



Unveiling ASEAN's Neutrality

An analysis of ASEAN's Institutional Strategy

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Abstract

This study is guided by the research question, "How effectively does ASEAN pursue neutrality to navigate the involvement of US and China in Southeast Asia?". Furthermore, it delves into sub-questions exploring the framing of ASEAN's neutrality, the use of ASEAN's institutions to support its neutrality efforts, and the effectiveness of these strategies in navigating the involvement of US and China.

This research adopted an abductive approach, combining inductive and deductive methods. Using an 'inclusive approach', the literature review reviewed the traditional theories in the field of International Relations, such as neorealism and neoliberalism. Through the gaps identified in research, the literature review helped emerge an existing theoretical framework that captures the complexity and nuance of ASEAN's neutrality pursuit.

Using a multi-method approach of both qualitative and quantitative research, the analysis of this research was threefold aligned with the sub questions. First, the concept of neutrality was conceptualised in the contemporary world order. It was concluded that ASEAN pursues neutrality through its impartial approach, welcoming external actors to their regional framework. Following the conceptualisation of neutrality, a theoretical analysis was undertaken, which highlighted the utility of Institutional Realism and Institutional Hedging in elucidating ASEAN's strategy for neutrality. These theoretical frameworks provided the lens through which we can better understand ASEAN's approach and its pursuit of neutrality amidst the geopolitical dynamics involving the U.S. and China. In the final phase of the abductive research, a deductive approach was employed, centring on a case study of the Indo Pacific region to put the theoretical insights derived from Institutional Realism and Institutional Hedging to the test. The case study served not only to validate these theoretical constructs but also as an application of these theories to a specific geopolitical context.

Through this threefold analysis, the study discovered that ASEAN pursues neutrality through institutional strategies of institutional hedging and institutional balancing. It was concluded that to manage threats, ASEAN uses institutional balancing and institutional hedging to manage risks. The effectiveness of these strategies was analysed through factors in the Indo Pacific region such as the Indo Pacific Strategy including Quad and AUKUS, Belt and Road Initiative and the South China Sea, which demonstrated two things. China's influence in the region has already caused for the internal incoherency due to the economic ties. The US has already given up on ASEAN centrality and started to create their own institutions focused on hard-balancing and containing China. Hence, it was concluded that ASEAN is ineffective in pursuing neutrality with the increasing involvement of the US and China in Southeast Asia.

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1. Problem Context

Southeast Asian nations initially appear to be quite a diverse group. The region is home to various types of countries, each with its unique characteristics. For example, Brunei is a small, wealthy oil kingdom that stands out in the region. Singapore, on the other hand, has a prosperous entrepôt economy that enables it to thrive. Cambodia, a post-conflict society, has had to overcome a tumultuous past and rebuild itself. Myanmar is a nation that is emerging from 50 years of autocratic military rule, making it an interesting case study. Laos, despite being a poor, landlocked economy, is blessed with valuable resources such as hydropower and minerals. Vietnam, a populous country, has a political structure and growth potential that is often compared to China. The region also includes four diverse middle-income, market-oriented economies: Indonesia, Malaysia, the Philippines, and Thailand. These countries aspire to join the ranks of advanced nations, showcasing the ambition and potential of Southeast Asia as a whole (Nehru, 2017).

One significant factor that has helped shape the diverse group of Southeast Asian nations is their membership in the Association of Southeast Asian Nations (ASEAN). ASEAN was established in 1967 by Thailand, Malaysia, Singapore, the Philippines, and Indonesia during the Cold War era, amidst the backdrop of the competition between the two dominant global powers, the USSR, and the US. To understand Southeast Asia and ASEAN, it is necessary to take account its relationship with external actors. The historical context of Southeast Asia has played a significant role in ASEAN's formation. ASEAN's formation represented a regional response to the global power dynamics and the region's desire to maintain its independence and sovereignty amidst the competing interests of external actors (Tarling, 2010).

Established based on the guiding principles embodied in the Bangkok Declaration 1967, ASEAN entails ideals of mutual respect, peaceful relations, cooperation, and non-interference among member states (ASEAN Secretariat, 1967). The declaration emphasized the shared responsibility of Southeast Asian countries to increase the economic and social stability of the region and protect their security and independence from outside interference *“the countries of Southeast Asia share a primary responsibility for ... ensuring their peaceful... and... they are determined to ensure their stability and security from external interference in any form or manifestation”* (ibid).

ASEAN's aspiration for neutrality and free of external interference was captured by the Zone of Peace, Freedom, and Neutrality (ZOPFAN) declaration proposed in 1971 as a regional security framework for Southeast Asia. Within the framework of ZOPFAN, the notion of neutrality encapsulates the aspiration of ASEAN member states to eschew aligning with any major power and to preserve their neutrality in interactions with external actors (ASEAN, 1971). By urging its members to uphold their sovereignty and self-determination in regional matters, ASEAN seeks to promote a non-aligned and independent foreign policy orientation (Emmers R. , 2018).

This approach to neutrality, as delineated within the ZOPFAN context, reflects a strategic endeavour to shield Southeast Asia from the potentially destabilizing consequences of great power rivalry, while

simultaneously fostering a conducive environment for regional cooperation and development (ibid). Enshrined in the organization's foundational documents, such as the Treaty of Amity and Cooperation¹ and the ASEAN Charter² is a heavy emphasis on maintaining autonomy and independence in the realm of foreign policy, which is an indication of ASEAN's commitment to the principles of non-interference and peaceful settlement of inter-ASEAN disputes (ASEAN, 1976); (ASEAN, 2007).

This distinct approach to neutrality underscores the value that ASEAN member states place on safeguarding their regional stability and preserving their decision-making capacities from undue external influence. By adhering to the tenets of neutrality, ASEAN countries aim to cultivate a regional order that is both resilient and adaptable in the face of an increasingly complex and uncertain geopolitical landscape (Emmers R. , 2018). The significance of neutrality as a means of promoting regional stability and preserving decision-making capacities is emphasized by ASEAN member states. Using neutrality as a framework for a research question aligns with ASEAN's broader themes of resilience and adaptability in the face of an uncertain geopolitical landscape.

Nevertheless, akin to the formation of ASEAN, Southeast Asia is witnessing a burgeoning involvement of major global players, such as the United States and China. Certain regions are poised to become the focal point of escalating geopolitical tensions, thereby challenging their diplomatic prowess and ability to sway strategic competition among powerful nations. Southeast Asia and ASEAN's neutrality is expected to be significantly impacted and put to the test as it emerges once again at the core of a swiftly evolving geopolitical arena (Beeson M. , 2022).

1.2 Problem Formulation

Based on the diverse characteristics of Southeast Asian countries and their membership in the ASEAN, the region has historically sought to maintain its independence and sovereignty amidst the competing interests of external actors. ASEAN's commitment to neutrality is enshrined in the organization's foundational documents, which emphasize the importance of maintaining autonomy and independence in foreign policy to promote regional stability and preserve decision-making capacities from undue external influence. However, as Southeast Asia is witnessing increasing involvement from major global players, such as the US and China.

Hence, this paper aims to answer the following research question:

How effectively does ASEAN pursue neutrality to navigate the involvement of US and China in Southeast Asia?

² A legally binding agreement that serves as ASEAN's constitution, outlining its objectives, principles, structure, and decision-making processes, while emphasizing regional peace, stability, democracy, human rights, economic integration, and a people-oriented community.

To achieve a comprehensive understanding of the main research problem, the study will explore several sub-questions.

1. *How does ASEAN frame its neutrality?*
2. *To what extent does ASEAN use its institutions to support its neutrality efforts?*
3. *To what extent have ASEAN's institutional strategies been effective in navigating the involvement of external powers?*

These sub-questions will help to delineate and structure the study to provide a more detailed answer to the main research question of how effectively ASEAN pursues neutrality in navigating the involvement of the US and China in Southeast Asia. These sub-questions have been designed to provide a comprehensive understanding of the issues at hand and will serve as a framework for the empirical investigation. Through a rigorous examination of the data collected, the problem formulation will be answered, providing the basis for the conclusions and recommendations that will be presented in the final analysis.

1.3 Conceptualisation

In this section, I will present an overview of the research perspective and the specific terminology used in this thesis. The rationale behind the selected terms will be explained to ensure a clear understanding of the approach taken in subsequent chapters. By offering readers a transparent comprehension of the research perspective, this section sets the groundwork for the remainder of the thesis. The choice to utilize precise terminology and provide an extensive overview of the research perspective is to ensure the paper has the red thread throughout the paper. It is essential to acknowledge that the terms and concepts used in an analysis are not neutral and can have different meanings depending on different contexts and perspectives.

Asia-Pacific / Indo-Pacific

In this thesis, I have opted to use the term "Asia-Pacific" instead of "Indo-Pacific," primarily due to the involvement of the US and China in the study. While "Indo-Pacific" has gained popularity in recent years, "Asia-Pacific" remains the preferred term for several reasons.

Firstly, the term "Asia-Pacific" has been in use by policymakers and academics for many years and is well-established. Using this term allows for a more precise and comprehensive analysis of the unique geopolitical and strategic dynamics of the region, as well as the historical, institutional, and political background of ASEAN's approach to regional cooperation and conflict management. In contrast, the term "Indo-Pacific" has been criticized for being overly broad and failing to adequately describe the distinctive dynamics of Southeast Asia and the South China Sea. Moreover, it has been viewed as US-centric or Quad-centric, with China viewing it as an attempt to contain its rise and turn other nations in

the region into "pawns" of US hegemony (Tengfei, 2021). I actively use the term "Asia-Pacific," as this thesis aims to capture the geopolitical, historical, and institutional background of ASEAN's approach accurately and comprehensively, while avoiding the potential biases associated with the term "Indo-Pacific". The Indo-Pacific strategy, according to Wang Yi (2022) in (Wizarat, 2022), "*aims to efface the achievements and momentum of peace and development fostered by regional countries with joint effort for decades, as well as the name Asia-Pacific and the effective regional cooperation framework in the Asia-Pacific region.*" Additionally, the focus on India, which is a key component of the shift to the Indo-Pacific, is not a part of the analysis in this paper. This is because the study is primarily concerned with examining ASEAN's neutrality strategies and their effectiveness in managing external pressures from the US and China.

ASEAN as a whole

When this paper uses the term '*ASEAN*', it refers to the organisation as a whole and not the countries and their policies separately. This is chosen as it is possible to gain a more thorough understanding of how ASEAN is navigating the intricate geopolitical and economic landscape of the Asia-Pacific region. The political and economic dynamics of the area are significantly shaped by ASEAN as an organization. It offers member nations a platform for regional cooperation and collaboration, facilitating the growth of common standards, values, and institutions. The internal dynamics and decision-making procedures of ASEAN can therefore be better understood by concentrating on ASEAN as an association. Therefore, this paper seeks to provide a more thorough and in-depth analysis of ASEAN's position and strategy in the Asia-Pacific region, which is essential for comprehending regional dynamics and the part ASEAN has played in influencing them.

Interdisciplinary approach

This paper also employs an interdisciplinary approach from both International Politics and International Political Economy. While international political economy offers a deeper understanding of the economic factors and interests that affect ASEAN's behaviour, international politics offers insights into the political dynamics and decision-making processes within ASEAN. This paper employs an interdisciplinary approach to provide a more nuanced analysis of ASEAN's position and strategy in the Asia-Pacific region by leveraging the strengths of each field. As a result, research can be conducted more holistically, leading to a deeper comprehension of the intricate political and economic problems the region is currently grappling with.

2. Methodology

This section aims to provide a clear understanding of the methodological considerations employed in this research. Detailed explanations of the research design, research approach, philosophy of science, data collection, data analysis and the limitations of the described methods are outlined.

Starting off, this paper uses a mixed method approach using both quantitative and qualitative methods. To collect and analyse data for political science research with the goal of producing theoretically informed insights into the operation of political systems. (Brady & Collier, 2010). This form of mixed method approach is emphasised by (Creswell, Research design: Qualitative, quantitative, and mixed methods approaches. , 2014) as he notes that the use of a mixed-methods approach can assist researchers in providing comprehensive answers to complex research questions.

2.1 Descriptive and Explanatory Research

In the context of my thesis on ASEAN's navigation of neutrality amidst China and US involvement in Southeast Asia, employing both descriptive and explanatory research prove to be particularly relevant. As ASEAN's neutrality strategies are constantly evolving in response to external pressures, there is a need to establish a baseline of information to understand the effectiveness of these strategies in promoting regional stability and resilience. Considering the ever-evolving dynamics and challenges in Southeast Asia's geopolitical landscape, descriptive research aids with a comprehensive understanding of ASEAN's approach to neutrality is vital (Lavrakas, 2008).

Descriptive research can lay the groundwork for the study by providing a detailed understanding of the policies, actions, and reactions of ASEAN, the US, and China. However, this approach does not explain why ASEAN pursues neutrality or how effective it is in navigating the involvement of the US and China (Babbie, 2016, p. 31). Incorporating an exploratory research design into the study can added another dimension to the research by identifying factors and variables that may influence ASEAN's neutrality policy and provide insights into the effectiveness of this policy. Therefore, by combining both descriptive and exploratory research approaches, the study can provide a more comprehensive understanding of the phenomenon being studied, including the underlying reasons why ASEAN pursues neutrality and how effective it is in navigating the involvement of the US and China in Southeast Asia (Bryman & Bell, 2015). Several variables and factors were identified that influenced ASEAN's approach, further emphasizing the need for a case study approach (See Chapter 2.3). Additionally, the institutional architecture of ASEAN, a critical aspect of this thesis, was explored, ultimately enriching the overall analysis presented in this paper.

The combination of descriptive, and explanatory research designs can provide a multi-dimensional approach to my research, allowing for a more nuanced and in-depth analysis of the topic.

Furthermore, explanatory research can aid in a more thorough understanding of the subject, including its political dynamics, historical context, and economic ramifications. This is especially helpful when

dealing with multifaceted order of US and China in Southeast Asia, where there are numerous different aspects and viewpoints to consider.

Table 1: Descriptive and Explanatory research

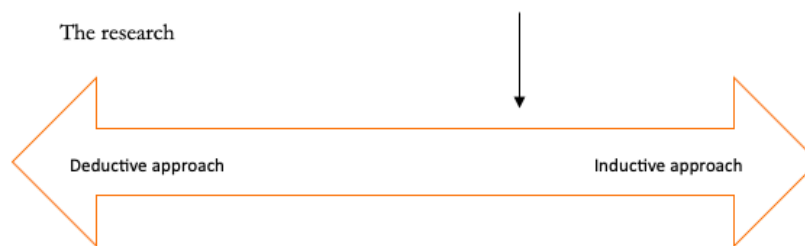
Benefit	Descriptive Research	Explanatory Research	Combined Approach
Establishing a baseline of information	☑		☑
Generating rich, detailed data	☑		☑
Uncovering new insights and perspectives		☑	☑
Identifying trends and patterns	☑	☑	☑
Flexible data collection techniques		☑	☑
Supporting further investigation and analysis	☑	☑	☑
Discovering causal relationships		☑	☑
Enabling a holistic understanding			☑

By incorporating an explanatory research design, I can delve deeper into ASEAN's pursuit of neutrality amidst China and US involvement in Southeast Asia, uncovering new insights, patterns, and relationships. This approach enables the identification of potential variables or factors influencing ASEAN's strategy, and refinement of research questions.

2.2 Abductive Approach

There are two primary research approaches for any study: deductive and inductive. The inductive approach focuses on constructing a theory based on empirical evidence, whereas the deductive approach aims to confirm a pre-existing theory. When these two approaches are combined, they form the abductive approach, which involves either generating a new theory or modifying an existing one (Saunders, Lewis, & Thornhill, 2009); (Bryman & Bell, 2015). I plan to utilize an abductive approach, which characteristically combines elements of both deductive and inductive reasoning as seen in Figure 1. Abductive reasoning innately merges empirical evidence with the project's theoretical perspectives seeking to find the best explanation for the observed data (Timmermans & Tavory, 2012).

Figure 1: Schematic Representation of the Abductive Approach in the Paper



First, within the abductive approach, the inductive aspect facilitated the adaptation and refinement of existing theories based on the empirical evidence collected. This resulted in the development of more comprehensive and accurate theoretical frameworks that better explain the research problem and its underlying dynamics. This was evident in the literature review, which focused on the explanations of international relations (IR) theories pertaining to ASEAN. The abductive approach enabled the research to successfully integrate existing theories while adapting them to address the unique aspects of the chosen topic more effectively. Consequently, the theories of *Institutional realism* and *Institutional hedging* were selected (Dubois & Gadde, 2002). This is also the reason Figure 1 emphasizing a heavier weight on the inductive approach.

Subsequently, these selected theories were tested deductively through the empirical evidence gathered during the study. This process allowed for further refinement and validation of the theoretical frameworks, ensuring their applicability and accuracy in explaining ASEAN's pursuit of neutrality amidst China and US involvement in Southeast Asia.

This iterative process of deduction and induction – refining and adjusting my theoretical lens considering my empirical findings – exemplifies my abductive approach. By oscillating between these two methods, I ensure my study remains flexible and adaptable to both theory and empirical evidence.

By adopting the abductive approach, this research was able to bridge the gap between theory and practice, revealing how Institutional realism and hedging theories can contribute to our understanding of ASEAN's behaviour within the geopolitical context. This approach not only acknowledged the importance of existing theories but also highlighted the value of adapting them to address the unique aspects of the research subject (Thagaard, 2015).

2.3 Case Study Approach

This paper aims to answer how effectively ASEAN pursues neutrality in the face of increasing involvement by the US and China in Southeast Asia. To achieve this goal, the case study of Indo Pacific region will be examined in detail.

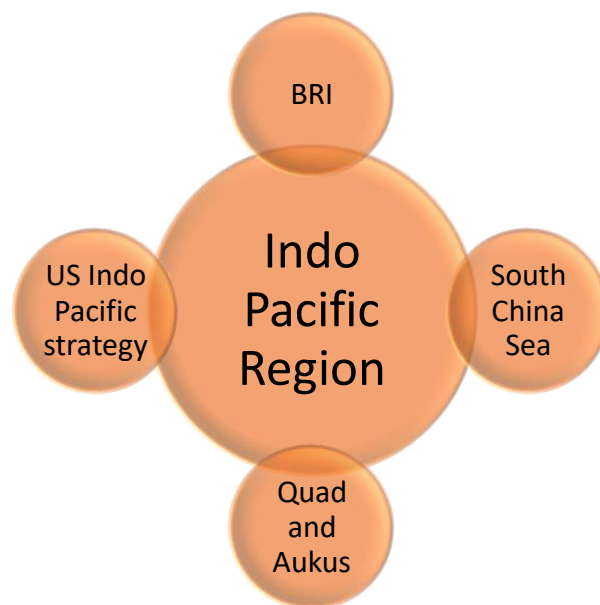
To test the theoretical insights generated through the abductive approach, this research employed a case study analysis, which involves studying multiple cases within a given context to understand a particular phenomenon. By adopting a case study methodology, the applicability and validity of the theories in explaining ASEAN's pursuit of neutrality in the context of China and US involvement in the region were analysed (Creswell, 2013).

The Indo Pacific region offers a comprehensive lens through which to assess ASEAN's strategies and responses to the competing interests and visions of the two major powers. By examining these cases, the research can delve into the complex dynamics, overlapping interests, and various strategies employed by regional actors, particularly ASEAN member states, to navigate the increasingly tense environment due to the involvement of US and China. The case study approach allows for a comprehensive understanding of ASEAN's decision-making processes and the factors shaping its approach to regional stability as well as how effective ASEAN's pursuit for neutrality is (Yin, 2018). Therefore, this case study can give an insight to comprehend the "hows" and "why's" as events develop (ibid). The "how" and "why" of a phenomenon are more researched through case study rather than just the "what". Case studies provide rich, thick, and nuanced descriptions and explanations of social phenomena and enable researchers to investigate intricate social processes (Flyvbjerg, 2006, p. 228). By conducting a case study on the Indo Pacific region, ASEAN's approach to neutrality is analysed as well as uncover factors contributing to its effectiveness. This could include examining ASEAN's diplomatic strategies, negotiation processes, regional partnerships, and engagement with major powers such as the United States and China. The case study can provide a comprehensive understanding of how ASEAN navigates the challenges and opportunities in maintaining its neutrality in a region marked by competing geopolitical interests.

The case study of Indo Pacific not only offers a unique perspective on ASEAN's pursuit of neutrality but also contributes to our understanding of the applicability of Institutional realism and Institutional hedging theories to the specific case (Ragin, 1987). Overall, the case study approach provides a rigorous

and contextually relevant means of testing the theoretical insights generated through the abductive approach and they can provide valuable insights into the causal mechanisms that underlie social phenomena (ibid). By examining the Indo Pacific Region as a case, it is possible to identify patterns and trends that informs broader statements and conclusions about the effectiveness of ASEAN's neutrality policy in navigating the involvement of the US and China in Southeast Asia (Gerring, 2004). This is also because the Indo Pacific region is a geopolitical hotspot, characterized by China's ambitious Belt and Road Initiative (BRI), territorial disputes in the South China Sea, strategic alliances like the Quad and AUKUS, and the evolving Indo-Pacific strategy, all shaping the balance of power and trade routes.

Figure 2: Geopolitical factors within the Indo Pacific Region



Writing a case study with multiple factors offers several advantages. It enables a comprehensive understanding of the subject matter by examining various interrelated elements. This holistic approach provides a deeper analysis and a nuanced perspective on the complex dynamics at play, which can help identify patterns, interdependencies, and cause-and-effect relationships. Adopting a case study with multiple factors enhances critical thinking and problem-solving skills as it requires considering different perspectives, evaluating contributions of various factors, and making connections between seemingly

disparate elements. However, there are also limitations due to complexity and time constraints. The intricate nature of multiple factors interacting within a case study can make it challenging to fully grasp and analyse each component in depth. Moreover, the time constraints imposed by limited resources and the need for timely analysis may restrict the ability to comprehensively examine and understand all aspects of the case (Gustafsson, 2017).

2.4 Data Collection

In this research, a secondary data collection method was utilized. Secondary data refers to information that has already been collected and analysed by other researchers or organizations (Bryman A. , 2016, p. 157). Utilizing secondary data is a cost-effective and time-efficient method for accessing a vast array of information, which makes it suitable for my research. In this study, I am actively examining secondary data sources, including academic articles, reports, and policy documents related to ASEAN. This approach enables me to gather diverse perspectives, insights, and relevant information to enhance my understanding of the topic and contribute to a more comprehensive analysis. This information was accessed through various online databases, such Google Scholar, Royal Danish Library (online) as well as official websites. The use of secondary data allowed the research to access a vast amount of information from diverse sources and facilitated a comprehensive analysis of the subject matter.

To ensure the methodological rigor and credibility of this systematic review, Dacombe's approach was selected owing to its suitability and applicability within the realm of political science (Dacombe, 2018). Consequently, a systematic review of secondary literature was conducted to comprehensively gather and synthesize relevant information on ASEAN's pursuit of neutrality in the context of China and US involvement in Southeast Asia. This approach was deemed appropriate as it allowed for a comprehensive and rigorous examination of existing literature pertaining to the research question, while enabling the identification of potential gaps and inconsistencies within the body of knowledge. Through this approach, the study aims to provide an authoritative and objective assessment of the topic, with the findings serving as a valuable resource for scholars, policymakers, and practitioners alike.

Furthermore, the abductive research design allows for the integration of existing theories with data-driven insights derived from the literature (Bryman, 2016, p. 157). Moreover, the systematic review supports descriptive and exploratory research designs by providing a comprehensive understanding of the research topic and identifying potential factors that influence ASEAN's approach.

The review was carried out in several stages, as illustrated in Table 2 below:

Table 2: Systematic Review Process

Stage	Description
1	Defining the research question (Chapter 1)
2	Establishing inclusion and exclusion criteria for selecting relevant sources (Table 3)
3	Conducting a literature search using specific keywords and synonyms (Wallimann, 2017)
4	Performing initial, mid-level, and full-text screening to filter and select appropriate sources
5	Analysing the findings through narrative synthesis

(Dacombe, 2018, p. 149)

According to (Bryman A. , 2016), choosing a research design and methodology that are appropriate for the research questions at hand is one way to guarantee the validity of the study. To make sure the sample is appropriate for the research question, inclusion and exclusion criteria must be used.

The criteria for selecting sources for this research are designed to ensure the relevance, credibility, and rigor of the information gathered. The inclusion criteria encompass articles published from 1990 up until 2023 to encapsulate the most recent developments; scholarly articles such as peer-reviewed journals and academic books for credibility; English-language articles for accessibility, and articles focusing on US-China involvement in Southeast Asia. Exclusion criteria involve non-relevant, outdated, non-scholarly, non-English, and non-peer-reviewed articles. These criteria are applied to ensure that the selected sources align with the research topic and objectives and contribute to the quality and reliability of the research findings. These inclusion and exclusion criteria were used to ensure validity and reliability of the research. As seen in Table 1, the combination of descriptive and explanatory research allows for a more comprehensive analysis of the case, providing both a detailed description of the phenomenon and insights into the underlying causes or mechanisms at work.

Table 3: Inclusion and Exclusion Criteria

Inclusion Criteria	Exclusion Criteria
Articles published between 1990 and 2023, to capture a comprehensive coverage of relevant literature from the post-Cold War era till the present, while still focusing on recent and up-to-date information.	Any articles outside that frame
Scholarly articles, including peer-reviewed journal articles and academic books, to ensure credibility and rigor of sources.	Non-scholarly articles, including opinion pieces, blogs, and news articles, as they may lack empirical evidence and scholarly rigor.
English-language articles, to ensure accessibility for analysis and synthesis.	Articles written in languages other than English, to ensure consistency in language and analysis.
Articles focusing on US and China involvement in everything concerning Southeast Asia.	Articles from other regions of the world, as the research specifically focuses on Southeast Asia and ASEAN's policy towards great power involvement.
ASEAN's foreign policy, ASEAN's regional security, ASEAN's neutrality, US-China rivalry in Southeast Asia, ASEAN's response to US-China rivalry, ASEAN's balancing act, ASEAN's diplomatic efforts, ASEAN's policy decisions, ASEAN's regional initiatives, ASEAN's engagement with major powers, ASEAN's partnerships, ASEAN's institutional frameworks, ASEAN's regional architecture, ASEAN's role in Southeast Asia, ASEAN's strategies in power rivalry, ASEAN's approach to major power competition, US and China in Southeast Asia	Articles that do not align with the research question, objectives, and keywords specified in the research topic.

Combining the systematic review with a case study, as suggested by (Flynn, 2011), can enhance the research's depth and breadth while maintaining methodological rigor and transparency. This approach can help identify and analyse patterns and themes across various case studies, providing a systematic way of synthesizing case study evidence and filling gaps in the literature. By integrating secondary research, case studies, and the abductive approach, this study offers a robust and nuanced understanding of ASEAN's pursuit of neutrality in the context of China and US involvement in Southeast Asia.

2.5 Ethical Considerations and Limitations

The abductive approach involves generating theoretical explanations based on observed patterns and testing these explanations against empirical data. However, this approach may inadvertently overlook alternative explanations or causal mechanisms that are not immediately apparent or do not fit neatly within existing theoretical frameworks. Additionally, it relies on the researcher's ability to identify the best explanation for observed patterns (Dubois & Gadde, 2002). This process is inherently subjective and may be influenced by the existing knowledge, biases, or preferences, potentially leading to biased conclusions or an overemphasis on certain explanations.

Despite efforts to maintain objectivity, the interpretation of data and the assessment of the effectiveness of ASEAN's pursuit of neutrality may be influenced by my own biases, assumptions, or perspectives such as experiences and knowledge of China and its surroundings, global geopolitics, and the foreign policies of the US and China could lead to biases in the research. This subjectivity may affect the conclusions drawn (Bryman A. , 2016).

The reliance on English-language articles presents a limitation in this research, as it restricts access to media and scholarly work from the countries involved in their native languages. This may lead to an incomplete understanding of the perspectives, nuances, and context that non-English sources could provide. However, to mitigate this limitation, the literature review has been designed to include documents from both Chinese and US scholars, albeit only in English. By incorporating diverse viewpoints from scholars in these countries, the research aims to achieve a more balanced and comprehensive understanding of the issue. The research relies on electronic sources found through the Danish Royal Library platform, Google Scholar, and renowned news media. The drawback of relying only on electronic sources for research is that it might leave out significant sources that aren't readily accessible online (Jaidka & Goggins, 2016).

Using secondary data poses potential limitations, as the data was not collected specifically for this research. The accessibility of online sources in particular languages or from specific geographical areas may be restricted (Bryman A. , 2016). Additionally, the validity and reliability of the data gathered can be questioned. To address this issue, only peer-reviewed articles were chosen for analysis. Secondary data is often insufficient, inconsistent, and may contain errors (ibid). Researchers may also encounter problems with data compatibility and comparability if they are not cautious, as data may be collected using different methodologies or measures. Bryman emphasizes the importance of researchers critically assessing secondary data before using it in their research, as it is often open to interpretation (ibid).

The rapidly evolving geopolitical landscape in Southeast Asia means that the conclusions drawn in this paper may become outdated or less relevant over time. Shifts in regional dynamics or changes in the priorities and policies of the US, China, or ASEAN member states may necessitate a re-evaluation of the findings. It is important to acknowledge that the secondary literature, which forms the basis of this study, is primarily based on official statements and documents. This means that there may be a lot

between the lines that is not necessarily captured in these sources. For instance, meetings between the parties can give rise to statements, perceptions, and disagreements among actors that may not be included in official speeches or documents. To incorporate this dimension of discourse, it may be relevant to examine national articles that are closer to the actors or even conduct elite interviews. These alternative sources can provide a deeper understanding of the complex dynamics and hidden perspectives that may be crucial in forming a more complete picture of ASEAN's efforts towards neutrality considering the involvement of the United States and China in Southeast Asia (Creswell, 2014).

In conclusion, this study acknowledges the ethical considerations and limitations related to the research design, data collection methods, and analysis. By recognizing these limitations, the study seeks to maintain transparency and rigor while providing a thorough understanding of the research topic.

3. Literature Review

The purpose of the literature review is to identify and synthesize existing theories and concepts relevant to the research question. The literature review aims to identify any gaps in the literature and potential areas for further research. Once the literature review is completed, the findings are used to develop a theoretical framework which will guide the analysis. This approach allows for the development of new insights and theories while also incorporating pre-existing ones. This study seeks to develop a theoretical framework that captures the complexity and nuance of ASEAN's pursuit of neutrality amidst external involvement. An abductive approach aids this paper as existing IR theories may not fully account for the nuances and complexities of the dynamics in Asia-Pacific. This literature review aims to derive a theoretical framework that is both grounded in empirical evidence and relevant to the unique context of ASEAN's pursuit of neutrality.

3.1 Advocating for an Inclusive Approach

There is a need for a more inclusive and diverse approach to IR theory to understand Asia, which incorporates non-Western perspectives (Katzenstein, 1997); (Kang, 2003). They criticize Western IR theory for its limited ability to understand Asian regionalism. (Kang, 2003) questions realism's relevance in predicting post-war Asia as ripe for rivalry, while (Katzenstein, 1997) argues that Western European-based theories “*have been of little use in making sense of Asian regionalism*”. Contradicting this notion, (Ikenberry & Mastanduno, 2003, pp. 421-422) argue that Western theoretical frameworks are still relevant in studying Asian IR with the claim that, despite the distinctive features in intra-Asian relationships historically, the integration of the region into the modern international system has diluted this distinctiveness. As a result, the behavioural norms, and attributes of the modern inter-state system, which originated from Europe and retains many features of the Westphalian model, are now present in Asia. Therefore, core concepts of IR theories such as, “*hegemony, distribution of power, international regimes, and political identity*” are as relevant in Asia as they are elsewhere (ibid).

The debate of the different IR perspectives in Asia especially on ASEAN did not start until the end of the post-cold war era (Huxley, 1996). The complexity and uniqueness of international relations in Asia, particularly within the context of ASEAN, necessitates a more holistic approach to IR theory. Traditional theories such as realism, liberalism, and constructivism have provided valuable insights into specific aspects of regional dynamics. However, relying solely on these theories may lead to an incomplete understanding of the intricacies of ASEAN's relationships and strategies in the face of growing great power competition and regional challenges. An inclusive approach to IR theory acknowledges the limitations of each traditional theory and combines their strengths to better explain the behaviours of ASEAN states and the mechanisms they employ to maintain neutrality and stability in the region. The inclusive approach and the abductive approach share a common goal: to create a more nuanced understanding of the region's dynamics by acknowledging the strengths and limitations of traditional IR theories and incorporating their insights in a holistic manner.

3.1.1 IR Theories on ASEAN

Realist thinkers consider the distribution of power as the primary factor that shapes the international relations of Asia after the war, and that the United States is the main entity responsible for maintaining stability in the region and a regional balancer (Leifer, 1996).

(Kang, 2003) states that the neorealist perspectives had predicted that the end of the Cold War would lead to regional instability in Southeast Asia. During the Cold War, they paid little attention to Asian regional institutions or dialogues and predicted a “ripe for rivalry” (Friedberg, 1998). The end of a relatively stable bipolar global order (US and USSR) and the removal of US military bases from Southeast Asia were interpreted as indications of a return to instability and a classic balance of power system in Asian security, resembling the past. However, the post-Cold War era in Asia, including Southeast Asia, was relatively stable of which ASEAN states transformed from a domino to a dynamo type of state (Bresnan, 1994).

After the Cold War, ASEAN shifted its focus towards wider regional security issues, and new regional institutions such as the Asia Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF) emerged. The shift towards prioritizing the institutional architecture posed a challenge to the realist perspective, which traditionally emphasized the importance of the balance of power system in preserving regional stability. However, neorealists still criticise the role of these regional institutions. One thing to note is that “... *despite criticisms ... , neorealists fail to answer a crucial question: if institutions ... do not matter in terms of regional security, why do ASEAN states and other outside powers continue to join these multilateral institutions?*” (He, 2006, p. 189).

According to the neorealist concept of balance of power, it is expected that Southeast Asian countries would align themselves with other regional powers to counterbalance the United States, which emerged as the sole superpower after the Cold War. There is no empirical evidence to suggest that Southeast Asian countries pursued a balancing policy against the United States after the Cold War. In fact, most countries in the region viewed the US as a stabilizing force in Southeast Asia, providing offshore security in the face of regional instability (ibid, p. 191).

Neo-liberal perspectives argued that ASEAN institutions played a vital role in keeping the peace in Cold War Asia and would continue to do so in the post-Cold War era. These perspectives recognized the importance of multilateral cooperation and the development of regional institutions to address new security challenges. The rise of ASEANs institutional architecture has caused for neoliberal perspectives to gain credibility in the Southeast Asian region due to the increasing trend of multilateral institutions. The peaceful and cooperative intra-ASEAN relations during the Cold War can be partly attributed to the institution-building efforts of ASEAN, which played a crucial role in reducing uncertainty, binding states' behaviours, and creating norms and principles in Southeast Asia. It presents a more optimistic perspective by emphasizing the significance of interdependence and incorporating the function of institutions in alleviating the security dilemma and promoting cooperation between states (Acharya, 2014). However, it remains unclear to what extent these institutions can weather storms such as

economic crises (such as the one of 1997) is a question that neoliberals have yet to answer and therefore a shortcoming of the neo-liberal theory in explaining ASEAN (ibid).

Particularly about the ASEAN-focused institutions, constructivism has been a more prevalent analytical approach, emphasizing the culture- and identity-driven concept of the "ASEAN Way". The emergence of a unique form of regionalism in Asia can be attributed to the influence of normative and cultural factors, as well as the shared identity of newly independent states in the region. This form of regionalism was characterized by a desire for both national and regional autonomy and differed from other regionalism models seen in other parts of the world. Critics of constructivism often view its optimistic view of Asia's future as unrealistic, like the pessimistic views of realism. A more significant criticism of constructivism is its tendency to overlook domestic politics, which can shape identity and interests. In practice, constructivists are unable to provide a satisfactory explanation for why ASEAN member states did not act collectively in response to the economic crisis, despite the emergence of a shared identity among them. The concept of regional autonomy and identity in ASEAN remains vague, and the ASEAN way has yet to be fully tested (Peou, 2002).

In the era of growing US-China involvement in Southeast Asia, ASEAN is pursuing neutrality to maintain its regional stability. The intensifying competition between these two major powers is putting pressure on ASEAN. Traditional IR theories, such as structural realism and hegemonic stability theory, provide valuable insights into the behaviours and strategies of states in response to great power competition. However, they do not fully capture the intricacies of ASEAN's approach in navigating this challenging environment. Structural realism assumes that small states react to the structural uncertainties of great power competition by balancing against or supporting the challenger (Waltz, 1979); (Walt, 1990, p. 4). The hegemonic stability theory, which puts forth the strategy of 'bandwagoning', where states ally with the challenger and cede some autonomy in exchange for promised security and/or economic benefits (Schweller, 1994). Though scholars disagree on multiple issues, there is agreement in the IR literature that ASEAN states neither conduct 'hard balancing' nor 'bandwagoning'. Instead, they display a strategy, which combines the aspects of both. It points to "hedging" as a 'middle' tactic in the balancing-bandwagoning spectrum (Goh E. , 2005.); (Kuik C.-C. , 2008); (Koga K. , 2022). There are growing scholarly works demonstrating that ASEAN states have been collectively using regional institutions to hedge external risks over the past decades (Rüland, 2011); (Tan S. S., 2020); (Anwar, 2020); (Kuik 2021). They are insisting on not taking sides i.e pursuing neutrality, while pursuing contradictory measures to cultivate fallback positions in the face of growing uncertainty (Kuik C. C., 2020); (Kuik C. C., 2021); (Laksmna, 2020).

Inclusive Approach

IR theories such as realism, liberalism, and constructivism have provided valuable insights into specific aspects of regional dynamics. However, relying solely on these theories may lead to an incomplete understanding of the intricacies of ASEAN's relationships and strategies in the face of growing great power competition and regional challenges. Therefore, the theoretical framework of this paper will consist of elements of Institutional realism and Institutional hedging.

Institutional realism refers to the strategic use of international institutions, rules, and norms by states to balance against perceived threats or to constrain the behaviours of other states (He & Feng, 2008). Institutional realism allows us to examine how ASEAN uses its regional institutional architecture to maintain neutrality amidst the influence of China and the US. This theory moves beyond the limitations of traditional IR theories, providing a more nuanced approach to understanding ASEAN's pursuit of neutrality and the specific strategies employed by its member states to navigate the complex geopolitical landscape. By incorporating Institutional realism as part of the inclusive approach, this study moves beyond the limitations of traditional IR theories and offers a more context-specific and comprehensive understanding of ASEAN's pursuit of neutrality.

Institutional hedging, as part of the inclusive approach, provides a more focused perspective to analyse ASEAN's strategies by examining how member states utilize regional organizations, norms, and cooperation mechanisms to maintain flexibility and adapt to great power competition. Institutional hedging refers to the strategic behaviour of states engaging in multiple and sometimes contradictory strategies to respond to uncertainty and great power competition. Integrating Institutional hedging into the inclusive approach, this study transcends the limitations of traditional IR theories and offers a more refined understanding of ASEAN's pursuit of neutrality. Institutional hedging highlights the importance of adaptability, flexibility, and pragmatism in shaping state behaviour and strategies, which may be underemphasized by traditional theories that focus primarily on power dynamics and fixed national interests.

4. Theoretical Framework

As aforementioned, an abductive method is adopted to identify a suitable theoretical framework to understand how ASEAN pursues neutrality amidst China and US involvement in Southeast Asia. The literature review in the chapter before reviewed existing theories and identified gaps in the literature. Thus, the framework of *Institutional realism* and *Institutional hedging* were chosen as an outcome of an iterative and reflective process of abductive approach and theory derivation that drew on pre-existing IR theories.

4.1 Institutional realism

The research question aims to answer how ASEAN pursues neutrality amidst China and US involvement in Southeast Asia. The Institutional realism theory, introduced by **Kai He** evaluates the role of regional institutions in regional security (He, 2006).

The theory draws upon classical realist principles regarding the role of institutions. Despite realists are commonly perceived as undervaluing the importance of institutions, classical realist theories on institutions commonly argue that institutions are intertwined with power politics (Carr, 1964); (Morgenthau, 1948). Institutions often serve as a reflection of a state's interests and power, and governments may leverage these institutions to increase their influence. Institutional realism builds on the fundamental tenets of neorealism i.e., “*the anarchic nature of the international system, the unitary actor of states in the system, and the constant competition among states for security*” (He, 2006, p. 195). In the context of ASEAN, the theory helps us to understand how this organisation, as a reflection of the interests and power of its member states, can be used to promote regional security and cooperation, particularly in the face of major power competition.

According to Institutional realism, the balance of power mechanisms remains a significant factor influencing state behaviour, institutions have become increasingly important as tools for states to achieve their goals. This is particularly true for small and middle powers, which can leverage institutions to balance power dynamics for the sake of their security. By participating in and shaping institutional arrangements, states can promote cooperation and mitigate the potential for conflict, even in the face of larger and more powerful actors (He, 2008). The pursuit of neutrality and stability by ASEAN is a prime example of how *Institutional realism* can be applied to international relations. This perspective acknowledges the critical role of international institutions in balancing power dynamics and promoting security in the context of major power competition, such as between the United States and China.

Institutional realism also draws upon neo-liberalist thinking to provide a more comprehensive and nuanced understanding of the complex and interconnected nature of international politics. This perspective recognizes that international politics is not solely determined by military interactions between states. Rather, it also acknowledges the influence of economic interdependence, globalization, and technological advancements on the international political landscape (ibid, p. 494).

Institutional realism acknowledges that institutions are essential in connecting state power and foreign policy behaviour. Nation-states can amplify their power and influence by joining regional organizations, and the dynamics of balancing power can extend beyond individual states to involve regional institutions (Ruland, 2000, p. 433) in (He, 2006, p. 196). The tool of institutions used for balancing purpose is Institutional Balancing, a key component of Institutional realism.

4.1.1 Institutional Balancing

Institutional Balancing is a strategic approach aimed at preserving security in an anarchic international system, utilizing the initiation, usage, and domination of multilateral institutions to counter external pressures or threats. These institutions significantly influence the behaviour of states, and in recognition of this importance, states use institutional balancing as a tool to manage external threats. There are two dimensions to institutional balancing, **inclusive** and **exclusive** (He, 2008, p. 493).

Inclusive Institutional Balancing is a strategic approach where states seek to embed target states within the institutional framework to influence their behaviours. In this method, states employ norm-building techniques to constrain their target states. By tactically controlling and manipulating agendas within these multilateral institutions, they address issues pertinent to their interests (ibid).

This paper will exclusively focus on the dimension of *inclusive institutional balancing*. The rationale for focusing on inclusive balancing is that it aligns with ASEAN's longstanding commitment to regional cooperation, dialogue, and consensus-building. Focusing on *exclusive institutional balancing* would involve analysing how ASEAN excludes certain states from its institutions and the motives for doing so. While both approaches can be used by ASEAN to achieve its goals, the focus on inclusive institutional balancing is more relevant to understanding how ASEAN pursues neutrality and manages threats from major power competition in the region.

One key independent variable when analysing whether states use inclusive institutional balancing is *economic interdependence*. The level of economic interdependence in the institutional balancing model is classified as either weak or strong. The stronger the perceived interdependence between states, the more likely it is that decision-makers will choose an institutional balancing strategy due to the high costs associated with military balancing (He, 2009). The primary indicators employed to gauge economic interdependence are international trade flows and foreign direct investment (FDI), which therefore also will be incorporated in the analysis of the economic interdependence between ASEAN and US and China (He, 2008, p. 497) .

Furthermore, Institutional realism examines how institutions can be used to balance power among states for security purposes. States use institutions to counterbalance great powers for security, with cooperation emerging because of effective institutional balancing. The theory's focus on institutional balancing is better suited explaining state-centric security threats, such as foreign disputes, than non-state-centric security issues, like environmental catastrophes and ethnical killings. The focus on state-

centric security threats makes it well-suited for examining the dynamics of ASEAN's neutrality in the context of US and China involvement in Southeast Asia.

4.2 Institutional hedging

To complement the strategic approach of institutional balancing, the theory of Institutional hedging by Cheng-Chwee Kuik will be explained in this section ((Kuik C.-C. , 2022). Institutional hedging can be contrasted with institutional balancing, which involves leveraging international institutions to contain or counterbalance a particular power (ibid, p.364). While balancing is often seen as a more aggressive or oppositional strategy, hedging can be seen as more flexible and adaptive. It allows states or groups of states to adapt their strategies as the international landscape changes (Goh E. , 2015).

States pursue a hedging strategy when the balance of power and the balance of forces in the international system are ambiguous or unstable and there is a great deal of uncertainty regarding the intentions and capabilities of external actors (Hurrell, 2006, p. 130). Hedging is a way for states to maintain strategic flexibility and adaptability in the face of uncertainty, “*insurance-maximizing behaviour under high uncertainty and high-stakes conditions*” (Goh E. , 2015). The increasing involvement of US and China in Southeast Asia is deemed uncertain and therefore, Institutional hedging can help us understand how ASEAN pursues its neutrality through its responses on several issues.

Institutional hedging involves three concurrent efforts: *active neutrality*, *inclusive diversification*, and *prudent contradictions*. Pursuing *active neutrality* means that the actor engaging in hedging is seeking to maintain neutral relationships with all parties involved, rather than taking sides or playing favourites actively. *Inclusive diversification* refers to diversifying dialogue and cooperation in an inclusive manner, which is manifested in both strategic and development links, culminating in multi-layered partnerships. *Prudent contradictions* mean maintaining some degree of flexibility and adaptability in the hedging strategy, such that it can pivot and adjust as circumstances change. This may involve pursuing multiple strategies that seem to contradict one another, but which together provide a robust and resilient overall hedging plan. These strategies can help explain ASEAN's pursuit of neutrality by providing a framework for how ASEAN manages its relationships with multiple powers and institutions in the international system, especially in uncertain times (Kuik C.-C. , 2022, pp. 372-375).

Cultivating a fall-back position is the main aim for these strategies. In the event of a shift in the balance of power or a change in the international system, the state can fall back on its alternative options or positions to maintain its interests and security (ibid, p. 357).

Actors pursue these strategies to minimise risks through the triple efforts of binding, buffering, and building. **Binding** refers to creating a more structured and ongoing engagement process with partners, rather than relying on one-time or irregular arrangements. The goal is to establish a stronger and more productive relationship with partners through sustained and regular communication and collaboration.

Buffering refers to creating space for manoeuvring by maintaining a balance of power through institutional means to limit the influence of major powers by maintaining distance from them and checking their actions.

Building is the constructing of cooperation and expanding of collaboration among ASEAN member states and with key partners near and far. Building aims to create values, inject momentum, and continuously increase layers of cooperation to maximize potential gains. In combination, the institutional binding, buffering, and building processes serve to hedge and mitigate the ever evolving and ever-expanding risks at multiple levels (ibid, p. 367-369).

This paper will only focus on the aspects of Binding and Building. If one is examining ASEAN's use of inclusive institutional balancing, it is also important to be coherent and focus on the aspect of institutional binding, which involves creating more structured and ongoing engagement processes to establish stronger and more productive relationships with partners. Additionally, the aspect of building is also relevant, as it pertains to expanding collaboration among ASEAN member states and with key partners. However, the aspect of buffering, which involves maintaining distance from major powers, is less relevant because it doesn't align as well with ASEAN's approach to regional integration and cooperation. That is not to say ASEAN doesn't take steps to protect its interests or balance against the influence of major powers, but the emphasis is more on engagement and partnership rather than distancing or avoidance. Hence, the concept of buffering will not be incorporated in the analysis to maintain a more concise focus on ASEAN's predominant strategies of binding and building.

Researching hedging strategies in the context of ASEAN involves a careful analysis of its policy statements, actions, and relationships with other major powers. Since these strategies are not usually announced publicly, researchers often must read between the lines and consider a variety of sources to draw their conclusions (Kuik C. C., 2021).

The objective of hedging is to develop strong relationships with all potential parties involved, while also preparing for the worst-case scenarios by creating multiple layers of protection. Ultimately, the goal of hedging is to keep all options open for as long as possible, allowing for greater flexibility in responding to changing circumstances (Ringsmose & Webber, 2020).

A regional organization hedges by using institutional means for pursuing group ends. These ends can range in fields of diplomatic, economic, and military and therefore the hedging by a regional group manifest in Institutional hedging. Therefore, the Institutional hedging strategy is useful to analyse how ASEAN as an organisation hedge to pursue neutrality. Furthermore, Institutional hedging also emphasises that member states do not need to be strictly coordinated in regional organisation for them to pursue hedging (Kuik C.-C. , 2022, p. 363). This is beneficial when analysing ASEAN, which includes ten diverse member states with own agenda. This can help sheds light on how ASEAN can simultaneously accommodate the distinct interests of its member states and work towards shared regional objectives. This aspect of the theory acknowledges the diverse interests and objectives of

individual ASEAN member states while emphasizing their shared tendency to use the regional organization as a common platform to pursue overlapping policy goals (ibid).

4.3 Theoretical Connection

Institutional realism and Institutional hedging, while presenting distinct theoretical constructs, are not mutually exclusive; rather, they complement each other in explaining ASEAN's pursuit of neutrality amidst major power competition in Southeast Asia.

Institutional realism allows us to understand how ASEAN, as an institution, can serve as an instrument for member states to promote regional security and cooperation, particularly amidst major power competition, through the mechanism of institutional balancing. It acknowledges the strategic importance of institutions in balancing power dynamics, a concept that aligns well with the ASEAN's longstanding commitment to regional cooperation, dialogue, and consensus-building.

Institutional hedging provides a flexible and adaptive approach that enables ASEAN to maintain strategic adaptability amidst the uncertainties brought about by the changing dynamics of power and forces in the international system. It allows ASEAN to manoeuvre within the complex international landscape without committing to a single trajectory. The strategies of active neutrality, inclusive diversification, and prudent contradictions associated with Institutional hedging provide ASEAN with the flexibility to pivot and adjust its strategies as circumstances change.

They highlight the importance of institutions in balancing and hedging strategies, which can offer insights into how ASEAN manages its relationships with multiple powers and navigates the complexities of the international system by pursuing neutrality.

4.4 Empirical Connection of theories

This section looks at the empirical connection between Institutional hedging and Institutional realism by examining how ASEAN pursues neutrality in Southeast Asia amidst the involvement of major powers like the United States and China. By analysing key regional initiatives, case studies, and primary documents, I aim to illustrate the applicability of these two theoretical frameworks in understanding ASEAN's approach to pursuing neutrality.

4.4.1: ARF

The ASEAN Regional Forum (ARF) serves as a critical multilateral dialogue that provides empirical evidence for the implementation of both Institutional realism and Institutional hedging theories in the Asia-Pacific region. The ARF can serve as an empirical tool to analyze how ASEAN pursues neutrality through the lens of Institutional realism and Institutional hedging. The ARF acts as an institution that enables ASEAN to engage with major powers while maintaining its neutrality, making it an ideal platform to test the institutional balancing strategies adopted by ASEAN. Additionally, the ARF

provides opportunities for inclusive diversification and building processes that align with the principles of Institutional hedging, enabling ASEAN to manage risks and uncertainty. By binding US interests and addressing China's perceived threats, ASEAN sought to create a framework for regional security and diplomacy after the Cold War.

4.4.2 Indo-Pacific Case Study

The Indo-Pacific region serves as a critical case study to examine how ASEAN pursues neutrality amidst great power competition. The region is home to some of the world's most important trade routes and strategic locations, making it a site of intense competition between China and the United States, as both powers have increased their involvement in the region. By examining ASEAN's relationships with major powers like China and the US, the case study can provide empirical evidence to support the theoretical frameworks.

By analysing ASEAN's actions and policies in the Indo-Pacific region, these theoretical frameworks can be tested to assess their effectiveness in explaining ASEAN's institutional strategies. The analysis focuses on how ASEAN navigates complex power dynamics and pursues neutrality in response to the increasing involvement of the United States and China in Southeast Asia.

5. Analysis

The aim of this paper is to address the research problem: *How effectively does ASEAN pursue neutrality to navigate the involvement of US and China in Southeast Asia?* The research analysis is structured into three distinct parts, which ensures that the research is conducted systematically and enables a comprehensive examination of the research question.

First part of the analysis will focus on establishing a conceptual foundation of neutrality, which involves examining how the concept has evolved over time to become relevant in the current context of ASEAN's pursuit of neutrality in Southeast Asia with the involvement of US and China.

Second part of the analysis will be the analysis of Institutional realism and Institutional hedging to examine how ASEAN pursues neutrality.

The last part of the analysis will be the case study, which examines how effective ASEAN is in pursuing neutrality by analysing the BRI and the Indo-Pacific construct.

Part of Analysis	Sub-Questions	Methodology
Part 1	How does ASEAN frame its neutrality?	Conceptualisation of neutrality in the context of ASEAN's pursuit of neutrality in Southeast Asia
Part 2	To what extent does ASEAN use its institutions to support its neutrality efforts?	Theoretical analysis of ASEAN's pursuit of neutrality through the ASEAN institutional architecture
Part 3	To what extent have ASEAN's institutional strategies been effective in navigating the involvement of external powers?	Case study analysis of the Indo Pacific to examine the practical application of theories and concepts and the effectiveness of ASEAN's neutrality pursuit

5.1. Conceptualising Neutrality

To effectively analyse ASEAN's pursuit of neutrality, this section will conceptualise what the term neutrality entails in the context of ASEAN.

5.1.1 Neutrality during the Cold War

As briefly outlined in the introduction, the notion of neutrality in the context of ASEAN has its roots in the Cold War era, primarily through the declaration of the Zone of Peace, Freedom, and Neutrality (ZOPFAN). In the analysis of ASEAN's pursuit of neutrality, ZOPFAN serves as the foundational reference point. It encapsulates the region's original conceptualization of neutrality as put forth by ASEAN, setting the stage for how this notion has evolved and been practiced in the region over time. ZOPFAN as a declaration bypassed all the legality on 'neutrality' by stating that, "*the neutralisation of South-East Asia is a desirable objective and that we should explore ways and means of bringing about its realisation*" (ASEAN, 1971).

During the Cold War, the establishment of ASEAN was prompted by the many political instabilities that plagued the Southeast Asian states. These included various domestic insurgencies, such as communist, irredentist, and separatist movements. In response, the ASEAN members recognized the importance of maintaining regional neutrality in achieving stability and peace. In fact, the Bangkok Declaration included a pledge to maintain stability and security by avoiding any form of external interference, "*to ensure their stability and security from external interference in any form or manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their people*" (ASEAN, 1967). As a result, the ASEAN's conception of neutrality was influenced by the struggle for security at the time during the heights of the Cold War and thus became central to its mission of promoting regional stability and security.

ASEAN's conception of neutrality aimed to limit external interference in Southeast Asia while allowing member states to maintain defence relationships with countries outside the region for their national security. In other words, it sought to strike a balance between safeguarding regional autonomy and allowing member states to engage in defence partnerships with countries beyond ASEAN.

Using a regional organisation, ASEAN member states could use that as an agency to gain regional stability, which enabled them to focus on domestic politics (Southgate, 2021). This shows that, although ASEAN aimed to be a neutral organization, the concept of neutrality was altered to fit the interests of individual states and the geopolitical environment. This required putting focus on independence refraining from taking sides in Great Power competition and limiting outside interference in Southeast Asia's internal affairs. ASEAN hereby used neutrality as a means of protecting the area from Cold War geopolitics and fostering unity among its members (ibid); (Emmers R. , ASEAN's search for neutrality in the South China Sea., 2014); (Emmers R. , 2018). Thus, this form of neutrality can be seen as pursuing a **nonpartisan** approach by condemning external interference in any way.

5.1.2 Neutrality during Contemporary World Order

The evolution from a bipolar world during the Cold War era, to a multipolar world in Contemporary Southeast Asia, also impacts ASEAN's notion of neutrality, as it has been a reoccurring theme within ASEAN.

ASEAN reemphasized the ZOPFAN as a political instrument in 2003 during the creation of an ASEAN Security Community as well as in the 2007 ASEAN Charter, which emphasized the *“right of each member state to live free from external interference, subversion, and coercion”* (ASEAN, 2007). The reason for this can be linked with the rise of China or following the US' intervention in Iraq (Dalpino, 2003). These instances, among others, demonstrate that ASEAN consistently refers to ZOPFAN in official statements not as an immediate, concrete goal but as a shared aspiration and an integral part of its institutional approach to maintaining peace and security through neutrality. The aim of maintaining regional stability is not only a means to an end but also a means of ensuring each member state's peaceful and forward-moving national development (Murphy, 2017).

The regional security environment has been put to the test considering the shifting dynamics of the international system and the escalating strategic competition between China and the United States in the region in recent years. Southeast Asia has been significantly impacted by China's economic growth and the increasing influence of China. The United States has grown increasingly worried about China's influence trying to first contain its rise with the "pivot/rebalance to Asia" strategy and the Free and Open Indo Pacific strategy (FOIP) (Beeson M. , 2022).

By placing a strong emphasis on impartiality in its efforts to create an institutional architecture that includes all major and middle powers in the Asia Pacific, ASEAN has responded to a world that is becoming more multipolar. They are adjusting to this multipolar world order through established institutions such as the ASEAN Regional Forum (ARF), the ASEAN Plus Three (APT), and the East Asia Summit (EAS) to involve external powers and hope to bind them to ASEAN norms and regulations (Emmers R. , ASEAN's search for neutrality in the South China Sea., 2014); (Ba A. D., 2011).

The increased involvement of US and China in Southeast Asia has made it impossible to pursue the 'traditional' form of neutrality as seen during the Cold War and trying to keep external affairs at bay. Shifting from, a bipolar to a multipolar world order and the agency of the ASEAN-led institutional architecture significantly raises the possibility that ASEAN neutrality's significance and scope have changed. It represents a change in strategy from one focused on keeping the major powers at a distance, *“external interference in any form or manifestation”* (ASEAN, Bangkok Declaration., 1967) to one that is now centred on entangling them to its institutions – the ASEAN way. Hence, ASEAN has changed from being committed to preventing Great Power conflict in Southeast Asia to **‘welcoming’** the participation of outside powers (Emmers R., 2018). Thus, this form of neutrality can be seen as pursuing an **‘impartial’** approach by welcoming external powers to its institutions.

Table 4: Table 4: ASEAN's neutrality

Period	ASEAN's Role	Reason for Role	ASEAN's Objective
Cold War	Nonpartisan	Avoid being drawn into conflict between US and USSR	Avoiding involvement in proxy wars
Contemporary World Order	Impartial	Avoid being perceived as favouring US or China	Maintaining centrality in regional security framework

5.1.3 Operationalising Neutrality

In advocating for neutrality, ASEAN aimed to foster a regional order that would discourage major powers from prioritizing their individual interests over regional stability and security. Such an approach functions as a mechanism for managing inter-state power relations and diminishing the risk of conflict. During the Cold War, ASEAN pursued neutrality by remaining **nonpartisan**. However, the current competition between the US and China has led ASEAN to shift to an **impartial** approach. This means engaging with both powers to promote regional stability and advance ASEAN's interests, while maintaining autonomy and avoiding taking sides.

Despite this shift, ASEAN's objective remains to maintain its centrality in the regional security framework, as there is no other acceptable leader to all participants. By remaining impartial, ASEAN can be a fair partner to all major players, including China, the US, and Japan. Hence, ASEAN's adoption of an **impartial** approach represents an evolution in its pursuit of neutrality, as it enables the organization to maintain its **central** position in the region's security architecture without taking sides. The major players in the region have not yet challenged ASEAN's position as a manager in the cooperative process, which indicates the organization's significant role in promoting regional security and stability.

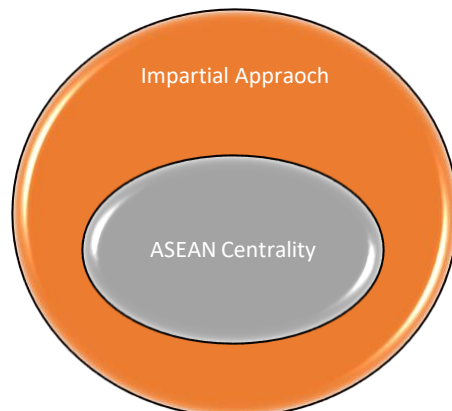
5.1.4 ASEAN centrality

This central position in the region is also termed, '*ASEAN Centrality*'. As in the contemporary world order ASEAN adopts an **impartial stance** in their pursuit for neutrality as a means for regional security. This impartial stance is adopted by ASEAN through its focus on ASEAN's institutional architecture. ASEAN centrality emphasizes ASEAN's central role in shaping regional dynamics and decision-making processes in Southeast Asia (Ba, 2016; Severino, 2006). The concept highlights ASEAN's commitment to ensuring that its member states remain at the core of regional affairs, both in terms of shaping norms and principles as well as facilitating dialogue and cooperation among regional stakeholders, including major powers like China and the United States (Acharya, 2014).

In practice, ASEAN centrality manifests through the establishment of ASEAN's regional architecture and mechanisms, which provide platforms for dialogue and cooperation on regional security and economic issues (Caballero-Anthony, 2014). Furthermore, it involves engaging major powers through ASEAN-centric processes, ensuring that the organization remains at the centre of regional decision-making and cooperation (Ba, 2016).

Hence, this paper conceptualizes ASEAN's neutrality as pursuing an impartial approach through the emphasis on ASEAN's centrality.

Figure 3: Pursuing Centrality through Impartiality



This conceptualization of ASEAN's neutrality will form the basis for our analysis of the theories of Institutional realism and Institutional hedging. I will explore how ASEAN's centrality and its pursuit of an impartial approach are reflected in these theories and how they help to explain ASEAN's strategies and actions. This will be further illustrated through case study analysis, where specific instances of ASEAN's behaviour in relation to the United States and China will be examined and furthermore it will be assessed how these instances align with our conceptualization of ASEAN's neutrality.

5.2 Theoretical Analysis

ASEAN's pursuit of neutrality is anchored in its impartiality stance, which is upheld through the ASEAN centrality. In response to the multipolar world, ASEAN utilizes its institutions as inclusive tools to achieve impartiality. Despite it being analysed that the neutrality of ASEAN being pursued can be termed as impartial, the following sections will still focus on pursuing neutrality as it aligns with the research question. This section will delve deeper into the theoretical concepts of Institutional hedging and institutional balancing, to analyse the extent to which ASEAN-led institutions have facilitated ASEAN's pursuit of neutrality.

5.2.1 Institutions to Promote Interests.

Institutional realism assumes that actors strategically use institutions to promote their interests and maintain regional security and cooperation. ASEAN member states utilize their institutions to advance their interests while ensuring regional security and cooperation and therefore can confirm the theories assumption (Jones L. , 2012). (Ba A. D., 2019) emphasises this by stating, “*In Southeast Asia the multilateral character of institutions offers ways to amplify the concerns of small states that might not have happened in purely bilateral settings*”.

ASEAN's institutions as point of centrality plays a crucial role in pursuing neutrality in Southeast Asia amidst major power competition, particularly between the United States and China. ASEAN's regional architecture provides a platform for member states to collaborate and maintain security. By adhering to ASEAN centrality, ASEAN interacts with external actors while maintaining its neutral stance (Koyuncu, 2021).

Why Institutions?

The use of institutions by ASEAN and its efforts to foster regional security are closely tied to the principles of neorealism, which are also present in Institutional realism. This alignment is evident in ASEAN's emphasis on regional collaboration and institutional strategies aimed at enhancing regional security - a response necessitated by the anarchic state of the global system. Lacking a central authority, states are plunged into a competitive struggle for power and security (He, 2006).

In navigating this anarchic landscape, ASEAN adopts a position of neutrality, advocating for regional cooperation as a preventive measure against conflict escalation and as a means to preserve stability within the region. The strategic implementation of inclusive institutional balancing to maintain neutrality is deeply connected to ASEAN's worldview, which perceives anarchy as an intrinsic characteristic of the international system (Oye, 2011).

Understanding the potential pressures or threats from other states or from the international system as a whole, ASEAN realises that the pursuit of neutrality within Southeast Asia necessitates a careful and calculated balancing act – inclusive institutional balancing (He, 2008).

ASEAN as an organisation uses inclusive institutional balancing to exert their influence through engaging in a system, where norms setting and agenda controlling become the primary modes of interaction between states (ibid). By leveraging regional institutions and mechanisms, ASEAN manages to offset the impact of power disparities, thereby fostering stability within the region. This strategy enables ASEAN to refrain from aligning with any major power bloc, placing its emphasis instead on cooperation. ASEAN's pursuit of neutrality can be considered a form of inclusive institutional balancing based on rules because it involves the use of regional institutions and mechanisms to mitigate the effects of power asymmetries and promote stability in the region (Ba A. D., 2011).

Inclusive balancing underscores the significance of engaging all relevant actors, irrespective of their size or power, in matters of regional security. This approach aligns seamlessly with ASEAN's strategies, which consistently aim to expand relationships and generate denser networks of interaction among countries. Furthermore, guided by the strategic principle of "ASEAN centrality" - a principle that is regularly invoked and codified - states have increasingly relied on ASEAN-linked institutions as mediators to manage their great power relations (Ba A. D., 2019). This is most vividly exemplified in ASEAN's establishment of the ASEAN Regional Forum (ARF). The ARF acts as a potent tool for institutional balancing, in essence, operationalizing the principles of inclusive balancing. By creating a forum that includes all relevant regional actors, ASEAN ensures that every voice is heard and considered, thereby mitigating potential power asymmetries.

5.2.2 Institutional Balancing with the ARF

This is most vividly exemplified in ASEAN's establishment of the ASEAN Regional Forum (ARF), which operationalises inclusive institutional balancing. The ARF is the inaugural security institution to cover the whole of Asia, having been established in 1994. It unites states in all shapes and sizes ranging from the US, China, the EU, to smaller states such as Korea.

ARF is central in ASEAN's institutional architecture and serves as a means for ASEAN to pursue its neutrality through centrality. ASEAN has displayed its prominent position in connecting other states in the network, which is why the institution plays a crucial role in the anarchic system (He, 2009).

ASEAN's ability to bring together major and middle powers in the ARF has allowed it to secure a crucial position between these groups. As a result, ASEAN has been able to take charge of setting the agenda for the ARF, as well as applying ASEAN's practices to its meetings and processes. Institutional approach encourages cooperation and communication between powerful nations and smaller states to resolve security challenges and reduce the risk of conflicts, which is ASEAN using its centrality to pursue neutrality.

Diverging from Confrontational Approach

ARF provided ASEAN and Southeast Asia with a shift towards a more cooperative security approach that prioritizes comprehensive and sustainable development (Caballero-Anthony, 2014), which is also

seen as how ASEAN pursues its neutrality to navigate the involvement of external actors. It changed the discourse on East Asian security policy, advocating for a more comprehensive and inclusive approach to security.

The ARF's cooperative security approach represented a departure from the more exclusive and confrontational approaches that had been associated with US military alliances, which were previously the only arrangements focused on addressing regional security concerns. This shift in approach marked a departure from traditional notions of security based on deterrence and opposition (as stated by neo-realism), towards a more comprehensive and inclusive approach to security that considered issues of sustainable development in all fields (Capie, 2004); (Emmers & Tan, 2011).

As such, the ARF's cooperative security approach was seen as a more constructive and cooperative way of addressing regional security concerns, in contrast to the more confrontational approaches that had prevailed previously. Thus, inclusive institutional balancing shows how ASEAN leverages its institutional tools to involve both US and China in its institutions to promote regional stability, balance power dynamics, and advance its own interests. The ARF offered an early institutional expression of the focus on 'ASEAN centrality', as explained in the previous section (Ba A. , 2017) .

Including China and the US

Incorporating institutional engagement played a pivotal role in amplifying China's integration efforts beyond economic dimensions, concurrently facilitating the expansion and normalization of U.S. diplomatic focus beyond its bilateral alliances and military-centric objectives (Ba A. D., 2019).

ASEAN has used inclusive institutional balancing by creating the ARF to pursue neutrality and balance the power structure in a very elaborate way. Following the Cold War, ASEAN nations found themselves wrestling with changing regional geopolitics. The US had been a key player in maintaining regional peace and ASEAN faced the challenge of ensuring continued US involvement without causing excessive political interference. In 1992, main discourse was on how to keep the US in the region and thus a multilateral security dialogue institution (ARF) was on the ropes (He, 2009); (He, 2008, p. 497). Concurrently, the rapid economic and military growth of China positioned it as an emerging powerhouse. This dynamic, coupled with the perceived decline of US influence, stirred concerns within ASEAN about a possible power vacuum in Southeast Asia, which could potentially ignite fresh conflicts and power struggles (He, 2006, p. 198). Given its growing influence, China was viewed as the most likely contender to fill this gap. Unresolved disputes in the South China Sea heightened these fears, fuelling apprehensions about a potential 'China threat' perceived by ASEAN states, despite the economic benefits China provided (ibid).

The ARF was created to firstly, *“engage, constrain, and eventually socialize China through cooperative security norms as well as the ASEAN way”* and secondly is to *“bind the United States to the region so that there will not be a security vacuum after the Cold War”* (He, 2006). The central element of inclusive Institutional realism that ASEAN practices is that it is always better working with than

working against (ibid). Therefore, the importance of Chinese participation in the ARF can be seen as more significant, particularly bearing in mind the growing concerns about China's influence in Southeast Asia. Thus, inclusive institutional balancing was used by ASEAN to pursue neutrality to both bind US to the region and to change China's influence and behaviour in the South China Sea.

South China Sea

The ARF is seen by scholars as a massive achievement by ASEAN in including and creating dialogue with China. Rather than resorting to military balance, ASEAN employed an *inclusive institutional balancing strategy*, which established institutional standards and regulations to influence China towards ASEAN norms (Yahuda, 2013).

In 1994, China expressed a commitment to peaceful settlement of the disputes through the TAC (Tasker, 1992, p. 9). Inclusive institutional balancing, was evident when ASEAN member states solidified their shared policy on the South China Sea, issuing a joint statement towards China. As a result, China eventually agreed to engage in discussions based on recognized international legal principles, including the 1982 Law of the Sea. (He 2008) states that due to subsequent ARF and China-ASEAN dialogues, China rehabilitated its stance on the South China Sea disputes and instead worked towards establishing a code of conduct and joint development with the ASEAN states, which also aligned with China's narrative on inclusion.

It is important to emphasise that this does not necessarily mean that the inclusive institutional balancing strategy put forth by ASEAN is going to change China's claims South China Sea issue. It proves that ASEAN pursues neutrality through its institutions, such as the ARF, to promote dialogue agendas on confidence building and preventative diplomacy and to create a stable balance of power. China has not yet sought legalistic means, such as resorting to the International Tribunal for the Law of the Sea or the International Court of Justice, to resolve relevant disputes. However, it has adapted its bilateralism-based negotiation principle and participated in discussions on the South China Sea disputes within the ASEAN setting (Emmers R. , 2014).

5.2.3 Economic Interdependence

Economic interdependence is a crucial factor that shapes the behaviours and choices of ASEAN member states in their pursuit of security and neutrality. After discussing the concept of inclusive institutional balancing and its relation to ASEAN's neutrality, it is essential to highlight the role of economic interdependence in reinforcing this strategy (He, 2008, p. 497).

Economic interdependence has become a critical aspect of global politics in the post-Cold War era. With the rise of international trade and investments, countries have become increasingly interconnected, fostering closer relationships among nations. This emphasis on economic cooperation and interdependence has also played a vital role in maintaining regional stability and preventing military conflicts, aligning with the assumptions of Institutional realism. The economic interdependence

between ASEAN and China and the US, is therefore a crucial factor in understanding how ASEAN pursues neutrality amid their involvement in Southeast Asia. According to Institutional realism, for ASEAN to choose the strategy of institutional balancing, they need to have strong economic interdependence with the target states, the US and China. In the sections below, the balance of trade between ASEAN and China& US as well as the FDI inflows to ASEAN will be analysed assess the extent of economic interdependence between ASEAN and the two states.

Balance of Trade

The balance of trade is a useful indicator of economic interdependence between countries, as it highlights the flow of goods and services between nations. This measure demonstrates how closely connected countries are in terms of imports and exports, reflecting their reliance on one another for economic growth and stability. The data presented in Figure 1 showcases the balance of trade in goods between ASEAN and the two powers, China, and the United States. China's negative balance of trade in goods of -107,683.3 reflects a trade deficit, where the value of imports exceeds the value of exports. Conversely, the US shows a positive balance of trade in goods of 145,856.4, signifying a trade surplus, where the value of exports surpasses the value of imports.

Figure 4: Balance of trade in goods 2012-2021

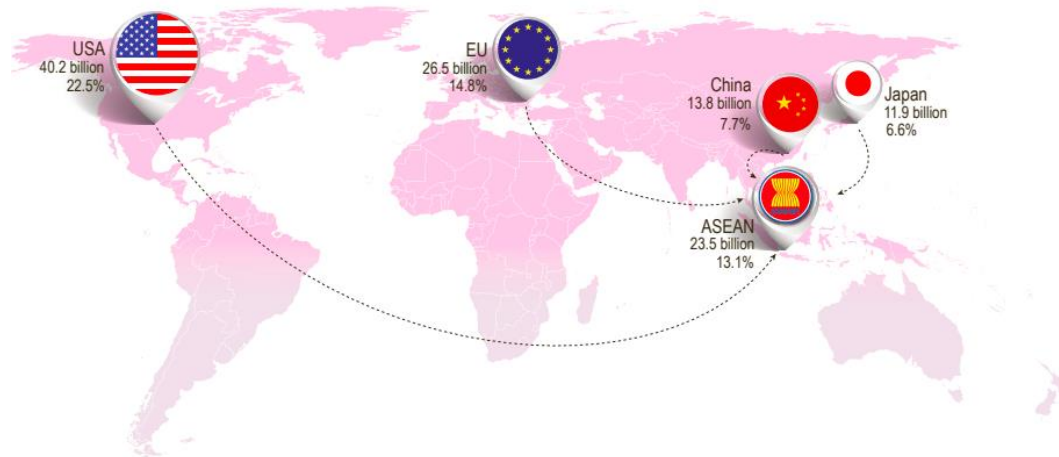
Trading Partner	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Trade Balance (X-M)										
ASEAN	50,406.8	59,475.1	52,305.1	38,832.4	37,838.3	34,533.8	44,359.0	32,019.5	29,115.9	31,057.7
Trading Partner	-15,582.5	-35,711.1	461.5	31,772.9	29,481.7	43,756.3	19,635.2	-791.1	94,526.3	54,914.3
Australia	21,660.0	21,539.9	17,050.7	14,089.2	13,288.0	10,099.7	12,785.7	7,791.3	7,627.4	3,855.5
Canada	827.8	951.0	1,598.2	1,709.7	2,157.3	1,848.3	1,911.6	2,778.9	3,700.8	4,794.4
China	-34,309.7	-44,826.4	-58,686.0	-72,914.0	-80,636.6	-66,918.1	-83,176.0	-102,863.3	-80,837.8	-107,683.3
EU-27	3,406.5	2,170.5	13,432.8	19,440.0	21,593.0	46,601.0	30,190.0	23,950.1	33,813.3	35,688.4
India	15,938.2	16,383.1	19,395.4	20,941.2	16,933.0	17,119.0	20,799.5	19,501.6	13,085.9	16,067.9
Japan	-8,593.6	4,676.4	11,222.1	1,082.3	-9,308.1	-6,914.5	-578.3	-6,208.2	499.9	-12,648.6
Korea, Republic of	-20,688.0	-29,180.3	-28,187.5	-29,725.0	-32,631.7	-41,385.6	-39,756.3	-37,746.6	-37,807.7	-52,257.3
New Zealand	1,956.4	1,578.4	2,046.9	1,698.4	1,194.4	1,417.9	1,955.2	1,660.6	1,038.0	2,320.5
Russia	-8,385.8	-9,488.6	-11,742.3	-5,431.2	-2,392.5	-5,016.8	-8,003.1	-5,991.9	-2,119.8	-3,482.9
United Kingdom	3,565.3	385.9	3,400.8	4,678.9	5,694.5	7,972.9	4,488.3	3,447.0	3,613.2	4,640.5
USA	15,851.7	22,258.9	30,918.6	40,303.3	50,342.6	51,128.2	58,396.3	72,795.2	114,089.5	145,856.4
Rest of the World	-6,811.3	-22,160.0	11.9	35,900.2	43,247.9	27,804.3	20,612.4	20,094.1	37,823.6	17,762.8
Total	34,824.3	23,764.0	52,766.6	70,605.3	67,320.0	78,290.2	63,994.2	31,228.4	123,642.2	85,972.1

Foreign Direct Investment (FDI)

In 2021, as illustrated by Figure 5, the top five sources of FDI inward flows to ASEAN were the United States, the European Union, China, Japan, and ASEAN itself. These top five sources contributed 65% of the total FDI inward flows in the region. The United States remained the main investor, accounting for 22.5% of the total ASEAN FDI inward flows at \$40.2 billion. The European Union followed with 14.8% (US\$26.5 billion). Intra-regional FDI within ASEAN reached \$23.5 billion, representing 13.1%

of total FDI inward flows. China and Japan were other significant sources of FDI to ASEAN, with shares of 7.7% and 6.6%, respectively (ASEAN, 2021).

Figure 5: FDI inflow to ASEAN



Source: ASEAN Secretariat, ASEANstats database

The US is the top investor in ASEAN, but these investments are concentrated in a handful of ASEAN states, such as Singapore, Malaysia, Thailand, and Indonesia. In Cambodia and Laos, FDI from China has constituted the largest source of investment for consecutive year (ASEAN, 2021).

The strong economic interdependence between ASEAN and the two major powers, China, and the United States, has influenced ASEAN's choice of adopting an institutional balancing strategy, due to military interactions being too costly. This approach is driven by rational cost/benefit constraints within the system, as it allows ASEAN to better manage its relationships with both countries while promoting regional stability and avoiding conflicts. ASEAN's policy towards the ARF serves as an example of inclusive institutional balancing, which is directed at both China and the United States due to high economic interdependence. This strategy enables ASEAN to engage with both powers, fostering cooperation, dialogue, and mutual understanding, while maintaining its neutrality and centrality in regional affairs.

The strong economic interdependence between ASEAN and the two major powers, China, and the United States, has led ASEAN to strategically adopt institutional balancing to preserve its centrality and neutrality in the face of great power competition due to the anarchic nature of the international system. ASEAN is quick to react to its geopolitical surroundings and utilize institutions to further their interests and maintain regional stability, as seen with the creation of the ARF.

ASEAN's policy with the ARF exemplifies its use of inclusive institutional balancing, directed at both China and the United States, albeit for different reasons. This strategy allows ASEAN to engage with both powers, fostering cooperation, dialogue, and mutual understanding while maintaining its

centrality. Consequently, ASEAN's pursuit of centrality through Institutional realism effectively addresses the research question, demonstrating how ASEAN navigates the involvement of external actors like China and the United States in Southeast Asia, ensuring regional stability and advancing its own interests through institutional balancing.

5.2.4 Institutional Hedging

ASEAN employs hedging strategies to maintain its central role in the region while managing risks and uncertainties posed by the involvement of major powers. This can be achieved through active neutrality and inclusive diversification, which ensure that ASEAN remains flexible and adaptable in the face of evolving regional dynamics. Additionally, the concepts of binding and building within Institutional hedging highlight the importance of strong, structured relationships and cooperation among ASEAN member states and with external partners, further reinforcing ASEAN's central role in the region (Kuik C. C., 2021).

By pursuing ASEAN centrality, the organization adeptly navigates the complex and interconnected nature of international politics, engaging with major powers like China and the United States through a range of institutional mechanisms. This approach allows ASEAN to maintain its relevance and influence in the region, while mitigating the risks associated with great power rivalry. Through Institutional hedging, ASEAN can ensure regional stability and cooperation, further solidifying its central role in shaping the regional security architecture and addressing common challenges (Kuik C. C., 2020); (Jones & Jenne, 2022).

In the evolving Asia-Pacific security landscape, Goh argued that 'hedging' best characterizes the strategy of simultaneously implementing engagement and indirect balancing policies (Goh E. , 2015). Connecting this to Institutional hedging, it suggests a simultaneous approach of collaboration and caution within institutional frameworks to navigate the changing dynamics effectively.

5.2.5 Binding and Building

ASEAN adopts the binding strategy through various mechanisms, bringing together all powers and partners in continuous collaboration, dialogue, and socialization. The goal of binding is to establish stronger, more productive relationships among ASEAN member states and with external actors. By fostering stronger ties, binding aids ASEAN to mitigate potential conflicts, ensure the organization's neutrality, and promote regional stability (Kuik C. C., 2021).

ARF serves as a binding mechanism that helps ASEAN maintain neutrality by involving all relevant parties in a structured and ongoing engagement process, ensuring that ASEAN does not appear to favour any particular power or align itself with one side against another (Goh E. , 2005.). Instead of excluding non-like-minded actors, the ASEAN states chose to invite and include all relevant actors with different interests and ideologies.

Additionally, to the ARF, the binding-engagement approach has been highly effective in the case of the APT (ASEAN Plus Three). Since its establishment in 1997, the Southeast Asian states have brought the three Northeast Asian states into nearly all East Asian-wide regional cooperation and integration efforts, across all levels (summit, ministerial, and working) and domains (finance, currency swap, public health, security, transport, education, energy, and environment). The continued participation of the three Northeast Asian powers as founding members in all ASEAN-led institutions (including the ARF, APT, EAS, and ADMM-Plus) has given ASEAN significant leverage to negotiate and involve other powers beyond East Asia in ASEAN-based multilateralism (Khong, 2004).

DOC

An example of a binding mechanism by ASEAN is the Declaration on the Conduct of Parties in the South China Sea (DOC), which provides a framework for dialogue and consultation among the signatory parties, which promotes regular communication and cooperation on issues related to the South China Sea.

The DOC is a non-binding agreement signed by ASEAN member states and China in 2002, which commits all parties to resolve their disputes in the South China Sea peacefully and without the use of force. In Article 5 of the declaration “*without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law* (ASEAN, 2002). This is an example of ASEAN states suing the binding to mitigate risks through creating a stable and predictable environment, reducing misunderstandings, building trust and confidence among parties. Additionally, the DOC aids in mitigating potential conflicts and tensions in the region.

The DOC emphasizes the importance of self-restraint, confidence-building measures, and cooperation in the management of disputes in Article 2 aiming to, “*build trust and confidence between and among them*” (ibid). It also encourages states to enhance their communication and dialogue, including the exchange of views on the application and interpretation of international law, as well as the exploration of cooperative activities in the South China Sea. While the DOC has not resolved the territorial disputes in the South China Sea, it has helped to stabilize the situation and prevent further escalation of tensions. Moreover, the DOC has provided a platform for ongoing negotiations between ASEAN and China on a more binding Code of Conduct in the South China Sea as seen in Article 10 (ibid). The DOC represents a strategic use of institutional mechanisms by ASEAN member states to manage the risks and uncertainties posed by the territorial disputes in the South China Sea all of which contribute to the broader goals of neutrality, stability, and adaptability in the face of regional uncertainties and challenges.

Building

The building function in ASEAN is not predetermined, but instead is responsive, accumulative, and adaptive. Over time, each ASEAN-led institution adds layers of cooperative mechanisms in response to new crises and common problems that arise. This process of binding aims to create value, inject momentum, and continuously increase layers of cooperation to maximize potential gains, reduce loss and avoid potential harms. By fostering a network of cooperative relationships, regional organizations like ASEAN can enhance their collective resilience and adaptability in the face of evolving geopolitical uncertainties and challenges (Kuik C.-C. , 2008); (Kuik C.-C. , 2022).

Typically, building takes the form of a gradual transformation of group consensus into long-term regional cooperation (Fennell, 2022). The risks of failing to address new challenges and regional issues and, as a result, losing the relevance and centrality role in regional affairs must be avoided. This can be done by continuously building.

The ‘building’ process of expanding collaboration and cooperation is essential for ASEAN's pursuit of neutrality. By engaging in various cooperative initiatives and programs with multiple partners, ASEAN can maintain a balanced approach to its external relationships, ensuring its neutrality and independence amidst the competing interests of major powers in the region. As the scope of ASEAN-based dialogue partnerships and region-wide cooperative activities evolves and expands, so do their functions (Kuik C.-C. , 2022).

Figure 6: ASEAN's evolving partnerships

DIALOGUE PARTNERSHIPS		STRATEGIC PARTNERSHIPS	COMPREHENSIVE STRATEGIC PARTNERSHIPS
Australia	1974	2014	2021
New Zealand	1975	2015	-
Japan	1977	2005	-
US	1977	2015	2022
European Union	1977	2020	-
Canada	1977	2020	-
South Korea	1991	2010	-
India	1995	2012	-
China	1996	2003	2021
Russia	1996	2018	-
United Kingdom	2021	-	-

The building strategy adopted by ASEAN can indeed be connected to the evolved understanding of neutrality. ASEAN employs Institutional hedging as a tool to build upon the institutions it has established, with the aim of circumventing the risks associated with emerging regional challenges and problems. A failure to address these could potentially undermine ASEAN's relevance and centrality in regional affairs, as noted by (Kuik C.-C. , 2022). An example of this is also the expansion of the East

Asia Summit (EAS) to include the United States and Russia in 2011. By bringing these major powers into the EAS, ASEAN can build a more inclusive regional architecture that can help manage power dynamics in the region.

ASEAN's efforts to build robust institutional ties and use 'building' strategy is evident when looking at Figure 6. It strategically evolves these partnerships by injecting momentum, and continuously layering cooperation to maximize potential gains. By strategically building and evolving its partnerships, ASEAN ensures it does not become overly reliant or aligned with any single major power. This approach helps to maintain a balance in its relations with major powers, thus preserving its neutrality (ibid).

Code of Conduct in the South China Sea

The Code of Conduct in the South China Sea (COC) can serve as an example of the "building" process, building on the DOC in the context of Institutional hedging and ASEAN's pursuit of neutrality. It represents an effort to expand collaboration and cooperation among ASEAN member states and China in managing disputes and potential conflicts in the South China Sea. By working together on the negotiation and eventual implementation of the COC, ASEAN is fostering a cooperative framework that promotes peace, stability, and mutual trust among the involved parties.

The primary objective of ASEAN is to pursue the development of a South China Sea Code of Conduct (COC) that is legally binding and enforceable by law (Thayer, 2013) . The COC builds upon the Declaration on the Conduct of Parties in the South China Sea (DOC) and represents the endgame of the non-binding process. Once agreed upon, the COC would permit a court to impose penalties on any party that violates its provisions, thus extending the principles outlined in the DOC (ibid).

This is a top priority for ASEAN because it demonstrates a complex dedication to creating a system based on rules rather than a power-based regional order. As a group of small and medium-sized nations, ASEAN sees the COC as a set of standards, guidelines, and procedures that should direct parties' behaviour in the South China Sea. The COC should also act as a mechanism for fostering mutual trust to create an atmosphere that is favourable for the peaceful settlement of disputes in accordance with international law (Ba A. , "ASEAN's Stakes: The South China Sea's Challenge to Autonomy and Agency," 2016).

The COC in the South China Sea is a prime example of ASEAN's Institutional hedging strategy and its efforts in building. As an intended legally binding agreement between ASEAN member states and China, the COC seeks to establish a set of rules, norms, and guidelines to govern behaviour in the contested region. The primary aim is to prevent and manage conflicts, foster cooperation, and maintain regional stability. In terms of building, the COC aims to create value by providing a cooperative framework that injects momentum into resolving the South China Sea disputes peacefully. It also contributes to the continuous increase of layers of cooperation between the involved parties, maximizing potential gains for all. By pursuing the COC, ASEAN reinforces its commitment to

multilateral diplomacy and further strengthens its position in shaping the regional security architecture. This demonstrates the building aspect of Institutional hedging, highlighting ASEAN's role in actively seeking active neutrality through collaboration and mutual benefits for its member states and the wider region in the context of the South China Sea (Ba A. , 2017); (Hurrell, 2006).

5.2.6 Active neutrality

The theoretical framework of Institutional hedging through binding and building can help us understand how ASEAN pursues active neutrality amidst the involvement of the US and China in Southeast Asia. The ASEAN states have emphasized that they do not support any side in the conflict between the competing powers (Thompson & Chong, 2020). Such neutrality is seen as proactive and preventative rather than passive.

By supporting individual power initiatives alongside ASEAN-plus regional cooperation across domains creates space for ongoing cooperation and shows that they are actively neutral when it comes to managing external powers (Kuik C.-C. , 2022). The fundamental building block for institutional binding and building is ASEAN neutrality, which contributes to sustaining peace and stability in the larger region. If ASEAN were to depart from neutrality and take sides with either power, it would perpetuate vicious cycles of regional polarization, intensifying tensions, and conflicts (ibid).

The active neutrality of ASEAN represents a powerful synthesis of power and norms in a multilateral setting. Since ASEAN oversees these norm-based fora and not another power, they pose less of a threat to the participating powers. This prevents leadership competition among the major powers, reduces power imbalance, and motivates them to court Southeast Asian nations in the areas of diplomacy, defence, and development. As a result, these hedging strategies have enabled ASEAN member states to diversify their external connections. Additionally, active neutrality can also be referred to how ASEAN has evolved its pursuit for neutrality from more 'passive' non-partisan neutrality to more 'active' impartial neutrality (Kuik C.-C. , 2022); (Tang, 2018).

Examining the earlier example of the Code of Conduct (COC) negotiation, ASEAN is effectively leveraging Institutional hedging to mitigate potential conflict and instability in the region. In doing so, ASEAN successfully maintains active neutrality in the South China Sea issue Goh (2013). The regional organization has been successful in preventing tensions from rising and upholding regional stability through a combination of diplomatic efforts, confidence-inspiring measures, and cooperative initiatives (Caballero-Anthony, 2014). These values include reaching agreements without interfering and resolving conflicts amicably. By employing these guidelines in the South China Sea dispute, ASEAN promotes a climate that values negotiation and dialogue over confrontation (Chalermphanupap, 2017) Another essential component of ASEAN's active neutrality strategy is diplomatic engagement. Through institutional architecture, ASEAN maintains open channels of communication with major powers like China and the US (Haacke J. , 2019). By fostering engagement and fostering peaceful cooperation,

these diplomatic efforts prevent leadership competition between the major powers and lessen power imbalances in the region.

5.2.7 Inclusive Diversification

Through the hedging strategies, ASEAN culminates multi-layered partnerships as seen in ‘Building’ section. An example of this inclusive diversification is how ASEAN has simultaneously expanded their institutional links with China and US as well as other global actors as a means of prevention to become over dependent on any single power, while cultivating possibilities for all sides (Kuik C.-C. , 2022)) An example of this inclusive diversification is ASEAN status of enhancing the partnership levels of both US and China to Comprehensive Strategic Partnership from Strategic Partnership (ASEAN, 2023). This also shows signs of binding these great powers to the institutional framework and emphasising on a multi-layered ‘building’ approach through inclusiveness. ASEAN’s inclusive diversification encourages the major powers to compete to cooperate with Southeast Asian states, while enabling institutional checks and balances among the powerful actors. This also allows for more agency to ASEAN’s regional infrastructural architecture and allows ASEAN to use these hedging strategies to pursue neutrality.

Another example is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP) are prime examples of ASEAN’s inclusive diversification. The CPTPP, which initially involved the US, and the RCEP, which involves China, both have ASEAN nations as key participants. These trade agreements allow ASEAN nations to benefit from trade with both powers.

ASEAN's Institutional hedging strategies, which involve binding and building, have played a crucial role in managing the power dynamics and risks associated with the involvement of major powers like the US and China in Southeast Asia. Through these strategies, ASEAN member states have been able to maintain an active neutrality, fostering an inclusive diversification in their relations with multiple partners and preventing over-dependence on any single power.

The Institutional hedging approach has allowed ASEAN to play a significant role in regional diplomacy and security architecture. It has provided smaller states with a way to engage major powers on a more equal footing, expand cooperation, and manage regional tensions. In a world where power dynamics are constantly shifting and uncertainties abound, ASEAN's Institutional hedging strategies provide a valuable framework for maintaining stability and fostering cooperative relations among nations with diverse interests and priorities.

5.3 Case Study Analysis

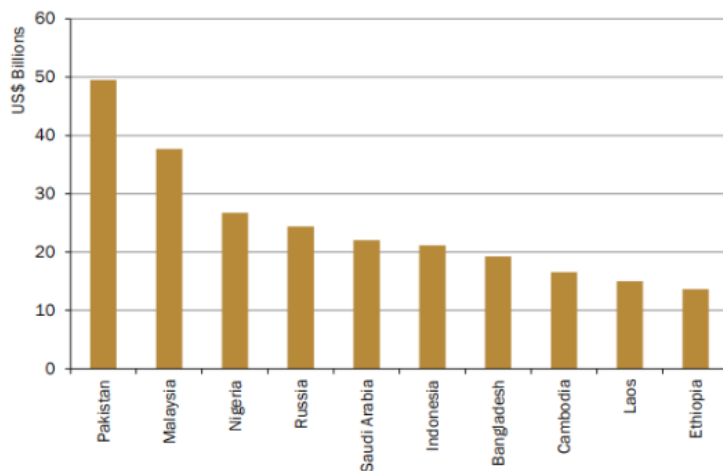
In the previous chapter, a comprehensive theoretical analysis was conducted, which involved a systematic examination and synthesis of existing theories, concepts, and literature related to the research problem. This analysis provided a foundation for developing hypotheses or conceptual frameworks that guide the case analysis in this chapter. The case analysis in this chapter will delve into the case of Indo Pacific construct, to explore how ASEAN pursues neutrality amidst China and US involvement in Southeast Asia. This analysis is guided by the theories of hedging and Institutional realism, which provide analytical frameworks to examine ASEAN's strategies and actions in navigating the complex geopolitical landscape of Southeast Asia.

The findings from the case analysis, will provide a nuanced and comprehensive examination of the case studies. By analysing ASEAN's strategies and actions considering these theories, the analysis will generate insights and theoretical implications that contribute to the overall understanding of how ASEAN pursues neutrality amidst China and US involvement in Southeast Asia.

5.3.1 Belt and Road Initiative

The start of the competition between China and the US in the Indo-Pacific can be attributed to China's launch of the Belt and Road Initiative in 2013. The BRI has enabled China to expand its political, economic, and strategic influence beyond Asia to Europe and helped China gain access to natural resources in Central Asia and expand its land routes to Eastern Europe. Chinese companies invested more than \$90 billion in countries along the BRI route between 2013 and 2018, with an average annual growth rate of 5.2 percent. Additionally, the value of newly signed foreign projects exceeded \$600 billion, with an average annual growth rate of 11.9 percent (Yoshimatsu, 2022). Therefore, the BRI has seen active participation from ASEAN member countries, as they seek to benefit economically from the projects.

Figure 7: Top 10 BRI Investment Destinations



Source: ICBC Standard & Oxford Economics, 2018.

The fact that four ASEAN member nations are included in the top 10 destinations for investment reflects the critical role that ASEAN and South Asia play in the Belt and Road Initiative (BRI) (ICBC Standard Bank and Oxford Economics, 2018, pp. 5-10). The BRI data further underscores the economic interdependence in the region, a key factor in the Institutional balancing model. By inviting and accepting substantial BRI investment, ASEAN nations are essentially integrating themselves more closely with China's economic framework (Park, 2021). This strategic economic cooperation could be interpreted as a move to influence China's behaviour and decisions related to the ASEAN region, hoping that China will adhere to ASEAN centrality.

In terms of Institutional hedging, this investment scenario can be part of the 'Building' strategy. The increased investment and trade relations could be seen as ASEAN's effort to create additional layers of cooperation to maximize potential gains and to hedge against potential risks or uncertainties in the international system. The building strategy also helps ASEAN maintain strategic flexibility, allowing for a response to changing circumstances (Kuik C.-C. , 2022). Using the Institutional hedging strategy, ASEAN members hope for a more trade balance with China, where they can increase their exports due to the better market access after completing the BRI projects (Park, 2021). Rather than relying on one-time arrangements, engaging with BRI can also be interpreted through the 'Binding' effort, as all the BRI projects have a longer time frame ranging the completion of the project from 2030-2040 (OECD, 2018). As seen in Figure 5, the US has the highest FDI percentage in ASEAN, which can also be seen as a form of inclusive diversification by taking on BRI projects to put their eggs in several baskets, so they can pursue a fall-back strategy.

Indo Pacific element

Despite being a trade element, it is also seen as a threat to the US and therefore the BRI is a crucial element in the Indo Pacific region. The start of the competition between China and the US in the Indo-Pacific can be attributed to China's launch of the Belt and Road Initiative in 2013 (Yoshimatsu, 2022, p. 10).

Although ASEAN has never officially indicated a desire to limit its involvement in the Belt and Road Initiative (BRI), it's evident that its member nations are circumspect about becoming overly committed. This pattern is indicative of ASEAN's institutional hedging strategy, which involves carefully manoeuvring between significant powers and their agendas, while maintaining a neutral stance to prevent an overdependence on any one entity (Katsumata & Nagata, 2019).

While the BRI continues to foster greater connectivity, it has also led to escalating debt risks for certain ASEAN member states, notably Cambodia, Lao PDR, and Malaysia. The substantial BRI investments these nations have undertaken pose a considerable threat to sustainable economic growth due to their heavy debt burdens. In fact, the BRI investments in these countries have reached critical levels, exceeding 20% of their respective Gross Domestic Product (GDP). Lao PDR and Cambodia have experienced dramatic increases in their investment-to-GDP ratio, with an escalation of over 140% and

50% respectively. Consequently, these two nations are confronted with a high risk of debt distress (Park, 2021, p. 140).

In response to the perceived challenges presented by China's Belt and Road Initiative (BRI), the U.S. government has adopted a multifaceted approach. This has included initiating a counternarrative campaign, as well as implementing various strategies intended to obstruct and hinder the progress of BRI cooperation (Zhao, 2021).

5.3.2 Indo Pacific Strategy and it's Economic Framework

Initially, the Trump administration evolved and polished the Indo-Pacific Strategy, integrating various economic, security, and democratic governance policies. The objective was to position this strategy as a key counterweight to China's BRI. The administration's proposition was to establish a "free and open Indo-Pacific," protect the rules-based order in the region, encourage "responsible connectivity," and advocate for "high-quality infrastructure" development adhering to principles of transparency, rule of law, and environmental conservation. The Indo-Pacific Strategy implemented by the U.S. government has evolved to restrain China's influence in the region. The U.S. has stated that its aim is not to alter China's behaviour, but to shape the environment in which it operates. The strategy also emphasizes that ASEAN is vital to the regional structure, and the U.S. is supportive of a robust and self-governing ASEAN that leads in Southeast Asia. (The White House, 2022).

In May 2022, the U.S. launched the "Indo-Pacific Economic Framework" as an attempt to enhance its regional economic leadership, which is also directly correlated to a response of the BRI (Zhang, 2023). Except Cambodia, Laos and Myanmar, other Southeast Asian nations are a part of the IPEF. Despite professing openness, the U.S. selectively included only seven ASEAN countries as founding members, excluding China from the platform. This begs the question on how effective ASEAN's institutional hedging strategies are, when clear implications of countries who are closely tied to China are not part of the economic framework, which threatens to create a split within the association with all the ensuing implications (Zharova, 2022).

5.3.3 ASEAN Outlook on Indo-Pacific

The Indo pacific strategy by the US has inherently challenged ASEAN's centrality. Focusing on economic growth and regional cooperation, ASEAN seeks to maintain a balanced approach to external relationships while promoting inclusivity through ASEAN centrality to pursue neutrality. However, the US focus on the region and the aim of constricting China through exclusionary initiatives threaten regional cooperation (Zhang, 2023); (Yoshimatsu, 2022); .

Linking to Institutional realism, institutions reflect a state's interest and power. To pursue neutrality based on its ASEAN centrality, ASEAN states gathered their personal vision for the region through the ASEAN Outlook on Indo-Pacific (AOIP) during the 34th ASEAN Summit in Thailand in 2019. The AOIP encompasses six main components: background and rationale, outlook on the Indo-Pacific,

objectives, principles, areas of cooperation, and mechanism. The report elaborates on key principles for fostering stronger cooperation in the Indo-Pacific, including **ASEAN centrality**, openness, transparency, **inclusivity**, a rules-based framework, good governance, respect for sovereignty, non-intervention, and more (ASEAN, 2019). It also identifies specific areas for collaboration, such as maritime cooperation, connectivity, Sustainable Development Goals (SDGs), and economic and technical cooperation (Yoshimatsu, 2022, pp. 12-13). The AOIP demonstrates ASEAN's cautious approach to navigating great power confrontation by impartially incorporating the preferences of external partners, including major powers, into its institutional frameworks. This shows ASEAN's aim to use inclusive institutional balancing to constrict the US to its norms and values.

While the major nations of the Asia-Pacific region have increasingly shown substantial interest in the Indo-Pacific strategy, ASEAN has adopted a more prudent stance. In the joint declaration of the 51st ASEAN Ministerial Meeting (AMM) in August 2018, ASEAN did not endorse the strategy, merely noting in Article 71,

“We discussed some of the new initiatives proposed by ASEAN’s external partners to deepen engagement of our region, such as the concepts and strategies on the Indo-Pacific, the BRI and the Expanded Partnership for Quality Infrastructure. We agreed to explore mutually beneficial cooperation and create synergies with these initiatives, on the basis of ASEAN centrality, particularly with a view towards promoting peace, stability as well as deepening trade, investment and connectivity in our region. We reaffirmed the need to strengthen an ASEAN-centric regional architecture that is open, transparent, inclusive and rules-based.” (ASEAN, 2018).

This phrasing, which alludes to the US/Japan-led Indo-Pacific, China's diplomatic vision encapsulated in the BRI, and Japan's quality infrastructure program, underscores ASEAN's commitment to neutrality, demonstrating its intention to avoid aligning with any major power and maintaining a balanced engagement with its dialogue partners. ASEAN's cautious approach and its pursuit of active neutrality and inclusive diversification can be viewed as a strategic hedging mechanism in response to the uncertainty presented by the Indo-Pacific concept, the BRI, and other major power initiatives (Kuik C.-C. , 2022).

The AOIP can be viewed as a testament to ASEAN's efforts in maintaining neutrality and avoiding alignment with any specific great power. By emphasizing principles that resonate with both the US and China, ASEAN demonstrates its commitment to an inclusive regional architecture, while also upholding a rules-based regional order that promotes peace, freedom, and prosperity. This approach can be linked to the concepts of Institutional realism and Institutional hedging (Laksmana, 2020).

ASEAN creates a platform that accommodates the interests of both the US and China, effectively balancing their influence in the region using their institutions in the focus of ASEAN centrality. Institutional hedging, on the other hand, involves the simultaneous pursuit of multiple policy options to manage uncertainty and avoid costly commitments by incorporating preferences from various dialogue partners, including great powers, into its institutional frameworks without explicitly siding with one or

the other. This strategy enables ASEAN to pursue its neutrality through flexibility in the face of great power competition.

The binding strategy involves using international institutions to ensure that their actions align with regional norms and principles. In the context of the AOIP, ASEAN emphasizes principles such as openness, transparency, inclusivity, and a rules-based framework. These principles resonate with both the US and China, encouraging them to adhere to internationally recognized norms and practices in the region. This approach helps to mitigate potential conflicts and foster cooperation among the major powers.

ASEAN through the AOIP uses active neutrality as a hedging strategy, which is evident in its indirect refusal to participate in the containment of China. Article 1 of the AOIP states, “*the rise of material powers, i.e. economic and military, requires avoiding the deepening of mistrust, miscalculation, and patterns of behaviour based on a zero-sum game.*” (ASEAN, 2019). It starts by summarizing the situation in the Indo-Pacific region and expressing concerns about the escalating tensions between the United States and China, emphasizing the need to avoid deepening mistrust and miscalculation. The outlook suggests that ASEAN should continue to play the role of an impartial mediator in the face of competing interests among major powers rejecting the US position of a zero-sum game and their strategy to contain China. In pursuing active neutrality, ASEAN seeks to avoid taking sides in great power competition, while still actively engaging with all major powers to promote a stable and cooperative regional environment through the notion of ASEAN centrality. By doing so, ASEAN pursues neutrality and ensures that it can continue to play a central role in promoting regional stability and cooperation (Tomotaka, 2020) .

Additionally, the language utilized in the outlook is markedly more nuanced and obscure compared to the traditional ASEAN paperwork, indicating ASEAN's anxiety over the U.S.-China conflict. Notably, there is no reference to the South China Sea, and the names of both the United States and China are conspicuously absent. This elevated ambiguity, compared to standard documents, underscores ASEAN's deep apprehensions about exacerbating the heated U.S.-China standoff. It further reinforces ASEAN's policy and practice of neutrality, refraining from aligning with either the United States or China (ASEAN, 2019).

AOIP underscores the critical role of ASEAN centrality as a foundational tenet for encouraging collaboration within the Indo-Pacific region. It advocates for the use of the East Asia Summit (EAS), among ASEAN's various multilateral structures, as a potential vehicle to foster such cooperation in Article 5 (ASEAN, 2019). This is a clear example of building, which emphasizes on adding layers of cooperation as an effort to hedge between US and China institutionally. Just as when ZOPFAN was adopted during the heights of the Cold War, ASEAN now adopts its own outlook on Indo-Pacific, “*responding to external change at critical times is something ASEAN has always been good at*” (Sukma, 2019).

Challenges of AOIP and ASEAN's neutrality strategy

The AOIP indicates that ASEAN is willing to fairly coordinate the preferences and interests of major powers by stating that ASEAN must maintain its role as a neutral mediator in a strategic landscape where various interests are in competition (Henvisning). Despite the focus on ASEAN centrality from the US, and ASEAN's pursuit of neutrality and maintaining ASEAN centrality, there are various reasons for the measures taken by ASEAN to be deemed as ineffective.

ASEAN cannot uphold a consolidated stance together with its member nations. ASEAN's centrality, which ASEAN uses to pursue neutrality of hinges on preserving internal unity. ASEAN shows insufficient internal solidarity when formulating its external positions. Implementation of the AOIP has been delayed due to COVID-19. Concurrently, the eruption of domestic political upheaval in Myanmar has tested the solidarity of the ASEAN bloc. Myanmar's absence from key regional gatherings, like the ASEAN Summit and the East Asia Summit, has sparked doubts about ASEAN's ability to sustain its central role due to difficulties in both external and internal matters.

The inability of ASEAN leaders to influence major-power rivalries and guide the discussions at various regional platforms like the East Asian Summit has caused significant frustration. This represents a serious challenge to ASEAN's role as the principal driver of regional multilateralism. One of these challenges is the Quadrilateral Security Dialogue (Quad).

Consensus-based decision-making process in ASEAN requires all member states to agree on a course of action before it can be taken. However, several scholars have highlighted the political division and lack of strength in this approach. They argue that the pursuit of national interests by member states, mutual mistrust, limited material capabilities, the institutional norm of the "ASEAN Way," and a thin cooperative framework have contributed to challenges in addressing non-traditional security issues within ASEAN (Haacke J. , 2003); (Hsueh, 2016); (Jetschke & Ruland, 2009); (Narine S. , 2008); (Odgaard, 2003) (Sharpe, 2003). Institutional realism further suggests that institutions are an extension of power politics, and therefore, their effectiveness in managing security issues depends on the ability of member states to enforce agreements.

5.3.4 Role of Other Regional Arrangements

The US alliance system through the Indo Pacific strategy direct competitor of the regional mechanism led by ASEAN (Zhang, 2023). Widespread doubts and anxiety have shadowed ASEAN as the US alliance system could remove ASEAN's role as a central actor (Murphy, 2021). Over the recent years, angsts have reportedly escalated in Southeast Asian nations regarding the increasing threats to ASEAN's central role in overseeing regional security multilateralism. This rise in concerns is linked to the intensifying strategic competition between the US and China, and the advent of various smaller-scale cooperative groups, such as the Quadrilateral Security Dialogue (QUAD) and US–UK–Australia trilateral security partnership (AUKUS).

Quad

The Quad is an informal strategic forum between the United States, Japan, Australia, and India, aligning with the Indo Pacific strategy, “*we will work in flexible groupings that pool our collective strength to face up to the defining issues of our time, particularly through the Quad.*” (The White House, 2022, p. 9). ASEAN harbours concerns that the Quad could be viewed as an element, potentially aimed at containing China (Tomotaka, 2020). For ASEAN, such a perception signifies a departure from its guiding principle of maintaining balanced external relations, which can hamper its pursuit of neutrality. While ASEAN recognizes the Quad's contribution to maintaining the balance of power in the region and checking China's influence in the region, it is also apprehensive about the possibility of the Quad's manoeuvres leading to a containment strategy reminiscent of the Cold War. This worry stems from the potential peril of smaller and medium-sized Southeast Asian nations being trapped in the crossfire of major power disputes (Zhang, 2023).

Quad threatens ASEAN centrality mainly due to its principal goal of creating a rules-based order is the same goal as the ASEAN-led institutions. The creation of the Quad, which includes Japan, India, and Australia in addition to the United States, is a striking illustration of this possibility and tacit indictments of alternative institutions such as the ASEAN Regional Forum (ARF). (Beeson M. , 2022) argues that this is mainly due to allies such as Japan, the US, and Australia being far stronger allies and therefore bypassing ASEAN in favour of new strategic groupings. It is also important to note that both Japan and India have a tense relationship with China (Sanger & Schmall, 2021).

AUKUS

The advent of AUKUS presents another substantial hurdle, possibly an even larger one, to ASEAN's role as the primary facilitator of regional multilateralism. This situation is somewhat like the challenges posed by the Quad, which also threatens to overshadow ASEAN's central role in the region. The ARF designed as an inclusive tool to engage in open dialogue on regional security issues, was dealt a big blow by AUKUS, because two important participants, the US and Australia, moved to build the trilateral security pact without giving any prior notice to ASEAN or ARF partners (Ankersen, 2022). ASEAN

realized the need to be more proactive on security issues and not to take its centrality for granted (Choong & Storey, 2021). Former Indonesian Foreign Minister Marty Natalegawa noted that AUKUS served as a reminder for ASEAN of “the cost of its dithering and indecision on the complex and fast-evolving geopolitical environment” (Thakur, 2021) in (Beeson M. , 2022).

Alternative multilateral institutions such as AUKUS and Quad note one thing for sure – that the US does not have an interest in relying on ASEAN’s normative influence when dealing with China. Through the theoretical analysis, it has been noted that ASEAN pursues inclusive institutional strategies to foster dialogue with its partners, which has resulted in minimal impact, thus proving to be ineffective. This can also be seen in the literature on ASEAN dealing with great powers, that they are ineffective due to institutional limitations. (Narine S. , 2019); (Ba A. D., 2011); (Job, 2010) argue that ASEAN is unable to compel the establishment and operation of the systemic and regional institutions required for governing the current international order because it lacks the concrete capabilities and abstract influence to do so. They also question the ASEAN's inclusiveness and assert that the most that ASEAN does are host major powers' political and diplomatic meetings with its member states with decision-making power. ASEAN centrality serves as a mechanism to evade conflict instead of resolving it, and this organizational framework has limited impact. The principle of sovereignty, which ASEAN upholds through its norm of non-interference, is the primary barrier to achieving more efficient regional collaboration (Beeson 2009).

All in all, AUKUS represents a challenge to the principles embodied in the ASEAN Way, which underscores the significance of achieving consensus, encouraging dialogues, peacefully addressing conflicts, ensuring inclusivity, and maintaining informality in diplomatic and political interactions (Ronodipuro, 2021) A decline in ASEAN's operational effectiveness could intensify the existing disparities among its member states, leading to additional obstacles to its central role in the region (Li, 2022).

5.3.5 Ineffectiveness in South China Sea

ASEAN is ineffective pursuing its neutrality through ASEAN centrality when dealing with the involvement of external powers. This was evident in 2012 when the 45th AMM failed to issue a joint statement due to disagreements between Cambodia and the Philippines/Vietnam regarding the South China Sea issue³.

³ This refers to the Huangyan Island incident and a territorial dispute between the Philippines and China over the Huangyan Island, a small group of islands and reefs in the South China Sea. In 2012, tensions between the two countries escalated after the Philippine Navy attempted to apprehend Chinese fishermen who were allegedly involved in poaching and illegal fishing. China responded by sending its vessels to the shoal, effectively taking control of it, and preventing the Philippines from accessing its traditional fishing grounds. The incident at Huangyan Island led to further friction between Philippine and Chinese maritime vessels and eventually caused severe diplomatic and economic tension between Beijing and Manila that lasted for months (emmers).

The Huangyan Island incident had a direct impact on the diplomatic process of the ASEAN, which raised doubts about ASEAN's pursuit for neutrality. The incident involved China and the Philippines disputing sovereignty over the island, which put other ASEAN member states in a difficult position to take a clear stance without appearing to favour one side over the other. The incident thus challenged ASEAN's ability to remain neutral and impartial, and undermined its efforts to resolve the South China Sea disputes in a peaceful and cooperative manner (Tan S. S., 2016).

After the incident during the AMM, Cambodia attempted to pacify China by addressing its concerns and reducing the international attention on the South China Sea issue. (Puy, 2012) in (Emmers R. , 2014) states that ASEAN did not release a joint statement due to disagreements over the South China Sea dispute for the first time in 45 years due to the disagreements on South China Sea.

The Philippines asked that the draft statement refer to the Huangyan Island incident, but Cambodia objected, claiming that the sovereignty dispute with China was a bilateral issue rather than a multilateral one. Since, China does not want disputes involving third parties to be discussed at international forums and instead prefers to negotiate bilaterally with Southeast Asian claimants. Concerns were raised by this incident regarding ASEAN's neutrality in the South China Sea conflict (Ririhena, 2012). Beijing stated that they will handle the South China issue bilaterally and for the disputes not to be discussed in the international forum (Emmers R. , 2018). Cambodia has a strong economic relationship with China and relies on its financial aid to support its economic growth as seen in the Chinese BRI investments. This also goes hand in hand with Chinese influence in Cambodia, which influences ASEAN's role as a regional organisation to function (Park, 2021).

This incident makes it evident that ASEAN tries to pursue neutrality through institutional inclusive balancing through the numerous agreements and treaties with China (such as the DOC explained in the chapter before). However, due to the lack of ASEAN's institutional structure, they are not efficient when great powers are involved. Scholars acknowledge that ASEAN's strategic effectiveness in external power influence is constrained, and that even if ASEAN can influence the behaviour of great powers, the impact is rather minimal, and it is for non-strategic issues (Koga K., 2022).

Despite these challenges, ASEAN has been successful in upholding active neutrality through diplomatic engagement and promoting negotiation and dialogue over confrontation. The ongoing negotiation process for a legally binding Code of Conduct in the South China Sea demonstrates ASEAN's commitment to multilateral diplomacy and its efforts in strengthening its position in shaping the regional security architecture. However, the reality remains that while it is true that ASEAN has been successful in engaging all major powers in the region through its institutional architecture, and 'ASEAN Way' has also made the task of coordination and implementation more challenging. The need to reach a consensus among diverse viewpoints is a significant obstacle for ASEAN to overcome.

5.3.6 ASEAN's ineffectiveness

The massive involvement of China and the US in Southeast Asia has hampered ASEAN centrality mainly due to the consensus-based decision-making process. This is a double-edged sword, which has also strengthened ASEAN as a regional actor, but is also a challenge in the face of external pressures and challenges. i.e., US and China (Haacke, 2015). As seen in the theoretical analysis, it was concluded that ASEAN make use of their institutional architecture to remain neutral using both elements of Institutional realism and Institutional hedging. ASEAN's critics contend that the organization has never been able to deal with traditional security issues like great-power politics and territorial disputes due to this very reason (Beeson M. , 2019); (Buszynski, 2012); (Emmers R. , ASEAN's search for neutrality in the South China Sea., 2014); (Goh E. , 2011); (Kausikan, 2017); (Koga K. , 2010); (Yates, 2017).

6. Conclusion

This paper aimed to answer the research question, **how effectively does ASEAN pursue neutrality to navigate the involvement of US and China in Southeast Asia?** Through a rigorous threefold approach, I was able to uncover key findings that shed light on the issue at hand. This threefold approach can also be linked to answering the sub questions.

How does ASEAN frame its neutrality?

Through the first part of my analysis, I discovered that the framing of neutrality by ASEAN has evolved significantly over time, reflecting shifts in the geopolitical landscape. During the Cold War, ASEAN's understanding of neutrality was centred on non-alignment and non-interference, aiming to safeguard the region from getting entangled in the bipolar tug-of-war and external interferences. This approach was encapsulated in the Zone of Peace, Freedom, and Neutrality (ZOPFAN) declaration, which became a foundational pillar for ASEAN's regional approach. Neutrality was framed as being non-partisan and keeping all external interference out.

However, the advent of the contemporary multipolar world order necessitated a redefinition of neutrality for ASEAN. Instead of merely limiting external influences, ASEAN has strategically adopted an impartial stance, which allows it to engage more actively with external powers while maintaining its autonomy and centrality in the region's security architecture. The renewed emphasis on ZOPFAN and the continual references to it in ASEAN's official statements demonstrate this shift. The neutrality of ASEAN is not just an abstract concept, but a pragmatic approach that is operationalized through the ASEAN-led institutional architecture. The impartial stance and the emphasis on 'ASEAN Centrality' underline ASEAN's commitment to maintaining a balance of power in the region by involving all major powers and binding them to ASEAN norms and regulations. Hence, I conclude that ASEAN frames its neutrality by adopting an impartial stance, welcoming global powers within the framework of ASEAN's institutional architecture and ASEAN centrality.

To what extent does ASEAN use its institutions to support its neutrality efforts?

The theories of Institutional realism and Institutional hedging aptly illustrate how ASEAN extensively applies its institutional architecture, focused on ASEAN centrality to maintain its support their neutrality efforts.

The analysis conducted showed a strong economic interdependence, between ASEAN and the two major powers, China, and the United States, which has led ASEAN to strategically adopt inclusive institutional balancing to preserve its centrality and neutrality in the face of great power competition due to the anarchic nature of the international system. ASEAN's agile adaptation to its geopolitical environment, as exemplified by the creation of the ARF, is a strategic move to protect its interests and maintain regional stability. This swift and proactive use of its institutional architecture is a key element in ASEAN's pursuit of neutrality. By emphasising ASEAN centrality, ASEAN creates an environment

conducive to dialogue and cooperation among major powers. This neutral ground allows ASEAN to remain *impartial*, engaging with all powers without favouring any, thereby reinforcing its neutrality stance in the region. It became evident that ASEAN uses institutional balancing as a strategy to constrict a power when they perceive a **threat**.

Additionally, ASEAN leverages its institutional framework to bolster its neutrality efforts amidst the involvement of the U.S. and China in Southeast Asia. This is accomplished through binding and building strategies, which involve strategic engagement with all regional powers. By fostering ongoing collaborative interactions and progressively enhancing levels of cooperation. ASEAN has been able to maintain an active neutrality by binding these external states and welcoming them to their institutions. ASEAN actively engages with various actors, fostering an inclusive environment and diversifying their relationships with multiple partners. This strategy not only ensures balanced interactions but also cultivates a fallback position in case of unexpected geopolitical shifts. Through Institutional hedging, it became evident that ASEAN uses institutional hedging as a strategy to control and minimise risks.

The theories of Institutional realism and Institutional hedging proved to be complementary in their emphasis on the significance of ASEAN's regional architecture and the principle of ASEAN centrality. Both theories underscore the strategic use of ASEAN's institutional framework to navigate the complex geopolitical landscape and uphold its neutrality to maintain regional stability. The emphasis on ASEAN centrality allows for both inclusive institutional balancing to maintain a balance of power and institutional hedging to be neutrally active and diversifying relationships to creating fallback positions in case of geopolitical shifts. The creation of platforms like the ARF exemplifies ASEAN's proactive use of its institutional architecture to bind or/and constrain external states depending on the perceived threat or risk level, which enable ASEAN to effectively pursue neutrality.

To what extent have ASEAN's institutional strategies been effective in navigating the involvement of external powers?

The effectiveness of ASEAN's institutional strategies in maintaining neutrality and centrality in the Indo-Pacific region is under significant challenge. The ASEAN Outlook on Indo-Pacific (AOIP), despite reflecting the bloc's attempts to navigate the dynamic landscape of great power competition, is hampered by the lack of unity among ASEAN member states, and the competing interests of major powers. Through the analysis of central documents and the literature provided, it is evident that the advent of new regional arrangements such as the QUAD and AUKUS poses substantial challenges to ASEAN's centrality and neutrality. The Quad, potentially aimed at containing China, and AUKUS, a trilateral security pact formed without consultation with ASEAN, suggest that major powers like the US are not reliant on ASEAN's normative influence in their dealings with China.

Additionally, China's economically is splitting the ASEAN and showing the vulnerabilities of the non-existent internal cohesion between ASEAN member states, when it comes to dealing with great powers. Hence, the analysis brings out the ineffectiveness of ASEAN's inclusive institutional strategies, and

further highlights its institutional limitations, and its inability to compel the establishment and operation of systemic and regional institutions.

Moreover, the principle of sovereignty, upheld by ASEAN through its norm of non-interference, serves as a significant barrier to achieving efficient regional collaboration, and the ASEAN Way, which emphasizes consensus, dialogue, peaceful conflict resolution, inclusivity, and informal diplomatic interactions, is increasingly challenged by the involvement of the US and China. In essence, ASEAN's pursuit of neutrality through institutional strategies have proven to be limited in the face of shifting power dynamics in the Indo-Pacific region, underscoring the need for ASEAN to adapt and reform its strategies in response to the evolving geopolitical landscape.

Thus, it can be concluded that ASEAN pursues neutrality through its institutional architecture, focused on ASEAN centrality. Depending on the perceived threat ASEAN uses institutional balancing strategy, which stems from Institutional realism or the institutional hedging strategy. However, through the case study where there is direct involvement of external powers, the Indo Pacific region, ASEAN's institutional strategy seems to be ineffective due to its institutional limitations. Consensus building has helped ASEAN create strong institution in Southeast Asia, but in the face of increasing involvement of the US and China, it can be used through the metaphor of a toothless tiger. ASEAN aspires to occupy the driver's seat, steering the course of change in the region through the principle of ASEAN centrality. However, due to the limitations in its institutional structure and lack of enforcement power, its ability to compel adherence to its decisions can sometimes feel akin to trying to steer a ship without a rudder, able to set a course, but struggling to effectively navigate the waters of regional politics.

Further Research

The findings from this comprehensive analysis are significant and provide valuable insights into the subject matter. They provide a foundation for future research and decision-making in this area and underscore the importance of taking a holistic approach to understanding complex issues. Overall, this thesis aims to serve as a contribution to the field and highlights the need for ongoing research and deeper analysis to the factor, as the geopolitical landscape continues to evolve, the factors influencing ASEAN's approach to neutrality will remain salient for many years to come.

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