

Coercion can be approached as a psychological phenomenon achieving desired goals on the part of the coercive party by leveraging that actor’s advantageous position over others. ‘It is the threat of damage, or of more damage to come, that can make someone yield of comply’ (Schelling, 1970, p. 3). Among the practices of coercion are: dissuasion (aimed at preventing an adversary from initiating a challenge); deterrence (raising the costs of military action to too high to pursue); compellence (persuading an adversary to desist from hostile action), and blackmail – arguably the strongest psychological aspect of coercion – the riskiest but also most effective (Crag & George, 1994, pp. 180–213). Coercion can have a form of physical intimidation, including a threat of use of force, and intermittent intimidation (e.g. repetitively practised on fishermen of claimant states).

It can also happen without a physical presence, once the psychological threat is successfully planted. For example, at ASEAN meetings, convene without China physically
present, yet the ASEAN leaders increasingly opt for avoiding collective decisions, or even statements about certain topics that are considered as inimical to Beijing’s interests. The most obvious case is the issue of the SCS – while still debated during the meetings it is given less attention and there is increasing reluctance to mention China in the context of disputes in the official communiques. In the 50th ASEAN Foreign Ministers Meeting in Manila, the Southeast Asian leaders resisted pointing out the militarization of Chinese built artificial islands, despite their impact to the regional tension (ASEAN, 2017). Such wariness is often present even when ASEAN leaders consider their bilateral relations with other states, especially when those partners are considered rivals or adversaries of China. And so, if e.g. Vietnam improves its relations with the United States it needs to take into consideration how that would be received in Beijing and put additional efforts in reassuring China.

Coercion can also take a form of more peaceful expressions – through inducements, which can also be withdrawn should the results be unsatisfactory to Beijing. Of particular interest here is informal – rather than formal, (e.g. sanctions) – forms of coercion, as they depict better the effects of psychological threats. Before going into cases of practiced coercion and inducement, it is important to set the context of the recent developments in Southeast Asia which in many ways facilitated the effectiveness of the dual strategy.

The region’s nervous predisposition

Geopolitical competition by great powers in Southeast Asia as reflected in the Vietnam War gave rise to ASEAN in 1967. The Association’s founding document – the Bangkok Declaration – explicitly stated that the new organization’s member-states were determined to remain free from conflict and great power domination (ASEAN, 1967). Nevertheless, great power politics has been a major part of historical evolution of this institution. A track record does not augur well for Southeast Asians when facing the consequential implications of China’s rise, and related to that – Beijing’s intensifying strategic rivalry with the United States. The reception of China’s rise has been ambivalent across the region and there has been ample literature studying region’s various forms of balancing (Roy, 2005), bandwagoning (Kang, 2003, Shambaugh, 2013) or hedging (e.g. Foot, 2006; Goh, 2006; Kuik, 2016; Medeiros, 2005) towards China. While analyses varied, one common conclusion was that China’s rise means shrinking room for manoeuvrability for the Southeast Asian neighbours and that the above mentioned options of alignments are increasingly imminent (e.g. Beeson, 2016; Ciorciari, 2010). Some scholars have challenged that perception by examining China’s power of exerting her influence upon smaller neighbours, and there are many examples of resistance. For example Goh (2014) found that there are limits to China’s influence and power over developing Asian countries in general and Southeast Asian states in particular. With only few cases proven effective, Goh remained unconvinced of China’s ability to make other actors act as if they would not otherwise. However, studies on influence have paid little attention to the psychological effect of the growing power gap between China and Southeast Asia. While this article agrees that enforcing power to achieve its goals can be in some cases both costly and potentially ineffective, it argues that power to change other actors’ behaviour is based on how effective China can exercise power projection simultaneously with coercion. Such success results in a lasting psychological effect,
that once internalized, the actors would act not as much according to what China demands, but more according to their belief what would be welcomed (and what not) in Beijing. That psychological effect can be attained through both coercion and inducement. There are conditions further that expedite the effect of such practices: external uncertainty and domestic instability.

External uncertainty embodies the growing perceptions of changing power relations whereby China is increasingly dominant in the region and the US’ hegemonic position is being challenged. Given such fluctuations, it is apparent that the ASEAN member states recognize that relations between the great powers are both of a competitive nature and intrinsically unstable. As China and the United States are in the process of re-negotiating their respective positionalities in the world order, weaker powers are simultaneously forced to constantly revise their strategies. Exemplifying the necessity to be flexible is has resulted from the US presidential elections in 2016. While many of the studies cited were written against the background of the Obama administration’s Rebalancing Policy – which already highlighted the uncertainty related to great power rivalry – the recent change in Washington with the election of President Trump has created even a stronger sense of uncertainty. The Trump administration’s polar-opposite approach to its predecessor on many issues, including America’s global role has already affected the regional perception of the US commitment to Asia (Liow, 2017) and a potential power vacuum. This further tilts the power balance towards China and undermines Southeast Asian confidence. In this context, ASEAN member-states certainly consider their national interests in their relations with China, assessing their perception of national interests as negotiated through the practices of coercion and inducement usefully broadens our frame of reference.

By weighing domestic considerations, one can engender a twofold definition: (1) ASEAN’s political culture; (2) ASEAN member-states’ political systems. ASEAN’s institutional design is based on a political culture of consensus in the decision-making process and on the non-legally binding nature of decisions. As mentioned earlier, ASEAN remains a collection of diverse countries with no collective foreign policy. Hence, when trying to understand the ASEAN member-states’ individual choices in responding to power shifts, domestic considerations are of key importance. For example, in regard to the second component of the domestic considerations definition, the period 2014–2016 saw a string of significant domestic developments across Southeast Asia that had an effect on their external politics. Thailand experienced a coup and is now ruled by a military junta, Indonesia and Myanmar, as well as Singapore, have held key elections. Vietnam saw a leadership change in early 2016, and later in the year President Rodrigo Duterte came to power in the Philippines, radically changing the context of that country’s politics. Malaysia also has had its share of political turmoil related to corruption (Singh & Cook, 2016). While leadership continuity in Vietnam and Singapore conditioned the consistency in their foreign policies, the neighbouring countries’ political changes have determined some policy shift towards China and the United States, most notably Thailand and the Philippines. Bangkok, Manila and also to some extent Kuala Lumpur have developed increasingly closer ties with Beijing, including many infrastructural projects and trade deals reported reaching over $100 billion (Denyer, 2016; SCMP, 2016). The change in domestic constellations are meaningful especially in the case of the Philippines that have so far taken a radical turn in the SCS policies that suits Beijing’s interests better (Blanchard, 2016; Cook, 2016).
Practices and effects of China’s coercion

One of the most effective tactics in China’s relations with ASEAN is dissuasion. An example is Beijing’s consistent efforts to prevent ASEAN states from discussing the SCS disputes in the multilateral arena. As a result, the SCS has become an uncomfortable issue to be discussed, even though it was ASEAN that initiated the issue during the 1990s. As the following section elaborates, the internal ASEAN members’ discord on how to address (or whether to raise) the SCS reflects their fragmented response to Beijing’s coercion.

Beijing has repeatedly and explicitly expressed at multilateral gatherings that addressing the SCS disputes in the multilateral forums where many Southeast Asian parties take part is ‘unfair’ to single out China. The preference of bilateral talks instead is reinforced also during one-to-one meetings. By making it clear to all parties involved what China considers desirable, and what it does not, reinforces the calculation among the Southeast Asian leaders whether a diplomatic discourse is worth risking Beijing’s anger. Typical offshoots include China ‘encouraging’ Southeast Asian claimants to territory it contests to refrain from escalating such disputes by avoiding even the term ‘South China Sea’ in official statements. Among the diplomatic and policy circles such perceived self-restraint is widespread. This is apparent beyond the SCS dispute, as Beijing also discourages its regional neighbours from referring to a ‘China threat’ in public discourse. As the result, although prevalent throughout Southeast Asia, the phrase was used very reluctantly in public settings for the fear of inviting unwanted reaction in Beijing. In the late 1990s, Beijing’s efforts focused on mitigating the popularization of ‘China threat’: ‘ASEAN avoided the implication of publicly articulating a perceived threat from China, much less attempting to form a collective security system on its own’ (Whitting, 1997, p. 318). This is not a new but it certainly has become a common practice.

A more explicit example, across Southeast Asia, there are reports of China’s blackmailing practices among the claimant states, particularly in the Philippines and Vietnam. The Filipino President Rodrigo Duterte was reported being threatened with war if Manila pursued compliance of the Permanent Court of Arbitration (PCA) ruling that favoured the Philippines claims over China’s (Bloomberg, 2017). What such a report creates is a powerful perception (backed-up with some vivid example from recent history, e.g. the punitive war with Vietnam in 1979), including among the diplomatic elites, that contradicting Beijing’s will can be met with intimidating repercussions. On the contrary, there is also a widespread perception that there could be a form of rewards when complying with Beijing’s interests. The combination of the two has become increasingly central to Southeast Asian leaders’ decision-making process.

Just as there are different forms of coercion, there are also different responses, ranging from: (1) acceding to a coercer’s demand; (2) counter-coercion; or (3) dismissing the coercion by assuming it represents a level of bluff (Ayson & Pardesi, 2017, p. 89). Based on the power asymmetry between China and Southeast Asian states, however, the risks to opt for response two and three are often perceived as too high. The tendency of considering the first option is increasingly apparent. Even so, the following sections will highlight, the diverging responses of different members to both China’s coercion and inducement to present a reasonably comprehensive description of both approaches.
Individual effect of China’s coercion

As two respected analysts have recently observed: ‘China has a long tradition of exploiting potential force for political purposes’ (Ayson & Pardesi, 2017, p. 98). Neighbouring countries, such as Vietnam and the Philippines, know this Chinese strategy very well. Recent example was the Chinese deployment of the Haiyang Shiyou 981 (HYSY-981) oil rig – known in Vietnamese as Hai Duong 981 (HD-981) – within Vietnam’s claimed Exclusive Economic Zone (EEZ) in early May 2014. The positioning of HYSY-981 by the China National Offshore Oil Corporation (CNOOC) 120 nautical miles off Vietnam’s mainland coast (and 18nm off Triton Island in the Paracel Islands group) created a tangible threat of escalation into open confrontation. The oil rig deployment was considered the worst incident in the SCS since China’s occupation of Mischief Reef in 1995, and also the worst incident in the Hanoi-Beijing relationship since normalization of formal diplomatic ties in 1991 after the war in 1979 that bittered the relationship. Despite the deployment happening a few days before the ASEAN Summit, fellow ASEAN member-states remained reserved and referred to the incident as ‘current development in the South China Sea’ without naming the oil rig deployment, nor involved parties. ASEAN issued a separate statement (ASEAN, 2014), but applied the usual language of self-restraint, respect for the UN Convention on the Law of the Sea (UNCLOS) and working towards the Code of Conduct (CoC). In other words, the HYSY-981 incident, while bordering an escalation between Vietnam and China, was not sufficient to provoke stronger diplomatic reaction from ASEAN as a collective.

However, the incident drew global attention due to the high potential of escalation. The leaders of the United States and Japan expressed their concerns about the challenge to regional stability posed by China’s increasingly assertive maritime strategy at the Shangri-La Dialogue in Singapore in late May 2014 (Le Thu, 2016). This case can be seen as Vietnam’s partial attempt to counter-coerce with efforts to pursue a coercive equilibrium by internationalizing the incident and involving other parties. Beijing subsequently accelerated the removal of the oil rig in July after ten weeks of crisis impasse and international media scrutiny. The incident highlighted Hanoi’s anxiety, given that potential costs of dispute escalation with Beijing remained an enduring coercive mechanism and one that China can further exploit in the aftermath of the oil rig crisis.

The Philippines is another SCS territorial claimant that has experienced China’s hardline politics. The Scarborough Shoal confrontation in 2012 is particularly illustrative (Baviera, 2014). However, unlike Hanoi, Manila enjoyed a formal security alliance with the United States and was less economically tied to China and did not share direct land borders with it. Accordingly, the Philippines had more room to manoeuvre to modify the coercion threat directed at it. Indeed, it launched a formal legal case in the Arbitration Tribunal against China, claiming that the PRC’s ‘Nine-dash-line’ claims were a violation of the United Nations Convention on the Law of the Sea (UNCLOS). Towards the end of 2014, after China issued a statement refusing to recognize this international arbitration, Vietnam subsequently lodged brief with the Permanent Court of Arbitration (PCA) supporting the Philippines’ case.

On 14 July 2016, the PCA announced a favourable decision for the Philippines confirming that China’s claim does not have legal ground (PCA, 2016). Contrary to the expectations of what an ostensible spirit of regional unity might suggest by celebrating a fellow ASEAN member’s judicial victory, or by at least expressing relief in having legal clarity after decades of dispute, however, the regional reaction was startlingly
ambivalent. A hesitant reception, including from the Philippines itself under Duterte who assumed the office just two weeks before the decision was announced, was accompanied by further divisions at the following Special ASEAN–China Foreign Ministers’ Meeting in June (Bloomberg, 2016a) and again at the ASEAN Foreign Ministers’ Meeting in July (Bloomberg, 2016b). The ruling of the PCA on the substance of the case which the Philippines launched against China, in fact, further ruptured ASEAN unity. The absence of a coherent ASEAN reaction to the Arbitral Tribunal’s decision has led observers in the media and in policy analysis circles, to become increasingly sceptical of the survival and relevance of the Association itself (e.g. East Asia Forum, 2016). As the case of the Philippines proves – which will be further explored in the following section – the change in domestic scene can be a deciding factor on the psychological perception of coercion and inducement as the case of the Philippines that will be explained later proves.

Strong coercion can invite a blowback. Public demonstrations in the Philippines in 2012 and in Vietnam in 2014 only confirmed that the harder China pushed, the more agitated the responses from the coerced actors. Territorial disputes, but also some economic and environmental controversies, aggravate the nationalist sentiments in those societies. As a result, societal pressure, will push governments – even if they are initially disinclined to escalate – to generate tangible responses to coercion. That said, for Vietnam – on top of many other considerations, including geographic, lack formal alliances, economic ties and other political connections – who is not a democratic political system; and hence the societal pressure does have its limits. The Philippines – although previously reassured by its alliance with the United States – transitioned to a more populist and even anti-American actor with Duterte’s election in 2016. He has since opted for increased economic ties with China, even at the expense of the territorial claims, and downgrading security relations with the United States. Nevertheless, pursuing coercion tactics on individual actors is normally a long-term process and requires supportive conditions, as the cases of Vietnam and the pre-Duterte Philippines illustrate. Otherwise, strong coercion would result in costly counter-coercion, which in this case could potentially transform into an intensive conflict – outcomes of which would not be in China’s best interest.

**Collective effect of Chinese coercion**

Taking ASEAN’s institutional confidence for granted is likely to invoke varying levels of controversy. However, some past initiatives involving multilateral dialogues and even the promotion of ASEAN ‘centrality’ suggests that there was a period of time that the Southeast Asian leaders truly believed in the central role of ASEAN in the wider Asia-Pacific. For example, in 1997, when assessing the regional mood following China’s provocations in the Taiwan Straits and its relentless incorporation of the Spratly Islands in the SCS, Allen S. Whitting (1997, p. 299) observed that: ‘ASEAN moved towards a new consensus on the need for discreet diplomatic confrontation with Beijing concerning regional security’. He went on to describe a thin line between ASEAN being concerned but not alarmed, and while there was an apparent perception of China’s growing expansionist tendency, there was little anticipation of attack, subversion or economic domination (p. 300). However, compared with 2017, even though the level of apprehension has by no mean eased over the same regional hot-spots, there is little that resembles that consensus within ASEAN. Whitting’s described Beijing’s strategy in the SCS using the
wei qi concept, ‘where occupancy of space without direct attack incrementally isolates opposition’ (p. 303) – a characterization that has proved to be quite accurate. Twenty years on, Surin Pitsuwan, a former ASEAN Secretary General testified that: ‘ASEAN was lulled into believing that China’s rise would be peaceful. In fact, it has been a more assertive rise, putting a pressure on all of us’ (Pitsuwan, 2017).

There is no other contemporary issue that highlights ASEAN’s ineffectiveness and internal disunity more than the SCS disputes. China scholars have noticed that it is in the arena of the SCS that Beijing’s rise has been accompanied by a policy shift from benign to assertive, particularly since 2009 (Christensen, 2011; Friedberg, 2014; Johnston, 2013). Beijing’s more expansionist tendency is rooted in its growing military power, diminishing prospects for a reconciliation over maritime claims with its Southeast Asian neighbours (Yahuda, 2013). While some believe ASEAN could split over the SCS in the medium term (Emmers, 2014); other thinks it has already caused serious divisions in that organization (Bateman, 2012; Wade, 2010). Indeed, many observers see the maritime conflict as the main litmus test for the Association’s relevance. One of most notable ASEAN failures was the 45th Foreign Ministers Meeting in Phnom Penh which resulted in first time break-out from the tradition of joint communique. The Southeast Asian leaders could not agree on the language to address the growing tensions and Cambodia, the Summit chair for that year – and a country that is believed to be the closest client-state of China among all Southeast Asian states – decided to forego the statement. Cambodia’s action has been seen as an example of China successfully exerting influence in Southeast Asia. Blocking an ASEAN consensus, as since has been regularly practiced, proved to be an efficient way to sideline ASEAN’s institutional relevance. Moreover, as an outcome counters the trust-building efforts within the organization and, hence, the overall process of building an ASEAN Political-Security Community.

The year 2016 generated further developments that reconfirmed Phnom Penh’s client-patron relationship with Beijing. Cambodia, along with Laos and Brunei, agreed to China’s ‘Four Point Consensus’, whereby the four parties agree that the SCS disputes are not a matter between China and ASEAN (MFPRC, 2016). This precedential initiative took the rest of ASEAN member states by surprise and reconfirmed the organization’s internal disarray. The incident invoked a considerable unrest among the diplomatic circles in the region. Although Cambodia later denied such an agreement (Phnom Penh Post, 2016), while Laos and Brunei never confirmed it either; this incident seriously undermined the ASEAN intramural trust.

A few months later, however, Cambodia once again blocked an ASEAN statement on the Permanent Court of Arbitration ruling at the leaders’ meetings (ASEAN, 2016). The regional leaders issued a Communique that expressed ASEAN’s concerns about the rising tensions in the SCS, only to retract it in the following day as a result of Cambodian opposition. These episodes reflected ASEAN’s deepening institutional crisis and created a perception that Beijing was successfully using ‘divide and rule’ tactics to weaken ASEAN. By effectively blocking ASEAN’s decision-making process and sowing the seeds of disunity, confusion and hence mutual distrust, China has been able to prevent any collective regional actions directed against itself. This diminishes the efficacy of an ‘institutionalized hedging’ strategy, in which institutions become instruments in balancing against more powerful powers (Ruland, 2011).

The above mentioned Cambodian behaviour has direct implications for any ASEAN efforts to develop more viable forms of multilateralism. It signalled that regional
solidarity, and hence ASEAN institutional relevance, can easily be exploited. The institutional process underpinned by the requirement for consensus means that China could narrow its coercion and inducement target(s) to one ASEAN member-state and it would still be able to impede ASEAN’s overall decision-making mechanisms. Repetitive blocking of the ASEAN consensus, mainly by Cambodia, has triggered fears that within the Southeast Asian grouping Cambodia (and to some extent Laos) have become China’s ‘Trojan horse(s)’ (e.g. Peh, 2016, Tang, 2016), further eroding ASEAN intramural trust and effectively affecting the institutional confidence.

Growing intra-ASEAN tensions result from divergence of threat perception and security calculations in regard to China’s assertiveness in the maritime domain. ASEAN has previously made diplomatic efforts to reach an agreement with China on the way to resolve disputes. These date back to 1992 when the Association first issued a declaration expressing concern over these maritime disputes (ASEAN, 1992). Despite the ongoing discussion over a decade, since the Declaration of Conduct (DoC) was issued in 2002, no consensus on an ASEAN Regional Code of Conduct in the SCS (CoC) has been reached. As a gesture of cooperative spirit, Beijing pushed for the framework of CoC. The talks continued from the China-ASEAN Summits and the endorsement for the framework was officially announced at the ASEAN 50th Golden Jubilee Summit (ASEAN, 2017). As much as a milestone it might seem to be, the framework is less constructive in accommodating Beijing’s view that it would not be of legally binding nature, nor did it specify the geographical scope of the agreement. Instead, the framework is another base for negotiation but is far from adding a substance to an effective conflict resolution mechanism. In sum, ASEAN’s incoherent political will in regards to the SCS issues demonstrates China’s successful coercion tactics.

Despite the implications for the viability of international law, China’s strategy to forcefully impose its claims and create ‘a new normal’ through continuous projects of terra-forming and terra-claiming in the Spratly Islands are working. China is transforming submerged or semi-submerged features and rocks into artificial islands (VornDick, 2015). Its island reclamation projects involving an extensive build-up of infrastructure – including airstrips, harbours, radar and surveillance systems – have triggered extensive regional concern about China’s long term strategic intentions. Some of the islands, such as Fiery Cross Reef in the Spratlys, now have the capacity to accommodate Chinese military aircraft. Although the Chinese have not explicitly expressed threat of using military facilities against other claimants, their presence create an unmistakable psychological deterrence – which is none other than a form of coercion. Further militarization of the disputed waters will only intensify the perception of threat that may accompany any attempts to contest China’s rights to the area. Yet, amid such challenges, ASEAN’s inertia raises risks for individual member states, particularly the claimant states, but also erodes its collective bargaining power.

Inducement: promises of rewards for compliance with China

China’s efforts to project global power have been largely successful. For the current leaders of the neighbouring Southeast Asian countries, this development presents opportunities that arguably may outweigh concerns. Along with Beijing’s coercive signals there are Chinese economic promises and inducements. The varying ratios of China’s coercion and inducement tactics are the source of the diverse options that the Southeast Asian states must chose. However, one factor remains rather uncontested:
their perception that, either way, China’s influence will prevail. The economic might of China is increasingly recognized across the region and it is fair to say that by large Southeast Asia watches Chinese economic growth with admiration. The belief that China’s economic importance in the region will translate into greater [Chinese] strategic clout seems self-evident. After all, the highest priority for Southeast Asian states is prosperity and economic growth’ (Lee, 2015, p. 7). Given the need for foreign investment, market access and infrastructure in Southeast Asia, China-led initiatives outshine the ASEAN-led initiatives, including the ASEAN Economic Community (EAC), which underscores China’s growing role as a regional ‘provider’.

China remains the biggest trading partner to five of the ten ASEAN countries. As of 2015, trade with China constitutes 15.2% of total ASEAN trade, only second to intra-ASEAN trade (24%) (ASEAN Statistics, 2015). The China–ASEAN FTA is another binding factor, along with several other ASEAN Plus and East Asian initiatives. For example, an East Asia Free Trade Area (EAFTA) – involving ASEAN Plus Three countries (China, Japan, and South Korea) – was first proposed in 2001 by the Asia Vision Group. ASEAN’s alleged response to the China-driven process of EAFTA was the founding of the Regional Comprehensive Partnership (RCEP) in 2012, covering ASEAN Plus Six states (adding India, Australia and New Zealand to the ASEAN Plus Three group). Nevertheless, China is still considered as playing the role of ‘dominant economic powerhouse’ in RCEP (Welsh, 2013), as this FTA network will further tie the ASEAN economies closer to China. Economic relations between China and Southeast Asian states go beyond trade: concessional project loans, grants for infrastructure projects, special economic zones and industrial parks etc. are often involved. One of the more recent projects is the ‘2+7 Cooperation Framework’, promoted by Premier Li Keqiang, where China has engaged its Southeast Asian neighbours in a new framework of trade, investment and aid. The proposal was announced at the China-ASEAN Summit in 2013 and clearly links economic cooperation to political-security concerns. In return for multi-million loans, investment and development grants, Beijing expects Southeast Asia to join in a China-centred Eurasian community (Li, 2013, 2015).

But economics is rarely separated from politics. China’s economic projects are an efficient tool of inducement but also for levying discipline. For example, Vietnam and the Philippines have both been left out from the 2+7 Initiative which might challenge the political and security fabric of ASEAN. This exclusion was not coincidental given their maritime and jurisdictional disputes with China. By creating economic dependence by Southeast Asian states on itself, Beijing seeks to reinforce a China-led order in Eurasia (Arase, 2015; Parameswaran, 2013). With its sheer scale of economy, China can create the impact with the way it manages trade deals. Either expanding or limiting the trade deals with a given country, China can in a relatively short period of time create fluctuation and economic impact. Both Vietnam and the Philippines have experienced economic punishment from China for enacting their maritime claims over Chinese contested territory. One of the most often quoted cases of economic fallout from the Philippines’ standoff with China over the Scarborough Shoal was the ‘banana war’. China boycotted the import of Filipino bananas overnight imposing a damage for the Philippines’ farmers estimated at $380 million and reaching 90% of banana production of the Mindanao region and potentially affecting some 200,000 livelihoods (Hingis, 2012). Similar tactics were applied to Vietnamese lychees in the summer of 2014 after Hanoi protested against the aforementioned HYSY-981 oil rig. Some 60% of total production of lychee in Vietnam is directed at Chinese markets. That summer transports of lychee
were stopped at the border and left to rot causing substantial losses for the Vietnamese farmers. Such practice of blocking agricultural product is a powerful tool sending signals of potential future lost to the governments of Southeast Asia which economies largely still depend on that sector. The scale of lost aside, it sent powerful psychological coercion signals of potential harm to economy, should the government’s decisions counters Beijing’s will.

Beijing’s new economic initiatives at the regional and trans-regional level, such as Belt Road Initiative (BRI), more popularly known as One Belt One Road (OBOR) - and the Asian Infrastructure Investment Bank (AIIB) are very attractive, including ASEAN states. The OBOR was initially proposed in October 2013 during Chinese President Xi Jinping’s visit to Indonesia. China pledged US$40 billion to revive economic cooperation and connectivity inspired by the ancient Silk Road trading routes. Along with the Asian Infrastructure Investment Bank (AIIB), BRI marked serious Chinese economic ‘offensive’ in the region (Summers, 2015). The AIIB’s future activities stretch beyond Asia-Pacific to parts of Europe, South America and Africa. It is thought to be a Chinese response to the International Monetary Fund (IMF), the World Bank and Asian Development Bank (ADB) that are dominated by American, European and Japanese interests. The AIIB has received considerable global attention, having 61 members and 23 prospective members at the time of writing (AIIB, 2016), but it has also sparked concern about China using its economic incentives to leverage its own political-strategic agenda. There are indeed some geopolitical concerns attached to Chinese economic presence in the region. Substantial economic benefits are not devoid of political expectations. David Arase pointed out that ASEAN states will ‘endorse her [own] economic, political and security leadership agendas’ (Arase, 2015, p. 21). Such Chinese applications of economic divisions create cleavages amongst the ASEAN members, because the benefits that China offers differ significantly from one country to another. China’s economic initiatives cannot be separated from the importance it assigns to the strategic goals, including the SCS. Thus OBOR’s strategic objectives are at least on par with the economic ones. Under China’s Maritime Silk Road initiative, new high-speed railways, motorways, pipelines and sea ports are planned to be built across the larger Asian region to reinforce China’s idea of ‘shared interests, destiny and responsibilities’ (Zhao, 2015). It is very difficult for any country, especially the smaller, developing in and in strong need for infrastructure ASEAN states, to resist China’s economic appeal. Even those with conflicting territorial claims, like Vietnam or the Philippines, are keen to be involved with China when it comes to economic and development initiatives. A conditionality of their participation, however, will be to seriously compromise on – if not completely relinquish - their sovereign maritime claims.

**Result: the fading of ASEAN-style multilateralism**

Perceptions of ASEAN’s internal division and inability to act have been ‘nurtured’ for some time. The grouping’s reputation cost suffered immensely from the unfortunate Phnom Penh Foreign Ministers Summit experience in 2012 and is yet to be recovered. This judgement is widely shared in various analytical circles as well as by the mainstream media. That failure triggered an avalanche of scholarly and media criticism of ASEAN (e.g. Bower, 2012; Emmerson, 2012; Sutter & Huang, 2013; Reuters, 2012; SCMP, 2012) that is still ongoing. Recent developments in the SCS have only reinforced these feeling of disillusionment about ASEAN’s unity and capacity. ASEAN’s lukewarm reaction to the
Philippines’ victory in the Arbitration case demonstrates how little regional solidarity there is and how strong other ASEAN states’ concerns about Beijing’s possible response to any support they might extend to the ruling. As a long-term ASEAN observer recently noted: ‘China is pushing the organization toward impotence, irrelevance, and eventual acquiescence in the regional primacy of Xi Jinping’s Beijing’ (Emmerson, 2017, p. 5). More significantly, Emmerson believes that ASEAN is split and silenced by ‘Chinese bribery and intimidation’ (p. 9) – a perception widely accepted across the Asia-Pacific region. This is not the harshest assessment, as some others have already proclaimed ASEAN’s demise (Bowring, 2016).

In fact, it is harder now to find a confident view of ASEAN. Even some of ASEAN’s enthusiasts have concluded that ASEAN is increasingly marginalized because of its inability to overcome its own restrictions. Amitav Acharya, for example, a long-term advocate of the value of ASEAN’s constructive engagement and the ‘ASEAN Way’, seems to be disillusioned too as he questioned if ASEAN can sustain the great power rivalry (Acharya, 2015). Self-doubt seems also prevalent among the Southeast Asian intellectual and policy elites. Indeed, the dismissive opinions about the ability of ASEAN to play a meaningful regional role seem increasingly prevalent. Regional security – be it traditional security or non-traditional security prevalent in the region – is increasingly beyond ASEAN purview. Such a perception reflects a collective judgement of ASEAN’s performance. This, in turn, undermines the appeal of multilateralism in the region as it was seen in the recent 30th ASEAN Summit, where ASEAN leaders omitted even mentioning China’s heavy militarization operations in the SCS (Le Thu, 2017). The chairing President Duterte’s frank, almost cynical response to the media press was: ‘Who’s going to stop them? Tell me, educate me’ (PhilStar Global, 2016) testifies that the ASEAN morale is at rock bottom. Lack of confidence in ASEAN’s institutional viability has led that chair of the year to dismiss the collective impact of ASEAN. Disbelief in its own institutional capability has created a mood where ASEAN leaders under-appreciate their solidarity at the expense of over-appreciating China’s potential intimidation or reward.

As argued above, ASEAN’s multilateralism is affected by both domestic as well as external factors. China’s preference for bilateral negotiations has made multilateral fora less relevant. Stepping back from multilateralism also coincides with the current inward-looking tendency in many of key Southeast Asian countries. Instead, Beijing-led multilateralism, such as OBOR (or BRI), AIIB or 2+7 Initiative, is promoted, encouraging ASEAN states to invest in their bilateral relations with Beijing or become a part of China-led multilateral projects that are oriented more toward realizing zero-sum outcomes (for China and those who unconditionally associate with it) than generating absolute gains. This zero-sum trend has produced almost an unhealthy competition among ASEAN states who fear being ‘left-out’ if they do not have at least as much ‘connection’ with China as their counterparts. Although not without concerns, by large each of the ASEAN member is keen to receive an economic or/and infrastructural boost from China accompanied by preferential access to the Chinese market or a favoured supply of resources and materials. Cambodia again represents a classic example of how economic imperatives have led to Phnom Penh’s greater political intimacy with China (Ciorciari, 2015; Economist, 2017; Financial Times, 2016, etc.) secured Cambodia’s position as China’s closest Southeast Asian friend. The direct incentives from good relationship with China for Phnom Penh outweigh the ones from ASEAN, even though membership in a strong regional organization has other long-term strategic value. Such reassurance for a small country is sufficiently tempting to modify any Cambodian concerns about China’s future regional
predominance or about ASEAN’s ultimate collective ability to preclude such an outcome.

**Conclusion**

China’s dual strategy is sophisticated – a combination of calibrated proportion of threat and inducement. A repetitive coercion would invite a more consolidated response, while repetitive inducement, on the other hand, is costly and likely not to be efficient. The proportion of coercion and inducement also needs to be varied depending on individual needs as well as tailoring to a larger group. If all feel coerced, and hence threatened, they are likely to consolidate a joint effort and unity against a larger coercer. The varied sense of inducement, on the other hand, is a more effective divider.

This paper has argued that the prevalent perception of China’s rise has eroded ASEAN’s institutional confidence. The combination of both threat and inducement has exaggerated that perception of a power gap between individual ASEAN members and China, making the former even more inclined to seek more beneficial relations with Beijing. As such, the commitment to ASEAN-style multilateralism has weakened. Just as ASEAN self-declared its centrality role in the past, it is now steering towards ‘abdicating’ its claims to regional relevance. Lack of confidence in institutional mechanisms, at the expense of realizing the smoother relations with China, not only undermines ASEAN’s cohesion, but also lowers the group’s bargaining power.

The reasons why Chinese strategy of fusing coercion with inducement has been a successful one are powerfully evident. The strategy is tailored to the developing Southeast Asian states’ needs of economic development and to taking advantage of dynamically evolving political conditions in the region. It is easier to exert personal influence and nurture contacts with long-term leaders, often with authoritarian-style leadership, such as Cambodia. Populist leaders, like Rodrigo Duterte and Widodo Jokowi – to varying degrees, are most interested in short-term economic accomplishments and tend to put less emphasis on long-term strategic visions. All these factors are carefully exploited by Beijing. Moreover, ASEAN’s institutional norm of decision-making, based on unanimity, makes it easier to impede any decision if one of the members blocks the consensus.

The greatest success of Chinese coercion is, however, the lasting psychological effect on the ASEAN leaders who prefer to exercise self-restrain when selecting regional issues of importance and to a careful self-censor in their choice of words. The case study of dissuasion over the SCS disputes clearly testify to China’s influence over the current Southeast Asian leadership. Such an effect of psychological threat, mixed with some hopes by Southeast Asian leaders for economic gains, will further impede ASEAN as a regional actor. While ASEAN has never been immune to the impact of powerful global forces, amid the 50th anniversary in 2017, ASEAN morale has been at a historically low ebb. China’s assertiveness has exposed ASEAN’s existing weaknesses, yet that Southeast Asian grouping’s severe lack of confidence is, in many ways, self-inflicted.

**Notes**

1. ASEAN elites refer to the leaders, policy-makers and high-ranking officials of the member countries who have attend the ASEAN meetings and are involved in the decision-making processes. They are subject to Beijing’s influence through personal interactions. While it can be argued that the group is not homogenous and response to Beijing’s coercion and inducements are varied, but as the effect
of consensus principle, ASEAN decisions are collective, and hence the article does not go into the differentiating the group.

2. At the time of writing, President Donald Trump has been in office for 100 days, during which time he has not formulated any policies towards Southeast Asia. On the first day of his presidency he announced the US withdrawal from the Trans-Pacific Partnership (TPP) which involved Singapore, Malaysia, Brunei and Vietnam, creating a perception in the region of uncommitted and hence unreliable partner.

3. At the time of writing this article, the discussions were ongoing but no agreement has yet been reached in regards to a framework for CoC.

Disclosure statement

No potential conflict of interest was reported by the authors.

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