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# Differentiated regionalism and China's global agenda : EU, ASEAN, Mercosur between resilience and strategic autonomy

Cécile Pelaudeix

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THÈSE

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**Le régionalisme différencié et l'agenda mondial de la Chine : UE, ASEAN, Mercosur entre résilience et autonomie stratégique**

**Differentiated regionalism and China's global agenda: EU, ASEAN, Mercosur between resilience and strategic autonomy**

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*Differentiated regionalism and China's global agenda*

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## Summary in English

This research has compared the responses of three differentiated organisations, the EU, ASEAN and Mercosur with respect to their specific merits in relation to resilience and strategic autonomy vis-à-vis Chinese influence. The theoretical approach has relied on an innovative framework drawing on differentiated integration theories and the English School to propose three complementary hypotheses (H1 internal, H2 and H3 external) to explain how and why differentiated organisations strengthen or are not strengthening their resilience and strategic autonomy vis-à-vis the influence of China. While the strengthening of institutional differentiation presents one option – which corresponds to a balancing strategy, other options which consist of establishing external partnerships are developed in parallel: they can be characterised as situations that involve reinforcing the regional organisation, establishing partnerships, or aligning with China. These strategies are not exclusive and can be used in combination.

Taking into account the fact that China exercises a similar type of influence but that the degree of influence may vary, the research shows that the three regional organisations have followed very distinct paths. The EU has both reinforced its institutional design and extended its external partnerships. However, its regulatory framework lacks stringency to ensure an effective resilience. ASEAN is resorting to external cooperation to a great extent but the study shows that hedging alone, without the reinforcement of integration, only leads to fragile resilience. Aligning with China is an option that ASEAN embraces in the economic sector, but only a few states align with China in defence and security issues, while the US is increasingly considered as a security provider. Mercosur has not formally established partnerships with China, but apart from Paraguay, all member states are increasingly dependent on China, in both investment and financial sectors, and security policy, including defence policy in the case of Uruguay and Argentina. The study shows that vulnerability does not arise from differentiation but from a low level of integration. Furthermore, strategic partnerships – a secondary institution of the international society – do not provide a high level of predictability regarding the behaviour of partners, a limitation which diminishes their potential to be conducive to resilience in the current volatile international context where the primary institution of war is regaining prominence. Buzan's argument that the English School may not adequately address the critical question raised by Wendt in 1999 regarding the issue of what hold societies together is a key question in the context of an assertive China which is drawing closer to Russia and attempts to sow division inside the regional organisations and in the international society as well by spreading a narrative opposing the West to a 'Global South'.

Three models of differentiated regionalism were identified: (1) an *expanding centralized differentiated regionalism*. This model exemplified by the EU is characterised by a prevailing balancing strategy: increase in supranational integrated instruments, deepening of external differentiation, a new type of differentiation which we label '*co-differentiation*' and an extended external cooperation. This strategy is conducive to resilience and a moderate degree of strategic autonomy. (2) A *lightly institutionalised and encircled regionalism* which applies to ASEAN: it relies on a hedging and alignment strategy which results in a high degree of dependence on external cooperation with China and with great and middle size powers. This approach leads to a moderate degree of resilience and the absence of strategic autonomy. (3) A *functionally and geographically limited regionalism coexisting with multiple regional organisations*, which applies to Mercosur which seems to engage in a hedging strategy in order to enhance resilience and autonomy, but it has no strategic autonomy, and is deepening interdependence with China.

## Summary in French

Cette recherche a comparé les réponses de trois organisations différenciées, l'UE, l'ASEAN et le Mercosur au regard de leurs mérites en matière de résilience et d'autonomie stratégique face à l'influence chinoise. L'approche théorique s'est appuyée sur les théories de l'intégration différenciée et de l'École anglaise pour proposer trois hypothèses complémentaires (H1 interne, H2 et H3 externe) afin d'expliquer comment et pourquoi les organisations régionales renforcent ou non leur résilience et leur autonomie stratégique face à l'influence de la Chine. Alors que le renforcement de la différenciation institutionnelle présente une option, qui correspond à une stratégie d'équilibre, d'autres options qui consistent à établir des partenariats externes sont développées en parallèle : elles peuvent être caractérisées comme des situations qui impliquent le renforcement de l'OR, l'établissement de partenariats, ou l'alignement sur la Chine. Ces stratégies ne sont pas exclusives et peuvent être combinées.

En tenant compte du fait que la Chine exerce un type d'influence similaire, mais que le degré d'influence peut varier, l'étude montre que les trois organisations régionales ont suivi des voies très distinctes. L'UE a renforcé sa structure institutionnelle et étendu ses partenariats extérieurs. Toutefois, son cadre réglementaire n'est pas assez strict pour garantir une résilience efficace. L'ASEAN recourt largement à la coopération extérieure, mais l'étude montre que la couverture seule, sans le renforcement de l'intégration, n'aboutit qu'à une résilience fragile. L'alignement sur la Chine est une option que l'ASEAN adopte dans le secteur économique, mais seuls quelques États s'alignent sur la Chine dans les domaines de la défense et de la sécurité, alors que les États-Unis sont de plus en plus considérés comme un fournisseur de sécurité. Le Mercosur n'a pas formellement établi de partenariats avec la Chine, mais à l'exception du Paraguay, tous les États membres sont de plus en plus dépendants de la Chine, tant dans les secteurs de l'investissement et de la finance que dans la politique de sécurité, y compris la politique de défense dans le cas de l'Uruguay et de l'Argentine.

L'étude montre que la vulnérabilité ne découle pas de la différenciation mais d'un faible niveau d'intégration. En outre, les partenariats stratégiques - une institution secondaire de la société internationale - n'offrent pas un niveau élevé de prévisibilité en ce qui concerne le comportement des partenaires, ce qui réduit leur potentiel de résilience dans le contexte international instable actuel où l'institution primaire de la guerre reprend de l'importance. L'argument de Buzan selon lequel l'École anglaise pourrait ne pas répondre de manière adéquate à la question critique soulevée par Wendt en 1999 concernant ce qui maintient les sociétés ensemble est une question clé dans le contexte d'une Chine offensive qui se rapproche de la Russie et tente de semer la division au sein des organisations régionales et de la société internationale avec un discours opposant l'Occident à un "Sud global".

Trois modèles de régionalisme différencié ont été identifiés : (1) *Un régionalisme différencié centralisé en expansion*. Ce modèle, illustré par l'UE, se caractérise par une stratégie d'équilibre dominante : augmentation des instruments supranationaux intégrés, approfondissement de la différenciation externe, nouveau type de différenciation que nous appelons "co-différenciation" et coopération externe élargie. Cette stratégie est propice à la résilience et à un degré modéré d'autonomie stratégique. (2) *Un régionalisme peu institutionnalisé et encerclé* qui s'applique à l'ASEAN : il repose sur une stratégie de couverture et d'alignement qui se traduit par un degré élevé de dépendance à l'égard de la coopération extérieure avec la Chine et les grandes et moyennes puissances. Cette approche conduit à un degré modéré de résilience et à l'absence d'autonomie stratégique. (3) *Un régionalisme limité fonctionnellement et coexistant avec de multiples organisations régionales*, qui s'applique au Mercosur qui semble s'engager dans une stratégie de couverture afin d'améliorer la résilience et l'autonomie, mais qui n'a pas d'autonomie stratégique et qui creuse l'interdépendance avec la Chine.



诗歌的河流将永远流淌

Poetry is a stream that continually flows.

Le flot de la poésie continuera de couler.

Fan Chuanzheng's epitaph on Li Bai's tomb (817).

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## List of abbreviations and acronyms

5G	Fifth Generation Technology
ADMM	ASEAN Defence Ministers' Meeting
ADDM+	ASEAN Defence Ministers' Meeting Plus
AIBB	Asian Infrastructure Investment Bank
ALADI	Asociación Latinoamericana de Integración (Latin American Integration Association)
ANSSI	Agence Nationale des Systèmes d'Information (National Cybersecurity Agency of France)
AOIP	ASEAN Outlook on the Indo-Pacific
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN, Japan, South Korea, China
AUKUS	Australia, UK, US trilateral defence pact
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
CAI	Comprehensive Agreement on Investment
CCP	Chinese Communist Party
CDS	Consejo de Defensa Suramericano (Council of South American Defence)
CELAC	Comunidad de Estados Latinoamericanos y Caribeños (Community of Latin American and Caribbean States)
CFIUS	Committee on Foreign Investment in the United States
CFSP	Common Foreign and Security Policy
CIEEMG	Commission Interministérielle pour l'Étude des Exportations de Matériels de Guerre (Interministerial commission for the study of war material exports)
CJEU	Court of Justice of the European Union
CLMV	Cambodia, Laos, Myanmar, Vietnam
CMIM	Chiang Mai Initiative Multilateralisation
CSP	Comprehensive Strategic Partnership
CSDP	Common Security and Defence Policy
DG	Directorate General (European Commission)
DG DEFIS	Directorate General for Defence Industry and Space
EEA	European Economic Area
EAS	East Asia Summit
EC	European Commission/European Communities
ECC	European Economic Community
ECJ	European Court of Justice
EEC	European Economic Community
EDIP	European Defence Investment Programme
EDTIB	European Defence Technological Base

EDIRPA	European defence industry Reinforcement through common Procurement Act
ECOWAS	Economic Community of West African States
EEAS	European External Action Service
EEZ	Economic Exclusive Zone
EFTA	European Free Trade Association
ENP	European Neighborhood Policy
EPC	European Political Community
EU	European Union
FDI	Foreign Direct Investment
FOCEM	Fondo para la Convergencia Estructural del Mercosur (Mercosur Structural Convergence Fund)
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IAI	Initiative for ASEAN Integration
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession
LMC	Lancang-Mekong Cooperation
Mercosur	Mercado Común del Sur (Common Southern Market)
MS	Member State
NATO	North Atlantic Treaty Organisation
NDB	New Development Bank
OAS	Organisation of American States
OECD	Organisation for Economic Co-operation and Development
LAC	Latin and American Countries
PLA	People's Liberation Army
Prosur	Foro para el Progreso e integración de América del Sur (Forum for the Progress and Integration of South America)
PRC	People's Republic of China
PTA	Preferential Trade Agreement
QMV	Qualified Majority Voting
QUAD	Quadrilateral Security Dialogue
R&D	Research and development
RCEP	Regional Comprehensive Economic Partnership Agreement
RO	Regional organisation
TAC	Treaty of Amity and Cooperation
TTC	Trade and Technology Council
Unasur	Union of South American Nations (Unión de naciones suramericanas)
UNCLOS	United Nations Convention on the Law of the Sea
US	United States of America
WTO	World Trade Organisation



## Introduction

The rise of the People's Republic of China (PRC) – hereafter China – coupled with its ambition to reform global governance and global security and its illiberal character constitute major challenges for states but also regional organisations, the resilience of which, when compared to a state, is more precarious. Regional organisations present potential vulnerabilities that arise from their internal diversity, the 'incomplete uploading of policy instruments, institutional and constitutional arrangements from the state to the EU level' (Fossum 2019), the legitimacy requirement they face, their drawn-out decision processes, their lack of own resources<sup>1</sup> and redistributive policies, inter-state police force or army. China establishes relationships not only with states but also with regional organisations such as the EU, ASEAN, Mercosur, the Community of Latin American and Caribbean States (CELAC) or the African Union. While cooperation between regional organisations and China can potentially bring benefits, there is a sense of a shift in how China's intentions are perceived and an appreciation of the consequences of a growing interdependence with China.

This thesis provides answers to the question as to how and why differentiated organisations strengthen or are not strengthening their resilience and strategic autonomy vis-à-vis the influence of China. Differentiation refers to the variation in integration across both policies and countries. Indeed, regional organisations are not uniformly integrated: some policies remain intergovernmental, and some member states do not participate in all regional policies while non-member states can participate selectively in regional policies (Leuffen, Rittberger, and Schimmelfennig 2022, 1). The concepts of resilience and strategic autonomy are increasingly used in both policy and academic arenas. Resilience is defined in this research as 'the capacity to adapt, respond, react, and bounce back in the aftermath of shocks and crises' (Tocci 2019). Strategic autonomy applies to both the security and economic sector. It captures the capacity to act *autonomously* in cooperation with like-minded partners (Tocci 2021; Järvenpää, Major, and Sakkov 2019; Hwee 2017; Jose 2022; Anghel et al. 2020; Fiott 2018b). To answer the question of how and why differentiated organisations strengthen or not their resilience and strategic autonomy vis-à-vis the influence of China, the book engages in a comparative approach of the responses of the EU, ASEAN and Mercosur, three of the most integrated regional organisations. The study tests three complementary hypotheses. The first hypothesis assumes that increased differentiation leads to increased institutional resilience of regional organisations. The

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<sup>1</sup> The EU budget equals just over 1% of the European Union's national wealth – in comparison, national budgets across the EU are equal to, on average, about 47% of Member States' national wealth (European Commission 2020b).

second and third hypotheses further build on strategic options relating to external cooperation. The specific way in which these strategic options are developed by regional organisations contributes to the degree to which regional organisations build their resilience and strategic autonomy vis-à-vis Chinese influence.

The economic and strategic rise of China has arguably been the most significant global phenomenon of the past four decades (Chatterji 2021, 2). As the world's second largest economy, China can nurture global governance ambitions and it exercises three types of power to do so: not only an economic but also a military power, an institutional power and an ideational power. Its influence on the EU, ASEAN and Mercosur is testing their capacity to adapt as differentiated organisations.

## China's global ambition and associated risks

The rise of China is considered to be 'the singular unfolding phenomenon with deep implications for the global economy' (Tong 2021a, 1). The building of a mankind that is a 'community of common destiny' – a phrase that was included in the preamble to the Constitution of China when the Constitution was amended in 2018 – constitutes a part of its long-term strategy: to maintain a peaceful 'period of strategic opportunity' in the first two to three decades of the 21st century in order to further develop itself (Zhang 2018, 196), but also to 'lead the reform of the global governance system' (XinhuaNet 2021) and to 'build a new type of international relations and a human community with a shared future' (Xi 2021).<sup>2</sup> While China pursues its global ambition, however it remains careful to ensure its supremacy at the regional level, as Beijing considers that its 'reputation for power' must be established in Asia in the first instance (Khong 2019, 119–20). In turn, this imperative informs Chinese foreign policy which strives to isolate Taiwan in the international stage with an increasingly assertive campaign (T. Long and Urdinez 2021, 3).

To achieve its global agenda, China has launched three major initiatives: the Belt and Road Initiative (BRI) in 2013, and two other initiatives in 2022: the Global Development Initiative (GDI), and the Global Security Initiative (GSI). The BRI, launched in Astana and then Jakarta in 2013, is a state-owned investment fund of the Chinese government which fosters increased investment and was backed by the launch of the Asian Infrastructure Investment Bank (AIIB) and by a less well-known emerging China-centred global network of financial infrastructures (Petry 2023)<sup>3</sup>.

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<sup>2</sup> The phrase 'community of destiny' was first used to describe the relationship between China and Taiwan in 2007, and was expanded by Xi to apply to ASEAN in 2014, before being applied to the whole world (He 2017, 10).

<sup>3</sup> In some ASEAN member states, China also extends its influence via a tangle of links at several levels, from central to local level, from provincial authorities to more specialised

Before Xi Jinping's era, the future of China and its involvement on the global stage could still be deemed uncertain. While showing that China's legal and political model defies the founding principles of the rule of law (Balme 2016), scholars were weighing whether China would emerge as a responsible great power, or 'blunder into a disastrous bid for hegemony' (Kirshner 2012). At the beginning of Xi Jinping's mandate, there was still no consensus among scholars on whether this 'parallel order' would result in some form of hybrid order that challenges the norms and principles of the liberal order or one that would simply challenge the US- and Western-dominated system (Loke 2018, 674). Today, the magnitude of Chinese influence on economic and security affairs and its declared ambition to lead global governance leave no room for doubt, and the interdependence on which China relies to reform and lead global governance pose crucial questions for many states and regional organisations alike in terms of their potential resilience and strategic autonomy. Before proceeding further, it is important to highlight the fact that this research does not assume that the Chinese government is a monolithic or unitary actor: although Xi Jinping has centralised foreign and security decision-making, it remains fragmented and opaque (Cabestan 2021), however, this research does not account for the internal dynamics of Chinese politics.

China exercises a form of protean power that can be described as incorporating three axes – to borrow from Barnett and Duvall's analytical framework – compulsory, institutional and ideational powers (Barnett and Duvall 2005). *The first dimension of power, compulsory power*, concerns relations of interaction of direct control by one actor over another to shape directly the circumstances or action of another (Barnett and Duvall 2005, 43, 49). It refers to economic power, military power as well as cyber attacks. When it comes to economic power, the BRI and associated FDI represents so far the main instrument of Chinese influence. Foreign direct investment (FDI) is widely considered to be beneficial for host and home economies and for the enterprises that make investments. However, FDI can sometimes pose risks, including potential threats to the vital security interests of the countries hosting such investments (OECD 2020b).

(1) FDI expose the countries to the risks of indebtedness, including those countries claiming that they are well aware of the risks (see chapter 7). The risks do not only come from direct loans provided by China<sup>4</sup>, but also from the event that the primary borrowers go into bankruptcy or default (because of cost overruns when China sought to outcompete on cost, speed of implementation, and level of public liability): indeed, it is the central government institutions of the host country that will likely be expected

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sectoral players (local authorities, professional organisations) (De Tréglodé 2018, 27–28), a strategy which is also being applied in Europe (XinhuaNet 2021).

<sup>4</sup> 42 low-income and middle-income countries now have levels of public debt exposure to China in excess of 10 % of GDP (Malik et al. 2021) ultimately it is the central government institutions that will likely be expected to pay the debt in the event that the primary borrowers go into bankruptcy or default (Kuo 2021).

to pay the debt. The AIDDATA report estimates that China has an amount of USD 385 billion of 'unreported debts' on the World Bank's Debtor Reporting System (Malik et al. 2021). Another report based on the analysis of 100 contracts between Chinese state-owned entities and government borrowers in 24 developing countries in Africa, Asia, Eastern Europe, Latin America, and Oceania – the first systematic analysis of the legal terms of China's foreign lending arrangements – reveals that Chinese contracts contain unusual confidentiality clauses that bar borrowers from revealing the terms or even the existence of the debt (Gelpern et al. 2021, 2). The report also shows that the debt is kept out of collective restructuring, and that lenders can influence debtors' domestic and foreign policies.

(2) Chinese FDI provide investors with the means to monitor and control activities in strategic infrastructure and technologies: beyond ports and airports are satellites (the BRI also includes a less well known policy: the space policy, which has a security dimension (Sarma 2019)), but also technology infrastructures<sup>5</sup> and financial infrastructures (Petry 2023)).

(3) FDI expose to the risk that there will be a shift from economic vulnerability to political leverage. Such leverage can wage retaliatory measures and 'a weaponization of economic interdependence' as observed in South Korea (Han 2023) and in Japan (Yang 2022). Political leverage can also drive political loyalty away from the regional organisation (see chapter 3), and more specifically extends interdependence to security issues: 'What is new in GSI, as observed by Arase (2022) is 'the push on BRI partners to join China's militarising struggle against US "hegemonism"' (Arase 2022).

From a defence perspective, China has massively strengthened its military might: it has increased its military budget sixfold in twenty years (Nan and Fei 2021; Mazzuchi et al. 2023). The control of Taiwan by China would not only be unacceptable on principle, but it would also affect the economic security of many states as Taiwan has a strategic role in the production of the world's most advanced semiconductors. The display of force and increasing tensions in regional hotspots such as in the South and East China Sea and in the Taiwan Strait may have a direct impact on European security and prosperity. Despite the 2016 attribution of the Arbitral Tribunal Award of The Hague in 2016 (Permanent Court of Arbitration 2016), China uses its military power *inter alia* to protect its self-proclaimed 'historic' rights in the South China Sea (SCS) which have implications not only for the resource rights of five ASEAN member states – but also for the freedom of navigation of the international community, especially in areas located around the Paracel and Spratly islands. Freedom of navigation has also been limited by China in the Taiwan strait, which is one the most strategic straits in

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<sup>5</sup> For an analysis of the risks related to Chinese funded 5G technology, see (Kaska, Beckvard, and Minárik 2019). The authors of the report point to the fact that Chinese companies are not only subsidised by the Chinese government, but they are also legally compelled to work with its intelligence services. The authors highlight the risks of the loss or interruption of availability of the service, the risks on integrity or confidentiality, and specify that infrastructure decisions are not easily reversed.

the world for trade. It has also been reported that China has illegally employed extraterritorial police forces on five continents to persuade Chinese nationals living abroad suspected of alleged 'fraud and telecommunication fraud' to return to China (Safeguard Defenders 2022): however such interference is not covered in this study due to space constraints.

Moreover, China is developing an arms diplomacy, by which we mean the influence that China is able to exert over a state through arms trading (see Table 10 and Annex 7). For Beijing, armaments cooperation is an instrument of foreign policy and influence to create strategic dependencies in areas considered to be of priority to its interests (Boisseau du Rocher 2018, 106). China was the world's second biggest arms seller in 2021, with the US in first and the UK and France in third and fourth respectively (SIPRI 2022). Seven Chinese companies featured in the top 20 arms-producing and military services companies in the world in 2021 (SIPRI 2022). Strategic dependence can arise from technological dependence on maintenance, repair, and overhaul (MRO) capability, from economic dependence, related to the terms of the trade agreement (loan conditions, swap deal in exchange for natural resources,<sup>6</sup> and from the risk of a political alignment expected from Beijing (Boisseau du Rocher 2018, 111). Furthermore vulnerability can also arise from a lower degree of interoperability with the armaments provided to the regional organisations' member states by other partners (Faiz 2023; Parameswaran 2019).<sup>7</sup>

Cyberattacks represent another type of compulsory power that China uses to undermine the interests of the three regional organisations, inter alia by means of its global technological network<sup>8</sup>. China is now considered to be one of the four most hostile nation-states in terms of offensive cyber operations, along with Russia, North Korea, and Iran (Dorfman and Deppisch 2019). According to the National Cybersecurity Agency of France (ANSSI), nearly half of its cyber defence operations in 2022 involved operating methods associated with open source in China (ANSSI 2023). Cyberattacks include different types of activities: cyberespionage, ransomware, the disruption of digital connection (targeting the functioning of critical infrastructure), and disinformation which refers to the narrative or cognitive dimension of communication. Cyberespionage includes the collection of information related to the military, to economy and trade, and technological data.<sup>9</sup>

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<sup>6</sup> 'On peut tout échanger contre nos chars d'assaut. On prend tout : pétrole, minerais, caoutchouc. Dans la région, le caoutchouc ça marche bien' (de Conink 2017).

<sup>7</sup> Interview 15, EU member state, July 2023.

<sup>8</sup> For an analysis of risks related to Huawei 5G, see (Kaska, Beckvard, and Minárik 2019). Huawei, ZTE, Hikvision, and Dahua capture increasingly dominant positions in Latin America' digital and security systems infrastructure (Ellis 2023).

<sup>9</sup> In China, cyberespionage is essentially conducted by two structures: the People's Liberation Army Strategic Support Force created in 2015 and the Ministry of State Security, which is the equivalent to the CIA, created in 1983, and which has considerably invested in the cyber already in the 1990s to compensate the lack of human capacity to operate in foreign countries (Charon 2023). Independent hackers have been acquiring a cyber expertise in a quasi

*The second dimension of power, institutional power* includes the creation of alternative institutions which complement, compete with or aim to replace existing ones, be they international (Stephen 2021) or regional. China has established or has been instrumental in the establishment of financial and governance institutions outside the established Bretton Woods system, for example, the Asian Infrastructure Investment Bank (AIIB) in 2016 as an alternative to the Asian Development Bank and to the World Bank (Chatterji 2021, 8), and the New Development Bank (NDB), formerly called the BRICS NDB. With regard to the AIIB, China has the absolute ability to stop a project (Luo, Yang, and Houshmand 2021, 29–30). With the GDI, China also ambitions to compete with the 2030 UN Agenda and is positioning itself as a global development actor (Xi 2022; Ministry of Foreign Affairs of the People's Republic of China, n.d.; Mulakala 2022; Hoang Thi 2023a). The GDI lays out six principles (development as a priority, a people-centred approach, benefits for all, innovation-driven development, harmony with nature, and action-oriented approaches), and eight priorities (poverty reduction, food security, COVID-19 and vaccines, financing for development, climate change and green development, industrialisation, digital economy, and connectivity), governance arrangements, and actions (Mulakala 2022). Institutional power also refers to regional initiatives such as the China-Central and Eastern European Countries forum, also known as the 17+1 forum or 16+1, depending on which countries are assumed to be members, and the China-CELAC (Community of Latin American and Caribbean States) forum.

*The third dimension of power, ideational power* is exercised through the establishment of think tanks, support for education, via inter alia the Confucius centres<sup>10</sup> (Seaman 2020; Charon and Jeangène Vilmer 2021; Karásková 2020, 57–58; Gattolin 2021, 2) but also disinformation campaigns. This type of influence also includes the growing influence of the PRC on the higher education and research sectors (Gattolin 2021; Pelaudeix 2023): such influence can be detrimental to academic freedom or result in the leaking of sensitive information, as was the case with a Heidelberg University laboratory, where EU funded research ended up providing important data for China's quantum military strategy (Petersmann and Felden 2023). The latter is not analysed in this study due to space constraint. These three types of power, compulsory, institutional power and ideational power, are combined in the exercise of Chinese influence in order to nurture economic and strategic interests.

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autonomous way since as far back as the 1990s and have been recuperated by the Ministry of State Security and the private sector.

<sup>10</sup> Confucius institutes have recently seen a rapid rise in the Central and Eastern Europe countries, from 3 in the Balkans in 2006 to 18 in 2019 (Karásková 2020, 57–58), and 17 have been created in France alone (Gattolin 2021, 2). In Southeast Asia, as of the beginning of 2017, China had set up 31 Confucius Institutes as well as four Chinese Cultural Centres in Thailand, Singapore, Laos, and Cambodia. (Parameswaran 2016). In Mercosur countries, 11 Confucius centers are present in Brazil, 3 in Argentina and one in Uruguay which was inaugurated in 2018 (Dig Mandarin 2023).

Confronted to these diverse types of influence, how do regional organisations adapt? How can regional organisations respond to such a protean power? This thesis answers to the question as to how and why differentiated organisations strengthen or not their resilience and strategic autonomy vis-à-vis the influence of China. This research addresses an important and overlooked question: indeed, from the perspective of regional studies, the external dimension has long been understudied. Although new regionalists emphasise the need to pay attention to actors, procedures, norms and cognitive frameworks, it is, as noted by Saurugger, equally important to look at the influence of external or global systemic factors on these phenomena: 'In-depth studies of regionalization [...] must offer both an endogenous and exogenous perspective and, in so doing, comply with the important framework developed by Peter Gourevich in his 'Second Image Reversed', which shows the influence of policies led at global level on the domestic policies of states (Gourevich 2002, 1978; also Jacoby and Meunier 2010; Diez and Whitman 2002; Warleigh-Lack 2006a)' (Saurugger 2014, 242).

In order to answer the research question, the study adopts a mixed research method mainly based on qualitative comparative methods and quantitative data and compares the institutional responses of the EU, ASEAN and Mercosur, three of the most integrated regional organisations. The research does not however presuppose that the regional organisations structure the world order: to speak of the regionalisation of the world presupposes that all regional dynamics are driven by comparable rationales which is not the case (Petiteville 1997). A comparative approach in small-N studies allows to carry out an in-depth analysis and at the same time, because of the wider empirical scope, provides greater scope for contextualisation. The analysis considers regional organisations which are similar in their functional scope – their authority over more than one issue – and therefore polities that are task-specific (a free trade area like NAFTA, or the Pacific Alliance), or only on security (NATO), are excluded. The institutional similarities of the three regional organisations (their legal status, multi-purpose scope, decision-making bodies) allow to compare them, and to focus on the variable 'differentiation' to analyse the respective merits of each institutional design in terms of resilience and strategic autonomy vis-à-vis the influence of China. Indeed, several salient questions need to be addressed: do variations in institutional design lead to different outcomes in terms of resilience and strategic autonomy? What are the key variables, in terms of differentiation, that explain the outcome?

EU, ASEAN and Mercosur have all established strong economic ties with China (see Table 1) and many of their member states have joined the BRI (see Graph 1). They are all impacted by China's global agenda according to similar patterns of influence (see Table 2). The EU remains the first investor – in stocks – in Mercosur<sup>11</sup>, but China is now the main trading partner of the three regional organisations. A comparison between the trade balances yields striking results: the EU trade deficit is EUR 400

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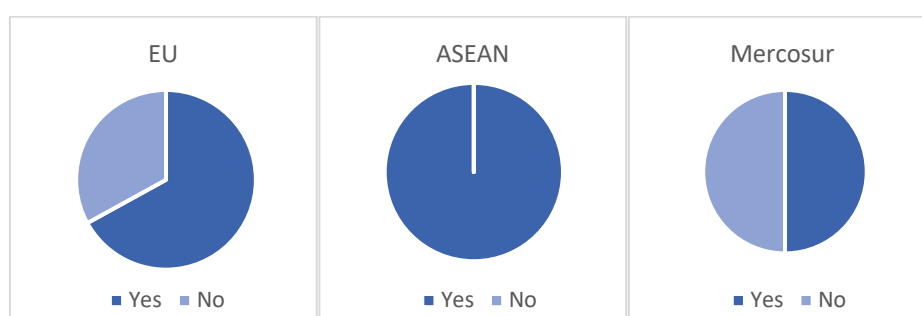
<sup>11</sup> Interview 6, EU institution December 2022. Interview 10, Mercosur member state, March 2023.

billion and continues to grow, and China has a surplus of EUR 470 billion (Borrell 2023a). Understanding the mechanisms through which regional organisations adapt to this new geopolitical reality is therefore of the utmost importance. The focus of this research is on two policies of major relevance when it comes to resilience and strategic autonomy: trade and security. More specifically, the research examines regional organisations' institutional responses to the development of FDI in strategic infrastructure, to infringement on territorial sovereignty, limitations to freedom of navigation, arms diplomacy and cyberthreats (see Table 3).

*Table 1. Top 3 Trading partners in goods of EU, ASEAN, Mercosur and China in 2020*

EU	ASEAN	Mercosur		China
		Exports	Imports	
China 16,2 %	China 19,42%	China 32,5 %	China 27,4 %	ASEAN 15 %
US 14,7 %	US 11,61 %	EU 13,8%	EU 20,8 %	EU
ASEAN	EU 8.52%	US 11,3%	US 19,9 %	US

*Sources: European Parliament Factsheets – ASEAN statistical yearbook 2021 – OECD*



*Graph 1. Participation of member states in the BRI. As of July 2023*

*Table 2. Macro indicators of Chinese influence in the EU, ASEAN and Mercosur*

Regional organisations policy areas affected by Chinese foreign policy		EU	ASEAN	Mercosur
Trade	FDI in strategic infrastructure	xx	x	x
Security	Infringement on-territorial sovereignty	x	xxx	x
	Freedom of navigation	xx	xx	
	Arms diplomacy	x	x	x
	Cyberattacks	x	x	x



## Differentiated regionalism

Differentiation is a concept used to analyse political systems, be they states, regional organisations or federations. A first approach of differentiation refers to the characteristics of the polity of modern political systems of governing: it is about 'broader patterns and processes of territorial, functional, and hierarchical structuring of the *polity* and the system's constitution of persons as citizens.' It encompasses four main dimensions of a political system: lawmaking, functional competences, territorial differentiation and citizen's access to the political system (Fossum 2019, 12–13).

Another approach of differentiation is a more *policy*-oriented one which is used to analyse regional organisations which polity, in contrast to unitary states, shows variation in integration across both policies and countries (Leuffen, Rittberger, and Schimmelfennig 2022, 1). This is the approach used in this research which relies on the typology which distinguishes vertical, internal and external differentiation (Leuffen, Rittberger, and Schimmelfennig 2022). Regional organisations' policies can be strongly integrated or remain predominantly intergovernmental: this variation is what is called 'vertical differentiation.' Moreover, policies do not apply uniformly to all states: this is 'horizontal differentiation', which can be internal when it concerns member states, and external when non-members also participate selectively in some regional organisations policies. Based on a broad understanding of legal validity suggested by Pedreschi and Scott (2020), a clear distinction is made in this research between external differentiation and external cooperation, which was not previously highlighted in the literature on comparative differentiation (Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020).

As will be explained in more detail in chapter 1, the concept of differentiated integration has a long history and many typologies began to emerge in the 1990s from the tripartite typology distinguishing between 'multi-speed', 'variable geometry' and 'Europe à la carte' differentiation (Stubb 1996) to the "multi-speed", "multi-tier" and "multimenu" differentiation proposed in 2020 (Schimmelfennig and Winzen 2020b). As in the literature, this research uses the single term 'differentiation' as a synecdoche. The single word 'differentiation' is also used to capture the analytical dimension of the process studied. Differentiation manifests itself in primary and secondary law; in institutional structures and constitutional arrangements; and in the use and scope of application of various types of policy instruments (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Holzinger and Tosun 2019; Schimmelfennig 2020). As a policy tool, differentiation is used (1) to reconcile heterogeneity inside a regional organisation that is composed of diverse member states, (2) reach the regional organisation's goals and (3) avoid centrifugal forces. Scholars have afforded differentiation a great deal of attention in the wake of Brexit (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Fossum 2019; Holzinger and Tosun 2019; Schimmelfennig 2020) – the debate on integration has shifted in focus from 'ever closer Union' to threats of 'disintegration'

(Leuffen, Rittberger, and Schimmelfennig 2022, vi) – and in the context of the reflection on the future of the EU.

Although developed in the context of the European Union, differentiated integration is not unique to the EU (Hooghe and Marks 2023) and the concept has been applied to other regional organisations or institutions such as ASEAN, Mercosur, ECOWAS, APEC, and NAFTA (Su 2007; Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020; Leuffen 2013). The concept has analytical merits in terms of its capacity to assess the institutional responses of regional organisations to the influence of an external hegemon. The way in which a regional organisation shapes its institutional dimensions determines a specific type of 'differentiation configuration' (Fossum 2021) which can be conducive to resilience or to vulnerability. The literature on how differentiation affects efficiency is growing and allows hypotheses to be inferred about the relation between differentiation and resilience (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022; Kölliker 2001).

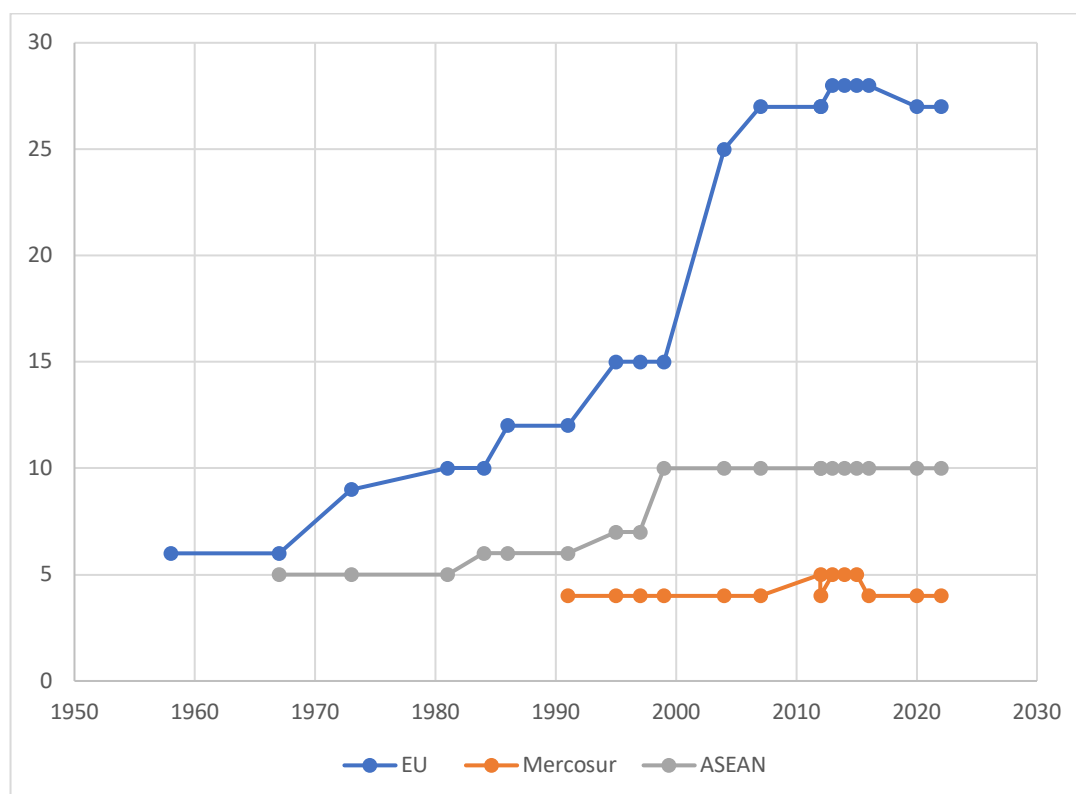
To be sure, all three regional organisations state that they aim to strengthen 'integration', as explicitly mentioned in their respective treaties.<sup>12</sup> However, whilst integration in the EU was conceived as a gradual transfer of sovereignty from the national to the community level (Keohane 2002), such a goal was never at play in Mercosur or in ASEAN. Mercosur was intentionally created and has been maintained as an intergovernmental entity (Malamud 2003, 66). Facing unity challenges (see chapters 4 and 6), Mercosur decided on the occasion of its Summit of July 2022 to consolidate and strengthen its political, institutional, economic, commercial, environmental and social dimensions to contemplate in a balanced manner the interests of the States Parties both internally and in their external relations (Consejo Del Mercado Común 2022). Just a few weeks after he was sworn in in January 2023, President Lula da Silva also expressed his determination to 'strengthen Mercosur so that Brazil, Uruguay, Argentina, Paraguay and now Bolivia can become a very strong trade bloc' (Lula da Silva 2023). The EU combines supranational and intergovernmental institutions. Supranationalism is reflected in the establishment of specific institutions (the EU Parliament, the Commission, the ECJ, and the High Representative/Vice-President). There are also differences between the legal systems of the three regional organisations: decisions arise from community law (in the EU), from an international law scheme in Mercosur, and from a distinctive rule of law practice resulting from the interaction between global and national processes in ASEAN (Deinla 2017, 46). The considerable differences in the parliamentary systems between the EU, ASEAN and Mercosur are outlined in Table 3. The research acknowledges these different approaches to integration and does not exclude it from the analysis (see chapter 1). The necessity to avoid eurocentrism has led some comparative studies to exclude the consideration of variation in integration in their

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<sup>12</sup> Treaty on European Union: preamble, articles 20 and 21 (European Union 2020); ASEAN Charter: preamble, articles 1,2,10) (ASEAN Secretariat 2007); Treaty of Asunción (preamble and articles 1, 8, 20 and annexes (Mercosur 1957).

analytical framework but ultimately, the lack of a supranational institution re-emerges in the conclusions of such studies as an impediment to the resilience of the regional organisations (Venturi, Gaens, and Ayuso 2020, 8; Nolte and Weiffen 2021, 7).

The three regional organisations are analysed as independent cases: existing diffusion and inter-regionalism between the three regional organisations does not mean that there is a bias, since the analysis specifically focuses on the differences between the institutional features of the regional organisations (see chapter 2). ASEAN was established in 1967 and is made up of 10 countries (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Laos, the Philippines, Singapore, Thailand and Vietnam). Mercosur was created in 1991 and includes 5 countries (Brazil, Argentina, Paraguay, Uruguay and Venezuela) – but Venezuela was suspended in 2016 and is consequently not incorporated in the analysis. Timor-Leste was admitted ‘in-principle’ as the 11<sup>th</sup> member state of ASEAN in 2022 (ASEAN 2022).<sup>13</sup> The EU, which was established in 1957 is made up of 27 countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden) – the UK withdrew in 2020 (see Graph 2).



Graph 2. Evolution of integration in the EU, ASEAN and Mercosur (number of member states)

<sup>13</sup> In May 2023, Timor-Leste attended for the first time the ASEAN Summit as an observer.

## China's evolving relations with the EU, ASEAN and Mercosur

Although Chinese foreign policy under Xi Jinping's presidency follows similar patterns in the three regional organisations under scrutiny, the interests of the PRC in these regions started with a strong political agenda in South America to counter the support of Taiwan, and in ASEAN to support communism), and with an economic and technological agenda in the EU.

### *ASEAN*

The establishment of ASEAN in 1967 was initially seen by China as a negative development as it feared it would result in the 'encirclement of China' (Milner 2011, 111). 'The People's Daily, the official newspaper of the Central Committee of the Chinese Communist Party (CCP), called the organisation an 'out-and-out counterrevolutionary alliance against China, Communism, and the people', and declared it to be 'another instrument for US imperialism and Soviet modern revisionists' (Jorgensen-Dahl 1982, 120; Tarling 2006, 138). China supported local communist insurgencies in the hope of exporting communism to the ASEAN member states and appealed to the ethnic Chinese population in ASEAN to support the PRC (Koh 2018). The relationship between China and ASEAN changed as the result of the accession to power of two Chinese leaders, Deng Xiaoping and Zhu Rongji: for 30 years, from 1978 to 2008, China pursued a policy of good neighbourliness towards ASEAN (Koh 2018). ASEAN-China Dialogue Relations commenced in 1991 when the Foreign Minister of China attended the opening session of the 24th ASEAN Ministerial Meeting: China was accorded full Dialogue Partner status in 1996 in Jakarta, Indonesia (ASEAN Secretariat 2020a). Free trade agreements were signed in 2001 and 2003, and the relationship was elevated to a 'strategic partnership' in 2018.

Under Xi's presidency, the relationship with ASEAN has intensified and ASEAN's dependency on China has deepened, ASEAN's trade deficit with China has almost multiplied tenfold in nine years: it increased from USD 10.4 billion in 2010 to USD 102.9 billion in 2019 (ASEAN Secretariat 2020a; Noor 2020, 109), while the SCS disputes have intensified and a fifth country, Indonesia, now has issues with China in the SCS (Anwar 2022, 3; Giese 2021, 94). Military cooperation between China and ASEAN MS is also increasing (Boisseau du Rocher 2018).

### *The EU*

China established formal diplomatic ties with the regional organisation in 1975, and trade relations have since developed fast. In 1985 an Agreement on Trade and

Economic Cooperation was reached, and the EU supported the accession of China to the WTO in 2001. The first agreement on Trade and Economic Cooperation was signed between the EU and China in 1985. The relationship reached the level of a strategic agenda in 2013 (EU-China 2020 Strategic Agenda for Cooperation) in relation to four issues: Peace and security, Prosperity, sustainable development, and People-to-people exchanges. The BRI and the associated foreign direct investments have provided a major channel of influence in the EU in recent years ([Garlick 2020](#); [Meunier 2019](#); [Budeanu 2018](#); [Pelaudeix 2021](#)) to which political, institutional and, more recently normative agendas have been added ([Ekman 2021](#); [Charon and Jeangène Vilmer 2021](#); [Jakimów 2019](#)) ([Ekman 2021](#); [Charon and Jeangène Vilmer 2021](#); [Jakimów 2019](#); [He 2017](#); [Pelaudeix 2023](#)). The deficit in trade is increasing since 2022 ([Eurostat 2023](#)). FDI have developed in strategic sectors (in particular dual use technology, ports, airports...) and China has extended its influence in the Central and Eastern European Countries, in the Indo-Pacific region ([Pejsova 2018](#)) which the EU considers to be of 'great political, economic and geostrategic importance', but also in the Arctic region in Iceland, Greenland, and has recently established a concerning partnership with Russia with regard to their coastguards ([Nilsen 2023](#)).

### *Mercosur*

In Mercosur, as early as the 1950s, China was carrying out 'people-to-people diplomacy' ([Xu 2006](#)) of a political-ideological nature, as most Latin American countries were maintaining relations with the Taiwanese authorities. In the 1970s China supported national democratic movements in the region, and advocated the importance of the 'One China' policy ([Turner 2019, 189](#)). These ties were deepened in 1980 and 1990, although China prioritized relations with the largest Latin American countries (Brazil, Mexico and Argentina), considering them 'politically more moderate and economically more developed' ([Turner 2019, 189](#)). Economic relations intensified in the 2000s.

For some years China has positioned itself as the main trader with Mercosur countries. China has already replaced the U.S. as the dominant trading partner amongst all Mercosur members as trade with China has increased at a much higher rate than with the United States ([Amorim and Ferreira-Pereira 2021, 8](#)). In recent years, Mercosur has seen a sudden spike in Chinese FDI ([Avendano et al. 2017](#)). China is interested in the region's natural resources, and the region seeks to export consumer and industrial products. However the majority of Mercosur members have had a trade deficit with China in recent years ([Hashmi 2016, 163](#)) and Mercosur's balance is only positive thanks to Brazil (Mercosur statistics, 2021). Paraguay's recognition of Taiwan is seen as an obstacle to any agreement between China and Mercosur,<sup>14</sup> however, President Lula da Silva has stated his support for such an agreement ([Lula da Silva 2023](#)). China officially supported strengthening military ties with Latin America (and the Caribbean and South Pacific) in its 2019 National Defence White Paper (State Council

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<sup>14</sup> Interview 6, EU institution, December 2022.

Information Office China 2019). It strengthened defence cooperation with Argentina in July 2023 amid 'changes in hegemonies' and the transition 'from a unipolar world to a multipolar world' (Ministerio de Defensa de Argentina 2023) (see chapters 3 and 7).

While cooperation between regional organisations and China, or between regional organisation member states and China can potentially bring benefits, there is a sense of a shift in how China's intentions are perceived and an appreciation of the consequences of a growing interdependence with China. The relationship with ASEAN 'has transformed from amity to uncertainty' (Koh 2018). The EU now considers China to be a partner in terms of cooperation and negotiation, an economic competitor and a systemic rival (European Commission and High Representative of the Union for Foreign Affairs and Security Policy 2019: 1). In Mercosur, some analysts deem that it is time to unmask the relationship established with China, stripping it of the title of 'South-South Cooperation' (Turner 2019, 190), however President Lula da Silva has announced his willingness to enhance cooperation between China and Mercosur, just as he did with Brazil after his visit to China in April 2023, and to extend cooperation within the BRICS (Governo do Brazil 2023). The Argentine government is also increasing economic and defence ties with China.

Therefore, how do the three regional organisations respond to the increased influence of China under Xi Jinping's Presidency and why? What decisions are taken, and which institutional instruments are designed? More specifically and most importantly, how does differentiated integration influence regional organisation's strategic autonomy and resilience: is it a significant feature of regional organisations' responses, and is it conducive to resilience and strategic autonomy or to vulnerability?

## **Resilience and strategic autonomy**

Resilience and strategic autonomy are universal concepts and not specific to any region. As reflected in chapter 1, they are increasingly used not only by policy-makers but they are also finding their way in the academic literature in the context of challenges faced by regional organisations (Ba 2017; Anghel et al. 2020; Bernal-Meza 2016; Fiott 2018a; Tocci 2021; Jose 2022; Tan 2017; Gómez-Mera 2013; Mueller 2019; Chopin and Lequesne 2021). In Europe, the model of power that France defends remains 'difficult to win acceptance for by the majority of its European partners, either because they do not see their future without the United States (Central and Eastern European countries, but also Germany), or because the Union must remain for them a mere soft power (Sweden)' (Chopin and Lequesne 2021, 80). These debates do not only concern Europe. In Latin America, and in relation to the influence of the US, the concepts of hegemony and autonomy, in particular, have received a great deal of

attention (Bernal-Meza 2016).<sup>15</sup> As far as ASEAN and Mercosur are concerned, the phrase of strategic autonomy is used by some individual MS but not by the regional organisations as a grouping. Other concepts are also used such as 'independent and active foreign policy' in Indonesia, replacing the concept of non-alignment: the essence of having an own independent course of action and the ability to formulate that process free from external interference is pervasive in all of Southeast Asian states which are post-colonial states except for Thailand. The concept of 'centrality' is widely used by ASEAN policy-makers (Acharya 2017; Anwar 2019; Laksmana 2021). The ASEAN Charter associates the notion with 'the driving force in its relations and cooperation with its external partners in a regional architecture that is open, transparent and inclusive' (article 1 of the ASEAN Charter). However, the concept is not without ambiguity and is now not only conceived as the capacity to be a leadership power within a regional architecture (which means for example that the regional organisation sets the agenda) but also, in a less demanding understanding of the notion, as the capacity to be a convening power (which implies that the regional organisation has a neutral position and endeavours to broke compromises).<sup>16</sup> Even the first understanding of the concept cannot equate strategic autonomy which has a narrower and more operational definition.

Although the relation with China can be diversely appreciated among the three regional organisations under scrutiny, there is a clear sense of a growing vulnerability over the last decade which is reflected in their official documents. In 2020 the Council of the EU in the wake of the Covid-19 crisis and the realisation of the risks of economic interdependence with China stated its ambition to 'strengthen resilience' and to develop a 'strategic autonomy' ('Achieving strategic autonomy while preserving an open economy is a key objective of the Union') (European Council 2020, 1). In 2023, the necessity is re-affirmed in an even clearer language: 'Reducing vulnerabilities and dependencies is the same as increasing our strategic autonomy. Being autonomous is the contrary of being dependent. So call it de-risking or asking for strategic autonomy; it is the same' (Borrell 2023a). ASEAN – the purpose of which is to 'enhance resilience in the political security, economic, and socio-cultural domains' (article 1 of the ASEAN Charter) – specified in 2015 that its purported 'centrality' 'should ensure ASEAN remains relevant' in a 'rapidly changing geostrategic landscape' (ASEAN Secretariat 2007). This new landscape, according to Ong Keng Yong, former ASEAN Secretary-

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<sup>15</sup> With regard to autonomy, Latin American researchers refer to 'a foreign policy free from the constraints imposed by powerful countries (Cepaluni and Vigevani 2012, 1; Amorim and Ferreira-Pereira 2021, 1). More generally, the concept of autonomy has a long lineage especially from the 1970's onwards (Nordlinger 1982; Evans, Rueschemeyer, and Skocpol 1985).

<sup>16</sup> Tan distinguishes five interrelated ways ASEAN centrality has been understood and appropriated - by its devotees and detractors alike : 'centrality has been defined in terms of ASEAN as leader or driver, as convener or facilitator, as hub or key node, as an agent of (proposed) progress (and not just process), and as little more than an expedient device to preserve ASEAN's primacy in Asian regionalism and to ward off any form of architectural renovation which could lead to its marginalization' (Tan 2017, 721).

General, refers to 'the rise of China and the implications for power relations' (Ong 2016, 15). The Council of the Common Market of Mercosur made a more general statement in 2022 in which it declared itself willing to 'ensure the region's leading role in the international arena in the face of the growing challenges posed by the current global agenda' and in that regard 'commits to strengthen the bloc with instruments that contribute to its consolidation' (Consejo del Mercado Común 2022a).<sup>17</sup>

In this thesis, resilience is defined as 'the capacity to adapt, respond, react, and bounce back in the aftermath of shocks and crises' (Tocci 2019).<sup>18</sup> This means that a regional organisation is considered resilient to stress factors if it engages in institutional responses which theoretically have the capacity to lead to a recovery. Strategic autonomy applies to both the security and economic sectors. It is defined as the 'capacity to act autonomously with like-minded partners (Tocci 2021; Järvenpää, Major, and Sakkov 2019; Hwee 2017; Jose 2022; Anghel et al. 2020; Fiott 2018b)'.<sup>19</sup> The mention of the presence of partners in the process of building strategic autonomy is essential as the concept of strategic autonomy understood as the manifestation of pure autonomy has been contested on the grounds that it is not a realistic goal for the EU, let alone for other regional organisations. A regional organisation is thus considered to be capable of achieving strategic autonomy if, when confronted with a challenge, it engages in appropriate institutional responses. The concept of 'like-minded partners' is used in the academic literature and by the EU to refer to partners which share common values such as human rights and democracy.<sup>20</sup> It is applied to all three regional organisations on the basis of the assumption that autonomy presupposes democracy. The pressure exercised by an illiberal hegemon can be seen as a challenge to the autonomy of non-democratic states, as it imposes certain conditions or expectations on their internal governance. Autonomy, not to mention strategic autonomy, can hardly be achieved in the context of relations of dominance with an illiberal external hegemon (see chapter 1).

## Hypotheses

There is no existing theory that explains the relation between differentiation and resilience in relation to the influence of an external power. Hence in the absence of a mid-range theory about differentiation, the comparative approach relies on several theoretical propositions. To add to the complexity however, few academic studies

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<sup>17</sup> My translation.

<sup>18</sup> The EEAS defines resilience as the 'ability of states and societies to reform, thus withstanding and recovering from internal and external crises' (EEAS 2019, 23).

<sup>19</sup> The European Council proposes its own definition in the European Council Conclusions 14 November 2016 (European Council 2016a). See also (European Council 2016b).

From a defence perspective, Frederic Mauro defines strategic autonomy as the *product* of political will, ability to make decisions, and a capacity of actions (Mauro 2021).

<sup>20</sup> See also (Rieck 2022).



have endeavoured to account for how and why different integration schemes react differently to exogenous challenges. Börzel notes in the *Oxford Handbook of Comparative Regionalism* that there have yet been few attempts to compare the similarities and differences of regions (Börzel and Risse 2016, 32). Since the publication of this handbook, Weiffen and Nolte have identified stress factors that regional organisations are facing and which might lead to either disintegration or resilience (Weiffen 2021). However, they do not examine the institutional responses of regional organisations. The volume *Crisis and Institutional Change in Regional Integration* addresses the issue of the resilience of regional organisations from the vantage point of the economic and financial crisis (Saurugger and Terpan 2016). However, similarly, the focus is not on the institutional responses per se but on the drivers that trigger responses, which are analysed as originating from three factors and their interactions: power relations between member states, institutional density, and civil society organisations.

The present research extends the reflection on the adaptation to external stress by analysing the external pressure induced by a specific actor, China. This focus hence situates the research at the intersection of regional studies and international relations. Deriving from international relations theories, the concepts of balancing, hedging and bandwagoning are used in the context of the English School theory (Bull 1995) and are applied here to assess the range of options available to regional organisations: respectively strengthening the regional organisation, establishing external partnerships and aligning with China.

The first hypothesis, which amounts to a balancing strategy, posits that a regional organisation can strengthen its resilience as a differentiated system, by reinforcing integration and making use of its differentiated characteristics. The first hypothesis borrows from integration theories, and analyses how vertical, internal and external differentiation are used by the three regional organisations. As will be explained in chapter 2, one of the challenges of comparative regionalism is not to construe the EU as a benchmark and to decentre Europe as the main reference point (Balogun 2021; Börzel and Risse 2019). However the level of integration, i.e., of pooling (majority decisions) and/or delegation of authority to a third body (Börzel 2005, 221; Leuffen, Rittberger, and Schimmelfennig 2022, 35) needs to be accounted for as well. As Acharya puts it: "A non-EU-centric perspective does not mean the EU's record should be ignored" (Acharya 2016, 299). The level of integration is therefore taken into consideration: vertical differentiation refers to the fact that the level of vertical integration varies among policies. Some policies remain exclusively within the purview of the states, whereas others are in the domain of EU supranational policy-making (Leuffen, Rittberger, and Schimmelfennig 2022, 9). Internal differentiation refers to the application of non-harmonised rules to certain member states, while external differentiation is here defined as the process through which a third country either adopts a regional organisation's law or aligns with the regional organisation's law.

The second and third hypotheses borrow from international relations theory. The hypothesis (H2) assumes that regional organisations cooperate with external partners that are influential in the region, as a means of tightening their resilience. It characterises a situation whereby balancing and hedging take place. External cooperation consists of a formalised mechanism through which the governments of Member States of regional organisations and a third state agree to find solutions to common problems without requiring the third country to adopt a regional organisation law or to align with its law. The third hypothesis (H3) suggests that regional organisations which align with China (engage in bandwagoning) to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation mechanism will be based on the norms of the hegemon, a situation which can jeopardize resilience and does not allow for strategic autonomy.

The three hypotheses consist of three options which can be used in combination: it is assumed that the internal hypothesis provides the greatest leeway for autonomy, while the third option may lead to resilience but, on issues of strategic relevance, will not allow for autonomy. The effects of background factors (control variables) are shown in the interpretation of the results (see chapter 2).

## Method

The research adopts a mixed research method. While mainly based on qualitative comparative methods, quantitative data is used to assess the regional organisations' vulnerabilities with regard to their internal economic cohesion, and their economic relations with China: GDP dispersion, Gini index, evolution of FDI. Data stems from institutional documents, speeches, semi-structured interviews, academic literature, and statistics. Semi-structured interviews were conducted with key informants selected on the basis of their expertise in relation to the research issues, most notably regional organisations and government representatives and high-level officials. Interview data was triangulated with other sources: institutional sources, literature, and data from other interviews. The regional organisations are not considered to be unitary actors in terms of policy-making, and the analysis accounts for the economic and political heterogeneity of Member States when necessary. Indicators for the measurements of differentiation and the theoretical and empirical assessment of resilience and strategic autonomy are presented in chapter 2.

The time frame of the study is from 2013 to 2023. It starts with the launch of the Chinese Belt and Road Initiative and ends in 2023 with a consideration of the most recent policy developments which shed light on the policy adaptation of the three regional organisations. Where relevant, reference is made to instruments established before 2013, especially when no further recent instruments have been put in place. The study also considers how China during the timeframe of the study changes its policies potentially generating institutional adaptation of the regional organisations.

## Plan of the thesis

Following the introduction, the remainder of the manuscript consists of three main parts that encompass seven chapters. Part I develops the theoretical framework in Chapter 1, situating the research at the intersection of international relations and regional studies. Chapter 2 presents the method. Part II, Chapters 3–5, analyses the first option available to regional organisations which is strengthening differentiation. It analyses how vertical, internal and external differentiation influence regional resilience and strategic autonomy. Part III analyses the implications in terms of resilience and strategic autonomy of the two external cooperation options: chapter 6 focuses on regional fora and strategic partnerships with external powers that are influential in the regions while chapter 7 is dedicated to the partnerships established exclusively with China. The conclusion draws lessons from a comparison of the specific ways in which the three options are combined by the EU, ASEAN and Mercosur and their implications in terms of resilience and strategic autonomy and elaborates on three models of differentiated regionalism.

# Part 1

## Differentiation and Chinese Global Agenda: Theory & Method

# Chapter 1

## Theorising the relation between differentiation and resilience

Comparing how differentiated organisations strengthen or weaken their resilience or strategic autonomy against the influence of China brings about a theoretical challenge which first requires clarification of the contribution of theories on differentiation to the research, and second requires an examination of how international relations and regional studies can be mobilised. This is the focus of the first section of this chapter which specifies the analytical framework, composed of three differentiation dimensions: vertical and horizontal (internal and external) and the external cooperation dimension. The second section presents the theoretical justification for the two sets of hypotheses: internal (H1) which consists of strengthening the institutional design of the regional organisation through differentiation mechanisms, and external (H2) and (H3) which consists of developing external partnerships to reinforce resilience and strategic autonomy. The three hypotheses refer to three strategic options which relate to the concepts of balancing (with regard to a stronger regional organisation), and bandwagoning and hedging (which relate to external partnerships).

## Defining differentiation from a comparative perspective

### Differentiation and its typologies

Differentiation refers to the variation in integration across both policies (vertical differentiation) and countries (horizontal differentiation) (Leuffen, Rittberger, and Schimmelfennig 2022, 1). As a policy tool, differentiation is used to reconcile

heterogeneity inside a regional organisation composed of diverse member states, as well as a response to enlargements, various forms of crises, and various forms of opposition to integration (Fossum 2019, 8). The way in which a regional organisation shapes its institutional dimensions determines a specific type of 'differentiation configuration' (Fossum 2021) which can be conducive to resilience or to vulnerability. Although it developed in the context of the European Union, differentiation is not unique to the EU (Hooghe and Marks 2023) and the concept has been applied to other regional organisations or institutions such as ASEAN, Mercosur, ECOWAS, APEC and NAFTA (Su 2007; Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020; Leuffen 2013).

Differentiation – often used as a synecdoche for differentiated integration but also as a means of avoiding the dimension of integration associated with supranational EU policies – has received a great deal of attention from scholars in the wake of Brexit and reflection on what the EU will look like in the future (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Fossum 2019; Holzinger and Tosun 2019; Schimmelfennig 2020). Differentiation manifests itself in primary and secondary law; in institutional structures and constitutional arrangements; and in the use and scope of application of various types of policy instruments (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Holzinger and Tosun 2019; Schimmelfennig 2020).

Another approach to differentiation, which Fossum refers to as the 'classical definition of differentiation' relies on a broader understanding of the term and encompasses four main dimensions of a political system: lawmaking, functional competences, territorial differentiation and citizen's access to the political system (Fossum 2019, 12–13). This scholarship is interested in the theory of democratic differentiation and questions the relationship between dominance, 'which subverts democracy' (Fossum 2019, 3) and differentiation along these four dimensions (Fossum 2019, 20; Bátorá and Fossum 2023). The two approaches stem from different epistemological standpoints but provide complementary knowledge about regional organisations.

The concept of differentiated integration has a long history and many typologies were already emerging in the 1990s (Stubb 1996). The first typologies described differentiation as constituting exceptions to common EU rules; multi-speed, variable geometry and 'à la carte' (Stubb 1996). Typologies also include distinctions between *de jure* and *de facto* differentiation (the latter defined as non-compliance and leeway in terms of how policies are incorporated into national law), geographical relevance (concentric circles), policy relevance (*à la carte*) – while variable geometry refers to new policy areas –, duration (permanent/temporary). At the time of the writing of this thesis, the most recent typology was proposed in 2020 and distinguishes "multi-speed", "multi-tier" and "multimenu" differentiation (Schimmelfennig and Winzen 2020b):

'Multispeed differentiation is differentiation by time. Here, differentiation is a transitional, temporary phenomenon, converging toward uniformity in a reasonable period. Multitier differentiation is differentiation across space. It durably distinguishes groups of states by their level of differentiation. Whereas the "core Europe" group is integrated uniformly (with only a few or minor opt outs or exemptions), the extent of differentiation increases as we move from the core toward the peripheral circles of states. Finally, multi-menu differentiation is differentiation structured by policies. In this mode, the depth of integration within each policy or policy area is roughly uniform. The participating states vary, however, from policy to policy. States "pick and choose" from the "menu" of policies, and each state puts together its own set of "courses". There is no general convergence toward uniformity, nor is there a stable core of uniformly integrated member states. This is "Europe à la carte" in Stubb's typology (1996: 288).

(Schimmelfennig, Leuffen, and De Vries 2023, 6).

The literature focuses to a large extent on the how and why of differentiation, on mapping and measuring the phenomenon rather than its effects or consequences (Holzinger and Schimmelfennig 2012, 303; Burk and Leuffen 2019, 1397). There is still a scarcity of literature on the *consequences* of differentiated integration, but this literature is growing (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022). In particular, an interesting development with regard to this research is the elaboration of the notion of vulnerability (Fossum 2019; Fossum, Garcia Quesada, and Zgaga 2020; Bátorá and Fossum 2023). This explanation is from an EU perspective but it has the potential to be applied to other regional organisations. Fossum explains how the EU member states have programmed the EU by 'uploading' ideologies, policy instruments and policy styles, or institutional and constitutional arrangements. He notes however that this 'uploading' is incomplete and that this generates vulnerability: member states have imposed numerous constraints on the EU, which has meant that the EU's fiscal sources and resources have been significantly limited (Fossum 2019, 12–13). This literature on differentiation points to other ways in which the EU is vulnerable in a world that is turning towards power politics: the EU has very few of its own EU-level capabilities in the areas that count most in power politics, those of core state powers; it is vulnerable to pressure, again due to its own weakness or lack of power; it is vulnerable when the regional institutions are very dependent on agreement amongst member states: 'This makes effective EU action highly dependent on agreement among the member states. When member states are deeply divided on an issue, the EU is unlikely to take decisive action'; finally, the EU's high level of permeability makes it vulnerable in that it is more difficult for the EU to isolate itself from negative internal/external dynamics. The authors specify that 'Internal tensions and divisions will render external coordination and effective external action difficult; external pressures and conflicting dynamics will have internal centrifugal effects' (Fossum, Garcia Quesada, and Zgaga 2020, 18). This framework applies to ASEAN and

Mercosur which, as regional organisations, face the same vulnerabilities deriving from heterogeneity and the incomplete uploading of states competences and capabilities.

The concept of differentiation presents analytical merit in terms of an assessment of the institutional capacity of regional organisations to enhance resilience and strategic autonomy vis-à-vis the influence of China. Its operationalisation in the context of this research is explained in the following section. The present research relies on the typology which distinguishes vertical, internal and external differentiation (Leuffen, Rittberger, and Schimmelfennig 2022) and extends it beyond the EU to other regional organisations. Leuffen, Rittberger, and Schimmelfennig define *vertical differentiation* as the variation in the centralisation of policy making (or integration), *internal differentiation* as the non-uniform application of regional organisation rules concerning primary or secondary law to member states, and *external differentiation* as the application of regional organisation rules concerning primary or secondary law to non-member states. This typology offers the most fruitful insight for a comparative approach of the resilience mechanisms of the EU, ASEAN and Mercosur in the face of an external hegemon as is now explained. However, conceptual precautions are advised in a comparative context. Drawing on Pedreschi and Scott (2020), external differentiation is the process through which a third country either adopts a regional organisation's law or aligns its law with the regional organisation's primary or secondary law, while *external cooperation* is a formalised mechanism through which a regional organisation or the governments of its Member States and a third state agree to find solutions to common problems without requiring the third country to adopt a regional organisation law or to align with its law.

## Differentiation and comparative regionalism

Studying differentiation in the context of comparative regionalism requires not only a specification of how integration is dealt with (and how vertical differentiation is defined) but also an explanation of how external differentiation is defined, and how it differs from external cooperation.

### *Vertical differentiation*

Conceptualising and investigating diverse forms of regionalism should no longer be judged in terms of how well regional organisations achieve EU-style integration (Acharya 2014, 9), and this entails a careful choice of concepts and hypotheses. If regionalism itself is a universal phenomenon rather than a European formula – an empirical phenomenon which existed long before the beginning of European integration in the 1950s the concept of regional integration, however, does not travel very well to different worlds (Acharya 2012, 5). Integration is defined as pooling (majority decisions) and/or delegation of authority to a third body. Pooling 'involves a transfer of authority so that member states collectively participate in, but do not individually control, decision-making'. Delegation, by contrast, denotes 'a conditional



grant of authority from a principal to an agent that empowers the latter to act on behalf of the former' (Hawkins et al. 2006, 7; Lenz and Marks 2016, 514). By supranationalism, we mean institutions which do not only depend on the MS, but also the mode of governance of cooperation mechanisms and policies in which the Commission plays a significant role. Drawing from Telò and Weyembergh's definition (Telò and Weyembergh 2020, 6), supranationalism is defined here as (1) supranational institutions that are independent from the MS (such as the European Commission and its DGs, the CJEU and the European Central Bank) and (2) the supranational method of governance used by intergovernmental institutions, which depend on/are composed of MS or their representatives, such as the EU Council when deciding by QMV, but also (3) agencies, cooperation instruments (PESCO) and policies (e.g., the FDI Screening Regulation) and specific mechanisms such as the EDF when the Commission plays a specific role in their governance and implementation.

The three regional organisations are founded on a treaty. The EU and Mercosur were established in 1957 and in 1991 respectively by the Rome Treaty and the Treaty of Asunción, while the ASEAN Charter was established relatively recently, in 2007, 40 years after ASEAN was established, in 1967 (see Table 3). All three regional organisations aim to strengthen 'integration', as explicitly mentioned in their respective treaties (Treaty on European Union: preamble, articles 20 and 21 (European Union 2020); ASEAN Charter: preamble, articles 1,2,10)(ASEAN Secretariat 2007) ; Treaty of Asunción (preamble and articles 1, 8, 20 and annexes) (Mercosur 1957). The ASEAN legislation uses the term 'Charter' to designate the founding treaty of ASEAN, as well as another instrument: the 2022 Charter of the ASEAN University Network (which replaced the 1995 Charter). However, whilst integration in the EU was conceived as a gradual pooling and sharing of sovereignty from the national to the community level (Keohane 2002), this was never the objective in Mercosur or in ASEAN and their institutional features remain strongly intergovernmental with little delegation of authority granted to their secretariat, and decision-making is based on consensus. The EU combines supranational and intergovernmental institutions. Supranationalism is reflected in the establishment of specific institutions (the EU Parliament, the Commission, the ECJ, and the High Representative/Vice-President) which have an ordinary legislative procedure which is a co-decision procedure (the 'Community method', which involves the Parliament, the Council and the Commission). The EU also makes use of a special legislative procedure based on intergovernmental decision-making.

By contrast the decision-making procedure in ASEAN and Mercosur is based on intergovernmentalism. Decisions in ASEAN are made by the ASEAN summit exclusively, which is made up of the heads of government of each Member State. The ASEAN summit sets the political agenda and formalises the agreements established by the Member States. Decisions in Mercosur are made by the Council of the Common Market, which is the highest-level body within Mercosur. The Council is made up of the Ministers for Foreign Affairs and the Ministers of the Economy (or the equivalent) of Member Countries. There are major differences in terms of the degree of power that

is conferred to the parliaments and their representativity is strikingly diverse (see Graph 3). Furthermore, Mercosur's secretariat is an administrative and technical body with no political authority, which bears no resemblance with the European Commission. Mercosur's Permanent Review Tribunal is not a supreme judicial authority but an optional appeals panel. 'Since its establishment in 2005, it has issued six arbitration rulings, three consultative opinions, and seven resolutions either clarifying previous consultative opinions or declining to provide one. In short, the tribunal has produced sixteen juridical decisions in as many years' (Malamud 2022, 14).

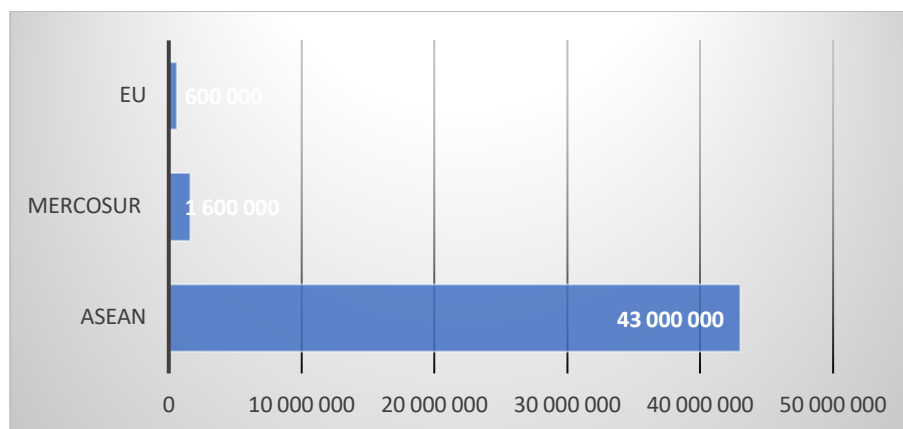
*Table 3. General overview of the main institutional features of the EU, ASEAN and Mercosur.*

	EU	ASEAN	Mercosur
<b>Main characteristics</b>			
CREATION	European Coal and Steel Community CSC Paris Treaty 1951 EEC Rome Treaty 1957	Bangkok Declaration 1967	Treaty of Asunción 1991
TYPE OF REGIONAL ORGANISATION	Supranational	Intergovernmental	Intergovernmental and interpresidential
CHARTER, LEGAL PERSONALITY	The EEC since 1957 (Rome Treaty) The EU in 2007 (Lisbon Treaty)	Since 2007 (ASEAN Charter)	Since 1994 (Protocol of Ouro Preto)
EXTERNAL REPRESENTATION	High Representative for Foreign Affairs and Security Policy/Vice-President of the Commission (HRVP)	Secretary General	None (High Representative General of Mercosur 2010-2017)
<b>Source of law - Decision making</b>			
SUPRA-NATIONAL	<b>Ordinary legislative procedure (community method)</b> <u>Parliament</u> - Council <u>Parliament</u> Co-decision Simple majority <u>Council</u> Co-decision Qualified majority	<b>Regulations</b> Apply automatically to all MS Binding <b>Directives</b> Objectives to be achieved Binding <b>Decisions</b> Apply to some states - Binding <b>Recommendations</b>	<b>No</b>
			<b>No</b>

	<u>Commission</u> Initiative and implementation. (Plus: Adoption of implementing acts and delegated acts)	No binding force <b>Opinions</b> - No binding force			
<b>INTERGOVERNMENTAL</b>	Special legislative procedures		<b>Normal procedure</b>		
	Council of the EU By consent or as a result of consultation with the Parliament Common Foreign Security Policy Almost always decided unanimous voting	<b>Decisions</b>	ASEAN summit	Charters Agreements Protocols Memorandum Instrument of extension Conventions Consensus One exception: economic agreements ('Asean minus X' formula).	Council of the Common Market
					Common Market Group
					Trade commission
			<b>Decisions</b> (Binding) <b>Recommendations</b> (Non binding) Consensus	<b>Resolutions</b> (Binding) Consensus	
				<b>Directives</b> (Binding) Consensus	
<b>SPECIFIC COOPERATION MECHANISM</b>	Enhanced cooperation (Treaty based) <u>In defence matters:</u> PESCO. Legally binding commitments EDA Certain missions		-	-	
<b>COORDINATION</b>	Open Method of Coordination		-	-	
<b>Parliaments</b>					
	EU Parliament Directly Elected MP 705 members (446 million hbts)		No, but there is an Inter-Parliamentary assembly Article (AIPA), consultative Only national delegations 15 members (647 million hbts)	Yes, but has a consultative role Created 2005 No direct election. No proportional representation 184 members (295 million hbts)	
<b>PARLIAMENT POWERS</b>	<b>Legislative (Co-decision) / Budgetary / Supervisory</b> <b>Political impetus:</b> Resolutions		<b>Consultative and Recommendary</b>	<b>Consultative and Recommendary</b>	

			Declarations / Recommendations / Reports
<b>Dispute settlement - Enforcement</b>			
COURT	ECJ Sanctions from the ECJ (except for CFSP: Intergovernmental)	Provision for a High Council (in the TAC) Protocol for Enhanced Dispute Settlement Mechanism Dispute resolution mechanisms in economic agreements	Arbitration tribunals Permanent review tribunal 2002 Protocol de Olivos para la solución de controversias en el Mercosur
SUSPENSION - EXCLUSION	2007: Article 7 of the Treaty of Lisbon: certain rights can be suspended if there is 'a clear risk' that a member state is breaching the EU's fundamental values, including freedom, democracy, equality, and the rule of law.	2008: the ASEAN Charter adds that MS shall adhere to 'the principles of democracy, the rule of law and good governance, respect for and protection of human rights and fundamental freedoms'.	1998: The Ushuaia Protocol on Democratic Commitment provides for the 'Democratic clause': the suspension of a member in the event of non-respect of the rules of democracy.

*Source: author's own compilation*



*Graph 3. Parliamentary representativity in the EU, ASEAN and Mercosur (number of inhabitants per parliamentarian)*

Börzel considers that 'integration theories' apply mainly to EU regionalism while 'cooperation theories' should be applied to regionalism outside Europe (Börzel 2016, 49). Acharya similarly considers that comparative regional integration is no longer relevant and should be replaced by comparative regionalism. Yet at the same time, he observes that it is not scientifically acceptable to ignore the EU case in comparative

regionalism based on the risk of Eurocentrism in academic research: 'a non-EU-centric perspective does not mean the EU's record should be ignored' (Acharya 2016, 299).

In search of an overarching concept, some researchers opt for the concept of governance in order to eschew the distinction between cooperation and integration which is often marked by eurocentrism (Nolte 2016; Nolte and Weiffen 2021). However, the concept of governance is extensive and does not offer the same degree of analytical merit for the purpose of this specific research on institutional adaptation (differentiation) as the independent variable.<sup>21</sup> Furthermore, excluding integration in the analytical framework of a comparative approach that includes the EU does not guarantee that the problem will be solved: ultimately, the lack of supranational institution re-emerges in the conclusions of such studies as an impediment to the resilience of the regional organisations (Venturi, Gaens, and Ayuso 2020, 8; Nolte and Weiffen 2021, 7).

In the context of regional comparison Su (2007) and Warleigh-Lack (2015) proposed a typology of differentiation inspired by Stubb's tripartite model that distinguishes multi-speed, variable geometry and 'à la carte' differentiation (Stubb 1996), a typology also recently applied to ECOWAS (Venturi, Gaens, and Ayuso 2020).

*Table 4. Warleigh-Lack's typology of differentiated integration (2015)*

Model of differentiation	Main cause of differentiation	Vision of integration
Multi-speed	Short-term inability to implement policy	Policy regimes with temporarily varying membership; laggards commit to catch up over time
Concentric circles (variable geometry)	Long-term inability to implement policy	Various tiers of member states organised around a 'hard core'
<i>À la carte</i>	Choice not to participate, regardless of implementation capacity	Policy regimes with different memberships coexist, with no 'hard core'

The limitations of the tripartite typology in the European context have been underlined by Schimmelfennig and Winzen who argue that the blurred distinction between variable geometry (variation across countries) and à la carte (variation across policies) differentiation acts as an obstacle to the use of the typology: 'Rather, differentiated integration in the EU varies significantly across both countries and policies' (Schimmelfennig and Winzen 2020a). More to the point, the definition of 'hard core' is not explicit and it is therefore difficult to apply the typology in a non-EU context. The objective of Warleigh-Lack's study was to show that differentiation is not

<sup>21</sup> The concept of differentiated governance has been forged and developed to account for the varied participation of EU member states, sub-state entities and third-country actors in the panoply of EU policy-making institutions, such as regulatory agencies and transgovernmental networks (Lavenex and Križić 2019).

a specific feature of the EU, and that it is not a 'pathological' pattern of an 'integration gone wrong' either. He pointed in particular to several instances of internal differentiation in ASEAN. Venturi et al. also conclude their analysis by recommending that differentiation should be seen as a 'normal' feature of regional organisations (Venturi, Gaens, and Ayuso 2020, 16). However, (1) this typology does not account for the variation in integration – which does not differentiate between cooperation and integration and (2), as will be seen further, neither does it allow for a distinction between external differentiation and external cooperation.

This research takes the view that not only must integration be taken into consideration in a comparative approach between the EU and other regional organisations but also that this consideration can be of heuristic value: the consequences of its presence or absence in specific policies can be precisely analysed in terms of its consequences on resilience and strategic autonomy. Indeed, the research question does not aim to assess the variation in the design of regional organisations compared to a supposedly more advanced model of integration, and neither does it aim to compare the efficacy of institutions in terms of their own objectives as regards cooperation; the research instead assesses whether and to what extent differentiation increases or decreases a regional organisation's resilience against a similar challenge, the expanding influence of China and its declared global ambition in terms of governance. It is therefore not a question of attributing a value to an institutional system *per se*, but of comparing the respective merits of several regional institutions that are confronted by a similar situation. Hence, the answer to the challenges posed by comparative regionalism – including eurocentrism (see chapter 2) – is two-fold. First, it resides in the design of the research question itself which looks at the responses of the three regional organisations to the same challenge; and second, it resides in using the concept of differentiation which is applicable to all political systems and adapting it for comparative purposes.

When it comes to vertical differentiation, the literature on differentiated integration in the EU has largely focused on its evolution: it has shown that historically vertical differentiation has not been developed at the expense of horizontal differentiation (nullifying the debated dilemma between 'deepening' and 'widening'), and that there is a marked variation depending on the policies at stake (Leuffen, Rittberger, and Schimmelfennig 2022, 18–26). Unsurprisingly, external security policy is the policy the least subject to variation in vertical differentiation as it is dominated by intergovernmental cooperation. The external dimension of vertical differentiation, and in particular the question of the effects of vertical differentiation, especially in the context of the influence of an external hegemon, is not a prominent feature of the literature on differentiated integration, in spite of the developments in the CSDP since 2017.

### ***Internal differentiation***

Internal differentiation refers to the application of non-harmonised rules to some member states (see Table 6). Some of the instruments analysed are not internally differentiated: neither the Foreign Direct Investment (FDI) screening regulation of the EU nor the 2000 Decision n° 32/00 on the relaunch of Mercosur which binds states to jointly negotiate agreements of a commercial nature with third countries. Instruments that display features of internal differentiation include PESCO for the EU, the ASEAN Comprehensive Investment agreement, the Initiative for ASEAN Integration (IAI), and FOCEM for Mercosur. This research considers regional funds, which aim to reduce disparities in development, to be instruments of a differentiated nature. FOCEM emanates from the Common Market Council and intends inter alia to 'reduce asymmetries - in particular of the less developed countries and regions' (Consejo Del Mercado Común 2004). The Initiative for ASEAN Integration (IAI), which aims to reduce the development gap between member states, has been a differentiated instrument since at least as far back as the IAI's Work Plan III in 2016, and continued with the Work Plan IV in 2021. These two Work Plans do not refer to the Charter, but in both declarations establishing the Work plans, the parties (ASEAN member states) agree that the Work Plan constitutes an integral part of the latest roadmap of ASEAN 'ASEAN 2025: Forging Ahead Together (2015)' (ASEAN Secretariat 2015). And the Kuala Lumpur Declaration that established the 'ASEAN 2025: Forging Ahead Together' roadmap does refer to the Charter in its article 5.<sup>22</sup> The IAI is specifically designed to support the less developed countries, referred to in ASEAN documents as the CLMV countries (Cambodia, Laos, Myanmar and Vietnam). The 2001 Ha Noi Declaration on narrowing the development gap reads in Article 3: 'We shall devote special efforts and resources to promoting the development of the newer Member Countries of ASEAN (Cambodia, Laos, Myanmar, and Viet Nam or CLMV) with priority given to infrastructure, human resource development, and information and communication technology' (ASEAN member states 2001). In a specific policy sector, internal and external differentiation may occur simultaneously: this is the case with PESCO which is differentiated both internally and externally.

### ***External differentiation***

While internal differentiation did not bring up complex questions around how it should be defined, external differentiation happened to be trickier. The hypotheses of this research rely on the idea that regional integration mechanisms can be supported by external cooperation to reinforce resilience and strategic autonomy. However, looking into external cooperation instruments that bind a regional organisation to an external power, the question soon arose as to what distinguishes external

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<sup>22</sup> The heads of State/Government of ASEAN member states 'RESOLVE that ASEAN Member States as well as ASEAN Organs and Bodies shall implement the ASEAN 2025: Forging Ahead Together, in a timely and effective manner, in accordance with the purposes and principles of the ASEAN Charter' (ASEAN Secretariat 2015).

differentiation from external cooperation. Differentiation in ASEAN for example is generally described as characterised by two formulas: Minus X and Plus X. The former equals internal differentiation e.g., ASEAN minus 4 countries (the less developed countries), and the latter equals external differentiation, e.g., ASEAN+3 countries (powerful countries in the region: Japan, South Korea and China). The existing literature is not explicit on the distinction between external differentiation and external cooperation. Listing the cooperation agreements with South Asian partners led the researcher to wonder what makes them distinct from the agreements which were thus far labelled as a differentiated mechanism, e.g., why would ASEAN+3 be considered a differentiated instrument rather than a mere external cooperation instrument? On what basis can we say that the ASEAN Regional Forum (ARF), despite its name, is an externally differentiated instrument?

This distinction matters because in an analysis of the capacity of the institutional features of regional organisations to manage Chinese influence and ensure resilience if not strategic autonomy, it is crucial to analyse what in the regional organisations' features represents their own internal mechanism, and what represents external cooperation which can in some cases help increase resilience but also hamper strategic autonomy if this cooperation entails a dependence that creates negative externalities. The distinction between external differentiation and external cooperation, paramount in this research, requires a strong understanding of legal matters, as well as a clarification of the political characteristics of differentiation. Based on a broad understanding of legal validity suggested by Pedreschi and Scott (2020), a clear distinction is thus made between external differentiation and external cooperation, that was not previously recognised in the literature on comparative differentiation. External differentiation is defined as 'the process through which a third country either adopts EU law or aligns its law with the EU *acquis*' (Pedreschi and Scott 2020, 5). Pedreschi and Scott propose that external differentiation can be achieved as a result of unilateral instruments as well as through the conclusion of international agreements. They further specify that external differentiation 'arises on the one hand when an international agreement entered into by the EU requires one or more third countries to adopt EU law or to achieve a specified degree of alignment between third country and EU law. It also arises when a unilateral EU act makes the granting of an advantage conditional on legal alignment and/or on 'foreign conduct' complying with EU law' (Pedreschi and Scott 2020, 63). Transposing this definition to a context extending beyond the EU, external differentiation is defined as the application of a regional organisation's rules concerning primary or secondary law to non-member states.



*Table 5. Analytical framework establishing the relation between differentiation and regional cooperation.*

	MEMBER STATES		ASSOCIATED STATES	THIRD STATES		
	Regional organisation's law				Not requiring adoption of / alignment with regional organisation's law	
	<b>Vertical differentiation</b> supranational/intergovernmental				<b>External cooperation</b> Informal / Treaty based	
	<b>Internal differentiation</b>		<b>External differentiation</b>			
Differentiation of regional organisation's instruments	No internal differentiation	Internal differentiation	External differentiation (Conditional rules apply)	External differentiation (Conditional rules apply)		
Regional Cooperation					Includes special treatment for MS	Does not include special treatment for MS

*Source: author's own elaboration based on the definition of external differentiation given by Pedreschi and Scott (2020).*

The EU and Mercosur have developed distinct relations with third states, all of which are in their close neighbourhood, except for ASEAN which among its ten Dialogue Partners count the US, Canada, Russia and the EU which are geographically distant from ASEAN. These states have received different denominations and their relations with the regional organisation are governed by specific rules (see Table 6). The EU is the regional organisation with the widest range of categories of third states, of which the rules governing the relation with the regional organisation are the most constraining. External states to the EU that have a specific status include associated states, partner countries, candidate countries, neighbourhood countries and third states. Clear and binding rules in terms of values and policy alignment with the EU apply to these states. Preamble (6) of the Instrument for Pre-Accession (IPA) III reads: 'The enlargement process is built on established criteria and fair and rigorous conditionality.' ASEAN has Dialogue partners and Sectoral partners as well as candidate countries. No specific rules are provided in the Charter or subsequent documents for these states except for minimal rules for candidate countries. Mercosur distinguishes between associated countries, and candidate countries, both of which are subject to the democratic clause.

Further specification is needed as to the distinction between third states and associated states, a distinction which is present in the EU legislation and can vary depending on the legislation. Norway is considered to be an associated country (in relation to the European Defence Fund), or a third state (in relation to PESCO). The notion of third states is used in Council decision 2017/2315 on PESCO (article 9, Participation of third states in individual projects): 'Third States may exceptionally be invited by project participants, in accordance with general arrangements to be decided

in due time by the Council in accordance with Article 46(6) TEU'. The Decision does not refer to the category of 'associated states.' Participants are Member States and third states. Hence, Norway is considered a third state in the context of PESCO. By contrast, Regulation (EU) 2021/697 on the European Defence Fund, which is of relevance to EEA, refers to the concept of associated country, and non-associated third country. Article 5, on Associated countries, establishes that 'The Fund shall be open to the participation of members of the European Free Trade Association which are members of the EEA, in accordance with the conditions laid down in the Agreement on the European Economic Area (associated countries)'. In the context of the European Defence Fund, Norway is therefore an associated country. Only the EU has instruments that are externally differentiated in the policies under scrutiny.

Therefore, in the absence of a requirement in the terms of the agreement that a third country either adopts a regional organisation's law or aligns with the regional organisation's law, the association with third parties is a matter of external *cooperation*. This is the case with the above-mentioned IAI, of which the external dimension consists of the participation of external states (the Dialogue partners). These countries are not legally bound by the instrument which is a Declaration, nor are they bound by their status as Dialogue partners since this does not entail any obligation. The IAI is therefore internally differentiated but also has an external cooperation dimension. While the Minus-X formula involves internal differentiation, actually the Plus-X formula involves external cooperation. Table 5 synthesises the theoretical relation between differentiation and regional cooperation.

*Table 6. Rules governing the relations between a regional organisation and third states*

	EU	ASEAN	Mercosur
Associated states	EEA and EFTA states (Norway, Iceland, Lichtenstein, Switzerland) Based on the EFTA Convention and the Agreement on the European Economic Area	-	Bolivia, Chile, Colombia, Ecuador, Peru Surinam, Guyana,
	EFTA Convention. Established in 1960. 2021 Consolidated version. Agreement on the European Economic Area (EEA) 1994 <b>The Community acquis applies to the areas covered by the agreements</b>		<b>Democratic clause:</b> It is mandatory to adhere to the Protocol of Ushuaia on Democratic Commitment in MERCOSUR, be a member of ALADI and have an FTA with Mercosur or fulfil the conditions of art. 25 of the Treaty of Montevideo establishing ALADI in 1980.

Partner country	'Partner country' means a country or territory that may benefit from Union support under the Instrument pursuant to Article 4. (Recital 14, Preamble of 2021 Regulation on Global Europe, art. 4. Conditionalities apply (Article 8)	-	-
	Regulation (EU) 2021/947 Global Europe <b>Specific rules apply</b>		
Dialogue partners Sectoral partners	-	Dialogue partners: Australia, Canada, China, the EU, India, Japan, New Zealand, South Korea, Russia and the United States	-
		Art.44 (1) of the ASEAN Charter. The ASEAN Foreign Ministers Meeting may confer on an external party the formal status of Dialogue Partner, Development Partner, Special Observer, Guest, or other status that may be established henceforth. <b>No rules specified in the Charter</b>	
Candidate countries	Albania, Moldova, the Republic of North Macedonia, Montenegro, Serbia, Turkey and Ukraine	Timor-Leste (agreement in principle in 2022 to admit it as a MS)	Bolivia
	Accession criteria (Copenhagen criteria): Art. 6(1) and Article 49 of the Treaty on European Union. <b>Specific rules apply</b> Pre-accession assistance criteria: (Regulation (EU) 2021/1529 establishing the Instrument for Pre-Accession Assistance (IPA III)). <b>Specific rules apply</b>	<b>Basic rules specified in Art.6 of the Charter</b>	<b>Democratic clause</b> Art. 20 Asuncion Treaty. The Treaty of Asuncion is open to new additions from other States Parties of the Latin American Integration Association (ALADI), that adhere to the Protocol of Ushuaia on Democratic Commitment in MERCOSUR
	16 of the EU's closest Eastern and Southern	-	-

Neighborhood countries	Neighbours. Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia, Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Russia		
	European Neighbourhood Policy. Association agreements. <b>Specific rules apply</b>		
Third countries	Depending on the legislation: non-EU MS or non-associated MS	-	-

*Source: author's own compilation.*

### **External cooperation**

The broad understanding of legal validity suggested by Pedreschi and Scott (2020) also allows for a clear distinction to be made between external differentiation and external cooperation. External cooperation is defined here as a formalised mechanism through which a regional organisation or the governments of its Member States and a third state agree to find solutions to common problems without requiring the third country to adopt a regional organisation law or to align with its law. While often viewed as an instance of external differentiation, portrayed in the ASEAN case as 'concentric circles' (Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020), the Plus X mechanism of ASEAN belongs in this category. This is also the case for the ASEAN+3 forum (Japan, China and South Korea), and for the instruments that emanate from ASEAN+3 (such as the Chiang Mai Initiative Multilateralization) which have been considered to be instances of differentiation.

External cooperation refers to strategic partnerships and regional fora. Partnerships are a type of bilateral relations inherently related to security issues (Renard 2016, 33) which are increasingly used and tend to replace alliances which are regarded as static and rigid (Tyushka and Czechowska 2019, 8-9). Strategic partnerships are not necessarily formed solely based on friendly relations or among friendly powers, nor do they automatically transform rival powers into allies (Tyushka and Czechowska 2019, 14). However, there seems to be an evolution in recent years in the importance given to strategic partnerships. In France, it is considered that while partnerships were usually 'signed on the occasion of a visit and based on principles to create unity and coordination; 'by reason of the extension of conflictuality and considering the needs of everyone to build its own strategy to defend its interests, partnerships need to be 'transactional', that is to say, that they should answer the needs of everyone' (Ifri

2023). Partnerships are therefore established with a greater attention to their relevance for all partners in a context of a greater international tension.

External cooperation also concerns fora. A forum refers to a space for transactions between multiple individual players whose exchanges guide the general activity of the organisation (Petiteville 2021, 5). It provides a space for diplomatic interaction and negotiation, allowing states to express their interests, exchange ideas, and seek common ground on various matters. Fora can take different forms, ranging from informal gatherings to formal institutions with established structures and procedures. They can be bilateral (involving two states), multilateral (involving multiple states), or global in nature. The purpose of a forum can vary, from addressing specific regional concerns to tackling broader global challenges. In international relations theory, fora are often seen as important mechanisms for managing international relations, promoting cooperation, and resolving conflicts peacefully. They serve as platforms for diplomacy, enabling states to engage in dialogue, build relationships, and pursue collective solutions to shared problems.

Regional organisations can establish regional fora in which they retain a specific status and exercise different types of power: it can be a leadership power (which means for example that the regional organisation sets the agenda), and/or a convening power (which implies that the regional organisation has a neutral position and endeavours to brook compromises). Particularly used in South-East Asia and leading to forging the concept of 'ASEAN-led regionalism' with for example the ARF or the East Asia Summit, such regional organisation-led forum is also developed in Europe as well, as evidenced by the launching of the European Political Community. Indeed, the EU was instrumental in putting in place the European Political community, a platform for political coordination between European countries across the continent: the proposal for the creation of this forum was presented by French President Emmanuel Macron on 9 May 2022 at the European Parliament on the occasion of the conclusion of the Conference on the Future of Europe, and the letter to the first meeting was sent by Charles Michel, President of the European Council.

A regional organisation-led forum is based on a low level of formalism, and although it is referred to in ASEAN as the ASEAN+ mechanism, it does not equate to external differentiation. To participate in an ASEAN-led forum (also referred to as ASEAN-led regionalism) requires third states to recognise ASEAN's 'driving force' or 'centrality'. However, 'centrality' is defined in very loose way: in ASEAN it is associated with 'the driving force in its relations and cooperation with its external partners in a regional architecture that is open, transparent and inclusive' (article 1 of the ASEAN Charter). The concept of 'centrality' is the focus of academic attention (Tan 2017; Mueller 2019; Acharya 2017), but it cannot be used as a criterion for determining whether or not an instrument is externally differentiated: without legal force, the concept of 'centrality' has a political rather than a legal nature. The European Political Community has a low level of legal formalism and is not considered in this study as pertaining to external differentiation mechanism. However, the specific features of the European

Political Community and its differentiated character are discussed in chapter 6 and in the conclusion.

The distinction between external differentiation and external cooperation is a core dimension of our theory of the relation between differentiated regionalism on the one hand and resilience and strategic autonomy on the other. It is therefore paramount that the link between theory and analytical framework is made clear in part 1, before applying the analytical framework to the empirics in part 2. Regarding external cooperation in ASEAN, a few more specifications are in order. The Master Plan on Connectivity 2025 is an ASEAN instrument. Its *external* dimension involves external cooperation. External partners are indeed associated (as providers of external capital) but they are not constrained in any way by the ASEAN Charter nor by the Master Plan. The Preamble of the 2016 Vientiane Declaration on the Adoption of the 'Master Plan on ASEAN Connectivity 2025' simply expresses appreciation for the support shown by the Dialogue Partners and external parties for the Master Plan on ASEAN Connectivity 2025 and their readiness to partner with ASEAN in the implementation of the Master Plan (ASEAN Secretariat 2016, 3). Their association with the Master Plan on Connectivity 2025 therefore somewhat equates to a cooperation mechanism.

Other instruments that fall within the category of regional cooperation include the ASEAN+3 – which is a forum that emerged as a consequence of the Asian Financial Crisis of 1997, and since then has extended its scope of cooperation from a financial safety net to a platform that covers a wide range of areas<sup>23</sup>–, the ASEAN Defence Ministers' Meeting Plus or ADMM+, which is also a forum: its Concept paper of 2009 states that members shall be fully fledged Dialogue Partners of ASEAN; have significant interactions and relations with the ASEAN defence establishment; and shall have the opportunity to work with the ADMM to build capacity as a means of enhancing regional security in a substantive way in order to promote capacity-building in the region in the fields of defence and security. As for the East Asia Summit, which is also a forum, the 2005 Declaration provides that 'participation will be based on the criteria for participation established by ASEAN'.

## Contributions of the theories of European Integration and of the English School

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<sup>23</sup> 'The ASEAN Plus Three (APT) cooperation process began in December 1997 with the convening of an Informal Summit among the Leaders of ASEAN and China, Japan and the ROK beside the 2nd ASEAN Informal Summit in Malaysia. The APT Summit was institutionalised in 1999 when the Leaders issued a Joint Statement on East Asia Cooperation at the 3rd APT Summit in Manila. The Joint Statement for the first time determined the main objectives, principles and future direction of cooperation between APT countries. In the Joint Statement, the APT Leaders resolved to strengthen and deepen East Asia cooperation at various levels and in various areas, particularly in economic and social, political and other fields' (ASEAN Secretariat 2022a).

## ***European integration***

Leuffen and al. (Leuffen, Rittberger, and Schimmelfennig 2022) have provided a comprehensive account of the theory of European integration which includes the dimension of differentiation in their book *Integration and differentiation in the European Union. Theory and policies*.<sup>24</sup> They present the explanatory accounts of intergovernmentalism, supranationalism, constructivism and postfunctionalism. However, the literature focuses to a major extent on the how and why of differentiation, and on mapping and measuring the phenomenon rather than on its effects or consequences (Holzinger and Schimmelfennig 2012, 303; Burk and Leuffen 2019, 1397). There is still a scarcity of the literature on the *consequences* of differentiated integration. Schimmelfennig and Winzen focus on the impact of differentiation on multilevel EU decision making and policy implementation, and non-institutional international outcomes, such as inequality among the member states, and domestic outcomes, such as the politicization of EU issues. Despite this overall limitation of the literature on the consequences of differentiation integration, the existing literature on the theory of integration and differentiation provide some useful insights for this research, as developed in the next section on the operationalisation of the hypotheses, in particular when it comes to vertical differentiation: the upsides of the extension of the repertoire of governance (Hooghe and Marks 2023, 226), the theory of supranationalism; or when it comes to internal differentiation the avoidance of the status quo (Schimmelfennig, Leuffen, and De Vries 2023, 10) and Kölliker's theory of the impact of differentiation on integration and unity among EU member states, based on theories around collective action, in particular theories concerning public goods (Kölliker 2001). This scholarship allows hypotheses to be inferred about the relation between differentiation and resilience (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022).

## ***The contribution of the English School***

A core assumption of the English School is that the domain of international politics is an anarchical society characterised by 'a dialectic between the fragmenting logic of anarchy and the integrating logic of international society (Bull 1966, 2002)' (Dian and Meijer 2020, 8). From the start, the key strength of the English School approaches was their explicit grappling with the dualities of conflict and cooperation, of shared values

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<sup>24</sup> The change of title between the first and second edition of Leuffen et al.'s book shows how the concepts of integration, differentiation and differentiated integration can remain confusing. The authors explain that the old title, 'Differentiated Integration. Explaining Variation in the European Union', while still correct analytically had to be changed because many readers 'had mistakenly thought the book was only about 'differentiated integration', in a narrow sense, while it actually addresses European integration in general: it presents the main integration theories and examines the major policy areas of the European Union' (Leuffen, Rittberger, and Schimmelfennig 2022, vi).

as well as competing interests, of society in spite of anarchy, while today, the cutting edge of English School approaches is characterized by a strong focus on the social and normative aspects of international life, and the concern with understanding the 'big picture' system-order contexts of international relations (Evelyn Goh 2020, 5). The international society is made up of rules that govern interactions among states in which 'shared norms, rules, and expectations constitute, regulate, and make predictable international life' (Dian and Meijer 2020, 8). International institutions give rise to cooperation and can also be a tool for encouraging states to comply with the norms, rules, and behavioural expectations of international society (Youde 2018, 33). The English School distinguishes between primary and secondary institutions - institutions which are not solely intergovernmental organisations or legal frameworks, but also habits and practices that exist to realise common goals (Bull 1995).

Primary institutions define who the relevant actors are and the relationships between them. Buzan defines them as 'durable and recognized patterns of shared practices rooted in values commonly held by members of interstate societies, and embodying a mix of norms, rules, and principles' (Buzan 2004, 181). Bull identifies five primary institutions within an international society: diplomacy, international law, balance of power, war, and great power management' (Bull 1995, 71). The list of primary institutions is by no means definitive (Youde 34) and it changes over times. Secondary institutions refer to the organisational manifestation of the rules of primary institutions (Buzan 2014, 17; Spandler 2015). Concretely, they are defined as regimes and intergovernmental organisations (Buzan and Schouenborg 2018, 8) and include organisations such as the UN, the International Court of Justice, the WTO, NATO, regional organisations, but also 'alliance treaties, defence arrangements (e.g. strategic partnerships) and multilateral regional security institutions - such as in East Asia, the ASEAN Defence Ministers' Meeting' (Dian and Meijer 2020). Regional orders are constitutive elements of the international order and they are considered to be secondary institutions (Buzan and Schouenborg 2018). The EU and ASEAN constitute one of these, and 'to the extent that there is a distinctive regional international society in Latin America, the same may apply' (Buzan and Schouenborg 2018, 38). However, the English School has so far paid far less attention to secondary institutions (Youde 2018, 35) and the same applies to regional institutions (Buzan and Schouenborg 2018, 31-32). In her analysis of the great power bargain in East Asia, Goh demonstrates the limited 'brokerage' role of ASEAN yet the specificity of ASEAN, as a regional organisation is not considered although reference is made to its a lack of cohesion and unity (E. Goh 2011). Goh considers that 'the main problem is the lack of attention to the great power negotiation and modus vivendi necessary to overarch and undergird the functionalist cooperation that proliferates but is not effective enough in itself, or by spillover, to a generate a broader regional order' (E. Goh 2011, 396). Her dependent variable is the institutionalizing of great power management, not the resilience of ASEAN as a regional organisation vis-à-vis an external hegemon. This research will thus build on her inspiring analysis to propose an analytical framework offering a higher degree of granularity allowing to consider not only fora such as the ARF or



ASEAN +3, but also the regional organisation's instruments in their potential to foster unity to counter Chinese influence.

Two main observations about the ES need to be made with regard to this research: the first deals with normativity and the second with causality. Considering norms as a key dimension of international relations does not imply that the English School is normative in character and that it develops a prescriptive argument.<sup>25</sup> However, the English School has not always been unambiguous about the normative question. There is a tension in the ES literature between the consideration of the international society as it is observable in real life, and the international society as it should – ideally – be) according to the ES writers. The notion of hegemony is a case in point: a key feature of international society is taken to be its non-hegemonial character as recalled by Clark and as clearly enunciated by Bull: 'if international society is to be maintained, no one state may be in a position to dominate the rest' (Bull 1966, 47). Clark (2009, 207) specifies that 'in almost all cases, hegemony was presented as some kind of counterpoint to, and deformity of, the ideal international society.' One paradox highlighted by Clark, is that the English School admitted war as one of the primary institutions of the international society but deemed hegemony incompatible with the international society. He proposes a theory of hegemony that considers instead hegemony as a primary institution.

This research therefore considers the primary and secondary institutions which are relevant in the time frame of the study, and not from a historical perspective. If the ES was first interested in the institutions set in the context of the Cold War (Wight and Bull), then in the post-cold War with the US supremacy since the 1990s (Clark), the context of this research is that of China's rise. Buzan considers that a case could be made that under Xi Jinping, China is moving towards reformist revisionism, wanting at least to make changes to practices within great power management and the market. As explained in the introduction of this thesis, the recent global initiatives proposed by China (and notably the GSI and the GDI) and its stance towards Russia show that China is clearly moving towards an assertive form of 'reformist revisionism'. Primary institutions are therefore not necessarily compatible between them. Equally important is not to presuppose that there is a consensus amongst regional organizations about the primary institutions of the international society. The example of democracy is a case in point, as it is not only openly contested by China, but not either implemented in all ASEAN state many of which are considered flawed democracies and authoritarian regimes (see Annex 6).

Concerning causality, the ES has been most concerned with a historical approach and interested in comparative and evolutionary international society. According to Buzan, this does not prevent the ES from claiming a theoretical status. He argues that:

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<sup>25</sup> For an elaboration on norms conceived in a sociological, moral or legal way, see (Jackson 2009, 23).

[The ES] sets out a distinctive picture of what the international system/society looks like, and a novel taxonomy of what it is that IR should be taking as its principal objects of study. Because taxonomy identifies what it is that is to be theorised about, it is absolutely foundational to any theoretical enterprise. The English School offers concepts (international society, primary institutions) and debates (pluralism/solidarism) that are not available through materialist, system-based, approaches to IR. The ES does not, for the most part, offer a hypothesis-testing approach. Its method is to apply its distinctive taxonomy to a mainly historical analysis' (Buzan 2018, 2).

Referring to Robert Keohane's regret of the School's neglect of causal propositions, Navari (2009, 6) questions the purpose of the English School: 'If English School scholarship tends to shun causal relationships in the consideration of norms, what is it for?' As the present research aims to explain how and why differentiated organisations strengthen or not their resilience and strategic autonomy vis-à-vis the influence of China, I therefore propose to ground the English School's theoretical contribution in an explanatory reasoning and to relate the three concepts of balancing, hedging and bandwagoning to the ES's thinking. Indeed, in international relations theory, balancing, hedging and bandwagoning are three strategies that states use to manage their relationships with other states (J. D. Ciorciari and Haacke 2019) which differ in their approaches and objectives and have distinct impacts on resilience and strategic autonomy.

Balancing relates to the situation of countering the power of a dominant state or the creation of a coalition through alliances or internal military build-up. In this research, the internal dimension of the traditional definition of balancing is extended to include the institutional dimension: here balancing does not only relate to alliances or to a military build-up, but it also consists in strengthening the institutional set-up of the regional organisation. This extension of the meaning of the concept of balancing allows us to realize a connection between an international relations approach and a regional organisation's one. Balancing therefore refers (1) to the strengthening of the regional organisations' institutional responses (analyzed in part 1 through the lens of differentiation), and (2) to the establishment of international cooperation with strategic partnerships and regional fora with like-minded partners (see Table 7).

By contrast to balancing, bandwagoning refers to the alignment with the source of danger, i.e., the hegemon (Walt 1985, 4). The concept of bandwagoning was forged during the Second World War and popularised by Waltz in order to theorise the probability of peace over war: the alliance was then the most common form of association between states to cooperate. Today, strategic partnerships tend to replace alliances which are regarded as static and rigid (Tyushka and Czechowska 2019, 8-9). Walt argues that there are two motives which can lead a state to its bandwagoning behaviour; a state may side with the dominant power to avoid being attacked or to share the victory during wartime (Walt 1987, 17-21). Bandwagoning occurs when

weak states believe that the cost of opposing a stronger state is greater than the benefits that opposition would bring.

Hedging emphasises maintaining flexible and diversified relationships to manage risks and maximize opportunities in an uncertain world. Hedging is a concept that is used increasingly in international relations (J. D. Ciorciari and Haacke 2019; Koga 2018; Soong 2021). It is generally introduced as an alternative to 'balancing' and 'bandwagoning' or it can also refer to a combination of balancing and bandwagoning, allowing the regional organisation to maintain strategic ambiguity in its external relations (Evelyn Goh 2005, 2).<sup>26</sup> Hedging corresponds to a security strategy adopted by small states or middle powers, often when they seek to navigate triangular relations with China and the United States (e.g., Goh, 2005; Roy, 2005; Tessman, 2012). In this research, a hedging behaviour is defined as the multiplication of cooperation agreements in trade or security with several states to avoid an hegemon to exercise dominance.

Balancing (the strengthening of differentiation corresponds to H1); the hedging option corresponds to H2, and bandwagoning corresponds to H3. There are two differences with an approach of the three concepts from a realist perspective. First is the recognition by the English School that power politics exist in an anarchical international system but that institutions also matter (Murray 2013), a postulate which is also consistent with liberal institutionalism (Russett 2016). Contrary to realism, which conceives of balancing as either an internal or external strengthening of defence capability against a threatening power, balancing, but also hedging and bandwagoning do not exclusively in the present approach refer to military power but they also refer to the institutional capacities of establishing strategic partnerships. A second difference with the realist approach is that this conceptual framework is conceived as a dynamic process whereby the three hypotheses are not necessarily exclusive but complementary. Realist approaches have proposed various definitions for the three concepts of balancing, hedging and bandwagoning, but have envisaged them as exclusive strategies (Waltz 1979; Walt 1998). By contrast, recent approaches use these concepts to characterise options that states, and in particular small states, use in combination to interact with great powers. English School scholars have fruitfully shown that in Asia regional powers have sought to channel the trajectory of China's rise within this hegemonic order through a mixture of resistance and accommodation (Dian and Meijer 2020, 1).

Beyond a descriptive account of the IS – but avoiding a prescriptive account –, the focus on the prevailing norms which are at the foundation of the international society according to the English School allows sense to be made of the challenges faced by the three regional organisations in opting for H1, H2 or H3 and their possible combinations.

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<sup>26</sup> 'Thus far, the hedging literature also has not problematized – let alone resolved – the conceptual tension that stems from defining hedging with reference to balancing and/or bandwagoning, as many scholars do' (J. D. Ciorciari and Haacke 2019, 369).

Table 7. Relation between the hypotheses and the prevailing norms of primary and secondary institutions

Hypotheses	H1 BALANCING Strengthening differentiation	H2 BALANCING AND HEDGING Engaging in partnerships with external powers	H3 BANDWAGONING Engaging in partnerships with the hegemon
Prevailing norms of primary and secondary institutions	Defined by the regional organisation's norms	Negotiated between the regional organisation and its partners	High risks of being imposed by the hegemon
Resilience and strategic autonomy	Regional organisation is resilient and can aim at some strategic autonomy	Regional organisation is more resilient and can aim at relative strategic autonomy with like-minded partners	Regional organisation is not necessarily resilient and is not strategically independent

## Operationalizing the hypotheses

The previous section justifies the use of the concept of differentiation in the comparative approach and clarifies the theoretical framework used in the research. This section presents the hypotheses that guide the research and explains the relations between the independent variables (differentiation (H1) and external cooperation (H2 and 3)) and the dependent variable (resilience and strategic autonomy).

Table 8. Definition of the hypotheses

	VERTICAL DIFFERENTIATIO N (H1a)	INTERNAL DIFFERENTIATIO N (H1b)	EXTERNAL DIFFERENTIATIO N (H1c)	EXTERNAL COOPERATIO N (H2 and H3)
Positive (regional organisatio n resilient)	H1a When it extends the repertoire of overarching governance (intergovernmental + supranationalism) Furthermore, vertical integration (supranationalism) facilitates unity: e.g., FDI Screening regulation, EDF	H1b1 When preferable to stagnation (status quo): e.g., defence and security policy When relates to excludable goods – goods to which MS cannot benefit from, if not part of the policy: e.g., defence and security policy	H1c When extends the protective rules of the regional organisation to third countries (broader unified cooperation)	H2 When establishes cooperation with like- minded partners on strategic issues

		H1b 2 When strengthens the regional organisation's cohesion by diminishing economic disparities: e.g., cohesion policies		
Negative (regional organisation not resilient)	-	H1b 3 When DI creates disunity: e.g., the protective effect of an instrument on the functioning of the whole regional organisation is more fragile		H3 When creates dependence on an external hegemon on strategic issues

Theories provide guidelines as to which variables are ‘key variables’ (Blatter and Haverland 2012, 54). In the absence of a mid-range theory about differentiation, and resilience, the comparative approach relies on several theoretical propositions. Hypotheses are also substantiated by scholarship on differentiation, as well as prior knowledge (Blatter and Haverland 2012, 50–52). A mixture of deductive, inductive and abductive reasoning was used to form the hypotheses. The preliminary steps of the research consisted of going back and forth between an inductive approach (which establishes a relation between differentiation and resilience and infers a rule) and an abductive approach (which starts from a result or outcome – the absence of resilience or features of dominance – and infers a rule involving a causal relation to differentiation which explains the case).

In this research, the relation between institutional adaptation (differentiation and external cooperation) and resilience is analysed in terms of its effectiveness which means the degree to which an institution is able to solve the problems that led to its creation (Young 2014; Underdal 2002; Gutner and Thompson 2010). Resilience (resulting from the effectiveness of institutional adaptation) is therefore assessed in relative terms in comparison to an initial situation (an improvement, a worsening or no change in a situation) - as opposed to absolute terms (in reference to an ideal situation) (Lavenex and Križić 2019). This research assesses effectiveness in relation to changes in the institutional design of the EU, ASEAN and Mercosur since the launch of the BRI in 2013. As will be developed in chapter 2 dedicated to the method, the analysis considers policy-making, implementation and problem-solving. The relation between differentiation and legitimacy is an aspect that has received an increasing degree of attention in the literature but its consideration goes beyond the scope of this

research<sup>27</sup> (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022).

## Strengthening differentiation (H1)

The first set of hypotheses (H1) relates to internal variables of the institutional design. It assumes that the level of differentiation has an influence on resilience and strategic autonomy. In the absence of a mid-range theory about differentiation, this hypothesis is disaggregated into three sub-hypotheses and it relies on theoretical contributions from European integration and international relations to explain the relation between vertical, internal and external differentiation in the resilience and strategic autonomy of regional organisations.

### *(H1a) Vertical differentiation*

'Vertical integration is the transfer of policy-making competences from the national to the European level and, at the European level, from intergovernmental coordination and cooperation to supranational centralization' (Leuffen, Rittberger, and Schimmelfennig 2022, 9). *Vertical differentiation* qualifies the variation in centralisation of policy making (or integration). (H1a) assumes that vertical differentiation affords a regional organisation more flexibility to deal with a variety of issues that it may experience in terms of the influence of an external hegemon. As Hooghe and Marks show, a 'key virtue of differentiation is that by breaking open the concept of sovereignty, differentiation extends the repertoire of overarching governance' (Hooghe and Marks 2023, 226). To be more specific, this hypothesis also assumes that the higher the degree of integration, the higher the degree of resilience and strategic autonomy. This hypothesis proposes that, amidst the pressure exerted by an external hegemon, regional organisations are better equipped if they have integrated mechanisms in the form of pooling and delegation of authority. The objective of the research is not to assess the likelihood of a regional organisation moving towards supranationalism or intergovernmentalism. It is firstly to map the institutional characteristics of regional organisations in terms of differentiation and secondly to elaborate on their theoretical contribution to the resilience vis-à-vis the influence of China.

This hypothesis is consistent with supranationalism. New supranationalism focuses on agents' ideas and institutional entrepreneurship to make European integration

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<sup>27</sup> If effectiveness is achieved as a result of political pressure from a restricted group of larger member states, it can have an inverse effect on legitimacy because it may create the impression of hegemonic coercion among the political establishment and the citizens of other members (Lavenex and Križić 2019, 20; Siddi, Karjalainen, and Jokela 2022, 109).

work better, whether or not this serves their specific power and interests (Schmidt 2016, 11). Supranationalism can be viewed as representing unity in EU decision-making and policy implementation (Cremona 2020). More specifically, the delegation of power to an independent authority might constitute an assurance of neutral decision-making and it enables the avoidance of an external power having direct influence on a member state. A majority vote can also prevent a MS vetoing a decision aimed at protecting the regional organisation. This hypothesis relies on the assumption that an integrated policy gives more leeway to a regional organisation to manage its interaction with an external power. A low level of integration in trade, defence and security policies increases the vulnerability to the influence of an external power and can hamper a regional organisation's resilience and strategic autonomy. As far back as 2005, Meunier in her book *Trading voices: the European Union in international commercial negotiations*,<sup>28</sup> started with the observation that despite its theoretical and practical relevance, no one had ever asked what the consequences of the transfer of sovereignty were. She tested the widespread idea that internal unity generates external power and reached the conclusion that the capacity of the EU to impose its own priorities concerning key issues on the international economy depends to a large extent on its institutional characteristics (Meunier 2005, 35).

Meunier specifies that the sole fact of belonging to the EU transforms the chances of a State to shape the external world: 'That small states may have a disproportionate influence on international affairs because of the EU's institutional structure should be a matter of serious concern as the EU has recently expanded and is taking new initiatives in foreign affairs'<sup>29</sup> (Meunier 2005, 35). The upside of supranationalism as described by Meunier – which consists of majority voting in the context of external negotiations – can also be applied, by extension, to a situation whereby the Council is required to make decisions using the same majority rule about legislative instruments aimed at protecting the EU from an external influence – e.g., the FDI Screening Regulation. Supranationalism offers the possibility of 'standing in unity'.

In the wake of the series of crises that the EU has recently faced, the academic literature has recognised the importance of intergovernmentalism in explaining which institutions were the most instrumental in decision-making, an evolution which has given rise to a theoretical refinement in which more and more subtypes have been introduced (Smeets and Beach 2020, 2).<sup>30</sup> Noting the emergence of a so-called 'new

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<sup>28</sup> The title of the French version reads: *L'Union fait la force: L'Europe dans les négociations commerciales internationales*.

<sup>29</sup> Our translation. Original text: 'Que de petits États puissent avoir une influence disproportionnée sur les affaires internationales du fait de la structure institutionnelle de l'UE devrait faire l'objet d'une sérieuse attention puisque l'UE s'est récemment élargie et prend de nouvelles initiatives en matière étrangère'.

<sup>30</sup> 'Next to (old and 'new') 'liberal intergovernmentalism' (LI), we now find 'new intergovernmentalism' (NI), 'deliberative intergovernmentalism', 'intergovernmental union', and even 'supranationalist intergovernmentalism' (Bickerton et al. 2015; Fabbrini 2016;

intergovernmentalism', Schmidt argues that member states have retaken control, but not due to the pursuit of power, rather to reach 'consensus seeking deliberation and the creation of de novo regulatory bodies' (Schmidt 2016, 13). Fabbrini (2016, 590) advocates using the analytical concept of 'intergovernmental union' to describe the institutional features mobilised to manage the euro crisis. Smeets and Beach introduce a distinction in the definition of what exactly is intergovernmental, whether it is the legal shape, the process or the outcome. They come to the conclusion that considering the latter (the outcome defined as the 'dominance of member states vis-à-vis the European institutions in shaping the substance of the agreements'), very few cases of crisis resolution can be labelled as intergovernmental (Smeets and Beach 2020, 3). The literature on intergovernmentalism and its sub-types generally argues in favour of the argument of the efficiency of the prevailing intergovernmental decision-making in the management of the euro crisis: the need to make quick decisions in order to respond to market speculations or unexpected events (Fabbrini 2016, 594). Externalities such as the lack of democratic checks are highlighted as well as the dissatisfaction amongst the public in peripheral member states (Schmidt 2016; Crum 2013; Buti and Fabbrini 2023). Yet even during the eurocrisis, 'new supranationalism demonstrates equally persuasively that supranational technical actors have gained new competences that enable them to achieve their goals in new ways – whether they sit in the Commission or in de novo bodies' (Schmidt 2016, 13).

This proposition that supranationalism is as suitable response in a situation whereby an external pressure is undermining a regional organisation's resilience is backed up by recent research on the institutional response to the Covid crisis and to the Brexit. The EU response to the Covid crisis happened to be very different from that of the sovereign debt crisis and represents a substantial break. The term 'unconstrained intergovernmentalism' has been used for the former and 'constrained supranationalism' for the latter (Buti and Fabbrini 2023, 677). The new kind of policy governance witnessed during the Covid crisis was facilitated by the fact that there was consensus over the origins and repercussions of the crisis as well as over how the Euro area crisis was handled (Ladi and Tsarouhas 2020, 1050). When comparing the responses to the two crises it is fair to note that the ESM (European Stability Mechanism) is a permanent institution, while the RRF (Recovery and Resilience facility) is a temporary institution (it is due to operate until the end of 2026) (Buti and Fabbrini 2023, 677). However, whereas caution is advised when one considers the 'close sequence of the Euro area and pandemic crises' (Ladi and Tsarouhas 2020, 1053), there are indications that future policy development could be more structural than merely conjunctural, and may at least have some durability. First, lessons were learned from the Euro crisis: a deep policy learning (a 'double-loop learning') was facilitated by the proximity in time between the two crises (Ladi and Tsarouhas 2020, 1045) which led to a new approach to policy-making that implied a modification of norms, policies and objectives, such as the bold joint debt issuance. Second, the 'Community method' was used, suggesting that in a time of crisis it is still possible to

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Moravcsik 1999, 2018; Puetter 2014; Schimmelfennig, 2018; Schmidt, 2018)' (Smeets and Beach 2020, 3).



engage supranational institutions in discussion in order to make timely decisions: 'The Council asked the Commission to develop a recovery plan, which then led to the incorporation of the NGEU [NextGeneration UE] to the multiannual budget' (European Commission, 2020b). As a result and given the need for the European Parliament to consent the budget, all major institutions are genuine stakeholders in the EU's policy response (Ladi and Tsarouhas 2020, 1050).<sup>31</sup> Third, changes observed in other policies also testify to a move towards supranationalism. Scholars have emphasised the suitability of the new supranationalism approach in defence policy-making, pointing to the case of the European Defence Fund which aims to finance transnational defence research and development through the EU budget (Haroche 2020): the EDF, which came as a surprise to member states contradicts the idea that the EU's main initiatives come from intergovernmental deliberation and that supranational institutions are reluctant to promote integration. 'It represents an unambiguously supranational initiative in an area that was supposed to be the exclusive domain of the intergovernmental method' (Haroche 2020, 2). This policy change could usher in further changes. Haroche puts forward three arguments, which rely on different types of spillover: 'First, the Commission displayed an increasingly political cultivated spillover by its promotion of the EDF. Second, the EDF illustrates a new type of offensive functional spillover from the economy to defence. Third, the implementation of the EDF has launched a bureaucratic spillover that could lead to further initiatives' (Haroche 2020, 1). The establishment of DG DEFIS, the Directorate General for Defence Industry and Space, which aims to develop a competitive and innovative European Defence Technological Base (EDTIB) can be considered as such a further initiative, and gives additional weight to an increased and potentially sustained use of supranationalism under similar conditions.

### *(H1b) Internal differentiation: 3 sub-hypotheses*

Internal differentiation refers to the application of non-harmonised rules to certain member states. There are far fewer studies on horizontal differentiation (internal and external) than on vertical differentiation (Leuffen, Rittberger, and Schimmelfennig 2022, 7). H1b postulates that internal differentiation is conducive to resilience in relation to external stress when it brings about the most unified response possible. The hypothesis on internal differentiation is subdivided into three propositions.

H1b 1 - First, internal differentiation has a positive impact on resilience if it prevents the regional organisation from stagnating in relation to a crucial policy that aims to address external challenges. Schimmelfennig et al. specify that 'Whereas uniform integration is often more effective than DI [differentiation] because member states that opt out would otherwise have contributed to the collective goods the EU produces,

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<sup>31</sup> Buti and Fabbrini have elaborated on the conditions under which the NextGeneration EU might go beyond a 'one-off' experience, representing a paradigm shift in European economic governance in the context of an exogenous crisis (Buti and Fibrine 2023).

increased economies of scale, and reduced policy externalities between insiders and outsiders –, DI is typically preferable to the status quo of no (further) integration, which constitutes the normal reversion point in EU-level negotiations' (Schimmelfennig, Leuffen, and De Vries 2023, 10). In addition, internal differentiation has a positive impact on resilience if the policy relates to excludable goods (Kölliker 2001): member states have an incentive to join the common policy at a later stage. This was the case with security and defence policy which Denmark and Malta opted out of, until Denmark cancelled its opt-out in 2022 after a referendum in the country. The theoretically positive impact of internal differentiation in security and defence policy is backed up by empirical results (Biscop 2020; Blockmans and Crosson 2019).

H1b 2 - Second, internal differentiation has a positive impact on resilience if it strengthens the cohesion of the regional organisation, something that is essential to protect it from the attempts of external powers to sow division. Indeed, one aspect of regional organisations' vulnerabilities lies in their economic heterogeneity. As far as this research is concerned, instruments which grant the least developed member states access to cohesion funds are considered instruments that are internally differentiated that have a positive impact in terms of resilience.

Finally, H1b-3 internal differentiation has a negative impact on resilience when it makes the protective effect of an instrument on the functioning of the whole regional organisation more fragile. Conversely, resilience increases when differentiation is not present. Flexibility generally allows heterogeneity to be managed, however when it comes to resilience and strategic autonomy, the unity of a regional organisation would appear to be the optimum consideration to counter the influence of an external hegemon. Differentiation which has an exemptive feature would allow loopholes to appear in the regulatory framework and fragments the regional order. This hypothesis is based on the principle that a non-uniform territorial application of law is detrimental to an external threat. It applies for example to instruments that protect states from the risks posed by foreign direct investments which are most efficient if applied to all member states.

### *(H1c) External differentiation*

External differentiation is defined as the application of regional organisation's rules concerning primary or secondary law to non-member states. (H1c) posits that external differentiation results in regional organisation's protective rules being extended to neighbouring countries, which has a positive effect on resilience and strategic autonomy as it provides the opportunity for broader unified cooperation in relation to an external power in both policies under scrutiny: trade and security. External differentiation increases the number of parties through the enlargement of the geographical scope of cooperation. External differentiation in the context of the EU is often envisaged in terms of its relation to integration, i.e., considering external differentiation as a step towards integration (Schimmelfennig and Winzen 2020a). This research adopts a different perspective in the sense that it does not see external

differentiation in a teleological way. Rather, it asks whether or not differentiation has a positive impact on resilience, and this depends on the effectiveness with which external differentiation is put in place with reliable partners, and the degree to which these partners adhere to the regional organisation's rules concerning primary or secondary law.

This research does not consider the aspects of legitimacy which can be at play in a situation involving power asymmetry between a regional organisation and a third country, which could hamper the benefits of external differentiation. The effects of dominance, legitimacy, and distributive justice are increasingly being analysed in the literature that focuses on the EU, in particular in the context of the EU3D research project<sup>32</sup> (Fossum 2022; Bátorá and Fossum 2023; Lord 2021; Anagnostou 2022; Gora and Zubek 2021; Czerska-Shaw et al. 2022). The aspects of legitimacy which are considered in this research are those which are induced by the activity of the external power – in this instance China – in its attempts to de-legitimize a regional organisation as a reliable partner for the regional organisation's associated partners. This situation constitutes another argument in support of the benefits of external differentiation as regards resilience vis-à-vis the influence of an external hegemon, since external differentiation is designed to ensure that essential rules preserving the resilience of the regional organisation are respected by the third state.

## External cooperation (H2 and H3)

External cooperation is defined as a formalised mechanism through which a regional organisation or the governments of its member states and a third state agree to find solutions to common problems without requiring the third country to adopt a regional organisation's law or to align with its law. Two hypotheses are related to external cooperation. They propose that regional organisations develop external partnerships to complement and reinforce regionalism in strengthening resilience and strategic autonomy against the influence of China. Hypotheses 2 and 3 are backed up by the literature which draws from the English School and more specifically addresses the East Asia' security order (Capie 2020; Evelyn Goh 2020).

The second hypothesis (H2), which characterises a situation where balancing and hedging is taking place, assumes that regional organisations cooperate with external partners that are influential in the region in order to tighten their resilience and strategic autonomy, through regional fora or through strategic partnerships. In line with liberal institutionalism, it claims that cooperation with external partners can lead to some level of strategic autonomy when the norms between the regional organisation and its partners are negotiated between them and common preferences

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<sup>32</sup> The EU3D research project (Differentiation, Dominance, Democracy) investigates what are the democratic potentials and the dominance pitfalls of differentiation in today's EU, under the Research and Innovation Programme grant agreement number 822419. <https://www.eu3d.uio.no/>

facilitate the achievement of shared benefits. Consequently, balancing is more likely to bring about resilience and strategic autonomy than hedging with states with which the regional organisation do not share the same norms.

Strategic partnerships are used increasingly and signal the emergence of new forms of 'security governance' (Tyushka and Czechowska 2019). Goh (2020, 6) makes a similar observation in the Asian context. She notes that 'between the Second World War and China's contemporary resurgence in East Asia, alliances moved from an initial association with the primary institution of war to the primary institution of great power management. This shift reflects the relative decline of war as a primary institution of international society (see Buzan 2010).' Although this observation needs to be qualified in view of the war in Ukraine, Goh also observes that the shift the primary institution of war to the primary institution of great power management also had the effect of de-securitizing alliances, making them a more 'normal' secondary institution, more malleable, a tool that hangs towards the political end of the spectrum of statecraft. Indeed, one question is whether we should consider re-naming this secondary institution something more generic, like 'security partnerships' (2020, 6).

The concept of strategic partnership is inherently related to security issues (Renard 2016, 33). At the operational level, however, the partners do not always behave in a particularly strategic way (Renard 2016, 31). Tyushka et al. also emphasize that 'strategic partnerships are neither bound to emerge from friendly relations or among friendly powers, nor are they bound to necessarily turn rivalling powers into allies (Tyushka and Czechowska 2019, 14). The labelling of the partnership may also vary. This is especially the case with China which, due to political sensitivity might be unwilling to make 'multiple hierarchies of 'strategic', 'comprehensive', 'constructive', 'privileged', 'development' and other partnerships broadly visible (Bang, 2017; Oviedo, 2006)' (Tyushka and Czechowska 2019, 10).

The third hypothesis (H3) suggests that regional organisations which align with China (engage in bandwagoning) to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation mechanism is based on the norms of the hegemon, a situation which can jeopardize resilience and does not allow for strategic autonomy as it increases interdependence. Indeed, strategic autonomy is defined as the capacity to act autonomously with like-minded partners. Considering the risks of bandwagoning, why would states engage in such an option? ES scholars provide an explanation which emphasizes that hegemony requires the complicity of supporter states: 'consent to hegemony is negotiated and obtained for both material and ideational reasons' (Evelyn Goh 2013, 6). Regional organisations - and their member states - can enjoy benefits from the cooperation with the hegemon. Clark further specifies that 'hegemony is about the further 'enabling' of those already powerful, even if others do derive incidental benefits as a result. There are absolute gains for the weak, but relatively the strong gain most' (Clark 2009, 106).

The three hypotheses H1, H2 and H3 consist of three options which can be used in combination: it is assumed that the internal hypothesis provides the greatest leeway for autonomy, while the third hypothesis may lead to economic and security resilience but this resilience is made at the expense of autonomy.

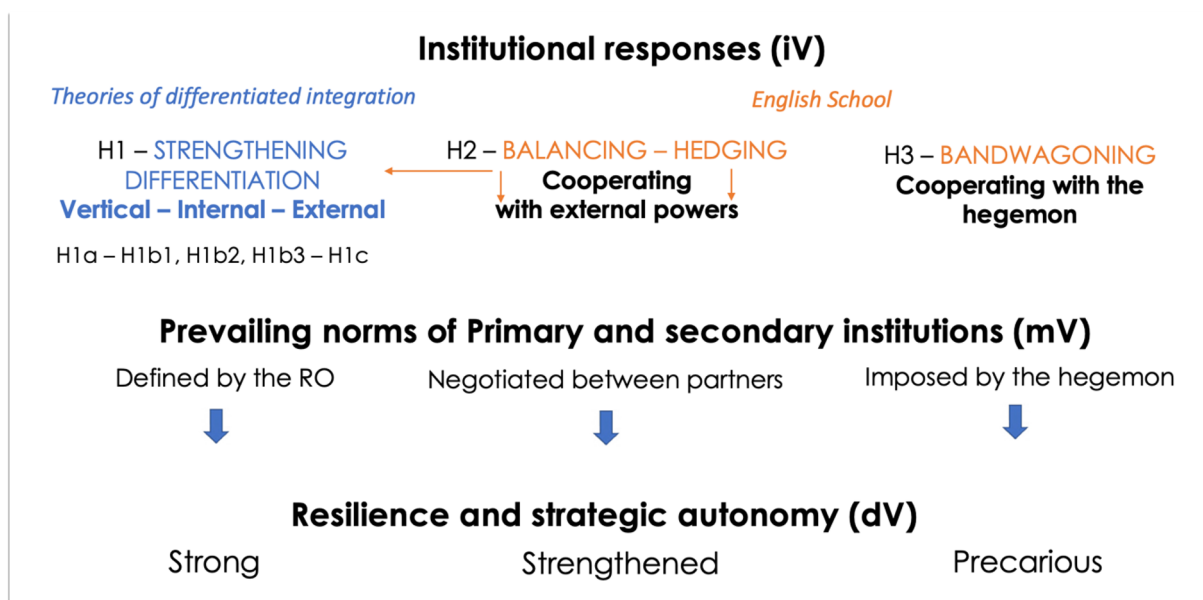


Figure 1. Theoretical framework of the relation between differentiation and resilience and strategic autonomy of regional organisations in relation to an external hegemon

Relying on the primary/secondary institutions framework of the English school allows sense to be made of the three hypotheses within a comprehensive framework (see Table 7 and Table 8). Indeed, when a regional organisation mainly relies on strengthening its institutional differentiation to ensure its resilience in the face of an external threat (H1, balancing through strengthening differentiation), the prevailing norms to which it is subject to are the norms of the regional organisation. When a regional organisation engages in cooperation with an external power (H2, hedging), the norms it is subject to in this particular situation encompass the norms of primary and secondary institutions, selected or forged by the two partners.

Finally, when a regional organisation cooperates with China to avoid the negative consequences of its rise in power and influence or to benefit from the cooperation regardless of the political or social implications (H3, bandwagoning), the regional organisation therefore becomes much more likely to subject itself to the norms established by the hegemon as the result of power relations. An asymmetry of power between a regional organisation and China will render the maintenance of autonomy all the more precarious.

## Conclusion on chapter 1

The theoretical approach relies on an innovative framework which associates differentiated integration theories and the English School. It is shown that the theories of differentiated integration need to be expanded to allow for the differentiation dimensions to be accounted for in the context of the external relations of regional organisations. Beyond a descriptive account of the international society and avoiding a prescriptive account, the research proposes to relate the English School's analytical framework to the three concepts of balancing, hedging and bandwagoning: this link not only helps structuring the analysis, but it even more importantly allows to offer an explanatory understanding of the implications of the policy options taken by the three regional organisations in terms of resilience and strategic autonomy.

## Chapter 2

### Analysing regional organisations' resilience and strategic autonomy vis-à-vis China's influence: method

If the time for comparative regionalism has come (Acharya 2012), it nevertheless represents a daunting challenge. This chapter presents the method used in the research to analyse how differentiated organisations strengthen or are not able to strengthen their resilience vis-à-vis the influence of China in two policy areas: trade (investment) and security. One of the challenges is how to overcome the consequences of avoiding the longstanding view that EU supranationalism is the yardstick against which any form of regionalism would have to be compared to. It is now a commonly held view that comparative regionalism should not construe the EU as a benchmark and should instead decentre Europe as the main reference point (Balogun 2021; Börzel and Risse 2019). However, this necessary point of departure should not entail that the singularity of the EU should be discarded, and that the supranational dimension of EU policies is excluded from the analysis. As Acharya puts it: "A non-EU-centric perspective does not mean the EU's record should be ignored" (Acharya 2016, 299).<sup>33</sup> Therefore vertical integration (the centralisation of decision-making or pooling (majority decisions) and/or the delegation of authority to a third body) is accounted for in the research, and vertical differentiation is measured accordingly. As explained

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<sup>33</sup> Acharya lists five crucial questions that should be addressed when one engages in comparative regionalism, which encompass: (1) theories and concepts; (2) reasoning approaches (induction/deduction) while general theoretical propositions and hypotheses tend to derive from the EU experience); (3) performance criteria (4) a fundamental question (efficacy of institutions or 'why do they matter')? (5) conceptualisation of the relative autonomy of regions? Are they the mere reflections on the global distribution of power, or are they building blocks, sites of resistance, or both? (Acharya 2012, 13-14).

in chapter 1, it is theoretically and empirically possible to assume that integration might constitute an added value in the context of the influence of an external power.

A second challenge is the  $n=1$  of European integration studies that new regionalism has tried to get around (Saurugger 2014, 226). It refers to the problem of whether the European integration process is unique or whether it can be compared to other regional integration processes. From a methodological perspective, this challenge is distinct from that of Eurocentrism which has a normative dimension. The  $n=1$  problem has a more methodological aspect and poses the question as to whether the comparison criteria are relevant. The present research starts from the assumption, based on similar features among the three regional organisations under consideration (their legal basis, decision-making bodies, and multi-purpose goal) that a comparison of several regional organisations including the EU is possible; however, the research also extends and enriches the comparison beyond mere differentiation and takes into consideration external partnerships established by the regional organisations. The scope of comparison is thus extended from a strict regional integration scope – from differentiation alone – to a more comprehensive understanding of differentiated regionalism in the international system. In other words, comparing regional organisations in this research is deemed possible and heuristic but integration and intergovernmental cooperation is not the only explanatory variable.

## Structuring comparison (research design)

The research adopts a mixed research method mainly based on qualitative comparative methods and quantitative data. The relation under scrutiny is that between institutional adaptation on the one hand, and resilience and strategic autonomy on the other. It is assumed that regional integration and external partnerships can have an impact on resilience and strategic autonomy, but that other factors, background factors, might play out.<sup>34</sup> The research follows three steps. The first step involves hypothesis 1 and consists of identifying the occurrences of differentiation in policies related to investments and security which are of relevance when it comes to resilience vis-à-vis Chinese influence on the EU, ASEAN and Mercosur. This step maps differentiation in terms of its vertical and horizontal dimensions (internal and external) and presents the results in a database displayed in

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<sup>34</sup> The methods of difference and agreement depend on the elimination of different variables except for one. In the method of difference all independent variables are similar except for one, which has the explanatory power. In the method of agreement, selected cases differ in all but one independent variable which has the explanatory power. These methods cannot be applied to the selected cases of the present research as the EU, ASEAN and Mercosur's institutional characteristics – their differentiation which is the object of the investigation –, do not unfold in such symmetric patterns. Recent academic research on comparison shows that in political theory, there is a tradition of systematic but uncontrolled comparison, both in the classics and the cutting edges of modern political science (Simmons and Smith 2021, 6).



an Excel spreadsheet.<sup>35</sup> As explained in chapter 1, this step requires the existing analytical framework to be refined in order for a clear distinction to be made between external differentiation and external cooperation. The first objective of the research therefore consists of refining the analytical framework on differentiation, mapping differentiation among the three regional organisations, analysing the potential contribution of differentiation to resilience and strategic autonomy in each regional organisation and examining the variation in use among the three regional organisations.

The second step, dedicated to hypothesis 2, follows a similar process but focuses on partnerships established by regional organisations. The research maps the partnerships between regional organisations and major powers that are influential in the region in relation to investment and security, and assesses their potential contribution to resilience and strategic autonomy before analysing the variation in use among the three regional organisations. The third step analyses how and why the regional organisations combines the three options in a specific way and assesses the efficiency of the institutional design and external cooperation options.

## Why compare?

The choice of a comparative research design is informed by the research question which examines how differentiation plays out in the options that regional organisations establish to strengthen their resilience and strategic autonomy vis-à-vis China. While scholarship on differentiation in the EU is now extensive, the knowledge of differentiation in other regional organisations remains limited. Furthermore, as no theory exists that makes sense of the relation between the two variables (see chapter 1), a comparative approach is of great relevance as it allows new theory or hypotheses to be developed.<sup>36</sup> It enables the various institutional responses to the challenge of the growing influence of China to be highlighted and examined. Indeed, important questions arise: do variations in institutional design lead to different outcomes in terms of resilience and strategic autonomy? What are the key variables that explain the outcome? The alternative to a comparative research design would be to focus on one regional organisation, but this is an option that would limit the heuristic value of the research. Examining the EU, ASEAN or Mercosur in isolation will not lead to an understanding of the respective merits of each institutional design in a similar context.

Comparison has another advantage over the single country case study, especially when the EU is involved: it helps to guard against the twin dangers of what Rose

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<sup>35</sup> The database is available at <https://www.eu3d.uio.no/publications/eu3d-data/database-regional-organisations.html>

<sup>36</sup> Comparative methods can be used in three main ways: (i) to apply existing theory to new cases; (ii) to develop new theory or hypotheses; and (iii) to test theory (Halperin and Heath 2020, 232).

(1991) labelled false uniqueness and false universalism (Halperin and Heath 2020, 232):

'False uniqueness emphasises the specificity of the case, entirely ignoring the general social forces at work, and does not move beyond 'thick description'. Problems to do with false uniqueness can sometimes be found in area studies, where researchers emphasise how unique – or exceptional – their chosen country of analysis is, and seal themselves off from wider engagement with what is being written about in other countries. By contrast, false universalism assumes that the theory tested in one country/context will be equally applicable to other countries.'

The only way one can ever establish uniqueness or universalism is through comparison (Halperin and Heath 2020, 233). Finally, comparative approaches in small-N studies allow to carry out an in-depth analysis and at the same time, because of the wider empirical scope, provide greater scope for contextualisation. In particular, this research shows that comparing the resilience of regional organisations against China should not only be tackled from a regional institutional perspective, but that the wider network of international cooperation that a regional organisation establishes is also an important variable to consider in the study of resilience and strategic autonomy.

## Principles of case selection

Three regional organisations are considered for the sake of the homogeneity of the study, the comparability of the cases (Rihoux and Ragin 2009, 20), and in order to carry out an in-depth analysis. The selection of the regional organisations is based on the independent variable concerning how they differ in terms of institutional differentiation. Therefore, as cases must run sufficiently parallel to each other and be comparable in relation to certain specific dimensions (Rihoux and Ragin 2009, 20), the analysis focuses on regional organisations that are generally similar in terms of their functional scope of the regional organisations, their legal status, and the decision-making bodies. The functional scope of the three regional organisations has to be more than task-specific, since the study investigates two policies which are of major relevance when examining resilience and strategic autonomy: trade and security. More specific reasoning for the choice of policies in relation to Chinese influence is exposed in the section on policies. In addition, the EU, ASEAN and Mercosur have similar institutional designs which includes their legal personality and the presence of decision-making bodies (See Table 3). The differences in their institutional designs concern their makeup in terms of internal and external differentiation. These dimensions are defined and operationalised in section 2 of this chapter.

*Table 9. Macro institutional similarities in the EU, ASEAN and Mercosur*

<b>Macro-Institutional features</b>	<b>EU</b>	<b>ASEAN</b>	<b>Mercosur</b>
<b>Similarities</b>			
<b>Legal status: legal personality (including the possibility of entering into international agreements)</b>	Yes	Yes	Yes
<b>Multi-purpose (Trade, defence and security)</b>	Yes	Yes	Only security Not defence
<b>Decision-making bodies</b>	Yes	Yes	Yes

The three cases are conceptualised as independent observations. Indeed, the influence of the EU, the most integrated regional organisation, on ASEAN and Mercosur is limited in terms of institutionalisation: ASEAN followed divergent institutional paths from those of the EU (Allison 2015, 210). European integration has provided the inspiration, and not necessarily the exact template for ASEAN integration. The broad outlines for ASEAN architecture followed the earlier three-pronged Community model of the EU's early stages but not the model of supranationalism and judicial review system (Deinla 2017, 45) and Mercosur was inspired to embrace the 'selective adaptation of institutional design and normative emulation of the EU rather than aiming at an institutional mimicry or isomorphism' (Doctor 2020, 17; Lenz 2021). Even the ASEAN regional policy to which the EU has heavily contributed, the influence of the EU model is rather weak (Wolleb et al. 2017, 49). The question of bias in the selection of cases from the perspective of diffusion has very little bearing since the selection of regional organisations is specifically based on the differences in their institutional setting.

Another preliminary condition for the selection of regional organisations is that they are all confronted with Chinese influence. The research therefore firstly consisted of delineating Chinese influence in the three regional organisations and in testing whether a comparative analysis would be meaningful and could have a heuristic value. In order to do so, Barnett and Duvall's analytical framework, was used to map out China's influence in terms of power (Barnett and Duvall 2005). The distinction between compulsory power, institutional power and ideational power eased the process of identifying the levers of power that China uses to influence regional organisations and we consequently looked into the institutional responses of regional organisations. Although it is beyond the scope of this study to systematically assess the influence of China among the three regional organisations in relation to the two policy areas, an evaluation of the materialisation of Chinese interests in key sectors allows the fact that regional organisations are affected in similar ways to be shown. The difference in degree of influence is not a matter of concern from a methodological perspective as the institutional response of the regional organisations is not analysed *per se*, but in relation to a specific degree of influence. The difference in degree of

influence is accounted for in the analysis of the results. Most importantly, the research does not aim to measure the degree of resilience or strategic autonomy; rather it considers whether the institutional responses (changes in integration and establishment of partnerships) are conducive to resilience or strategic autonomy. As explained further, the relation between both variables as envisaged in this research is of a probabilistic nature.

As was highlighted in the introduction, the influence of China on the three regional organisations essentially materialises through the BRI in terms of its global agenda and similar interests and Chinese patterns of influence are found in the three regions. This includes investments in ports, airports, spatial observation, dual use technology, cyberattacks, weapons sales to MS and associated states. For the sake of the practicality and feasibility, the study focuses on a limited number of aspects of Chinese influence, of which the macro-indicators are summarized in Table 2.

## **Policies**

The research considers two policy areas, trade and security, which are of major relevance when examining resilience and strategic autonomy against Chinese influence. Selecting two policies offers the possibility of enabling a deeper understanding of the institutional responses of regional organisations to Chinese influence and of the relation between differentiation on the one hand, and resilience and strategic autonomy on the other hand. Selecting two policy areas extends the cross-case analysis, but it also allows to include vertical integration to be included as a variable: security policies are of an intergovernmental nature in the three regional organisations, while trade is a supranational policy in the EU. The research considers policies and strategies which are important policy documents as they define a regional organisation's overall political goals which are to be developed and translated into policies and initiatives.

More specifically, trade includes policies that relate to FDI, and therefore includes policies that screen screening FDI (the EU FDI Screening regulation) but also policies that aim to enhance intra-regional investments (EU Invest, the ASEAN Comprehensive Investment Agreement, the Master Plan on ASEAN connectivity 2025, the Decision on intra Mercosur Investment facilitation).

Regarding security, the research includes instruments which are directed towards strengthening the regional organisation's defence (PESCO), limiting the regional organisation's dependence on external military supplies (the European Defence Fund), instruments which are both only to be found in the EU. It does not consider instruments aimed at countering terrorism (such as 'Our eyes' in ASEAN which is open to external cooperation (Tan 2020, 34)). Cooperation in terms of defence and security in ASEAN takes the form of external cooperation: the Treaty for Amity and Cooperation, the ADMM+, and the ASEAN Regional Forum. In Mercosur,

differentiation in defence issues was discussed at the earlier stages of Mercosur (Frenkel 2019) but the proposal did not receive the approval of all Member States.

Policies that aim to reduce the development gap and economic asymmetries are also considered as such policies that could in principle prevent member states from deepening their dependence on Chinese investments, should the regional organisation envisage such a policy orientation. The three regional organisations have regional policies that aim to reduce disparities in the development of member states (Wolleb et al. 2017). The EU has a policy of its own, the EU Cohesion Policy which contributes to strengthening economic, social and territorial cohesion in the European Union and aims to correct imbalances between countries and regions. However, the research looks at specific instruments that relate to the research question. Therefore, the instruments that are relevant are EU Invest, the EU economic and investment plan for the Balkans, and for the security policy the European Development Fund, the Network Infrastructure Security Directive (NIS2). With regard to ASEAN, the study looks at the Initiative for ASEAN Integration (IAI) which aims to narrow the development gap. ASEAN also has four sub-regional mechanisms: the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) initiative; the 'Basic Framework of ASEAN-Mekong Basin Development Cooperation' (AMBDC) and the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), which runs in parallel with the Greater Mekong Sub-region (GMS) programme. These initiatives are recognised as 'building blocks' to the connectivity project at large which is fundamental for ASEAN community building (Wolleb et al. 2017, 42). However, these initiatives are not regional in nature, but sub-regional, and the present study specifically aims to analyse the *regional* institutionalisation structure and process. The structural convergence fund (FOCEM) is the instrument analysed in the context of Mercosur. ASEAN and Mercosur do not have a specific regional funding mechanism as regards security policy. Indicators are the budget amount in relation to the regional organisation GDP (scale), and the source of funding (origin), consisting of states, international organisations or banks.

## Time frame

The time frame of the study is from 2013 to 2023. It starts with the launch of the BRI and ends in 2023 with a consideration of the most recent policy developments which shed light on the policy adaptation of the three regional organisations. Where relevant, reference is made to instruments established before 2013, especially when no further recent instruments have been put in place.

## Defining and measuring the variables

Comparing the institutional differentiation in the three regional organisations requires the variables to be defined, and for these to be operationalised with the use

of indicators. The independent variables include differentiation in three key dimensions (vertical, internal, external), and regional cooperation instruments which consist of external partnerships. The dependent variable is resilience and strategic autonomy. Data that relate to differentiation in the three regional organisations as well as the partnerships established by regional organisations with external states that are influential in the region is presented in a database<sup>37</sup>, of which the principles are set out in this chapter. The list of instruments is provided in Annex 1.

## Independent variables: definition and values

The typology elaborated for this research distinguishes between instruments which can be differentiated along vertical, internal and external dimensions according to a widely used definition (Leuffen, Rittberger, and Schimmelfennig 2022), and regional cooperation instruments which may or may not be driven by a regional organisation. Differentiation refers to variation in the centralization of policy making (*vertical differentiation*), to the non-uniformed application of regional organisation's rules concerning primary or secondary law to member states (*internal differentiation*), and to the application of regional organisation's rules around primary or secondary law to non-member states (*external differentiation*). *External cooperation* is a formalized mechanism through which a regional organisation or the governments of its Member States and a third state agree to find solutions to common problems *without* requiring the third country to adopt a regional organisation law or to align with its law.

The degree to which cooperation is formalized varies a lot between the three regional organisations. While the EU formalizes decisions to a high degree, ASEAN regionalism is based to a large extent on low level of legal formalism (Deinla 2017). To ensure a solid basis for comparison, the unit of analysis is a means of cooperation that takes the form of a written document endorsed by the regional organisations and the legal nature of the instruments is accounted for. The units of analysis are composed of elements of regional legislation and agreements, regional partnerships and international agreements between the regional organisations and external powers.

The values of the variables used in this research are qualitative (nominal and ordinal). The choice of values is dictated by theoretical and pragmatic considerations. The nominal value is used to characterise the type of cooperation (or vertical differentiation) to avoid instilling a sense of a hierarchy between the various values of the variable and a sense of finality that could suggest a Eurocentric evaluation. Given the small number of cases under scrutiny, a two-level scale is sufficient to assess the values of differentiation, which is coded as intergovernmental/supranational (with further specification regarding the level of competences provided in the database) and absent or present for internal and external differentiation (associated with further details in the database). If at least one EU member state does not participate in an

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<sup>37</sup> The database is available at <https://www.eu3d.uio.no/publications/eu3d-data/database-regional-organisations.html>

integrated policy, we speak of 'internal differentiation', and if at least one non-member state 'opts in', we speak of 'external differentiation' (Leuffen et al., 2013). Ordinal values (low, intermediate, high) are used in the interpretation phase to assess levels of differentiation. The number of differentiated instruments are then related to the total number of instruments to give a percentage. The percentage is then categorised into one of four differentiation classes in order to ease interpretation: differentiation is low if the differentiated instruments represent less than 15% of all instruments, medium (if 15 to 50%), high (if over 50%-60%) and very high (if over 60%).

Vertical differentiation 'refers to the fact that the level of vertical integration varies among policies' (Leuffen, Rittberger, and Schimmelfennig 2022, 9): this means, as Leuffen et al. specify, that some policies remain exclusively under the purview of the states, whereas others are in the domain of supranational policy-making. Vertical integration as defined in chapter 1, refers to pooling (majority decisions) and/or delegation of authority to a third body. As all policies in ASEAN and Mercosur are intergovernmental, vertical integration only varies in the EU, and consequently only the EU is vertically differentiated. A two-level scale is used for vertical differentiation and vertical integration. Integration is assessed as being intergovernmental or supranational, and vertical differentiation is assessed as being present or absent. Vertical integration has two ordinal values: integrated (coded according to the type of competences given to the supranational body), and intergovernmental. All decisions taken in ASEAN and Mercosur are intergovernmental. A comparison of the types of decision among the three regional organisations is presented in Table 3 along with the major differences in terms of powers conferred to the parliaments and their representativity (see Graph 3).

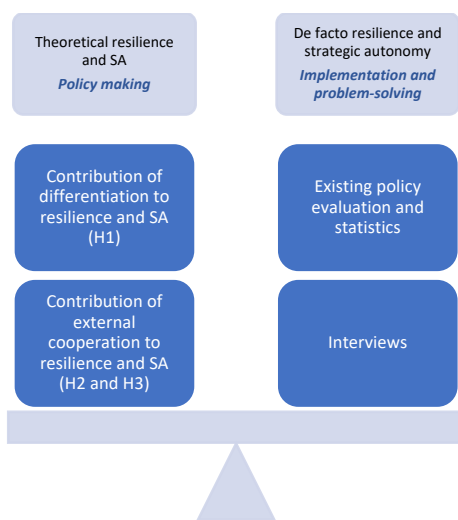
Internal differentiation refers to the non-application of a regional organisation's rules to certain member states, and external differentiation to the process through which a third country either adopts a regional organisation's law or aligns to the regional organisation's law. The degree of internal and external differentiation is measured with a binary scale indicating the absence or presence of differentiation.

The interpretation of the importance of external partnerships with regard to resilience and strategic autonomy takes into consideration the variation in the number of strategic partnerships between regional organisations and external partners in relation to China's rise, the states with which the regional organisations partner with, the proportion of partnerships with China, the policies concerned (trade, partnership agreement, strategic partnership), and their scope (whether specific provisions are provided in terms of screening FDI, and whether defence policy is covered). As far as partnerships with China are concerned, specific attention is given to the potential overlap with existing regional instruments - e.g., in terms of connectivity -, and to specific leverage China enjoys such as the degree of power that it wields within the Asian Infrastructure Investment Bank (Luo, Yang, and Houshmand 2021, 29-30) or the voting power that it has within ASEAN +3.

## Dependent variable: resilience and strategic autonomy

The relation between institutional adaptation (differentiation and external cooperation since the launch of the BRI in 2013) and resilience and strategic autonomy is analysed in terms of effectiveness which is about whether an institution – including a policy instrument - solves the problems that led to its creation (Young 2014; Underdal 2002; Gutner and Thompson 2010). Effectiveness is therefore assessed in relative terms in comparison to an initial situation (an improvement, a worsening situation or no change in a situation), as opposed to absolute terms (in reference to an ideal situation) (Lavenex and Križić 2019).

The evaluation of resilience and strategic autonomy of the three regional organisations is based on the analysis of the measurement of both differentiation and external partnerships at the stage of policy-making (or the 'process' in Gutner and Thompson's framework (Gutner and Thompson 2010)). The theory on resilience and strategic autonomy is backed up by the assessment of the de facto resilience and strategic autonomy provided by existing evaluations made by regional organisations, specialised institutions (e.g., the OECD), academic literature, and information collected through the interviews with policy-makers. The analysis considers the two stages of implementation and problem-solving (or the 'outcomes' in Gutner and Thompson's framework).



*Figure 2. Assessing the validity of the theory*

## Data

The data stems from primary and secondary literature: institutional documents, speeches, semi-structured interviews, academic literature, policy evaluation and statistics. Sixteen semi-structured interviews were conducted with key informants and



actors selected on the basis of their expertise in relation to key research issues, most notably regional organisations and government representatives and high-level officials. Interview data was triangulated with other sources: institutional sources, literature, and data from other interviews (Blatter and Haverland 2012, 68).

The aim of the interviews is to confirm working hypotheses and to aid measurement of the variables. Interviews were conducted with major policy-makers and high-level officials in the EU, Mercosur and ASEAN and their member states. The interviewees were selected based on their relevance as information sources in terms of the specific processes under study, and their position within institutions or organisations. Interviews were semi-structured lasting on average 60 minutes each. With the exceptions of four interviews, the interviews were recorded, however, given the sensitivity of the issues being discussed, many interviewees requested that the recording be deleted. 1-3 pages of notes were taken at each interview. As was detailed on the consent form, all data was treated confidentially and sensitively and the transcript of the interviews was fully anonymised. The anonymised transcripts of interviews were stored on the researcher's professional computer devices. They will also be saved on the Sciences Po Grenoble secure data centre (GRICAD) until the year 2033 (10 years after the end of the EU3D project in 2023). The resulting information has also been published in a completely anonymised way. The semi-structured interviews were subject to qualitative analysis.

Interviews were particularly useful to understand the specificities of the actor's perspectives, priorities and strategies in relation to each regional organisation. The main constraint which weighed on the interview process was undoubtedly the sensitivity of the issues at play, which prevented a number of interviews occurring at all, especially with ASEAN representatives. Furthermore, the research coincided with the Covid crisis resulting in the cancellation of conferences and meetings which could not always be arranged online.

## Database

A database presents the data concerning differentiation and external partnerships in the three regional organisations, the EU, ASEAN and Mercosur which are of relevance when understanding the institutional responses of these regional organisations to China's influence since 2014 in foreign direct investment and security issues.<sup>38</sup> The instruments presented in the database are selected based on several criteria: their relevance vis-à-vis the question of resilience and strategic autonomy in relation to the influence of China, their legal dimension, and the time frame of the study.

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<sup>38</sup> The database is available at <https://www.eu3d.uio.no/publications/eu3d-data/database-regional-organisations.html>

Information about regional organisation's law was accessed via the following sources: for the EU, EUR-Lex, and the 'Online gateway to EU Law'<sup>39</sup>; for ASEAN, the 'Legal Instruments Database'<sup>40</sup>; for Mercosur, the 'Mercosur Law Database' and the database of the Organization of American States.<sup>41</sup> Data in the database also originates from academic literature of which the full references are given. Information which is not referenced is extracted from the instrument itself, the link of which is provided for in the database. The assessment of differentiation is explained in the previous sections.

The content of the database is presented via an excel spreadsheet including the following variables: Title; Short title; Policy area; Date; Status; Type of instrument; Legal basis; Third state (agreements); Weblink; Subject matter; Critical juncture; Vertical differentiation; Internal differentiation; External differentiation. Information about critical juncture, and differentiation is not entered for the external partnerships between the regional organisations and external powers. By definition, differentiation does not apply to such instruments. As for the critical juncture for establishing partnerships between regional organisations and external powers, the identification of the multiple factors at play would require in-depth analysis of the bilateral relations of each regional organisations with every external power and would not bring significant added value to the research. The partnerships are selected based on their relevance vis-à-vis the influence of China. Some were negotiated before 2014 but their relevance to the time frame of the study justifies their consideration for the database.

The three types of instruments are contained in rows in the Excel spreadsheet (regional organisations' instruments, external partnerships, partnerships with China) and are identified as such in the database (RO = 1; RO-state/RO/IO = 2; RO-China = 3).

## Background factors

Other independent variables that may have an effect on the dependent variable require to be 'controlled' for (Blatter and Haverland 2012, 54). Bearing in mind that not all of the variables can be included, but those that are the most relevant should be (Blatter and Haverland 2012, 54), some variables were not considered for the analysis. These are: internal political vulnerability, the direct influence of China on member states, economic vulnerability, the regional proximity of the regional organisations to China and the size of the regional organisations. There are three (possibly complementary) ways in which these variables are accounted for: (1) they are already accounted for in the analysis through the consideration of the institutional adaptation

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<sup>39</sup> Online gateway to EU Law. <https://eur-lex.europa.eu/homepage.html>

<sup>40</sup> ASEAN Legal Instruments Database. <https://asean.org/legal-instruments-database/>

<sup>41</sup> Mercosur Law Database. <https://www.mercosur.int/documentos-y-normativa/normativa/> Organization of American States <http://www.sice.oas.org/agreementss.asp>

of the regional organisation (H1) or the development of external cooperation (H2) and (H3); (2) they are accounted for in the interpretation phase.

*Internal political vulnerability* derives from the diversity of the regional organisations' political systems and regimes (such as in ASEAN, in particular after the coup in Myanmar that has created unease in ASEAN),<sup>42</sup> from the sensitivity of the integration project to changes in the political/ideological direction of the leadership of member states observed in Mercosur to the destabilising and centrifugal forces exercised by nationalist governments in the EU in Hungary and Poland. These political vulnerabilities are accounted for in the interpretation of the results.

*Economic vulnerabilities* which weaken a regional organisation's cohesion are measured with two indexes: the dispersion of member states GDP and the dispersion of member states GNI; the size of the regional organisation, measured in terms of GDP (see Graph 4 and Annex 3). Such vulnerabilities are accounted for with the cohesion variable which in principle should compensate for it. In the absence of such regional mechanism, a member state may be inclined to engage in external economic cooperation, an alternative way forward which is accounted for by (H2) and (H3).

*Special relationship with China and political influence.* Some Member States have traditionally supported China in ASEAN, such as Cambodia, one of China's closest allies given its pro-China position on the SCS dispute (Giese 2021), or Laos, considered the second biggest ally of China (Pang 2017), all of which underplay the SCS dispute within ASEAN (Chatterji 2021). These political vulnerabilities are also accounted for in the interpretation of the results.

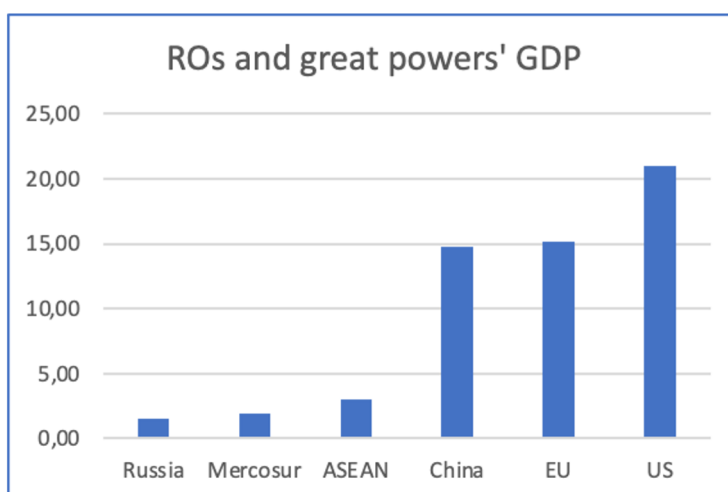
The *geographical proximity* with China can have an impact on the resilience of the regional organisation in the sense that it can increase the intensity and the magnitude of the threats. China has territorial borders with Myanmar, Laos and Vietnam. The relation between China and Myanmar is intense since Myanmar is China's geo-strategic partner for trade routes that avoid the SCS and China has a strong presence in Myanmar in terms of trade, aid and investment, and infrastructure, as part of the China-Myanmar Economic Corridor which is a BRI project (Chatterji 2021). China also has maritime borders and overlapping claims in the SCS with Vietnam, Brunei, Malaysia, Indonesia and the Philippines which result in specific kinds of tension in the region. By contrast, China is very distant from the EU and from Mercosur. Although the distances from the EU and Mercosur is to some extent reduced by the capacity of China to project economic power, the territorial proximity of ASEAN with China and sovereignty disputes definitely make the relation between ASEAN and

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<sup>42</sup> 'In the protracted Rohingya crisis in Myanmar, Indonesia long avoided any open criticism of the regime in Myanmar, even after the International Court of Justice (ICJ) declared in January 2020 that the Rohingya Muslims in Myanmar faced the real and imminent risk of genocidal violence and that the Myanmar government should 'take all measures within its power' to prevent such genocidal violence (International Court of Justice 2020)' (Setiawan and Tomsa 2022, 189).

China of a singular character: yet the consequences of this singularity are precisely explained by means of hypothesis 3, which enables an understanding of one of the strategic options that ASEAN chose namely strengthening cooperation with China. The difference in degree of influence is not a matter of concern from a methodological perspective (if China exercises more influence on a specific regional organisation) as the institutional responses of the regional organisations are not analysed *per se*, but are analysed in terms of their adaptation to a specific type of influence.

*Size of the regional organisations.* The relative size of each regional organisation compared to China – measured in GDP – is significantly different (see Graph 4) and is an important factor which may explain why the smallest regional organisations might have more difficulty ensuring resilience against an offensive economic entrepreneur. This factor is accounted for in the interpretation of the results and the evaluation of the respective merits of each institutional design to cope with the challenges of an assertive China.



*Graph 4. Regional organisations and great powers' GDP in 2020 expressed in USD.*

*Source: World bank.*

## Generalisation

As the size of the case sample is limited to three cases, it is not possible to aim for a robust set of generalisations. The scope of generalisation of the findings is also constrained by the causal complexity at play in the phenomena analysed (Blatter and Haverland 2012, 34). However, the hypotheses of the causal mechanism evidenced in this study can be tested on other regional organisations with similar institutional features (legal personality, multi-purpose policies, decision-making bodies).

## Conclusion on chapter 2

Chapter 2 has explained the method used to address the daunting challenge of comparative regionalism which should not construe the EU as a benchmark (Balogun 2021; Börzel and Risse 2019), but should not either discard the EU's singularity from the analysis (Acharya 2016, 299). A comparative approach allows to avoid false uniqueness and false universalism (Halperin and Heath 2020, 232). Avoiding eurocentrism is achieved thanks to the design of the research question itself which looks at the responses of the three regional organisations to the same challenge; and second, it resides in using the concept of differentiation which is applicable to all political systems and adapting it for comparative purposes. The case of China which nurtures global governance ambitions is extremely relevant for a comparative analysis, and allows an innovative comparative approach of regional organisations which are not compared per se, but in terms of their respective merits with regard to their responses to a similar situation.

# Conclusion of Part 1

Part 1 has presented the theoretical framework and the method used in this research. The theoretical approach relies on an innovative framework which associates differentiated integration theories and the English School. It is shown that the theories of differentiated integration need to be expanded to allow for the differentiation dimensions to be accounted for in the context of the external relations of regional organisations. Beyond a descriptive account of the international society and avoiding a prescriptive account, the research proposes to relate the English School's analytical framework to the three concepts of balancing, hedging and bandwagoning: this link not only helps structuring the analysis, but it even more importantly allows to offer an explanatory understanding of the implications of the policy options taken by the three regional organisations in terms of resilience and strategic autonomy. Chapter 2 has developed the method, including the rationale for adopting a comparative approach, the principles of case selection and the definition of the variables, paving the way to overcome the challenges of comparative regionalism, in particular eurocentrism. This is done thanks to the design of the research question itself which looks at the responses of the three regional organisations to the same challenge; and second, it resides in using the concept of differentiation which is applicable to all political systems and adapting it for comparative purposes but does not erase the integration dimension.

## **Part 2**

Differentiation as a Balancing Strategy to Increase Resilience and Strategic Autonomy

# Chapter 3

## Vertical differentiation

Vertical *differentiation* which qualifies the variation in centralisation of policy making is a major feature of the EU while ASEAN and Mercosur only display intergovernmental coordination decision-making processes. Vertical *integration* is defined as 'the transfer of policy-making competences from the national to the European level and, at the European level, from intergovernmental coordination and cooperation to supranational centralization' (Leuffen, Rittberger, and Schimmelfennig 2022, 9). This chapter is divided into two sections. The first section is dedicated to the EU and analyses a recent rise in supranationalism in EU policies and institutions in relation to trade and security. The second part reports on ASEAN and Mercosur's intergovernmental response to Chinese influence and their stand on integration.

## Supranationalism in the EU

This section looks into supranationalism in the common commercial policy where the EU has exclusive competences and more specifically analyses how the EU endeavours to enhance resilience with the FDI Screening Regulation, before looking into policies in relation to the industrial development of key products and technologies for the security and defence of Europe.

### FDI Screening Regulation: big step, light supranationalism

#### *Concern over Chinese FDI*

The EU investment policy has greatly evolved over almost a decade, from an initial situation where investment policy was mostly made at the national level with its



European dimension limited to the benchmarking of Member States' best practices (Marquis 2020), to its introduction in the EU's common commercial policy where the EU has exclusive competence through the inclusion of FDI in the Lisbon Treaty as part and parcel of the EU's supranational Common Commercial Policy (Telò, Weyembergh, and Ponjaert 2020, 266). The Lisbon Treaty afforded the EU exclusive competences with regard to FDI.<sup>43</sup> However, a controversy has arisen regarding the competence of the EU and the Member States in this field. In response to the request by the European Commission to clarify the issue of competence, the CJEU provided an opinion – Opinion 2/15 on the EU-Singapore FTA – which determined that the EU has a shared competence with respect to the investor-state dispute settlement (ISDS) and to portfolio investments – and thus considered the EU-Singapore FTA to be a mixed agreement.<sup>44</sup> This decision has had a significant impact on the EU investment policy, and commercial negotiations now separate trade and investment agreements to avoid any delays with ratification (Telò, Weyembergh, and Ponjaert 2020, 266). This section does not intend to answer the question of whether the EU's responses to Chinese FDI go against competitiveness (Mariotti 2023; Meunier 2019), but rather to analyse the EU's response in terms of differentiation.

The need for policy change in the area of FDI had already been addressed by the Commission back in 2011. 'Antonio Tajani, then EU Commissioner for Industry and Entrepreneurship, and Michel Barnier, then Internal Market Commissioner, wrote a joint letter to Commission President José Manuel Barroso, warning against Europe's naïveté on foreign investment and recommending the development of a supranational body to vet FDI in the EU, analogous to the Committee on Foreign Investment in the United States (CFIUS) system in place in the United States<sup>45</sup>, to make sure that non-

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<sup>43</sup> Article 207 TFEU.

<sup>44</sup> 'While an area of exclusive competence allows the Union to legislate and adopt legally binding acts (art. 2(1) TFEU), one of shared competence requires that the Union and Member States both legislate and adopt legally binding act (art. 2(2) TFEU). If the CCP is an exclusive competence (art. 3), the debate has raged since the introduction of the Lisbon Treaty as to whether "foreign direct investment" (art. 207(1)) was of exclusive or shared competence (art. 4). The CJEU, in Opinion 2/15, determined that it was a shared competence for ISDS [investor state dispute settlement] and portfolio investments. However, when the agreement contains topics of shared competences, it is in the EU's power to decide whether or not it will be treated as a mixed agreement. The decision by the Court in Opinion 2/15 to consider the EU-Singapore FTA as a mixed agreement, due to the fact ISDS was considered of shared competence, was highly political and surprising to many' (Marquis 2020, 224–25). See (CJEU 2017).

The CJEU specifies in a press release: 'It is in respect of only two aspects of the agreement that, according to the Court, the EU is not endowed with exclusive competence, namely the field of non-direct foreign investment ('portfolio' investments made without any intention to influence the management and control of an undertaking) and the regime governing dispute settlement between investors and States.' (Court of Justice of the European Union 2017)

<sup>45</sup> The CFIUS (Committee on Foreign Investment in the United States) is an interagency committee authorized to review certain transactions involving foreign investment in the United States.

EU investments in Europe are not 'attempts to close down businesses after having stolen all of their 'know-how' (European Commission, 2011)' (Chan and Meunier 2021, 10).

However, the majority of Commission officials were wary that a new policy would be interpreted as a protectionist move, and Member States were reluctant to make such a move at that time. In light of increasing Chinese FDI, it was only in 2017 that three Member States, namely France, Germany and Italy, called on the European Commission to review the rules around FDI into the EU and suggested that a European instrument to screen investment be developed (European Economic and Social Committee 2017: 5-6). According to Lundqvist, most proposals for stricter screening mechanisms have a common target in mind which is China. Over the past few years, Chinese outbound investment has experienced substantial growth, surpassing a noteworthy milestone of USD 180 billion in 2016 (Lundqvist 2018, 2). There is an increasing recognition that China, in contrast to many other investors in Europe, operates under a distinctive non-democratic political system and exercises state control over a great amount of investment and is not a security ally (Chan and Meunier 2021, 10). Under the current WTO rules, Chinese companies benefit from special treatment as China is still considered as a developing country.<sup>46</sup> China has one of the highest restrictiveness indexes in the world (0.21 in 2020, after Indonesia and New Zealand) (OECD 2020a) (see Graph 16).

EU members participating in the BRI include Poland, Greece, Italy, Hungary, Czechoslovakia, Croatia, Bulgaria, Latvia, Portugal, Romania, and Slovakia (Brown 2021: 2). However, investments are also made in other EU countries outside the official framework of the BRI: between 2000 and 2017, the UK received 42.2 % of Chinese FDI, Germany 20.6 % and France 12.4 of overall Chinese FDI in the EU (Zenglein 2020). In terms of sectors, Chinese investments in Europe are diverse, but the transportation, construction, and infrastructure sectors represent the largest percentage of investments and were the top targets in 2020 (Kratz et al. 2021).

The aspects of Chinese FDI in the EU which enable European policies to be influenced relate to the capacity afforded to Beijing to monitor and control activities in key logistical nodes (seaports, airports, tunnels and bridges), to control strategic infrastructure and technology, to weaken European economies through loans and high-level indebtedness, and to shift economic vulnerability into political leverage and drive political loyalty away from the EU (Meunier 2019; Pelaudeix 2021). Greece blocked an EU statement criticizing China's human rights record in June 2017, shortly after COSCO acquired the majority share of the port in Piraeus (Gerstl and Wallenböck 2021). As mentioned in the introduction, Portugal and Greece are reported to have both initially opposed to the FDI screening mechanism proposed by

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<sup>46</sup> We also observe a lack of symmetry in terms of openness to FDI due to a lack of reciprocity and allegedly forced technology transfers, in response to which the EU launched a WTO action in 2018 (WTO 2018).

the Commission because of their dependence on Chinese investments (Meunier 2019, 16).

### ***FDI Screening Regulation***

In response to the concern over Chinese inward investment in strategic sectors, the EU has moved further to enhance coordination of Member States' screening programmes with the establishment of Regulation (EU) 2019/452 which provides legal certainty for Member States that maintain an FDI screening mechanism or that wish to adopt such a mechanism (European Parliament and Council of the European Union 2019). As defined in Regulation (EU) 2019/452, an FDI is an investment made by a foreign investor in an EU-based operation that could lead to direct and lasting links, and includes participation in the management of the company, or even controlling it. Regulation 2019/452 is an enabling framework that lays down rules for cooperation and sharing of information on FDI between EU Member States and the European Commission in the event of security or public order issues. Indeed, the scope of the regulation is limited to investments that affect national security and public order as it must remain in line with EU's openness to capital investments and with the existing WTO approach (Woolcock 2020, 216). This Regulation marks another milestone in EU trade policy, and also represents an important change in light of the fact that Member States are now sharing information on national security issues.<sup>47</sup> The exclusive competences of the EU regarding the policy, and an absence of internal differentiation – as discussed in chapter 3 – should, according to hypothesis 1, have a positive impact on resilience. However the specificity of its substantive dimension (a low stringency) needs clarification in light of an examination of the impact of differentiation on resilience and strategic autonomy.

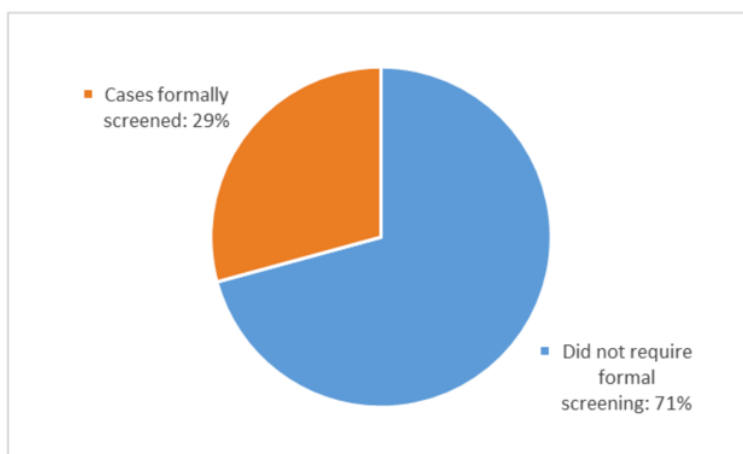
Indeed, the FDI Screening Regulation has an interesting feature. As a regulation, it is mandatory, but somewhat paradoxically it does not contain an obligation. The extent to which it is legally binding is high, but the level of legal requirement is low, as specified in Article 1.3, 'nothing shall limit the right of each Member State to decide whether or not to screen a particular foreign direct investment within the framework of this Regulation'. In addition, it contains only minimum procedural requirements for all national screening authorities (Lundqvist 2018: 22). The level of precision is not strong either, and the enforcement mechanism is also weak (Lundqvist 2018: 8 & 14; Zwartkruis and de Jong 2020: 472; Meunier 2019). The stringency of the Regulation can therefore be considered as lax which gives Member States a significant level of flexibility as they are not obliged to initiate an FDI screening. Yet, if they do start a review process, they must follow the procedure and notify *all* Member States as well as the European Commission. Furthermore, the latter, despite being conferred new powers, is only authorised to issue non-binding advisory opinions should the FDI affect EU interests. 'Neither [M]ember [S]tate comments nor Commission opinions are legally-binding on the [M]ember [S]tate recipient' (Reisman 2020: 6). Rather, the

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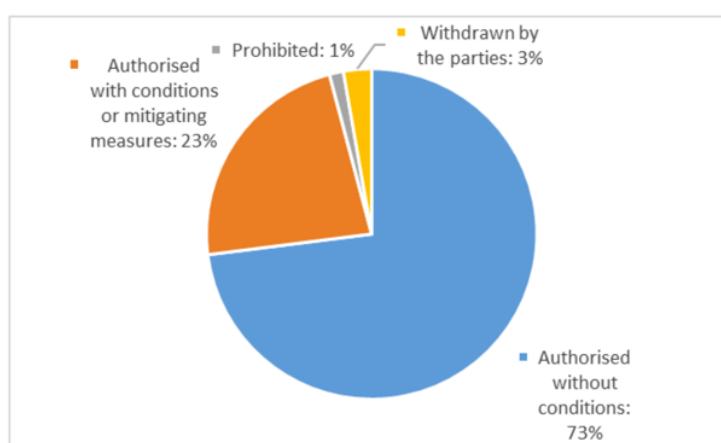
<sup>47</sup> Interview 5, European Union institution, Brussels, December 2022.

merits of the Regulation are deemed to be found in the fact that it provides a 'sense of a common trajectory'.<sup>48</sup>

In 2021, it was found that the screening mechanism had resulted in the screening of 29% of formally screened dossiers (see (European Commission 2022c, 11). Most of these concern the ICT sector (39%). The Commission in its 2022 report highlights an increase in FDI screening in 2021 compared to 2020 to 2021 indicating that the requests received were perceived as more sensitive and underscoring the fact that only 1% of the transactions were blocked by Member States (compared to slightly more before, i.e., 2% in the first report), confirming that the European Union remains open to FDI (European Commission 2022c, 12–13).



*Graph 5. Member States' FDI Screening activity*  
Source: European Commission 2022c, 11



*Graph 6. Notified decisions on FDI cases*  
Source: European Commission 2022c, 12

<sup>48</sup> Interview 5, European Union institution, Brussels, December 2022.

Though interesting, this assessment nevertheless does not specify the overall percentage of FDI which can be harmful to national security of public order, nor the percentage of screened dossiers of FDI with regard to total FDI. And, indeed, some deals have not been stopped, such as the acquisition by the Chinese company *Vital* of the industrial site *PPM Pure Metals GmbH* in Germany in December 2020 (Kratz, Zenglein and Sebastian 2021). The first annual review of the mechanism launch by the Commission indicates that China, the fourth largest foreign investor in the EU in 2020, had a share of 2.5% of foreign investments in Europe in 2020, down from 4% in 2019. However, the review also notes that the particular characteristics of 2020, and their impact on FDI, including those that relate to the European Union,<sup>49</sup> are to be understood within the broader time-frame of the Covid-19 pandemic, which slowed down the global economy (European Commission 2021a). The Commission expects Chinese investors' interest in high tech sectors to increase and shape future FDI flows to and from China (European Commission 2021a). The Commission is considering enhancing the co-operation mechanism established by the FDI Screening Regulation (European Commission 2021b: 7), the design choices of which have been the object of a thorough analysis by the OECD (OECD 2022).

Empirical observations also plead in favour of an improvement in the efficiency of the Regulation: in October 2022 the German government authorised an investment by COSCO involving a 24.9% stake in a terminal at the port of Hamburg, a decision which did *not* take into consideration the opinion expressed by the Commission pursuant to the FDI Screening Regulation (*Politico* 2022; *Le Monde* 2022). Furthermore, requests for screenings were sent to the European Commission after President Macron's visit to Beijing in April 2023 including a contract for 50 helicopters H160 with a high level of dual use technology, between AIRBUS and GDAT, one of China's most prominent helicopter lessors and operators (AIRBUS 2023). The contract will need approval from the CIEEMG, the interministerial commission for the study of war material exports<sup>50</sup>). This contract is considered as being in complete contradiction with the development of a strategic autonomy, the protection against technology transfer, and as having the potential to damage relations with EU allies, a decision which is all the more questionable that a precedent already happened in the 1980s with the 'Dauphin' helicopters.<sup>51</sup> Requests for screening were also sent to the European Commission after Foreign Minister Qin Gang's visit in Germany in April 2023. More generally there are regular requests for screenings, especially since the Covid-19 crisis. Although there is now an awareness among the practitioners in the EU political and strategic

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<sup>49</sup> According to Chan and Meunier, the EU's investment screening framework is primarily hampered by its roots in reconciling vastly disparate policy practices and preferences among the Member States, which exposes its weaknesses (Chan and Meunier 2021, 13).

<sup>50</sup> The CIEEMG is a commission made up of representatives from several ministries, including those responsible for defence, foreign affairs and international development, and the economy and finance, who have the right to vote. It reports to the Prime Minister and is chaired by the General Secretary for Defence and National Security (SGDSN).

<sup>51</sup> Interview 16, EU institution, July 2023.

community of the potential impacts of Chinese FDI on strategic autonomy, two communities of actors are less cautious. The first type of actors consider that it is not possible to fully trust the US, and therefore that to balance the relation it is acceptable to engage with China, the second type of actors is a new generation in the economic, commercial and industrial environment disconnected from the geopolitical context who believes that it can succeed in its business agenda without consideration not only for the restrictive business environment in China, but also for the strategic consequences for the EU (see Graph 29 in Annex 5).<sup>52</sup>

To conclude on this section, although not internally differentiated and applicable to all Member States, the screening Regulation only has a limited impact on resilience and strategic autonomy when it is weakened by a low stringency (see chapter 4). The FDI Screening Regulation testifies to an important move towards supranationalism in a sensitive area that concern national security and public order but the low stringency element affords a high degree of flexibility to Member States not to take action. This flexibility could be considered as having an equivalent effect to that of an internal differentiation mechanism, which acts in a way that does not promote unity but weakens the efficiency of the instrument.

## Strides in defence and security

### *EDF and DG DEFIS*

Whereas the EU was historically based on a project for peace and democratic prosperity which implied unprecedented transfers of sovereignty, it has long failed to take defence issues into account (Chopin and Lequesne 2022, 75). Precisely because of the transfer of sovereignty it involved, Member States preferred to 'settle the question of hard power on their own or within the transatlantic framework' (Chopin and Lequesne 2022, 75). EU defence and security policy has thus remained intergovernmental: as opposed to policies which fall under the competences of the EU, the EU CSDP is characterised by specific institutional features, such as the limited participation of the Commission and Parliament in the decision-making process and the absence of any legislation activity. However, the establishment of the European Defence Fund (Regulation 2021/697), proposed by the Commission in 2017 to encourage collaborative projects on the research and development of key products and technologies for the security and defence of Europe, and the creation of DG DEFIS to enhance the competitiveness and innovation of the European defence industry testify to a dramatic change in the balance of supranationalism in the security sector.<sup>53</sup>

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<sup>52</sup> Interview 16, EU institution, July 2023.

<sup>53</sup> The European defence has also been bolstered by the launch of CARD in 2017 as part of the of the implementation EU Global Strategy and also serves as an important tool in taking forward the EU Strategic Compass. CARD is an annual defence review which identifies collaborative opportunities for Capability Development and Research & Technology. CARD

The two institutional innovations (and the launch of the intergovernmental PESCO considered in chapter 4) are to be understood in the context of the need to strengthen EU's strategic autonomy in the wake of Brexit (Sweeney and Winn 2020, 234) and the Russian invasion of Crimea (Chopin and Lequesne 2022, 75), while the US was less predictable in terms of its support of multilateral security under Trump's presidency and while its pivot to Asia indicates a shift in the US security priorities. However, China's growing assertiveness in regional and global security is also raising concern in Europe from a defence and security perspective. The Strategic Compass is clear:

'China pursues its policies including through its growing presence at sea and in space, as well as by using cyber tools and displaying hybrid tactics. In addition, China has been substantially developing its military means and aims to have completed the overall modernisation of its armed forces by 2035, impacting regional and global security. China's development and integration into its region, and the world at large, will mark the rest of this century. We need to ensure that this happens in a way that will contribute to uphold global security and not contradict the rules-based international order and our interests and values. This requires strong unity amongst us and working closely with other regional and global partners.'

(Council of the European Union 2022, 8).

More specifically, as highlighted in the introduction, China's activities challenge EU interests in several geographic areas including the Indo-Pacific, the Atlantic, and Eastern Europe. While China has doubled its defence budget since 2012, becoming the second largest in the world (Ministère des Armées 2021), the prospect of the Chinese Navy gaining easier access to the Atlantic Ocean through the newly accessible Northern Sea Route, thanks to receding sea ice, is a matter of concern, which is even deepened by a recent agreement between the Russian and Chinese coastguards (Nilsen 2023). With regard to Europe, China is strengthening ties with European countries and EU candidate countries through diplomatic channels and sales of military equipment. In March 2021, Wei Fenghe, the Chinese Minister of Defence, paid an official visit to Hungary, Greece, North Macedonia and Serbia (RFI 2021; The Diplomat 2021). Furthermore, China's stance regarding Russia's aggression against Ukraine has exacerbated the existing tensions between Western allies and China (Soutullo et al. 2022). China abstained in a vote on the UN Security Council resolution on 25 February 2022 which demanded that Moscow immediately stop its attack on

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provides an overview of the EU defence landscape and facilitates cooperation by identifying collaborative opportunities. It is based on a review of Member States defence plans and aims at improving coherence, serving as a pathfinder for defence cooperative activities. Over time, this will lead to a gradual synchronisation and mutual adaptation of national defence planning cycles and capability development practices. CARD was launched in 2017 as part of the implementation of the EU Global Strategy and also serves as an important tool in taking forward the EU Strategic Compass.

Ukraine and withdraw all of its troops (United Nations General Assembly 2023) and also abstained on 23 February 2023 in a vote on a Resolution at the UN General Assembly which included the same demand (United Nations 2022a).<sup>54</sup> Moreover China is aligned with Moscow in attributing the cause of the war to NATO and the 'West', and has actively propagated this narrative (Hoang Thi 2023b, 4). Finally, EU defence and security can be weakened by FDI in small and medium-sized enterprises which are subcontractors to EU defence industries: complementary to a FDI screening mechanism – which is more complicated to implement for small and medium-sized enterprises<sup>55</sup> – is the securing of supply chains by supporting EU small and medium-sized enterprises. The EDF – and PESCO (presented in chapter 4) – were seen in 2020 by Josep Borrell, as a very good illustration of 'pragmatic strategic autonomy' that does not undermine 'Atlantic solidarity' (Borrell 2020).

The establishment of the EDF testifies to a shift in EU defence policy, as a result of the realisation that the EU has to 'speak the language of power and act accordingly, while remaining the largest democratic area in the world' (Chopin and Lequesne 2022, 83). The EDF acts as a catalyst for the European Defence Industry by developing cutting edge and interoperable defence technology. It supports R&D projects and has two pillars, one for collaborative defence research and one for capability development projects to make the EU defence market more competitive, innovative and resilient. The Commission hopes that stronger integration will boost the European Defence Technological Industrial Base which in turn will strengthen the EU's strategic autonomy, and avoid MS' costs being duplicated.

Policy instruments and their differentiation features are important in terms of resilience, as are administrative coordination and implementation capacity. The creation of a new DG, DG DEFIS, creates an opportunity for the Commission to monitor and guide capability development, in particular regarding the 'stated goal of consolidating the number of systems developed and procured on the EU-wide armaments market' (Blockmans and Crosson 2022, 383). Half of the European Defence Fund's first 2021 call for proposal falls under the management of DG DEFIS. DG DEFIS is tasked inter alia with the implementation of the EDF, but also with fostering investment in defence supply chains. The Commission in particular is launching actions to support defence small and medium-sized enterprises and helping them engage in cross-border partnerships. In November 2022, the CARD Report identified a likely recovery point in 2023, when Member States would be able to move past the underinvestment in defence following the 2008 financial crisis. However, spending in isolation and leaning towards non-EU suppliers risk increasing fragmentation and undermining broader efforts to deliver capable and coherent European armed forces.

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<sup>54</sup> 143 states voted in favour of the resolution. Six states sided Russia by voting against the resolution: North Korea, Syria, Belarus, Eritrea, Nicaragua and Mali. China abstained along with 31 countries. The day after the vote, on 24 February, China published a so-called 'Position on the Political Settlement of the Ukraine Crisis' in which it highlighted the importance of 'respecting the sovereignty of all countries' but did not condemn Russia's invasion of Ukraine.

<sup>55</sup> Interview 5, EU institution, December 2022.



It also found that defence planning continues to be done mostly in isolation and that Member States remain unconvinced by European cooperation projects (European Defence Agency 2022).

EU defence is still under construction and other instruments are being developed, such as the (European Defence Industry Reinforcement through common Procurement Act (EDIRPA) (European Council 2023b), and the European Defence Investment Programme (EDIP). The EDIRPA of which the procedure is ongoing, is intended to avoid Member States competing for the same products, facilitate cost savings, strengthen interoperability and increase the European Defence Technological and Industrial Base to support and facilitate the joint acquisition of weapons at the European level.<sup>56</sup> The EDIP represents a more long-term EU framework for joint defence procurement. The Commission and the MEPS consider that these initiatives constitute a major step towards a European Defence Union (Clapp 2023).

## *Cybersecurity*

Cybersecurity, the practice of protecting critical systems and sensitive information from digital attacks, is another example of an area in which a policy which belongs to the domain of national competences is being developed in a supranational way in the EU, along with intergovernmental instruments as explained in Chapter 4. Cybersecurity was introduced in the European Security Strategy in 2008 due to mounting cyber-attacks in the Baltic countries, but it was only after Russia intensified its cyber warfare in 2013 and 2014 that the EU established a cybersecurity regime (Carrapico and Barrinha 2018).

The first comprehensive policy document, the 'Joint Framework on countering hybrid threats - a European Union response' was issued in 2016 (European Commission 2016). ENISA, the EU cyber security agency which has seen its mandate extended several times, promotes the exchange of best practices between Member States and EEA countries, and facilitates contacts between institutions (national and European) and businesses.<sup>57</sup> ENISA aids operational cooperation in the Union, as well as capacity

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<sup>56</sup> On June 26, 2023, the Council reached a provisional agreement with the European Parliament on the European defence industry reinforcement through common procurement act (EDIRPA). The regulation will incentivise EU member states to jointly procure weapons, thereby ensuring interoperability, economies of scale and - ultimately - a strong European defence industry. Pål Jonson, Minister of Defence of Sweden, stated that 'Through the joint procurement of defence materiel the competitiveness and efficiency of the European Defence Technological and Industrial Base will be boosted and EU member states will be able to more effectively replenish their stocks depleted by donations to Ukraine' (European Council 2023b).

<sup>57</sup> ENISA was established in 2004. ENISA is now governed by [Regulation \(EU\) 2019/881](#) of the European Parliament and of the EU Council of 17 April 2019 (Cybersecurity Act) on ENISA (the European Union Agency for Cybersecurity) and on information and communications technology cybersecurity certification and repealing Regulation (EU) No 526/2013.

building, awareness raising and education. Although there are many tools and measures used in the EU to enhance resilience and counter hybrid threats (European Commission 2020c)<sup>58</sup>, some legislative instruments stand out, such as the NIS2 Directive (Network Infrastructure Security) which enables a high common level of cybersecurity across the Union.<sup>59</sup> According to the NIS2 Directive, Member States are required to adopt national cybersecurity strategies and to designate or establish competent authorities, cyber crisis management authorities, single points of contact on cybersecurity and computer security incident response teams (CSIRTs). Furthermore, the EU is in the process of filling an important gap in coordinating responses to cyber emergencies: in 2023 the Joint Cyber Unit will be launched to strengthen cooperation among EU Institutions, agencies, bodies and Member States authorities, to prevent, deter and respond to cyber attacks.<sup>60</sup> These decisions in the cyber security domain testify to an important strengthening of resilience through an increase use of supranationalism.

## Intergovernmentalism in ASEAN and Mercosur

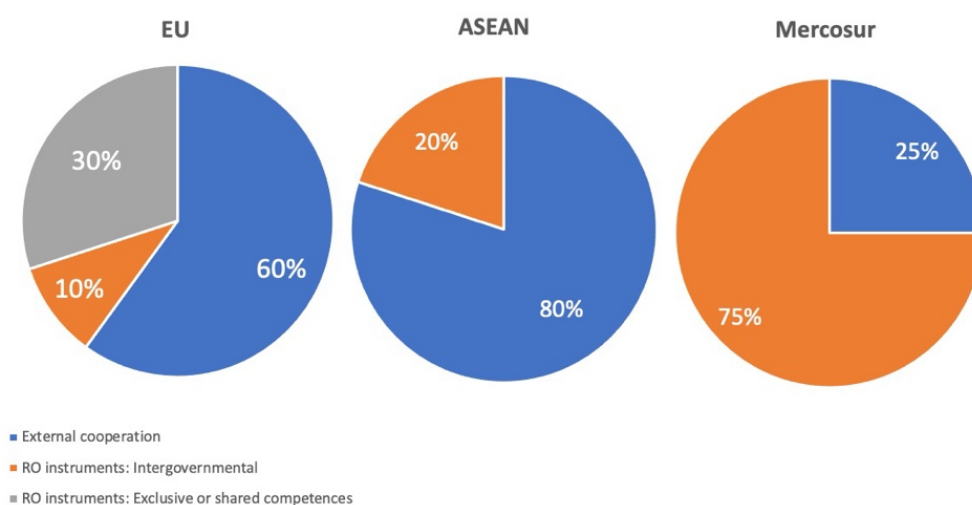
There is no vertical differentiation in ASEAN or Mercosur as the two regional organisations rely on only one mode of decision-making which is intergovernmentalism (see Table 3). This configuration offers less flexibility with regard to facing external challenges as it does not provide the institution with the option of using guidance to overcome Member States preferences. Both ASEAN and Mercosur were designed as intergovernmental organisations, but it was not intended that they would evolve into supranational bodies, as this would entail a shift of competences from the national level to the supranational level, something that would mean an unacceptable loss of sovereignty.

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<sup>58</sup> In the financial sector, the Digital Operational Resilience Act (DORA) established in 2022, as part of the Digital Finance package, strengthens the digital operational resilience of EU financial sector entities. See Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (DORA).

<sup>59</sup> Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148 (NIS 2 Directive) (Text with EEA relevance).

<sup>60</sup> Brussels, 23.6.2021 C(2021) 4520 final COMMISSION RECOMMENDATION of 23.6.2021 on building a Joint Cyber Unit.



*Graph 7. Distribution of instruments in the EU, ASEAN and Mercosur in relation to the influence of China*

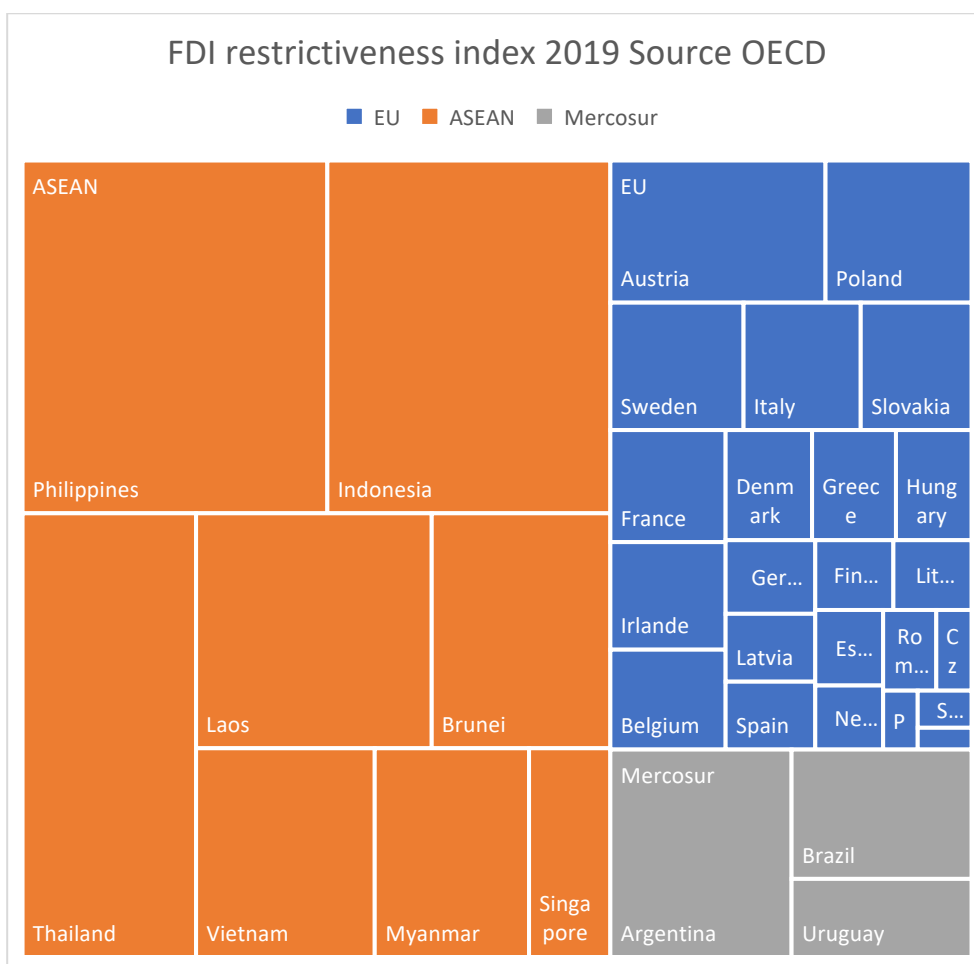
## ASEAN

### FDI

ASEAN has not established instruments to regulate FDI that might have an impact on resilience and strategic autonomy. On the contrary, as will be specified in Part 3, chapter 7, FDI in the context of the BRI is encouraged, and synergy between the ASEAN connectivity strategy and the BRI is even planned as agreed via the 2019 ASEAN-China Joint Statement on Synergising the Master Plan on ASEAN Connectivity (MPAC) 2025 and the Belt and Road Initiative (BRI) (ASEAN and China 2019). The China-ASEAN Free Trade Agreement and the recent RCEP agreement contribute to enhancing trade and investment with China which is now the largest source of FDI in ASEAN (Chatterji 2021). However, only Cambodia, Myanmar and Laos – three lower middle-income countries which opened up their once centrally planned economies relatively late – can be considered as being reliant on Chinese FDI (Tong 2021b, 3). China has invested in Indonesia and Singapore the most. Indonesia is seeking investment, as according to the World Bank, it is a middle-income country with growing income levels and is expected to rise to upper-income status by 2030 (Devonshire-Ellis 2022).

Indonesia is the only G20 member in ASEAN, and with its abundance of natural resources and large domestic market of 275 million, the country offers long-term investment opportunities (Fox 2023). China has seized opportunities to invest in a number of sectors: not only infrastructure (such as the Jakarta-Bandung high-speed railway, and a toll road linking Probolinggo with Banyuwangi in East Java province), but also e-commerce, technology, telecommunications, data centres involving Alibaba and Tencent, and mining in particular nickel mining and processing (Devonshire-Ellis

2022). China has also shown interest in the space industry: Indonesia is in discussions with China to collaborate on building launch sites in Biak and Morotai (Sarma 2019). However Myanmar, Laos and Cambodia are also heavily reliant on Chinese FDI. This is because big member states do not necessarily rely on FDI or alternatively that other foreign investors from industrialised economies are far more entrenched (Tong, 2021). Others rely more on FDI from ASEAN sources as well as the 'Triad' which provides and receives most of global FDI: the US, the European Union and Japan (Tong 2021a, 3). There can be fluctuations over time though: Singapore has replaced China as the leading investing country in Cambodia in 2021, accounting for six projects, or 40% of Cambodia's inward FDI, according to the Investment Monitor's '2022 Inward FDI Performance Index' (Global Data Investor Monitor 2021).



Graph 8. FDI restrictiveness index in the EU, ASEAN and Mercosur

Gong holds that almost all states are supportive of the BRI but that Southeast Asian countries and ASEAN as a grouping deeply distrust China (Gong 2019). The latest Survey of State of Southeast Asia confirms this trend (Seah et al. 2023). Challenges, as analysed by Gong, include (1) the concern that the BRI could undermine the centrality and unity of ASEAN because China's bilateral approach could weaken the current

mode of ASEAN-led regionalism and over time lead to some sort of China-centric regional economic integration; (2) the growing trade imbalance in favour of China which has led to rising concerns over China's strategically motivated economic leverage in the SCS; (3) Chinese investment may lead to 'debt-trap diplomacy' which may increase China's political leverage; (4) Countries that lay claim to the SCS rarely open their deep sea ports to Chinese investments (Gong 2019, 645).

However, ASEAN has not mounted a regional response to ensure that outward investments from China do not deteriorate ASEAN's autonomy. Taiwan made a striking decision to de-risk relations with China in 2014 when it decided not to ratify an FTA with China (The Cross-Strait Service Trade Agreement, commonly abbreviated CSSTA and sometimes alternatively translated as the Cross-Strait Agreement on Trade in Services). The treaty aimed to liberalise trade between the two economies in service industries such as banking, healthcare, tourism, film, telecommunications, and publishing. It was the subject of intense controversy in Taiwan. For ASEAN to cope with challenges posed by China, – but also by changing patterns of investment and slowing productivity – some consider that structural reforms and deeper integration between ASEAN Member States is imperative (Azis 2018).

### *Defence and security*

Distinguishing between defence and security matters when it comes to international cooperation. Maritime security generally refers to measures designed to protect against unlawful acts such as piracy, armed robbery, terrorism and maritime violence, illegal trafficking of goods and people, illegal fishing and pollution. A lot of cooperation is taking place between ASEAN MS on maritime security, and the rising cases of Trafficking in Person exacerbated by the misuse of technology has led to ASEAN mechanisms being synergised.<sup>61</sup> In terms of defence, China's influence on issues that affect ASEAN's security includes China's infringement on five ASEAN member states' sovereignty in the SCS, arms sales to ASEAN member states, and military cooperation in the form of training as well as building infrastructure. The SCS disputes concern China's claims of sovereignty over the Paracels (between Vietnam and China) and the Spratlys (between China, and the following countries: Taiwan, Brunei, Malaysia, the Philippines and Vietnam), disputed maritime boundaries related to the use of Exclusive Economic Zones (in connection with the suspected potential of oil and natural gas resources), and control of the islands in the SCS (one of the most important waterways in the region) (Vu and Nguyen 2014), and since 2021 the incursions of Chinese coastguard boats into Indonesia's EEZ around the Natuna Islands (Anwar 2022, 3; Giese 2021, 94).

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<sup>61</sup> § 18. Chairman's statement at the 42nd ASEAN Summit in Labuan Bajo, Indonesia, 10-11 May 2023.

Southeast Asia is one of the regions which has seen its defence equipment procurement budget increase the most over the last ten years (+57% between 2006 and 2016) (1), not only because of the risk of insurrection, terrorism and piracy, but also because of the threat from China (Boisseau du Rocher 2018, 106).<sup>62</sup> China's arms sales to ASEAN Member States, according to SIPRI, are far greater than those to the EU and Mercosur (see Table 10), however, setting aside the need to compare this with trade between ASEAN and other external states (such as Russia)<sup>63</sup> or the US<sup>64</sup>, such trade needs to be differentiated between Member States and the level of technology involved. Myanmar was the biggest recipient of Chinese arms between 2014 and 2021, while Indonesia – which *inter alia* buys radars, missiles, and on-board weapons systems from China – and Singapore have in substance a cautious approach to cooperation with China in relation to arms sales, for political and technological reasons, including the risk of techno-industrial espionage (Boisseau du Rocher 2018, 110). In addition to the risk that arms diplomacy will lead to political dependence, there is also the potential problem of interoperability (Faiz 2023, 5). Concerning infrastructure, besides the militarisation of artificial islands in the SCS, the modernisation of the Ream naval base in Cambodia is a case in point. It is allegedly being extended with the assistance of China and will include a section that will exclusively be used by the Chinese military (Doung, Kang, and Kim 2022). This naval base, which both Cambodia and China's governments have denied exists (Doung, Kang, and Kim 2022), would constitute China's second overseas military base, the first being located in Djibouti.

The main ASEAN institution that addresses defence is the ASEAN Defence Ministers' Meeting (ADMM) which is a platform for intraregional cooperation. Its establishment in 2006 to provide an institutionalised mechanism for the ASEAN defence establishments to strengthen trust and regional security cooperation was a breakthrough in ASEAN institutionalisation: it marked the formalisation of multilateral defence diplomacy and cooperation in the region. As Faiz underlines, it is one of the few platforms that host top-level ministerial defence and security mechanisms directly accountable to ASEAN leaders (Faiz 2023, 3). Yet its track record is not considered to be 'the most encouraging' (Faiz 2023, 4).

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<sup>62</sup> 'Despite being home to one of the fastest-growing economies in the world, their defence budgets remain small. According to the Stockholm International Peace Research Institute (SIPRI), in 2021, the countries of Southeast Asia collectively spent USD43 billion on defence, accounting for a mere 2% of global defence spending.' (Faiz 2023, 5).

<sup>63</sup> 'In the past two decades, Russia has been the largest supplier of arms to Southeast Asia, which has amounted to USD11 billion in sales since 2000, compared to the United States' USD8.4 billion. In addition to the concerns of supplier-based dependence, such incompatibility will create interoperability issues and complicate multilateral operations. Southeast Asia will need to take stock of its capabilities, make viable investments in capacity building and narrow the gaps between its members for seamless cooperation (Faiz 2023, 6).

<sup>64</sup> 'We see escalating posturing from the American side, marking the first time in three decades that the Philippines announced giving the United States access to four more military bases, building new facilities and placing armaments' (Faiz 2023, 6).

The effectiveness of the ADMM is curtailed by a lack of coherence in foreign policy which results in a security architecture in which ASEAN MS have agreements with specific military powers. As Faiz explains, in a speech given in May 2023 at the National Resilience College, Malaysia:

'What stands out more is that individual members states have their security arrangements with different military powers; the Philippines and Thailand are now non-NATO treaty allies of the United States; Malaysia and Singapore are members of the FPDA [Five Power Defence Arrangements] with Australia, New Zealand and the United Kingdom; and Brunei has a security arrangement with the United Kingdom after gaining independence in 1984. On the other hand, Laos, Vietnam and Myanmar, due to differing political ideologies, as well as different waves of political upheavals, have openly rejected joining any military alliance with any external powers. In light of this, the question then is: how can ASEAN open the path towards a truly holistic outlook on cooperation, where we can include defence elements without perceiving it as pre-empting to conflict?'

(Faiz 2023, 2)

Faiz considers that it is important to recognise that neither ASEAN nor its member states have ever or will have any common enemies (Faiz 2023, 7). The lack of collective interest in tackling the SCS disputes because of their diverse impacts on ASEAN member states does not contribute to a coherent foreign policy either. Countries such as Cambodia, Thailand and Laos do not share the same degree of concern or commitment as Vietnam and the Philippines – and now Indonesia – about the SCS's waters.

The commitment to the ASEAN way does not contribute to building a coherent foreign policy. The ASEAN way is a code of conduct for regional political action in Southeast Asia which prescribes 'respect for state sovereignty and independence, the right to freedom from external interference, non-interference in the internal affairs of member states, the peaceful settlement of disputes, the renunciation of the threat or use of force and effective cooperation (ASEAN Secretariat, 1976, 2007)' (Giese 2021, 891). The commitment to the ASEAN way, which forbids intervention in the affairs of another state, also further deepens the institutional weakness of ASEAN which has not responded effectively to the Myanmar coup in February 2021. The Burmese Army (Tatmadaw) put an end to some fifteen years of gradual liberalisation of the regime, which had raised hopes that the country was on the road to democratisation. The reaction of the population was immediate, leading to the organisation of a widespread movement of civil disobedience. French Ambassador Christian Lechervy provided an alarming account of the situation in February 2023, two years after the coup. He reported that within a year, between 2022 and 2023, there had been 19000 casualties,



two thirds of the country were experiencing a state of violence, 60 000 resitants had taken refuge in the mountains, villages were burnt down, and a remilitarisation of state apparatus had taken place (Lechervy 2023).

The ASEAN's 5-point consensus has been seen as 'utterly ineffective' and Faiz deems that 'the absence of a concrete institution-based response shows again the strategically comatose state it [ASEAN] is in' (Faiz 2023, 7). He suggests that the experience of other regional organisations may be useful and points to the transformation of the Organisation of the African Union to the African Union, to solve ineffectiveness, in which the legal framework allows the organisation to intervene in a situation involving a member state, following a decision by the assembly of heads of state, in the event of international crimes or a request by member states to intervene in order to restore peace and security (Faiz 2023, 8).

*Table 10. Arms sales from China to the 3 regional organisations MS and associated MS (2014-2021)*

	EU		ASEAN		Mercosur	
<b>Member states</b>						
	Slovakia	13	Indonesia	195	Uruguay	(*)
			Cambodia	3		
			Laos	63		
			Malaysia	78		
			Myanmar	767		
			Thailand	396		
<b>Suspended states</b>						
					Venezuela	250
<b>Assoc./candidate countries</b>						
	Serbia	11			Bolivia	25
					Peru	13
<b>TOTAL</b>		24		1502		288

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*Source: author's compilation from SIPRI Arms Transfers Database*

*Figures are SIPRI Trend Indicator Values (TIVs) expressed in millions.<sup>65</sup>*

*(\*) China's gifts of military equipment to Uruguay are not accounted for in SIPRI's database.<sup>66</sup>*

<sup>65</sup> The TIV is based on the known unit production costs of a core set of weapons and is intended to represent the transfer of military resources rather than the financial value of the transfer.

<sup>66</sup> The SIPRI Arms Transfers Database does not cover other military equipment such as small arms and light weapons (SALW) other than portable guided missiles such as man-portable air defence systems (MANPADS) and guided anti-tank missiles. Trucks, artillery under 100-mm calibre, ammunition, support equipment and components (other than those mentioned above), repair and support services or technology transfers are also not included in the database.



## **Cybersecurity**

There are high levels of cooperation between ASEAN member states on computer emergency response teams (CERTs) thanks to efforts made in the early 2000s to boost the region's ICT sector. However, only in recent years has ASEAN moved towards formalising existing CERT cooperation. While cyber security issues used to be treated under broader economic and political security platforms, there are now dedicated platforms established to discuss cyber-security intra and extra-regionally. However, the cyber-security architecture remains fragmented and the region which lacks capacity and cyber-security professionals has not agreed on a strategic approach towards cyber security yet (Kai Lin 2023, 3).

In contrast to the EU, 'ASEAN's current cyber-cooperation architecture lacks a clear political authority and is loosely dispersed across various sectoral platforms.<sup>67</sup> There is a clear need for a framework that connects all cyber-security communities in platforms spanning political-security, technical, economic and law enforcement to support a coordinated response to cyber emergencies on both technical and operational levels. The recently established ASEAN Cybersecurity Coordinating Committee (Cyber-CC), though cross sectoral in nature, only meets annually to promote policy coherence and align regional cyber-security policy with national operational considerations.'<sup>68</sup>

ASEAN's structure as an intergovernmental organisation poses challenges in terms of the formalisation of collaboration structures in response efforts. Under the 'ASEAN Way', Member States cooperate based on the principles of respect of sovereignty, consensus-based decision-making and non-interference, which are enshrined in the 2007 ASEAN Charter. As a result, the ASEAN policy making process is slow and its regional cyber policies are limited, lagging behind other regional bodies such as the EU (Kai Lin 2023, 13). More generally, a lack of trust given the diverse cultural and political context and history across the region is limiting the sharing of threat intelligence<sup>83</sup> (Kai Lin 2023, 13). There is an overall disparity in cyber-crime laws and enforcement and ASEAN MS have not agreed on an overarching regulation.

ASEAN is moving towards the establishment of intergovernmental soft rule regime. During the 2nd ASEAN Cybersecurity Coordinating Committee (ASEAN Cyber CC) held on November 30, 2021, the draft Matrix of the ASEAN Regional Action Plan (RAP) for the Implementation of Norms of Responsible State Behaviour in Cyberspace was presented and adopted. The initial focus of implementing the norms will be on capacity building initiatives.

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<sup>67</sup> Another challenge that ASEAN states face in forming a regional emergency-response capability is the shortage of cyber-security professionals (Kai Lin 2023, 1).

<sup>68</sup> The legal source for the document is not accessible in the legal database. It is mentioned in the Statement accessible at: <https://documents.unoda.org/wp-content/uploads/2021/12/ASEAN-Statement-OEWG-First-Substantive-131221.pdf>

### ***The ASEAN Outlook on the Indo Pacific***

Released in 2019, the 'ASEAN Outlook on the Indo-Pacific' (AOIP) is meant to contribute to the maintenance of peace, freedom, and prosperity. It displays four priority areas of cooperation: 'maritime cooperation', 'connectivity', 'UN Sustainable Development Goals 2030', and 'economic and other possible areas of cooperation' (ASEAN 2019). One major feature of the AOIP is that it does not provide any new arrangement but intends to reinforce the existing ASEAN-centered regional architecture and affirms ASEAN Centrality as the underlying principle for promoting cooperation in the Indo-Pacific region. Rather than a programme, it is a 'guide for ASEAN's engagement in the Asia-Pacific and Indian Ocean regions'. The AOIP is already considered as to be outdated due to it not accounting for the current geopolitical context and regional dynamics: 'ASEAN can still function on the core principles laid out in AOIP but can't rely on them to respond or engage with newer Indo-Pacific strategies and approaches' (Meena 2023). Others deem that rather than 'another ineffectual ASEAN document', the AOIP is 'arguably a relatively good beginning for ASEAN to define its role in the emerging Indo-Pacific order' (Singh and Tsjeng 2020). The initiative may allow to favour neutrality amidst the rising uncertainty of the US-China competition, but it can hardly be seen as a means to counter China's influence. Some observers even see the AOIP as a proposition that accommodates China as it 'offers the most inclusive and China-friendly vision of the Indo-Pacific' (Hoang Thi 2021, 6), a vision that China could easily turn to its advantage: Xi Jinping was prompt to highlight the potential link of the AOIP with the BRI: 'We seek high-quality Belt and Road cooperation with ASEAN and cooperation between the Belt and Road Initiative and the ASEAN Outlook on the Indo-Pacific' (Ministry of Foreign Affairs of the People's Republic of China 2021) (see chapter 7).

### **Mercosur**

As shown in the introduction, the influence of China in Mercosur under Xi Jinping's presidency when it comes to FDI and defence and security has mainly consisted of FDI in extractive industries: oil, gas, copper and iron ore (Avendano et al. 2017, 6), infrastructure (rail lines, power grids and telecommunications, space observation) and has more recently also targeted the service sector. In terms of trade, and especially FDI (in flows), China is now the dominant partner in relation to the rest of the Mercosur members. In terms of defence, military cooperation between certain Mercosur member states and China has also grown in relation to education and training, acquisition of arms and equipment from Chinese vendors but also donation of military and dual-use vehicles to Uruguayan security forces (Ellis 2020), except for Paraguay which has recognised Taiwan. Since 2017, China has annually donated approximately USD 5 millions worth of military and dual-use vehicles to Uruguayan security forces (Ellis 2020). The 2019 agreement on cooperation on defence issues between Uruguay and China (República Oriental del Uruguay 2019) was ratified by

the Uruguayan Parliament in 2022 (Parlamento del Uruguay 2022). In 2020 the Ministry of Defence of Uruguay received a donation of USD 4.5 million in military equipment from China (Ministerio de Defensa de Uruguay 2020). The agreement provides for 'exchange and cooperation in the areas of research and acquisition of defence goods and services and logistical support in the area of international peacekeeping operations' and 'the promotion of combined exercises and training, cooperation in matters related to science, technology and military equipment, humanitarian assistance in case of disasters and cooperation in anti-terrorist matters, among others' (see Table 10). This growing influence has not led to the institutional setting of Mercosur being questioned, with the notable exception of the issue of the FTA with China, which is now specified.

### *Bilateral FTA with China and Mercosur's consensus rule*

Uruguay which has developed very strong economic relations with China, and joined the New Development Bank in 2021, is keen to establish a bilateral FTA with Beijing. This agreement was opposed in 2018 by the presidents of Argentina and Brazil. The Uruguayan decision has fostered heated discussions within the bloc and has even caused concern over Uruguay withdrawing from Mercosur. The idea was publicly expressed by the President of Argentina Alberto Fernandez.<sup>69</sup> First announced in 2016 with the signing of an agreement in principle with China that was due to take effect in 2018, the agreement was opposed in 2018 by the presidents of Argentina and Brazil. Since its creation 30 years ago, Mercosur has never had such an uncertain future. Integration is weakened by the loss of trust among its members and by new global balances (Malacalza and Tokatlian 2021) (see chapter 7). The growing influence of China in South America in recent years has been facilitated by the fact that Mr. Bolsonaro, the former President of Brazil, did not prioritise regional integration, which has given Uruguay some 'breathing space' to advance its commercial agenda with China and other partners (MercoPress 2022). Another factor that has encouraged Uruguay to enter into an FTA with China is the protracted negotiation of the EU-Mercosur association agreement, which has generated frustration, and the trade pillar of which still requires ratification.<sup>70</sup> Although Mercosur voted in 2017 a decision to facilitate investments within Mercosur (Consejo Del Mercado Común 2017), intraregional trade and investment have been decreasing since 2011 (see Graph 9). Mercosur largely depends on external trade and is being widely affected by the loss of trust between its members and by the new global balance.

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<sup>69</sup> 'I apologize. We don't want to be a burden for anyone. If this burden weighs (on you), it's better to abandon the ship [i.e., leave Mercosur]. We don't want to be a weight on anyone. Let's be finished with these ideas. For me, it's an honor to be part of Mercosur' (Sanders 2022).

<sup>70</sup> Interview 6, EU institution, December 2022. Interview 8, Mercosur member state, March 2023.

'According to the Economic Commission for Latin America and the Caribbean (ECLAC), the decline in intra-regional trade began to manifest itself steadily from 2011, and was sharply accentuated by the growth in demand for primary products from China, which at the same time contributed to the acceleration of a process of 'prioritisation' of the South American bloc's external insertion profile.'

(Malacalza and Tokatlian 2021).



*Graph 9. Intra-Mercosur trade 2001-2021*

*Source: Palermo 2022*

Hoffmann describes Mercosur as being dependent on traditional North-South patterns of trade and deems that the rise of China and demand for commodities has not changed how vulnerable Mercosur is: 'on the contrary, it has only increased the 'primarization' of economies and dependence on external investment' (Hoffmann 2021, 122). This situation is expected to continue as Mercosur countries cannot compete with Chinese enterprises without developing a clear short and long-term strategy' (Hashmi 2016, 170). Avendano et al. (2017) recommend that in order to retain their autonomy, Latin American countries should use regional platforms to strengthen the region's bargaining power in upcoming negotiations with China. However, this situation is unlikely to happen under the current institutional design of Mercosur which is not strong enough to generate unity. So far, Mercosur has relied on a rule that prevents a member state from engaging on a bilateral level with an external state: Decision 32/00 on the relaunch of Mercosur, 2000 (Consejo Del Mercado Común 2000). This Decision commits states to jointly negotiate agreements of a commercial nature with third countries or groupings of countries outside the region in which tariff preferences are granted. Its enforcement, given the weakness of the arbitration mechanism in Mercosur (Doctor 2020), relies more on a political leverage. And political leverage is dependent on the - fluctuating - political balance in Mercosur. Furthermore, China so far has favoured bilateralism, generally, and also in Mercosur: Hashmi points to the fact that China, rather than signing an FTA with Mercosur has increased FDI in the region and established partnerships with individual governments and corporations (Hashmi 2016, 170). While an FTA between Uruguay and China is

opposed by the other Mercosur member states – in particular Brazil and Argentina, who do not want their markets to be exposed to Chinese commodities – bilateral agreements have been established with China: indeed, Brazil expanded its trade cooperation with China after Lula da Silva's visit to China in April 2023 (see chapter 6, section 3). Mercosur therefore is institutionally poorly protected against Chinese economic influence over its member states, which has a divisive effect, and in the absence of strong bargaining power, this influence increases Mercosur's dependence on Chinese investment.

### *Cooperation in defence policy: a blind spot?*

Mercosur has become increasingly active on security issues in its external affairs despite the fact that it has no security competencies per se (Frenkel 2019). The security issues at stake mainly relate to reducing the influence of the US, tackling the issue of terrorism, and for Argentina, to situate itself as a relevant security actor in the international arena (Frenkel 2019). Frenkel specifies that 'Argentina did not conceive of Mercosur in purely economic terms, but also offered to advance 'strategic' areas such as defence, even when Brazil was against it.' However, Mercosur has never had an ambitious agenda vis-à-vis security and defence, unlike the Organization of American States (OAS) or Unasur (Ellis 2023; Hoffmann 2021, 124) (Hoffmann 2021, 124). The eradication of the barriers preventing cooperation in economy were transferred to the area of defence (Frenkel 2019, 204), but the importance of the principle of sovereignty has not been formally or informally attenuated and has prevented Mercosur from engaging in integrated security policies (Oelsner 2011). More specifically, factors that have been decisive in preventing the institutionalisation of defence issues in Mercosur are perceived by Frenkel to include the preeminence of the economic sector; the different levels at which the Armed Forces of each member state exert civilian control (which includes the 'sovereignty problem'), and the different conceptions that each country has of defence and security" (Frenkel 2019).

In the late 1980s and the early 1990s, there has been a transformation in the objectives of the block in terms of economy and security, with limited institutionalization and reduced to a purely economic-commercial agenda. As part of this new direction, there was a growing emphasis on the institution's role as a strategy for global economic integration and the concept of integration as a path to development and autonomy was left aside (Frenkel 2019, 204). In this context, the influence of China in security issues is expanding in the member states of Mercosur, as it develops in the economic sector (see chapter 7).

However, the region is by no means a security vacuum. From Brazil's perspective, security is to be conceived in its regional dimension: 'South American integration remains a strategic objective of Brazil's foreign and defence policies, as the country recognises the strengthening of political, social and relations between South American countries is a fundamental element for socio-economic development and the

preservation of peace in the region' (Ministério da Defesa do Brasil 2020, 16).<sup>71</sup> The Organization of American States (OAS)<sup>72</sup>, the key regional organisation for addressing regional security has institutions to address security matters, including the Interamerican Defence Board (IADB), and the Interamerican Defence College (IADC). Other institutions complement the regional security architecture include the System of Cooperation Among American Air Forces (SICOFAA) which is an international organisation, and other fora such as the meetings of Chiefs of Defence and Commanders of the Armed Forces; the Hemispheric Security Commission; the Conference of Defence Ministers of the Americas; the Conference of American Armies; the Inter-American Naval Conference.

An initiative for a South American security organisation was launched in 2008: Unasur (the Union of South American Nations) (see Map 13). Created by the leading left in Brazil and Argentina, one objective of Unasur was to counterweigh the OAS and US dominance (Vinet 2019).<sup>73</sup> Unasur sought, above all, to strengthen a regional bloc capable of moving towards greater real integration and greater strategic autonomy for South America in the international system (G. Long and Suñé 2022, 65).<sup>74</sup> Through Unasur, the region had set the promotion of regional cooperation in security and defence as one of its core objectives and had established a strong institution, the Council of South American Defence (CDS), through which it was possible to address strategic issues. However, whereas Unasur could have provided South America with a defence mechanism of its own, the regional organisation has already almost collapsed; on the 12 members who joined in 2008, only 5 remain in 2023 (see Graph 10)<sup>75</sup>, none of them are Mercosur member states. Prosur, a recently established regional initiative, emerged through the joint efforts of Chile and Colombia in March 2019, although its achievements to date have been relatively limited (Ominami 2021). Gomez and Ventura relate Unasur decline to a political change in South America

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<sup>71</sup> My translation. Original text: 'A integração sul-americana permanece como objetivo estratégico das políticas externa e de defesa brasileiras, pois o País reconhece, no adensamento das relações políticas, sociais e econômicas entre os países sul-americanos, um elemento fundamental para o desenvolvimento socioeconômico e para a preservação da paz na região.'

<sup>72</sup> The Organization of American States (OAS), which came into being in 1948, aims to achieve among its member states an order of peace and justice, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity, and their independence.

<sup>73</sup> The essential purpose of Unasur was to provide the South American subcontinent with greater integration and to achieve convergence between its two main axes: the Atlantic-Costa Rican and Andean-Pacific subsystems, historically poorly interconnected (G. Long and Suñé 2022, 5).

<sup>74</sup> Original text: 'La Unasur buscaba, ante todo, fortalecer un bloque regional capaz de avanzar hacia una mayor integración real y una mayor autonomía estratégica de América del Sur en el sistema internacional' (G. Long and Suñé 2022, 65).

<sup>75</sup> 12 members joined in 2008: Brazil, Argentina, Paraguay, Uruguay, Chile, Colombia, Venezuela, Bolivia. Peru, Ecuador. Surinam, Guyana. 5 members remain in 2023: Bolivia, Venezuela, Guyana, Surinam, Peru, with Peru having suspended its participation.

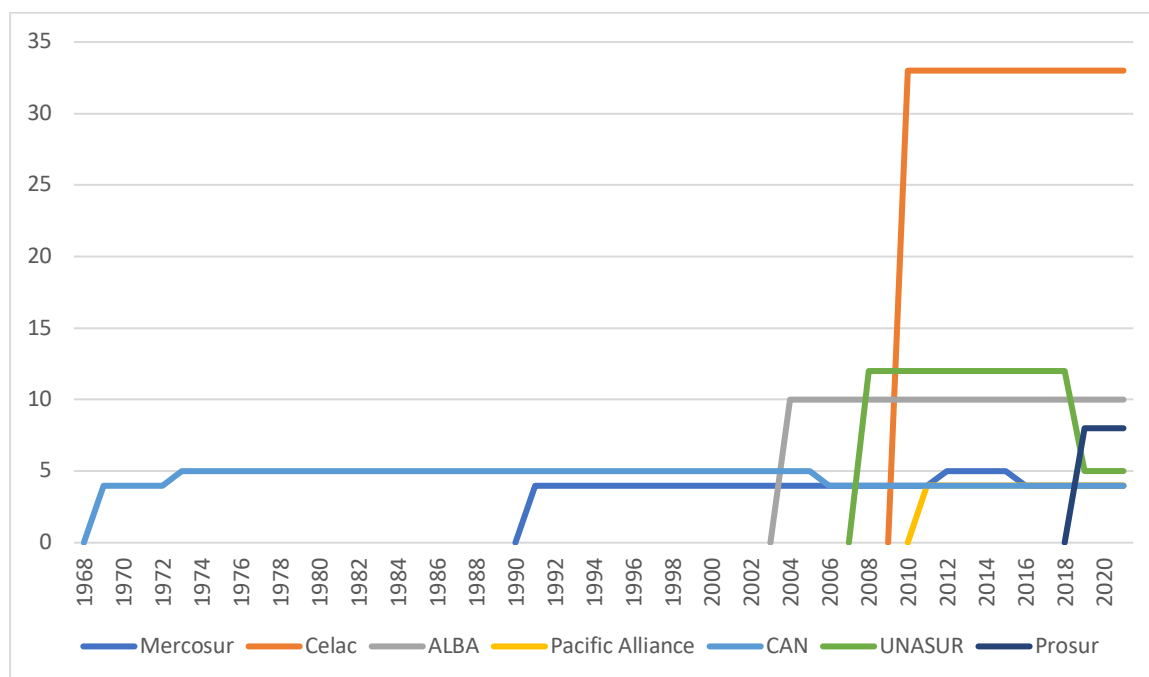
towards more right-wing and center-right governments (Gomez and Ventura 2018). President Lula da Silva and President Fernández both stated in 2023 their interest in a revival of Unasur. Long and Suñé (2022, 126) in a recent study on Unasur, consider that 'faced with an international system once again marked by rivalries between the great powers, especially between the United States and China, and in the face of the great challenges of the 21st century, the global South must focus on the consolidation of regional blocs that tend towards greater strategic autonomy and a renewed and updated non-alignment'<sup>76</sup> However it is not clear how Mercosur, in complementarity with Unasur, could help forge a regional strategic autonomy when China is increasing its influence on Mercosur countries in defence and security matters, and has already established a forum to deal with defence in Latin America: the China-Latin America High-level Defence Forum.<sup>77</sup> This forum is supported by the China-CELAC forum (Ministry of Foreign Affairs, China 2021) (see chapter 7).<sup>78</sup>

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<sup>76</sup> My translation. Original text: 'Frente a un sistema internacional marcado de nuevo por las rivalidades entre las grandes potencias, en especial entre Estados Unidos y China, y de cara a los grandes retos del siglo XXI, la apuesta del Sur global debe ser la consolidación de bloques regionales que tiendan hacia una mayor autonomía estratégica y un no alineamiento renovado y actualizado'.

<sup>77</sup> China and the members of CELAC agree on 3 December 2021 to 'Continue holding the China-Latin America Superior Defence Forum with a voluntary participation basis' (Ministry of Foreign Affairs, China 2021).

<sup>78</sup> The Community of Latin American and Caribbean States (CELAC) is an intergovernmental mechanism for dialogue and political agreement, which includes permanently thirty-three countries in Latin America and the Caribbean. The countries forming the CELAC are: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Ecuador, El Salvador, Granada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, St. Lucia, St. Kitts and Nevis, St. Vincent and Grenadines, Trinidad and Tobago. Uruguay and Venezuela.



*Graph 10. Latin American regional organizations*

With regard to cybersecurity, Latin America is affected in the same ways as other regions, in its private and public sectors, in its business activities and electoral processes. Chinese and North Korean groups have been targeting the region's governments, nongovernmental organizations, and private companies reportedly since 2017 (Hurel and Devanny 2023). However if Latin America has some blind spots when it comes to cybersecurity, progress has been inconsistent (Hurel and Devanny 2023). Brazil passed a data protection law and developed a national cybersecurity strategy which improved its level of cyber security. Brazil is now ranking in 18<sup>th</sup> place in the Global Cybersecurity index, Uruguay 64<sup>th</sup>, Paraguay 84<sup>th</sup> and Argentine 91<sup>th</sup> (ITU 2020). Technical cooperation has taken place with OAS since 2003 but a coordination of approaches within Mercosur remains difficult given the various degrees of development of the countries and of digitalisation (Council on Foreign Affairs, 2023).

## Conclusion of chapter 3

### *An understudied dimension in the studies of differentiation*

The external dimension of vertical differentiation, and in particular the question of the effects of vertical differentiation, especially in the context of the influence of an external hegemon, is not a prominent feature of the literature on differentiated integration, in spite of the developments in the CSDP since 2017 (Leuffen, Rittberger, and Schimmelfennig 2022, 18–26). Our contribution thus contributes to filling this gap.

### *The rise in supranationalism in the EU*



The results of the study show that the EU, in terms of regional instruments aimed at addressing the influence of China, has developed a significant number of supranational instruments: we even observe a much higher percentage of supranational instruments (75%) than intergovernmental instruments (25%). According to hypothesis H1a which assumes that the higher the degree of integration, the higher the degree of resilience and strategic autonomy, and that regional organisations are better equipped if they have integrated mechanisms in the form of pooling and delegation of authority, the EU institutional responses in terms of vertical differentiation contribute to resilience and strategic autonomy. The most relevant policies are the 2019 FDI Screening Regulation, the establishment of the EDF and the creation of DG DEFIS, the cybersecurity Act (NIS2). They constitute a balancing strategy – in the sense of the reinforcement of the regional organisation's strength to an external threat. The suitability of this mode of governance had been put into question in the wake of the financial crisis and the management of the euro crisis in the EU which had cast doubt on the possibility of making quick decisions when responding to market speculations or unexpected events and had given rise in the academic literature to claims that a renewed intergovernmentalism is occurring in the EU (see chapter one) (Fabbrini 2016, 594; Schmidt 2016, 13; Smeets and Beach 2020, 2). However, empirical results suggest that resilience in the case of the FDI regulation is not as strong as it could be as explained in the section on conditions for resilience.

### *Resilience at risk in ASEAN and Mercosur*

There is no vertical differentiation in ASEAN or Mercosur as the two regional organisations only rely on one mode of decision-making which is intergovernmentalism (see Table 3). This configuration offers less flexibility to face external challenges as it does not provide the institution the choice to use guidance for overcoming member states preferences. ASEAN and Mercosur have not either used intergovernmental decision-making process to initiate strong responses to Chinese influence despite the two regional organisations being impacted by Chinese assertiveness in FDI and in terms of security by the SCS and extending disputes for ASEAN, by increased military cooperation between China and the member states of both regional organisations, and by cyberattacks. Some developments, especially in ASEAN, have occurred to enhance cooperation but the regional institutions have not been strengthened in relation to the core policies under scrutiny in order to balance out the influence of China and reinforce the regional organisations' institutional order. Chinese FDI are encouraged in ASEAN and they are not subject to control by ASEAN or Mercosur's instruments. In terms of defence and security, the effectiveness of many instruments is curtailed by a lack of coherence in foreign policy (see also chapter 7). This situation can be understood as the result of the combination of several factors: a strong interest in cooperating with China (an ASEAN's neighbour, an alternative to the US for Mercosur), a diversity of ideological positioning of member states towards China in ASEAN and in Mercosur, a longstanding reluctance to give up sovereignty in both regional organisations which prevents the deepening of integration, and a lack of existing coordination mechanisms which hampers the launch of fast responses in a

situation of stress. This chapter has thus shown the relevance of analysing the *effects* of a lack of integration in other regional organisations than the EU, which are jeopardizing resilience and strategic autonomy. The other chapters will answer the question of whether this lack of integration is compensated for - in terms of resilience and strategic autonomy - by other types of differentiation and by external cooperation.

### *Conditions for resilience*

The analysis of the relevance of differentiation to resilience also points to other factors than differentiation which may play out in the equation between institutional responses and resilience (see chapter 2). One of them stand out: the stringency of the instruments. The stringency of an instrument refers to several dimensions: its formal tightness (precision, scope, enforcement) and its substantive ambition. The ASEAN way which allows flexibility and which was praised by constructivists for its normative power actually has some limits in terms of its performance to solve problems (E. Goh 2011; Deinla 2017): our research confirms the limited role of the ASEAN way on the resilience against an external hegemon. The issue of stringency is also at stake in the EU as evidenced in the case of the FDI Screening Regulation which is a regulation and as such is mandatory, but somehow paradoxically it does not contain an obligation, and the low stringency of the regulation undermines its efficiency. Such flexibility granted to member states in the implementation of a policy can be considered as equating to a non-institutionalized internal differentiation.

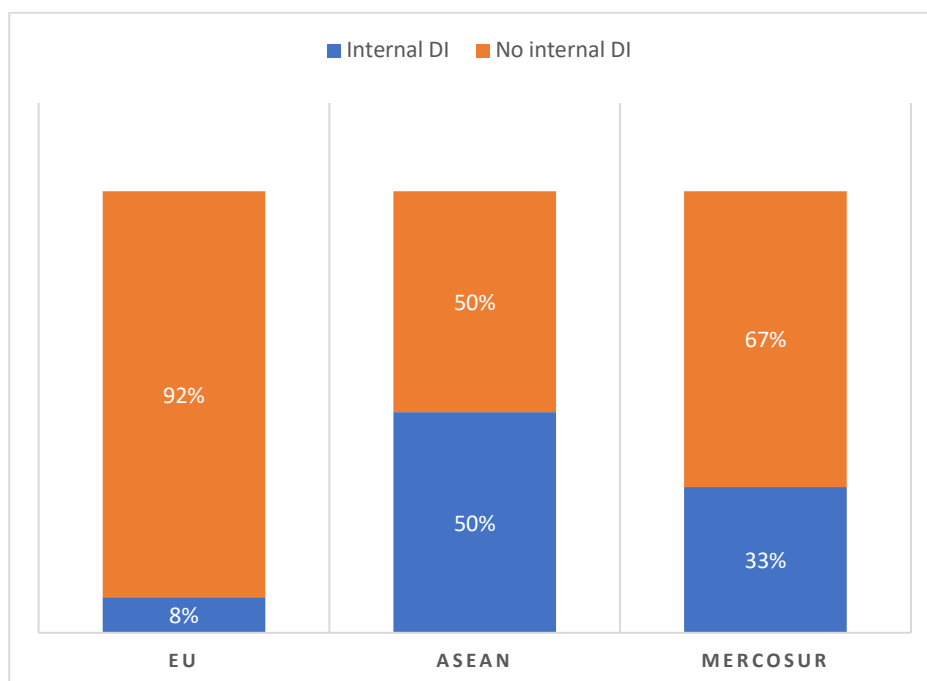
The two next chapters examine internal and external differentiation, two mechanisms respectively defined as: (1) the non-uniform application of regional organisation rules concerning primary or secondary law to member states (internal differentiation), and (2) the application of regional organisation rules concerning primary or secondary law to non-member states (external differentiation) (Leuffen, Rittberger, and Schimmelfennig 2022).

# Chapter 4

## Internal differentiation

According to the hypotheses of this research, internal differentiation is conducive to resilience in relation to external stress when it brings about the most unified response possible. The hypothesis on internal differentiation is subdivided into three propositions (see Table 8). First, internal differentiation has a positive impact on resilience if it prevents the regional organisation from stagnating in relation to a crucial policy that aims to address external challenges, or when the policy relates to excludable goods (H1b1). These two propositions can be complementary: they both apply for instance to the case of the EU security and defence policy. Second, internal differentiation has also a positive impact on resilience when it strengthens the regional organisation's cohesion by diminishing economic disparities (e.g., cohesion policies) (H1b2). However, internal differentiation has a negative impact on resilience if it creates disunity, for example when it means that the protective effect of an instrument on the functioning of the whole regional organisation is weakened by uneven participation (H1b3).

After discussing how differentiation in these policies contribute or not to resilience and strategic autonomy, this chapter briefly examines H1b3 with the case of the FDI Screening Regulation: interestingly, this policy does *not* present features of internal differentiation but has not succeeded so far in forging a strong unified response among member states.



*Graph 11. Share of regional organisation's instruments with internal differentiation*

## Internal differentiation to avoid stagnation and enhance participation

### EU: the strides of PESCO

CSDP is defined and implemented by the European Council and by the Council. Permanent Structured Cooperation (PESCO) is enabled by Article 42(6) TEU. The Permanent Structured Cooperation in the area of security and defence policy was established by a Council decision on 11 December 2017, with initially 25 EU Member States, to jointly plan, develop and invest in shared capability projects, and enhance the operational readiness and contribution of armed forces (Council of the European Union 2017). PESCO had to be entirely designed: 'There was nothing, the treaties were quite silent. The idea of having an umbrella, of having created commitments, of having projects, a procedure for launching projects, a procedure for evaluating projects, all of this had to be invented at the time, written down and constructed.'<sup>79</sup> PESCO has a two-layer structure: at the Council level, the Council is responsible for the overall policy direction and decision-making (EEAS 2022c). At the project level, each project is managed by the group of Member States that take part in it, under the oversight of the Council. Legal acts are adopted by unanimity (except decisions regarding the suspension of membership and entry of new members, which are taken by qualified majority). Only PESCO members can take part in the vote. Another step

<sup>79</sup> Interview 4, European Union member state, December 2022.

in institutionalisation is achieved with the reinforced role of the Secretariat of PESCO which is tasked with mapping PESCO projects with a view to improving upon synergies and creating further clusters. Differentiation in PESCO can be analysed at several levels (primary, secondary, tertiary) as elaborated by Blockmans and Crosson . This section considers the primary level (participation of Member States) and secondary level (participation of third countries amongst other variables) and does not delve into the tertiary level which refers to governance aspects.

Progress in cooperation in defence issue in the EU has proven difficult without differentiation, leading to the consensus according to which differentiation is considered to be 'the norm in EU defence policy' (Blockmans and Crosson 2019, 1). Differentiation in PESCO at the level of participation of MS consists in one opt-out: Malta, who wants to see how PESCO develops first since it may violate the Maltese Constitution which has a neutrality clause. Denmark, which has had an opt-out from the CSDP until June 2022, became in December 2021 a party to the European patrol corvette programme, which is a PESCO project and is now a full member.<sup>80</sup> Initially, Poland expressed hesitancy towards the notion of EU defence integration due to concerns that it might undermine NATO's steadfast commitment to provide assistance in critical situations. Due to concerns about potentially weakening NATO's commitment to provide assistance in times of crisis, the Polish government ultimately decided to join PESCO as a result of the political dynamics set in motion by the prospect of Brexit and the Trump presidency (Blockmans and Crosson 2022, 381).<sup>81</sup> The scope of projects covered is wide (60 projects have been launched as of 2022) and increasing with new projects, inter alia covering cybersecurity and C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance).<sup>82</sup> Eight MS are party to the CRRT (Cyber Rapid Response Teams and mutual assistance in Cybersecurity).<sup>83</sup> Interestingly, cybersecurity policy when it touches upon commercial aspects (and therefore when the EU has shared competences) is not internally differentiated (see the NIS2 in chapter 3), but externally differentiated (as explained in chapter 5). However, under the intergovernmental cooperation dynamics driven by PESCO in matters of defence, the cybersecurity

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<sup>80</sup> The external dimension of PESCO which sees Norway, the US and Canada joining some project of PESCO, is examined in chapter 5 dedicated to external differentiation.

<sup>81</sup> Poland signed a defence cooperation agreement with the US in August 2020: the United States–Poland Enhanced Defence Cooperation Agreement (Republic of Poland Ministry of National Defence 2020). "In a joint letter of 13 November 2017 addressed to the HR, the Ministers of Foreign Affairs and National Defence of Poland set out three conditions for Poland's participation in PESCO: primacy of NATO's defence planning process; competitive, innovative and balanced development of the European defence industry in order to suit the needs of all the member states involved; and a '360-degree approach' to security threats with particular attention paid to the eastern flank' (Blockmans and Crosson 2022, 388).

<sup>82</sup> However some projects are stalled. Today, 30% to 40% of projects are no longer progressing (Interview 4, EU member state, December 2022).

<sup>83</sup> Eight EU countries – Belgium, Croatia, Estonia, Lithuania, the Netherlands, Poland, Romania and Slovenia – have signed the memorandum of understanding for the project.

policy is internally differentiated and allows a 'cooperation of the willing'. The case of the cybersecurity policy testifies to the complementarity offered by the institutional design put in place in the EU.

The efficiency of PESCO is ensured with a conditional membership, which is only open to those Member States who have accepted the 20 binding commitments. However, compliance is not guaranteed: if PESCO does provide for the possibility of suspending a member state, 'that nuclear option is unlikely ever to be used' (Biscop 2020, 7). Furthermore, until recently, the precision of the commitment was so low that it was quite feasible to formally comply without actually doing very much that one wasn't doing already (Biscop 2020, 7). Progress was assessed by the High Representative and the Council as not sufficient, namely on operational commitments and on those related to the European collaborative approach (Council of the EU 2020, 4). Only 26 projects are expected to deliver concrete results or reach full operational capability by 2025. The strategic ambition is also considered to need improvement. However, the 16 November 2021 Council Recommendations set detailed benchmarks for member states' progress towards fulfilling PESCO's more binding commitments (European Council 2021). The capacity to increase capability initiative has also been enhanced with the proposed review process known as the 'Strategic Review'.

## Considerations in ASEAN and Mercosur for non-traditional security

As far back as 2001, in his contribution on 'Institutions and Processes: Dilemmas and Possibilities,' Simon Tay considered that ASEAN should foster cooperation and not just peaceful coexistence between member states, and to allow 'coalitions of the willing' to 'pioneer new initiatives' and not wait upon the consensus of the entire 10-member grouping:

'From unanimity and consensus to coalition of the willing: While ASEAN unity and consensus continues to be important, there is an increased need to emphasize the legitimacy of some member states to pioneer new initiatives and/or proceed at a faster pace than others. This is necessary, given the divergence among the ASEAN members in their capacity and their inclinations. These "coalitions of the willing" should not be a source of disagreement in ASEAN, provided that the general direction of such initiatives is welcome and the coalitions remain open for all to join.'

(Tay 2001, 268)

Since then, internal differentiation has evolved in a minimal way. The 2007 ASEAN Charter provides in Article 31 that each ASEAN Community Council shall prescribe its own rules of procedure, and that 'in the implementation of economic commitments, a formula for flexible participation, including the ASEAN Minus X formula, may be

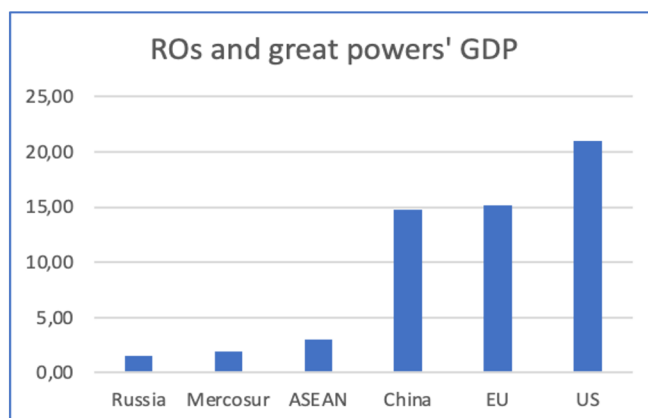
applied where there is a consensus to do so' (ASEAN Secretariat 2007). The Charter also specifies that the ASEAN Community Security sets its own rules, with no further details. With respect to security, there has been no attempt to formally apply those principles to sub-security cooperation apart from at least two initiatives: the ASEAN Convention on CounterTerrorism (ACCT), which was established in 2007 and entered into force in 2011 after being ratified by only six out of 10 member states (Tan 2020, 30), and 'Our Eyes Initiative', a minilateral cooperative arrangement aimed at countering terrorism which includes Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. 'Our Eyes' envisages the establishment of centres in each ASEAN member country whose purpose would be to facilitate intraregional communication, intelligence sharing and counterterrorism cooperation among and across national defence (as well as homeland security) establishments (ADMM 2018). However, these initiatives have not been established in relation to Chinese influence, but in relation to the fight against terrorism, and are not analysed in this study.

In Mercosur, differentiation in defence issues was discussed at the earlier stages of Mercosur (Frenkel 2019) but the proposal did not receive the approval of all Member States. As in ASEAN, a few sub-cooperation mechanisms exist in the area of security but they are not related to Chinese influence, nor to defence. Among those instruments are the Security Plan for the Triple Border, and the Plan of Cooperation and Mutual Assistance for Regional Security. Both initiatives focus on addressing issues considered primarily as public security issues such as drug trafficking, terrorism, money laundering or smuggling (Frenkel 2019, 205).

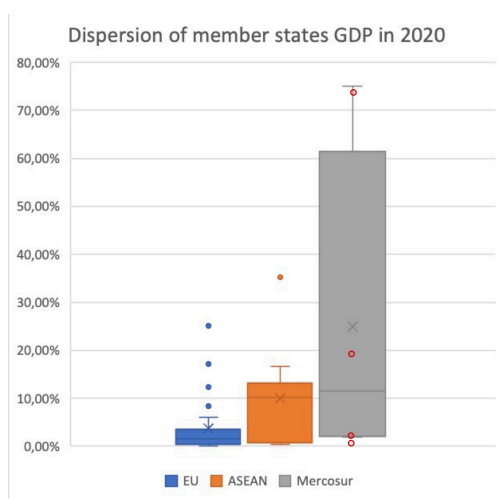
## Internal differentiation to limit intra-bloc economic asymmetry

Economic asymmetries in a regional organisation constitute a vulnerability which can be used by an external power to create divisive lines within a regional block as seen in the introduction. The economic disparities within the EU, ASEAN and Mercosur are conversely proportional to their GDP (see Graph 12 and Graph 13).

The EU has mechanisms to reduce economy asymmetry within the block but they are less relevant than the two instruments selected for this research: the EU invest Plan and the EU invest plan for the Balkans which have both been specifically established to support EU investments and enhance resilience vis-à-vis Chinese influence in the wake of the Covid crisis, and which are discussed in chapter 5 as they are not internally differentiated but they are externally differentiated.



Graph 12. EU, ASEAN and Mercosur GDP in 2020 expressed in USD.  
Source: World bank.



Graph 13. Dispersion of member states GDP in 2020.  
Source: own compilation on OECD and World Bank indicators

## ASEAN: the ACIA and the IAI

The variation in GDP per capita among ASEAN countries is quite high, with Singapore - 58,902 US dollars and Myanmar - 1,527 US dollars (2019). The highest share of ASEAN's GDP accounts for Indonesia (35.4%), followed by Thailand (17.2%), Philippines (11.9%), Singapore (11.7%), Malaysia (11.5%) in 2019. Whereas, Brunei, Cambodia and Laos represent the smallest share of ASEAN's GDP, all under 1% (ASEAN stats, 2020). According to the World Bank classification, based on gross national income, the region has six 'lower middle income countries' (Laos, Cambodia, Burma, Vietnam, Philippines and Indonesia), two 'upper middle income countries' (Thailand, Malaysia) and two 'high income countries' (Brunei, Singapore) (Direction Générale du Trésor 2023).

The 2009 ASEAN Comprehensive Investment Agreement (ASEAN 2009) which was established to facilitate FDI in ASEAN countries includes flexibility provisions (article



23) for the newer members which are also the least developed MS (the so-called CLMV countries: Cambodia, Laos, Myanmar, Vietnam): it grants them special and differential treatment through technical assistance to increase their capacity in relation to investments policies, and flexibility with regard to their commitments. The Initiative for ASEAN Integration, which dates back 2001, is another instrument displaying features of internal differentiation. It ambitions to ensure the benefits of ASEAN integration are equitably shared, narrow the development gap within ASEAN and helps Cambodia, Laos, Myanmar, Vietnam to 'enhance ASEAN's competitiveness as a region' (ASEAN Secretariat 2020b) (see the Gini index in Graph 22 and Graph 24).<sup>84</sup> The structure of the IAI Work Plan IV is based around five strategic areas, i) Food and Agriculture, ii) Trade Facilitation, iii) Micro, small and medium enterprises, iv) Education, and v) Health and Well-being. ASEAN considers that there has been significant progress since the launch of the IAI: the Human Development Index for CLMV has increased by 30.4% between 2000 and 2017 compared to 11.9% for the other ASEAN MS (ASEAN Secretariat 2021). However, ASEAN remains the regional organisation which has the biggest disparity in income. Brunei has a Gini index of 63,4 which is also the highest in the world. More to the point, this initiative depends on China's funding which is one of the Partners participating in the Initiative. Furthermore, the benefits of IAI for CLMV countries are associated with a robust growth for inward FDI and higher FDI openness compared to the other ASEAN MS since 2007 and it remains unclear how much China is associated to this investment. Its level of contribution to the IAI budget is not made public either. Therefore the initiative cannot be considered as increasing ASEAN's autonomy vis-à-vis China.<sup>85</sup>

## **Mercosur: FOCEM**

Economic disparities are even bigger within Mercosur than within ASEAN or the EU. The difference in GDP inside Mercosur is striking. Brazil's GDP amounts to 1,84 trillion USD, which represents 77% of Mercosur GDP, while other Mercosur countries' GDP represent 19% (Argentina), 2,5% (Uruguay) and 1,5% (Paraguay). The asymmetry of the block is not only jeopardizing regional integration but it facilitates power relations from external hegemons which can use this imbalance to their benefits. Mercosur has developed a common market but it is an incomplete custom union, with no free trade area and no coordination of public policies (Silvero 2016): the small partners Uruguay and Paraguay had to bear the costs of the integration process without any benefit from the agreement itself (Pennaforde and Fávvaro Martins

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<sup>84</sup> The Gini index (or coefficient) is a synthetic indicator that captures the level of inequality for a given variable and population. It measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. It varies between 0 (perfect equality) and 100 (extreme inequality). Between 0 and 100, the higher the Gini index, the greater the inequality.

<sup>85</sup> Interview 7, EU institution, March 2023.

2017). Such a situation creates centrifugal forces: states can be tempted to join other regional fora, such as the Pacific Alliance, which has a more commercial agenda (Pennaforde and Fávaro Martins 2017) (see the evolution of regional organisations in Latin America in Graph 10), favour bilateral trade relations with external partners despite the consensus rule (see chapter 3) or to wonder whether it is worth remaining in the block altogether.

In the early 2000s, Paraguay and Uruguay voiced concerns about increasing internal asymmetries, to which Brazil and Argentina responded with the creation in 2005 of FOCEM (Hoffmann 2021, 120). FOCEM receives various contributions (97% from Brazil and Argentina) to enable infrastructure building through non-reimbursable resources, particularly in Paraguay and Uruguay which receive 80% of the resources (Pennaforde and Fávaro Martins 2017). All Mercosur member states benefit from FOCEM as there are big inequalities within individual countries (see Graph 22 and Graph 25). Brazil has the biggest GDP of Mercosur but it is also the country which has the highest Gini index, meaning that the country has the highest disparity of incomes among Mercosur.<sup>86</sup> In terms of GDP per capita, Brazil is also the second-poorest country in Mercosur, above Paraguay but below Uruguay and Argentina.<sup>87</sup> Therefore in Mercosur, size asymmetries are not correlated with wealth asymmetries (Wolleb et al. 2017, 56). FOCEM is seen as a pitfall for members of the entrepreneurial elite, who are concerned about the high costs of the initiative. However, the limited budget and segmented approach of FOCEM failed to adequately address asymmetries or foster deeper integration in terms of boosting competitiveness (Doctor 2020, 14). An absence of FOCEM could mean the defection of the bloc's smaller partners in the short term (Pennaforde and Fávaro Martins 2017) showing that the low level of integration acts as an impediment to the efficiency of regional cohesion in Mercosur and fragilizes the regional organisation itself.

In terms of addressing Mercosur's intraregional development inequalities, some deem that given the economic problems faced by MS, and especially Argentina, which is facing a severe economic crisis – the annual inflation rate reached 115.6 % in June 2023<sup>88</sup> – Mercosur cannot solve the cohesion problem using FOCEM alone, but will require the help of financial institutions, such as the Brazilian Development Bank (BNDES) or an Argentinian bank.<sup>89</sup>

## The absence of internal differentiation to enhance unity

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<sup>87</sup> In 2022, GDP per capita in USD in 2022 are as follow: Uruguay: 20795; Argentina 13886; Brazil 8917,7; Paraguay: 6153,1. Data: World Bank.

<sup>88</sup> The annual inflation rate skyrocketed by 115.6 % in June 2023 following 114.2 % jump in May of 2023. It marked the highest level since 1991 as the economy is struggling with hyperinflation. Source: INDEC (Instituto Nacional de Estadística y Censos).

<sup>89</sup> Interview 8, Mercosur member state, March 2023.

The EU FDI Screening Regulation is an interesting case in point. It does not provide differentiated mechanisms. The possibility of a differentiated policy with a 'multispeed option' was envisaged, as Member States had become increasingly divided on the proper scope and mission of the EU, as an institution, but 'several hurdles, some perhaps insurmountable, to multispeed cooperation on FDI' appear under current treaty law (Lundqvist 2018: 1). The Regulation is thus not internally differentiated, but somehow paradoxically, it has not succeeded in forging a real unity among member states. Actually, its very lax stringency, unexpected with regard to its formal legal nature as a regulation offers, as seen in chapter one, a large margin of leeway for Member States not to engage in a screening mechanism, therefore not to take action. This level of flexibility could be considered as having an equivalent effect to that of an internal differentiation mechanism playing against unity, and lowering down the efficiency of the instrument.

## Conclusion of chapter 4

The literature on differentiation proposes that internal differentiation prevents regional organisations from stagnating (Schimmelfennig, Leuffen, and De Vries 2023). This proposition forms one of the hypothesis of our research (H1b1) which allows to provide specification about the effects of differentiation in the EU and in a comparative context. Internal differentiation is seldomly used in the three regional organisations in the specific context of counterweighing the influence of China and strengthening economic and defence resilience. Internal differentiation is used in the EU for one instrument only on twelve regional instruments (see Graph 11), but with an important effect on resilience and strategic autonomy. The instance in which internal differentiation is used in the EU – in defence and security policy, and more specifically in the case of PESCO – has proven to be very efficient as it has initiated a process of cooperation that has progressively been enlarged to other member states and has deepened in terms of the scope of areas of cooperation. ASEAN and Mercosur use internal differentiation to reduce economic asymmetries within the regional organisation and increase cohesion (H1b2) with the IAI and FOCEM respectively. These differentiated mechanisms to reduce economic asymmetry and strengthen cohesion, have proven both *indispensable* – their absence would be detrimental to the functioning of the regional organisation – and *insufficient* in scale to effectively reduce symmetries and ensure resilience in relation to Chinese economic influence.

# Chapter 5

## External differentiation

The external differentiation hypothesis, H1c (see Table 8), posits that external differentiation reinforces resilience when it extends the protective rules of the regional organisation to third countries, and in so doing provides the regional organisation with a broader unified cooperation in relation to an external power concerning both policies under scrutiny: trade and security. External differentiation increases the number of parties through the enlargement of the geographical scope of cooperation, but in contrast to external cooperation, external differentiation implies that some of the regional organisation's rules concerning primary or secondary law are applied to non-member states (see Table 5).

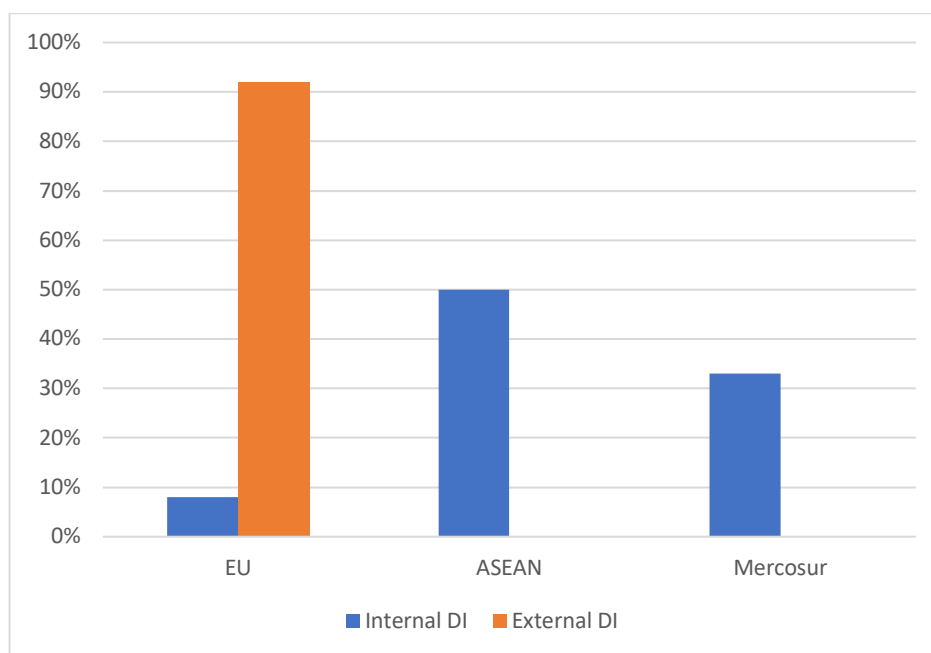
ASEAN makes minimal use of differentiation and in contrast to what existing studies on comparative differentiation suggest, it does not use external differentiation. Instead, ASEAN widely develops external cooperation, as shown in Part 3. Mercosur does not use external differentiation either, in the areas under scrutiny, with the exception of FOCEM, the structural fund, which has an external dimension as some projects are open to participation of external states; however, these projects are not concerned with countering Chinese influence.<sup>90</sup> It is worth mentioning however that Mercosur expressed in July 2023 its intention to strengthen the inclusion of the Associated states in regional political affairs in what is called the 'Expanded Mercosur' (Consejo Del Mercado Común 2023).<sup>91</sup> External differentiation plays a major role in

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<sup>90</sup> One of the projects involves Bolivia.

<sup>91</sup> Comunicado conjunto de los Presidentes de los Estados partes del mercosur y Estados asociados. 4 July 2023. §2 reads that the 4 presidents: 'Emphasized the work carried out by MERCOSUR POLITICO in the framework of the Forum for Consultation and Political Coordination aimed at strengthening the inclusion of the Associated States, achieving a growing active participation in regional political affairs and undertook to continue and deepen this enlargement of Mercosur Politico in future Pro Tempore Presidencies, in order to increasingly reflect the diverse reality of the peoples reality of the peoples that make up the EXPANDED MERCOSUR.'

the EU's response to an increasingly assertive China (82% of regional instruments). EU instruments which are externally differentiated are of a diverse legal nature. They include policies, but the research also considers strategies to be important policy documents as they define the EU's overall political goals which are to be developed and translated into policies and initiatives. This chapter is organised in two sections dedicated to EU instruments. The first one presents the 2021 EU's Pre-Accession assistance instrument, the second external differentiation in relation with trade and investments, the third EU strategies towards China, and the fourth focuses on defence and security.



*Graph 14. Distribution of internal and external differentiation in the EU and ASEAN in relation to the rise of China*

## Pre-Accession assistance and accession criteria

In light of the increased influence of China in the Western Balkans, the EU sees the prospect of EU membership as an important catalyst for reforms, with the ultimate goal being stabilisation and development under EU influence at a time when other

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[My translation. Original text: 'Destacaron el trabajo realizado por el MERCOSUR POLÍTICO en el marco del Foro de Consulta y Concertación Política tendiente a fortalecer la inclusión de los Estados Asociados, logrando una creciente participación activa en los asuntos políticos regionales y se comprometieron a continuar y profundizar esta ampliación del MERCOSUR POLÍTICO en las futuras Presidencias Pro Tempore, a modo de reflejar de manera creciente la diversa realidad de los pueblos que integran el MERCOSUR AMPLIADO.']

global players, in particularly China, Russia, and Turkey, are asserting their interests in the region (Rant, Mrak, and Marinč 2020).

The BRI but also institutional platforms (such as the China-Central and Eastern European Countries forum, also known as the 17+1 forum or 16+1, depending on which countries are assumed to be members), have raised a great deal of concern due to their potential divisive effect on the EU, and undermining impact on democratic values, in particular during the Covid-19 crisis. Serbia has also amplified disinformation – its government overstated Chinese support in the fight against the Covid-19 pandemic, and spread confusing information about EU policies that understated EU support (Seaman 2020). A supposed lack of solidarity on the part of the EU during the pandemic was extended beyond health policies to the Pre-Accession EU policy: circulated by the Serbian government, an alleged lack of support on the part of the EU for Serbia which, in turn, has been contradicted by several sources, including both the European parliament (Van Overtveldt 2022) and the Center for Strategic and International Studies in Washington DC (Conley et al. 2020: 4). According to EU sources, the EU provided EUR 1.539 billion of assistance to Serbia through the Instrument for Pre-Accession Assistance for the period 2014-2020 (Van Overtveldt 2022). Serbia's European Integration Ministry reports that China has pledged EUR 56 million to Serbia since 2009, but has only provided about EUR 6.6 million. The report by the Center for Strategic and International Studies indicates that China is only the fifth largest donor to Serbia, and that the EU is Serbia's largest donor by far, followed by Germany, the US, and the United Nations (Conley et al. 2020: 4). Notwithstanding this, the Serbian population is still convinced that China is more supportive of Serbia than the EU (Hartwell and Vladisavljev 2020). Serbia is also buying arms from China (see Table 10) and has received an official visit from Chinese defence minister Wei Fenghe in March 2021. Wei Fenghe, also visited North Macedonia, Hungary and Greece, a visit to Europe which is reported to have come on the backs of European plans to send warships to the South China Sea for joint exercises with the United States (RFI 2021).

As an EU candidate country, Serbia has to align with the EU on foreign policy issues, but this alignment has greatly decreased in recent years, shifting from 99% harmonisation in 2012 to 57% in 2019 (Novaković, Albahari, and Bogosavljević 2020). The 2021 Regulation for Pre-Accession assistance (IPA III) (European Parliament and Council of the EU 2021)<sup>92</sup> aims to maintain the Union's effectiveness in external action. It is a key instrument in the Union enlargement policy which the EU sees as 'a strategic investment in peace, security, stability and prosperity in Europe and allows the Union to be better positioned to address global challenges'.<sup>93</sup> The Regulation covers Albania, Bosnia and Herzegovina, Iceland, Kosovo, Montenegro, North Macedonia, Serbia and

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<sup>92</sup> The general objective of the regulation reads: 'The general objective of IPA III is to support the beneficiaries listed in Annex I in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries to comply with Union values and to progressively align to Union rules, standards, policies and practices ('acquis') with a view to future Union membership, thereby contributing to mutual stability, security, peace and prosperity.'

<sup>93</sup> Preamble 5.

Turkey for the period 2021-2027. States that are willing to accede to the EU and therefore benefit from the EU's assistance have to respect the Union values as enshrined in Article 49 TEU, but also to fully meet the Copenhagen criteria established by the Copenhagen European Council in 1993 and strengthened by the Madrid European Council in 1995.<sup>94</sup> The Maastricht Treaty was established against the background of the end of the Cold War and the reunification of Germany, and in anticipation of accelerated globalisation. Following the implosion of the Soviet Union, the conditions for accession for countries within Central and Eastern Europe were specified in the Treaty and in the Copenhagen criteria. EU conditionalities attached to the enlargement policy therefore not only concern economic governance, the strengthening of democratic institutions and public administration reform, but also EU foreign policy, which candidate countries have to align with.

Preamble (8) of the IPA III makes it clear that committing to the EU values includes 'progressive alignment with the Union's common foreign and security policy, in particular on issues where major common interests are at stake, such as restrictive measures and tackling disinformation and other hybrid threats.' New provisions were introduced in the IPA III, which may protect candidate countries against any detrimental influence on the part of China. Article 18 on Information, Communication and Visibility provides that IPA III should support strategic communication and public diplomacy, including the fight against disinformation, with a view to communicating the Union's values as well as the results achieved by the Union's actions. Regarding how tight the Regulation is, clear targets and indicators are specified in the Commission Implementing Decision of 10 December 2021 (European Commission 2021d) with a list of key performance indicators in the annex, which was not included in IPA II. The degree of assistance depends on the performance of the beneficiaries. Reinforcement of the support afforded to candidate countries and of the application of the conditional rules for accession allows the EU to strengthen its resilience through external differentiation.

## Investment policies

Three instruments that address investments are of interest when understanding the relation between external differentiation and resilience in relation to Chinese influence: the 2019 FDI Screening Regulation, the 2020 Invest Plan for the Balkans,

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<sup>94</sup> The Copenhagen criteria are: (1) the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; (2) a functioning market economy and the ability to cope with competitive pressure and market forces within the EU; (3) the ability to take on the obligations of membership, including the capacity to effectively implement the rules, standards and policies that make up the body of EU law (the 'acquis'), and adherence to the aims of political, economic and monetary union. See (European Council 1993), and (European Council 1995).

and the 2021 Invest EU programme. As seen in chapters 3 and 4, the FDI Screening Regulation is a key instrument put in place by the EU amid growing outward Chinese investments in strategic sectors. The Regulation concerns an area in which the EU has exclusive competences – it is not internally differentiated: according to our hypotheses, these two features are conducive to resilience. The Regulation is not externally differentiated: it has no EEA relevance, which limits the regulatory coherence inside the overall EEA (the EU Member States and the three EFTA-EEA states, Iceland, Norway, and Lichtenstein). Experts deem that extending the regulation so that it becomes relevant to EEA would be counter-productive, as the unit dealing with FDI in the Commission only comprises a dozen persons.<sup>95</sup> Norway has chosen to introduce its own national rules in the Security Act. The Act entered into force on 1 January 2019 but has not been applied in significant matters to date (Langseth and Tønseth 2022).

The 2020 Invest Plan for the Western Balkans<sup>96</sup> aims to support the economies of the countries which were already lagging behind in terms of economic convergence with the EU and have been massively disrupted by the Covid-19 pandemic crisis, as well as strengthen the appeal of EU investment and compete with Chinese investments in the Balkans. China's business and investment activity in relation to third countries, including the Western Balkans, the EU's neighbourhood and Africa may result in high-level indebtedness and transfer of control of strategic assets and resources. European companies face a lack of a level playing field when competing in third countries' markets with Chinese companies enjoying access to state backed loans and export credits at preferential rates, and the application of advantageous corporate and labour standards (European Commission, High Representative 2019). The Invest Plan for the Western Balkans complements the €9 billion of funds originating from the IPA III,<sup>97</sup> and will boost the investment capacity of the region by the mobilisation of a new Guarantee to raise investments of up to €20 billion.<sup>98</sup> For all of the Western Balkan partners, the EU is the largest trade partner, accounting for over 69.4% of the region's total trade in 2019, and it intends to remain so. In terms of FDI, EU companies are by far the leading investors in the region, accounting for approximately 65.5% of the total FDI stock in the region in 2018 (European Commission 2020a). The Invest Plan for the Western Balkans covers transport, energy, the environment and climate, digital infrastructure, human capital (youth), and private sector competitiveness.

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<sup>95</sup> Interview 5, European Union institution, December 2022.

<sup>96</sup> The conditionalities for complying with the European Union values and of strengthening the rule of law, democracy, and respect for human rights also apply to the Economic and Investment Plan for the Western Balkans. They also include the fight against corruption and structural economic reforms.

<sup>97</sup> The Commission's proposal for an Instrument for Pre-Accession Assistance (IPA III) amounts to over €14 billion for the period 2021-2027, of which the lion's share (€9 billion) is destined for the Western Balkans.

<sup>98</sup> An additional Covid-19 EU Support Package of €3.3 billion has been provided for the region.



The Invest EU Regulation was established in 2021 (European Union 2021a) to improve the competitiveness and cohesion of the Union, and aims to mobilise more than €372 billion of public and private investment through an EU budget guarantee of €26.2 billion. It is externally differentiated in that it applies to the European Free Trade Association, acceding countries, candidates and potential candidates, countries covered by the European Neighbourhood Policy and potentially other countries. The speed with which the Invest Plan for the Western Balkans and the Invest EU Regulation were adopted testifies to the remarkable way in which differentiation has been used to strengthen the EU's resilience, particularly during the Covid crisis, which China has tried to use to advance its influence in Europe.

## EU Strategies related to China's rise

Three strategies have forged a landmark in EU policies towards China: firstly with the 2019 EU-China Strategic Outlook, and then the Global Europe and the Global gateway strategies, which were both released in 2021.

### EU-China Strategic Outlook (2019)

The 2019 EU-China Strategic Outlook testifies to a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted, and specifies a trio of considerations which guides the EU's policies in relation to China:

'China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.'

(European Commission, High Representative 2019, 1).

As such, this strategy is not directly addressed at EU external partners, but this document expresses the EU position towards China and therefore has a core internal and external importance. The strategy recommends that the EU should apply the existing bilateral agreements and financial instruments more robustly. but the EU Parliament has voiced concern about this strategy which it considers not to be assertive, comprehensive and consistent enough. The EU Parliament has adopted a Resolution which recommends that the Vice-President of the Commission / High Representative of the Union and the Council develop a new EU-China strategy for a clearer position on a wide range of issues (European Parliament 2021). In April 2023,

Josep Borrell addressed the European Parliament and explained that indeed the EU strategy can be 'recalibrated' as the EU has never explicitly identified China as a direct threat to the EU security while the EU did so regarding Russia in its meeting in Versailles in March 2022 (Borrell 2023a).

## Global Europe (2021)

Global Europe - or NDICI-Global Europe - is the short name for the Neighbourhood, Development and International Cooperation Instrument that entered into force on 14 June 2021 (European Union 2021b). It aims to increase the coherence and ensure the effectiveness of the Union's external action, and therefore improve the implementation of the various external action policies,<sup>99</sup> such as sustainable development in relation to regional conflicts, terrorism, economic inequalities and growing migratory pressures. Its external differentiation dimension relates to the enunciation of conditions for EU cooperation with all third countries<sup>100</sup> including those in the Neighbourhood, Sub-Saharan Africa, Asia, the Pacific, the Americas and the Caribbean. The financial envelope for the implementation of the Instrument for the period from 1 January 2021 to 31 December 2027 is nearly €80 billion. It includes inter alia support with capacity building of military actors in terms of development, including training, mentoring and advice, as well as the provision of equipment, infrastructure improvements and services directly related to that assistance. The EEAS states that NDICI-Global Europe is currently being mobilised at its full potential to address the situation both in Ukraine and in other partner countries.

## Global gateway (2021)

The Global gateway is the EU's strategy for 'connecting the world together', an EU plan for major investment in infrastructure development around the world (European Commission and High Representative 2021a). It covers five areas, namely: digital (supporting an open and secure internet); climate and energy (supporting investment in the transition to clean energy); transport (supporting green, smart and safe

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<sup>99</sup> In accordance with Article 8(1) TEU, the Union is to develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation. The Instrument should contribute to that objective. Preamble (4) Global Europe.

<sup>100</sup> When providing budget support in accordance with Article 236 of the Financial Regulation, the Commission shall clearly define and monitor criteria for budget support conditionality, including progress in reforms and transparency, and shall support the development of parliamentary control, national audit capacities and increased transparency and public access to information Article 27 (4).

transport); health (strengthening supply chains and local vaccines production); education and research (investing in high quality education, focusing in particular on girls, women and vulnerable groups). It is considered the EU's response to the BRI.

The first response to the Chinese initiative came in 2015 from Japan, which proposed the Partnership for Quality Infrastructure, an initiative dedicated to beneficiaries in Asia, with a five-year budget of USD 10 billion. In 2016, the Partnership for Quality Infrastructure was expanded globally, and the allocated budget was raised to USD 200 billion (European Economic and Social Committee 2021). It was only in June 2021 at the G7 meeting in Cornwall, UK, that it was decided that a global alternative should be created – the Build Back Better World Initiative. At the time, China had already invested more than half of its total BRI funds earmarked for the period between 2019 and 2027, i.e., USD 1,2 – 1,3 trillion, as estimated by Morgan Stanley Research' (European Economic and Social Committee 2021). In June 2022, the Build Back Better World initiative was repackaged as the 'Partnership for Global Infrastructure and Investment (PGII) and its budget established at USD 600 billion by 2027 (The White House 2022). Its scope is extended to include 'energy security' and 'health security,' and the label 'digital technology' was changed for 'digital connectivity'. The same principles that characterized the Build Back Better World initiative approach – values-driven, high standards, transparency, and private sector investment – also hold true for PGII's approach (Savoy and McKeown 2022).

The Global Gateway proposes up to EUR 300 billion in investment up to 2027. It distances itself from the Chinese proposal by insisting on principles of trust and transparency: 'The European model of trusted connectivity in partner countries is long-term and in line with EU's interests and values: rule of law, human rights and international norms and standards.' It is open to cooperation with like-minded partners. Conditionalities are not specified in the 2021 Joint Communication but the Global Gateway supports investment which respects 'the highest social and environmental standards, in line with the EU's democratic values and international norms and standards' (European Commission 2021c). Concerning China and international norms, the deviation between Chinese domestic norms and international norms in the implementation of seven projects of the BRI is analyzed in *China and International norms, Evidence from the Belt and Road Initiative* (Esteban and Yue 2024). The book highlights China's stances toward international norms that govern different international issues. The case studies reveal that the normative function of the networks built under the BRI is limited and contains noticeable variations between domestic norms and international ones in China, resulting in implementation gaps between rhetoric and deeds. In 2023, the Global Gateway supports project in Africa, Latin America and the Caribbean, Asia and the Pacific and in the Western Balkans and the neighbourhood countries (Directorate-General for International Partnerships 2023).<sup>101</sup>

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<sup>101</sup> Examples of the Global Gateway cooperation in Asia in 2023 include: cooperation developed with the Philippines on the first South-East Asia earth observation programme with Copernicus (Copernicus Philippines), launched in April 2023 in Manila (European Space

In ASEAN countries, Global gateway projects include:

**Vietnam** • Just Energy Transition Partnerships (JETP): Construction of Bac Ai hydropower pump storage (1,200 MW) • Upgrading of Hydropower plant Tri An by 200MV to increase peak capacities • Construction of the Tra Vinh 48 MW nearshore wind farm

**Philippines** • Scale up service provision from the Copernicus mirror site to provide high-speed internet capacity

**Indonesia** • Investment plan via the Just Energy Transition Partnership (JETP) to expand renewable energies, phase down on and off-grid coal-fired electricity generation • Double tracked upgrading and electrification of suburban train

In Mercosur countries, projects include:

**Brazil** • Protecting tropical forests, fighting deforestation and achieving sustainable and smart cities • Deployment of 5G infrastructure to foster digital transformation

**Paraguay** • Production of Green Hydrogen

**Uruguay** • Deployment of 5G connection to foster digital transformation • Production of Green Hydrogen

**Argentina** • Development of Gran Chaco and expansion of the electricity transmission network covering 23 provinces nationwide • Development of critical raw materials value chains for lithium and copper • Production of Green Hydrogen

In the Western Balkans, a regional project consists in the Trans-Balkan Electricity Corridor in **Serbia, Montenegro, Bosnia and Herzegovina**, 400kV Interconnection linking electricity transmission systems to those of **Croatia, Hungary, Romania and Italy**. In **North Macedonia**, the project is the Corridor VIII Rail Interconnection North Macedonia – Bulgarian border.

While the EU needs a strategy that better reflects its current position on China and needs to revise the 2019 EU-China Strategic Outlook, the EU has provided two significant strategies vis-à-vis the influence of China: the Global Europe and the Global gateway strategies, both released in 2021.

## External differentiation in relation to defence and security

### PESCO

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Agency as well as EU Member States) – the EU will contribute USD 37.2 million in grants; cooperation with Indonesia on a project to achieve climate goals and improve the urban public transport situation in Surabaya metropolitan – the project is notably financed by Germany (loans) and the EU (grants) (G7 Hiroshima Summit 2023).

The internal differentiation dimension of PESCO was presented in chapter 4. As far as external differentiation is concerned, the participation of third States in PESCO projects is subject to certain conditions (Council of the European Union 2020). The external differentiation element of PESCO was anything but self-evident and it took almost two years' negotiation to be agreed on.<sup>102</sup> It is now recognised as a means of enhancing the EU's response, to 'pav[e] the way for stronger and more ambitious defence cooperation with partners in the EU framework' (Council of the EU 2020). Following the requests by Canada, Norway and the United States of America to participate in the PESCO project on Military Mobility, on 6 May 2021 the Council adopted positive decisions authorising the coordinator of this project – the Netherlands – to invite the three countries to join. Canada, Norway and the United States of America were the first third states to be invited to participate in a PESCO project (EEAS 2022c).<sup>103</sup> The UK applied to join PESCO project on Military Mobility in July 2022. PESCO also provides rules for suspended participation: third countries may be suspended for failing to fulfil their obligations, and for not complying with political and institutional conditionalities contained within Council Decision 2020/1639, especially that which regards good neighbourly relations.

## EDF and NIS2

The EDF and NIS2 are instruments that were explored in chapters 3 and 4 respectively, which present external differentiation features. Article 5 of the EDF specifies that it shall be open to the participation of those members of the European Free Trade Association that are also members of the EEA, in accordance with the conditions laid down in the Agreement on the European Economic Area (see Map 5. EU internal and external differentiation). This external differentiation allows the EU to cooperate with key states with respect to defence matters in Europe and in the Atlantic Ocean and boost the European Defence Technological Industrial Base which will strengthen the EU's strategic autonomy.

Similarly, the NIS2 extends the EU's protecting measures concerning cyber security to EEA countries. The NIS2 requires Member States to adopt national cyber security strategies and to designate or establish competent authorities, cyber crisis management authorities, and single points of contact for cybersecurity and computer security incident response teams (CSIRTs).

## Conclusion of chapter 5

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<sup>102</sup> Interview 4, European Union member state, November 2022.

<sup>103</sup> Decisions regarding third States participation are taken by unanimity by the 25 PESCO participating Member States, in accordance with Article 46(6) of the Treaty on the European Union.

External differentiation and external cooperation are not defined any differently in the academic literature, a confusion which leads to an underestimated importance of such differentiation in the EU and to an overestimation of its importance in a comparative context. Drawing on Pedreschi and Scott (2020), the definition of external differentiation which is used in this research – the process through which a third country either adopts a regional organisation's law or aligns its law with the regional organisation's primary or secondary law – results in many instruments that were previously assessed as being externally differentiated being reassessed as actually belonging to the category of external cooperation (the ASEAN +3, ADMM+, the ARF...). The research shows that the EU is the only regional organisation which uses external differentiation in the context of strengthening its resilience and strategic autonomy vis-à-vis an external hegemon. Our research thus contributes to the literature on differentiated integration by showing that external differentiation is a key aspect of EU resilience and strategic autonomy vis-à-vis the influence of an external hegemon.

According to hypothesis H1c on external differentiation, the extension of the protective rules of the regional organisation to third countries (broader unified cooperation) is conducive to resilience. The results show that external differentiation is used by the EU to a great extent: 92% of EU regional instruments are externally differentiated. The FDI Screening Regulation is the only exception. External differentiation is used in policies that range from the pre-accession instrument to the NIS2 Directive on Network Infrastructure security. The EU reacts to Chinese influence by strengthening and extending its ties with associated states and candidate countries, but also third states, thereby enhancing its resilience and strategic autonomy. In doing so, the EU does not give up on norms and values; on the contrary, the EU continues to promote inter alia democracy, the rule of law, good governance, transparency, equal partnerships, and sustainability, even if the requirements necessary to achieve these values make it less attractive in terms of trade compared to China's low requirements in these domains.

## **Conclusion of Part 2**

### The potential and the limitations of differentiation

### The contribution of differentiation to resilience and strategic autonomy

As they barely focus on the effects of differentiation, the theories of differentiated integration cannot allow to understand how regional organisations can cope with the challenge of resisting an external hegemon's influence and enhancing their resilience and strategic autonomy. One main conclusion of the present research is that the level of integration is a key factor of resilience and strategic autonomy. A low level of integration in trade, defence and security policies increases the vulnerability to the influence of an external power and can hamper a regional organisation's resilience and strategic autonomy.

The EU makes an extensive use of differentiation where Chinese influence is concerned. It has established a great number of policies which display differentiated mechanisms in a way which, according to our hypotheses, strengthens its resilience and strategic autonomy. Policies concerned are relatively diverse. As explained in chapter 2, instruments were selected on the basis of their relevance to the research question and the two policies of trade and security. Regarding security, the research did not consider instruments aimed at countering terrorism. Policies include inter alia: investment (protection against FDI potentially affecting security or public order; support of investment in the EU, in the Western Balkans, and in the world), cybersecurity (establishment of national cybersecurity strategies and competent authorities for cyber crisis management; Cyber Rapid Response Teams and mutual assistance in cybersecurity in the context of PESCO); defence and security (strengthening of the European Defence Technological Industrial Base by means of the

EDF – and the related creation of DG DEFIS) to enhance the competitiveness and innovation of the European Defence industry; 68 projects related to defence in the context of PESCO since 2017); and three strategies dedicated to the EU's relations with China, investment and security in Europe, and investment in the world.

As far as internal and external differentiation are concerned, 92% of EU regional instruments are externally differentiated (11 of 12 instruments), and 8% are internally differentiated (one instrument). Both the internal and external differentiation dimensions of PESCO have had a beneficial effect on resilience as they have allowed state participation to be enlarged (Denmark has joined PESCO, Norway, the US, and Canada are participating in a project and the UK has applied to do so), and they have enabled cooperation to be deepened as well, as the number of projects has increased from 17 projects in 2017 to 68 in July 2023. Interestingly, the EU has not given up on conditionalities which are central to external differentiation.

The development of regional instruments by the EU testifies to a very dynamic response in the EU in terms of vertical, internal and external differentiation, a response which strengthens its resilience and strategic autonomy and amounts to a balancing strategy. Compared to the EU, the regional instruments established by ASEAN and Mercosur which can be considered as potentially having an effect on resilience in relation to China (related to reducing economic symmetry, and the strengthening of inward FDI) are strikingly low in numbers and only a few are differentiated.

## The limitations of differentiation

Although differentiation can be a powerful mechanism and is used extensively by the EU, Part 2 of this research has shown that attaining resilience and strategic autonomy requires that certain conditions be fulfilled. The importance of stringency in facilitating resilience has been brought to light, a condition which is lacking in the FDI Screening Regulation as well as in the ASEAN way. Supranationalism in the EU without stringency leads to mixed results. Intergovernmental cooperation without stringency is also problematic.

Another limitation of differentiation has to do with the characteristics of the international system, within which regional organisations interact with states. Regional instruments, and their external differentiation which project a normative power beyond the regional organisation's borders are not the only tools at the disposal of regional organisations. If resilience and strategic autonomy can be attained through the strengthening of a regional organisation (hypothesis 1), they can also be pursued through external cooperation (H2 and H3). External cooperation and its potential contribution to resilience and strategic autonomy, in the context of balancing, hedging or bandwagoning strategies, is the subject of Part 3 of this thesis.



## Part 3

### External Cooperation: Balancing, Hedging and Bandwagoning

China's attempt to reform global governance, increase economic advantage and form political allegiances sparks various responses from regional organisations. Part 2 of the present volume has shown that the EU is the regional organisation which is engaging in by far the most profound changes in terms of regional integration and intergovernmental cooperation. However, although resilience or strategic autonomy can be reached through the strengthening of a regional organisation (hypothesis 1), resilience can also be pursued through external cooperation (hypotheses 2 and 3). External cooperation as defined in chapter 2 consists of a formal mechanism through which a regional organisation and a third state agree to find solutions to common problems without requiring the third country to adopt a regional organisation law or to align with its law. This research analyses two types of external cooperation: partnerships and regional fora. The second hypothesis (H2), which characterises a situation whereby balancing and hedging are taking place, assumes that regional organisations cooperate with external partners that are influential in the region to tighten their resilience and that this strategy is conducive to resilience, and to strategic autonomy when there is engagement with like-minded partners. The third hypothesis (H3) suggests that regional organisations engage in bandwagoning to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation mechanism is based on the norms of the hegemon, a situation which can jeopardize resilience and does not allow for strategic autonomy. Part 3 is divided into two chapters; chapter 6 looks at balancing and hedging, and chapter 7 examines bandwagoning.

# Chapter 6

## Balancing and hedging: in search of resilience and strategic autonomy

Chapter 6 is dedicated to hypothesis 2 which concerns a situation where balancing and hedging is taking place and assumes that regional organisations cooperate with external partners that are influential in the region in order to tighten their resilience and strategic autonomy, through regional fora or through strategic partnerships. In line with liberal institutionalism, it claims that cooperation with external partners can lead to some level of strategic autonomy when the norms between the regional organisation and its partners are negotiated between them and common preferences facilitate the achievement of shared benefits. Consequently, balancing is more likely to bring about resilience and strategic autonomy than hedging with states with which the regional organisation do not share the same norms. And it is doubtful that hedging will contribute to the attainment of strategic autonomy if China, as a hegemon, is associated with the forum.

In international relations theory, balancing and hedging are two strategies that states use to manage their relationships with other states. While both strategies aim to maintain security and protect national interests, they differ in their approaches and objectives. Balancing refers to a situation whereby the power of a dominant state is challenged or a coalition is created through alliances or an internal military build-up, while hedging emphasises the maintenance of flexible and diverse relationships to manage risk and maximise opportunities in an uncertain world. In practice, these concepts are also understood and used in different ways. As explained in chapter 1, we extend the definition of balancing so that it does not only refer to a military build-up, but also to the strengthening of the institutional set-up of the regional organisation. We define international cooperation as involving strategic partnerships and regional fora.

Strategic partnerships are a type of bilateral relations that inherently concern security issues (Renard 2016, 33), and which are increasingly being undertaken, and are tending to replace alliances which are regarded as static and rigid (Tyushka and Czechowska 2019, 8–9). Strategic partnerships are not necessarily solely formed due to friendly relations, and neither do they occur among friendly powers, nor do they automatically transform rival powers into allies (Tyushka and Czechowska 2019, 14). However, an evolution seems to have taken place over recent years in terms of the importance assigned to strategic and therefore to their labelling.

'The attribution of the label has a strategic consequence, which is precisely what we've been sitting on for years, considering that the term strategic was so shiny and would diplomatically allow us to have a form of gateway and, to notch at the highest level of bilateral relations. Which is already wrong. And above all we realised that at the strategic level there was implicitly a great hierarchy. So what happened was that we ended up with Partners who are, I wouldn't say cumbersome, but who make less sense in strategic terms.'<sup>104</sup>

Concretely, a France-China strategic partnership may be at the same level than a France-US partnership but in substance, they are very different. There is a sort of 'survivance' of this term but the problematic use of the term in some partnerships cannot be reversed, as it could damage the bilateral relationship. Fora are platforms which are also used to address specific regional concerns. One element that is of interest for the purpose of this research, which addresses resilience and strategic autonomy, is the flexibility that a forum provides and the fact that a regional organisation which has established a forum can retain a specific status and exercise different types of power: the regional organisation can exercise leadership power (which means for example that the regional organisation sets the agenda), and/or act as a convening power (which implies that the regional organisation has a neutral position and endeavours to reach compromises) (see chapter 1).

The chapter is structured as follows: the first section analyses the EU's establishment of strategic partnerships, focusing first on the partnerships that are specifically dedicated to trade and investments, and then partnerships that concern security. The second and third sections look at ASEAN and Mercosur partnerships respectively. The EU-Mercosur agreement is analysed from the EU's perspective in the first section and from Mercosur's perspective in the third section.

## **The EU: a balancing strategy**

It is worth reminding ourselves at the beginning of this section that the EU's policy approach towards China is multifaceted and relies on a trio of considerations which

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<sup>104</sup> Interview 16, EU institution, July 2023.

presents China as a 'cooperation partner, a negotiating partner, and a systemic rival in promoting alternative models of governance' (EEAS 2022a). The EU maintains cooperation and political dialogues on climate change but also on drugs, with further dialogue in July 2022 (European Commission 2022a). Furthermore, the EU insists on an 'open strategic autonomy' which means that although the EU has adopted a regulation on FDI screening which potentially affects security and national order, it remains open to FDI from China. Thirdly, the EU emphasises the need to de-risk the present state of international relations (European Council 2023a).<sup>105</sup> Indeed, strategic autonomy is conceived not as an isolated phenomenon but as a cooperative endeavour: 'European strategic autonomy will require internal political and economic resilience and unity, far greater responsibility and risk taking in surrounding regions, and the governing of global interdependences by partnering in multilateral formats' (Tocci 2021, 38). The analysis of the EU external cooperation mechanisms of importance in terms of resilience and strategic autonomy distinguishes two types of cooperation: the traditional bilateral or multilateral partnerships and an EU-led forum of great significance, the European Political Community which has an innovative format.

## Partnerships

Partnerships established by the EU in response to Chinese influence and covered by this research essentially concern two regions: the Euro-Atlantic and the Indo-Pacific. South America should also be added considering the strategic relevance of the EU-Mercosur agreement. Partnerships have been concluded with ASEAN, NATO, Japan, Singapore, Indonesia, the Philippines, Thailand, Malaysia, the US, Singapore, Vietnam, India and Mercosur. A full list is presented in Annex 1. All have a security dimension, but only a few explicitly involve security issues and are labelled 'strategic partnerships.' This section presents the main agreements that are examined.

### *The EU-ASEAN strategic partnership (2020)*

The EU-ASEAN strategic partnership (2020) which is a milestone in the history of EU-ASEAN relations which date back 45 years signals the growing importance of Southeast Asia for the EU amid growing tension in the region, as well as in the context of its economic attractivity. It commits parties to regular summits at leaders' level. The first EU-ASEAN summit took place in Brussels in December 2022. This strategic

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<sup>105</sup> 'The European Union and China continue to be important trade and economic partners. The European Union will seek to ensure a level playing field, so that the trade and economic relationship is balanced, reciprocal and mutually beneficial. In line with the Versailles agenda, the European Union will continue to reduce critical dependencies and vulnerabilities, including in its supply chains, and will de-risk and diversify where necessary and appropriate. The European Union does not intend to decouple or to turn inwards' (European Council 2023a).

partnership relates to EU resilience and strategic autonomy vis-à-vis China through its two dimensions of trade and security which endeavour to give the EU a stronger role in the region. The ambition is to support both EU interests and international law, in particular when it comes to freedom of navigation.

With the EU-ASEAN strategic partnership, the EU intends to contribute to the region's stability, security, prosperity and sustainable development, in line with the principles of democracy, rule of law, human rights and international law. The partnership covers seven policy areas: sustainable and inclusive prosperity, ocean governance, connectivity, human security, green transition, digital governance and partnerships, security and defence.

In addition to increasing trade and extending and deepening bilateral relations with ASEAN MS, the partnership also allows to promote the Global Gateway and its worldwide programme for investment to be promoted. The EU's expected contribution amounts to around EUR 10 billion for the implementation of Global Gateway in the ASEAN region. The Global Gateway is a direct response to the BRI and is presented as being based on trust and respectful of the highest social and environmental standards (see chapter 5). The principle of trust is mentioned six times in the remarks given by President Charles Michel at the EU-ASEAN business summit, one day before the EU-ASEAN summit (Michel 2022a).

The reaching of the agreement does not mean that there are no contentious issues between the EU and ASEAN MS, including issues of strategic relevance. The ban on export of nickel that Indonesia passed in order to develop an industry of refinement is one of them. The ban raised criticism on Indonesia's breach of free trade rules with the EU pushing a claim against Indonesia at WTO<sup>106</sup> and other dominant Asian steelmaking players like China and South Korea also raising criticism.<sup>107</sup> The WTO panel ruled in favour of the EU in November 2022, saying that neither the prohibition of nickel exports nor a domestic processing requirement requiring all nickel ore to be refined in Indonesia were in line with global trade rules, and prompting Indonesia to appeal the ruling.<sup>108</sup>

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<sup>106</sup> The request covers the following alleged measures: (a) restrictions on exports of nickel, including an actual prohibition to export; (b) domestic processing requirements for nickel, iron ore, chromium and coal; (c) domestic marketing obligations for nickel and coal products; (d) export licensing requirements for nickel; and (e) a prohibited subsidy scheme. [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds592\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds592_e.htm)

<sup>107</sup> Third parties are Brazil; Canada; China; Japan; Korea, Republic of; India; Russian Federation; Saudi Arabia, Kingdom of; Singapore; Chinese Taipei; Turkey; Ukraine; United Arab Emirates; United Kingdom; United States.

<sup>108</sup> The EU and Indonesia have also divergent positions over the trade in palm oil which use in biofuels is a leading cause of deforestation and prevents compliance with renewable energy targets. There is also an issue of pollution – palm oil diesel releases up to three times as many emissions compared to traditional petroleum-based fuel. On 22 February 2023, the Chair of the panel informed the DSB that in light of the complexity of the legal and factual issues that

In terms of security, and more specifically international law, the EU has certain expectations with regard to Southeast Asia. The EU is concerned about China's stance on UNCLOS and in particular on freedom of navigation, as well as its normative influence in the South-East region:

'There are gaps value when it comes to supporting international maritime security and in particular regional maritime security. One thing that also goes beyond the region is China's initiative for shaping the rule-based order in ASEAN including the UN institutions. Such a development was the Global Security Initiative promulgated in Spring this year. These are initiatives that we cannot support - actually we are against. We have different views and we are competing, trying to maintain the rules based international order but that is what China does not want'.<sup>109</sup>

In terms of security, the partnership - which is completed by the 2022 EU Indo-Pacific strategy - also provides an opportunity to strengthen political ties as well. In particular, the EU was concerned that it would engage in a partnership with ASEAN while ASEAN MS would not conform to EU sanctions against Russia. Only Singapore decided to impose sanctions on Russia, having decided to do so as early as March 2022 (Ministry of Foreign Affairs, Singapore 2022). The EU and ASEAN could not reach a joint agreement denouncing Russia's invasion of Ukraine on the occasion of the first EU-ASEAN summit in December 2022: they reiterated the position they had during the G20 (they reaffirmed, 'as for all nations, the need to respect the sovereignty, political independence, and territorial integrity of Ukraine') and admitted that 'there were other views and different assessments of the situation and sanctions' (General secretariat of the Council 2022). Vietnam and Laos have strong military links to Moscow (DW 2022): both countries abstained in a vote on a Resolution at the UN General Assembly which deplored in the strongest terms the aggression by the Russian Federation against Ukraine and demanded its complete and unconditional withdrawal from the territory of Ukraine (United Nations 2022a).<sup>110</sup> Furthermore, ASEAN has had a strategic partnership with Russia since 2018 (Martinus 2023).<sup>111</sup>

The EU-ASEAN partnership reinforces the EU's reliability as a partner in matters of security, on a broad range of traditional and non-traditional security and defence-

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had arisen in the dispute, the panel expected to issue its final report to the parties not before the third quarter of 2023 (WTO 2020).

<sup>109</sup> Interview 3, EU institution, November 2022.

<sup>110</sup> 143 states voted in favour of the resolution. Six states sided Russia by voting against the resolution: North Korea, Syria, Belarus, Eritrea, Nicaragua and Mali. China abstained along with 31 countries.

<sup>111</sup> On responding to the war in Ukraine, ASEAN under Cambodia's chairmanship last year was able to facilitate Ukraine's accession to the Treaty of Amity and Cooperation (TAC), despite ASEAN countries' divergent stances on the Russian invasion.

related issues, such as transnational crime, maritime security, peacekeeping operations, cybersecurity and counter-terrorism, as also specified in the EU Indo-Pacific strategy. However, the two partners do not share the same view on the key issue of the Ukraine war, for Europe, which also impacts ASEAN in terms of food security and energy prices, which hampers somewhat the strength of the partnership.

### *The EU-US TTC (2021)*

In order to overcome global trade challenges, the EU and the US established a joint trade and technology council in 2021, the EU-US Trade and Technology Council (TTC). The establishment of the TTC took place in the context of growing trade tension between the US and China and the risk of a de-coupling of the two economies, and amid the EU ambition to develop an 'open strategic autonomy'. The EU and the US met to discuss the 'issue of sovereignty vis-à-vis China'<sup>112</sup>, and they reaffirmed their openness to foreign investment which was highlighted as 'being essential for economic growth and innovation'. The objectives of the TTC are to coordinate approaches to key global technology, economic, and trade issues; and to deepen transatlantic trade and economic relations, basing policies on shared democratic values. The resulting agreement from the aforementioned meeting, the EU-US Trade and Technology Council Inaugural Joint Statement, includes a provision on investment screening in its section 2:

'We also face common challenges in addressing related risks. We intend to maintain investment screening in order to address risks to national security and, within the European Union, public order. We recognise that our investment screening regimes should be accompanied by the appropriate enforcement mechanisms. Furthermore, investment screening regimes should be guided by the principles of non-discrimination, transparency, predictability, proportionality, and accountability, as set forth in relevant OECD guidelines. We also intend to engage with partner countries and stakeholders on investment screening.'

(European Union and United States 2021)

As explained by an interviewee, the US are very interested in EU initiatives that concern standard-setting tools, the ability to have a vision of supply chains and electronic chips: 'They are aware that there is something we can do together.'<sup>113</sup> A working group is specifically dedicated to screening investments. It is tasked with focusing on exchanging information on investment trends that affect security; on best practices, including risk analysis and risk mitigation systems, with the emphasis on focus on sensitive technologies and related sensitive data, which may include personal data; and together with other groups, including Export Controls, develop a holistic view of the risk-addressing policy tools that concern specific sensitive technologies.

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<sup>112</sup> Interview 4, EU member state, November 2022.

<sup>113</sup> Interview 4, EU member state, November 2022.

### ***The EU Indo-Pacific strategy (2022)***

The EU Indo-Pacific strategy is a direct response to China's growing assertiveness in the region which compromises the EU's interests in the region in terms of trade and freedom of navigation, but also more widely in terms of the respect of international law (see introduction).<sup>114</sup> The Indo-Pacific is a vast region that spans the east coast of Africa to the Pacific Island States and which is increasingly strategically significant to Europe, i.e., both economically and in terms of security. The region is home to 60% of the global population, produces 60% of global GDP and contributes two thirds of global economic growth (EEAS 2021). The EU intends to increase its engagement with the region in order to build partnerships that reinforce the rules-based international order, address global challenges, and support sustainable economic recovery.

Cooperation with the EU in the framework of the Indo-Pacific strategy is inclusive of all partners in the region when interests coincide: the EU refers to the term 'like-minded partners' which is used to signify something more than just 'democratic regime' *stricto sensu*.<sup>115</sup> Using the phrase 'democratic regimes' would have implied to enter in a discussion of what is a democratic regime, and this would have constituted a very strong normative dimension for the EU, as explained by an interviewee:

The like-minded partners are the political regimes with which we would say we share a wide range of strategic visions and a certain number of interests, and so in absolute terms 'like-minded' is a notion rather than a concept, which is somewhat all-encompassing and which enables us to have a form of graduation in all our partnerships, which effectively include the 'very like-minded' and the 'less like-minded'.<sup>116</sup>

'Like-minded' is a notion without a legal definition, and with a variable geometry. By using this term, the EU reaffirms its commitment to promote its values; namely democracy, human rights and the rule of law (EEAS 2022b) and specifies conditionalities in relation to its values:

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<sup>114</sup> Coming back from a field trip in Singapore in 2023, Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy/President of the European Commission, expresses his conviction 'that despite the war on our doorstep and many pressing priorities at home, we need to pay more attention to the strategic shifts in the Indo-Pacific and especially South-East Asia. It really matters whether the region stays open, plural and rules-based, or descends into ever-stronger great power competition, competing blocs and binary choices (Borrell 2023c).

<sup>115</sup> Interview 16, EU institution, July 2023.

<sup>116</sup> Interview 16, EU institution, July 2023.



'The EU will remain a consistent defender of human rights and democracy and continue to use all tools at its disposal: political and human rights dialogues and consultations, trade preferences and the mainstreaming of human rights considerations in all EU policies and programmes. The EU will continue to use its restrictive measures (sanctions) regime against individuals, entities and bodies responsible for, involved in, or associated with serious human rights violations and abuses worldwide. In international fora, the EU will work with likeminded Indo-Pacific partners to push back any initiative that undermines the human rights enshrined in customary international law and in international human rights instruments.'

(European Commission and High Representative 2021b).

By enhancing cooperation with like-minded partners, the EU is paving the way for a strengthened resilience in a broad range of areas: 'Sustainable and inclusive prosperity; Green transition; Ocean governance; Digital governance and partnerships; Connectivity; Security and defence; Human security'. In terms of security, the EU will focus in particular on supporting Indo-Pacific partners' capacity to ensure maritime security; facilitate partners' capacity-building to tackle cyber crime, support healthcare systems and pandemic preparedness for the least-developed countries in the region; reinforce the EU's disaster risk reduction and preparedness engagement in the region (European Commission and High Representative 2021b).

The maritime domain has a crucial importance for the EU in terms of security. The strategy for the Indo-Pacific proposes to 'promote an open and rules-based regional security architecture, including secure sea lines of communication, capacity-building and enhanced naval presence in the Indo-Pacific' and to 'explore ways to ensure enhanced naval deployments by EU Member States in the region' (European Commission and High Representative 2021b). France which has a large stake in the Indo-Pacific and is the European country with the greatest capability to project power in the region is extending military deployment (Pitlo 2023). France has been instrumental in the elaboration of the EU Indo-Pacific strategy and considers its main objectives to be convergent with the French national strategy (Ministère de l'Europe et des Affaires Étrangères 2023)<sup>117</sup> (See introduction). The Taiwan strait is also of great importance in terms of trade for the EU. In March 2022, the French frigate *Vendémiaire* transited the Taiwan Strait to continue its mission in the South China Sea and to demonstrate France's strong commitment to freedom of navigation (Assistant Départemental pour la Marine du haut Rhin 2022). In March 2023, Josep Borrell stated that 'The Europeans must be present in the Strait to conduct Freedom of Navigation Operations, through their navies' (Borrell 2023a). France also strengthened its ties with Cambodia in the context of the French strategy in the IndoPacific, on the occasion of the *Prairial* frigate's port of call in Sihanoukville in March 2023.

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<sup>117</sup> The objectives of the French Indo-Pacific strategy are to promote peace and security, effective multilateralism and an international order based on respect for the rule of law, economic prosperity and the promotion of global common goods.

The EU Indo-Pacific strategy is to be understood through the lens of the Strategic Compass which provides a 'reality check'<sup>118</sup> and a more realistic geopolitical coverage of the EU strategy for the Indo-Pacific. Indeed, the EU ambitions have been specified, and somewhat narrowed down: the EU does not claim any more to be a security provider (in the Indo-Pacific, the EU has a limited military capacity to offer) but the EU now defines itself as a 'smart enabler'.<sup>119</sup>

### *The 2023 EU-NATO joint declaration*

Cooperation between the EU and NATO, which began in 2003, has been increasing since 2016 (European Council and Council of the European Union 2023a). Since then Finland joined NATO on 4 April 2023, and Sweden's accession protocol is in the process of being ratified by all NATO countries. On 10 July 2023 President Erdogan announced that Turkey will ratify Sweden's accession protocols. In addition to Sweden, four EU Member States are not covered by the EU-NATO agreement: Austria, Cyprus, Ireland and Malta. Due to the Ukraine war, the EU and NATO have strengthened the degree to which they cooperate, but the 2023 EU-NATO joint declaration also explicitly mentions China, which was not the case with the previous joint-declaration of 2018 (European Union and NATO 2023). In 2022, for the first time, NATO mentioned China in its Strategic Concept:

'The People's Republic of China's (PRC) stated ambitions and coercive policies challenge our interests, security and values. The PRC employs a broad range of political, economic and military tools to increase its global footprint and project power, while remaining opaque about its strategy, intentions and military build-up. The PRC's malicious hybrid and cyber operations and its confrontational rhetoric and disinformation target Allies and harm Alliance security. The PRC seeks to control key technological and industrial sectors, critical infrastructure, and strategic materials and supply chains. It uses its economic leverage to create strategic dependencies and enhance its influence. It strives to subvert the rules-based international order, including in the space, cyber and maritime domains. The deepening strategic partnership between the People's Republic of China and the Russian Federation and their mutually reinforcing attempts to undercut the rules-based international order run counter to our values and interests.'

(NATO 2022, 5)

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<sup>118</sup> Interview 16, EU institution, July 2023.

<sup>119</sup> This was the message given by HR/VP Borrell at the Shangri La Dialogue in 2023 (Borrell 2023b).

The EU-NATO 2023 joint declaration first refers in Point 4 to 'authoritarian actors', which 'challenge our interests, values and democratic principles using multiple means - political, economic, technological and military'. Point 5 is more specific, mentioning China: 'We live in an era of growing strategic competition. China's growing assertiveness and policies present challenges that we need to address'. In Point 12, the joint declaration specifies the way the two organisations plan to strengthen their cooperation: The EU and NATO plan to cooperate in a deeper and more extensive way, on areas such as: 'the growing geostrategic competition; resilience and the protection of critical infrastructure; emerging and disruptive technologies; space; the security implications of climate change; foreign information manipulation and interference'. Finally point 13 encourages the fullest possible involvement of the NATO Allies that are not members of the EU in its initiatives. During the last NATO summit in Vilnius on 11-12 July 2023, allies have approved the most comprehensive defence plans since the end of the Cold War... [and] endorsed a new Defence Production Action Plan to accelerate joint procurement, boost interoperability, and generate investment and production capacity (NATO 2023). The strengthening of EU-NATO cooperation comes in support of the view that for the EU, strategic autonomy is not to be conceived in antagonistic terms with NATO but rather in close cooperation with the North Atlantic alliance.

### *The EU-Mercosur association agreement*

The EU-Mercosur Association Agreement has been under negotiations since 1999; however it has today a direct strategic dimension with regard to Chinese global agenda both for the EU and for Mercosur (for the perspective of Mercosur on the agreement, see next section). Indeed, the High Representative for Foreign Affairs and Security Policy, Josep Borrell, made it very clear in 2020 that the objective of the agreement is to aid strategic autonomy vis-à-vis China:

'The EU-Mercosur accord must not be seen as a mere free trade instrument [...]. It has a profound geopolitical meaning: it is a tool permitting both regions to face the rising confrontation between the United States and China, whereby both Latin America and the EU run the risk of falling into a position of strategic subordination.'

(Borrell, 2020, p. 4)

The EU-Mercosur negotiations were stalled in 2016 but resumed the same year. The agreement includes a part on trade (the Trade and Trade-related Matters Part) and a political part (the 'Political Dialogue and Cooperation Part'). The agreement on the trade part, which falls under the exclusive competence of the EU, was negotiated by the Commission and agreement was reached in June 2019 (the Trade pillar); the text within the trade part needs to be legally revised. The largest Mercosur partner measured in total EU trade (imports and exports) in 2021 was Brazil (EUR 67 billion),

ahead of Argentina (EUR 17 billion).<sup>120</sup> Negotiations are currently ongoing regarding an additional protocol that addresses concerns voiced by some EU MS, regarding inter alia the fight against Amazon deforestation and Brazil commitment to climate change action.<sup>121</sup> The political part of the AA remains under the shared competence of the member states and the EU. The negotiations on the Political Dialogue and Cooperation, led by the EEAS, were concluded in June 2020.

While the EU already has trade deals in place with nearly all of the other countries in Latin America, securing an agreement with the Mercosur countries allows the EU to extend preferential access to EU exporters and to further strengthen its political ties with Latin American countries (European Commission, n.d.). The EU hopes that the agreement will help the EU and Mercosur shape global trade rules in line with the highest EU standards, send a powerful signal to the world about the advantages of rules-based trade, highlight the fact that two of its biggest economic blocs reject protectionism, and demonstrate that the value chains between the two regions can be integrated further (European Commission, n.d.).

From a European viewpoint, the EU-Mercosur negotiations have evolved from seeking to balance out the power of the United States, right after the end of the Cold War, to struggling to balance out the power of China, today's rising strategic rival (Malamud 2022, 12). The EU initiative to launch interregional negotiations with Mercosur in the 1990s was a strategic reaction to the FTA of the Americas (FTAA), a US-led initiative, conducted between 1990 and 2005, that encompassed thirty-four hemispheric countries (all bar Cuba) and threatened to close their markets to extra-regional powers (Malamud, 2020). The Interregional Framework Cooperation Agreement- which currently structures the relations between the EU and Mercosur - has facilitated regular interregional meetings and trade negotiations, but it has failed to establish a formal framework for convergence between the two: 'it did not prevent China, rather than the EU, from making commercial inroads in the Mercosur countries

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<sup>120</sup> According to Eurostat, in 2021, the main products imported from Mercosur to the EU were primary goods (78% of total imports from Mercosur), while the main products exported from the EU to Mercosur were manufactured goods (89% of total exports to Mercosur) (Eurostat 2022). The most imported products in terms of value in 2021 were 'animal feed' (EUR 6.0 billion; +22% compared with 2020), 'oil seeds' (€4.5 billion; +35%) and 'petroleum oils, crude' (EUR 3.7 billion; +52%). The increase in 'petroleum oils, crude' was in large part due to the increase in energy prices. Meanwhile, the most exported products in terms of value in 2021 were 'medicinal products' (EUR 3.1 billion; +30% compared with 2020), 'motor vehicle parts' (EUR 2.9 billion; +54%) and 'medicaments' (EUR 2.0 billion; +4%). The increase in 'medicinal products' was in some part related to exports of vaccines for the COVID-19 virus.

<sup>121</sup> 'Mercosur does practice what came to be called 'bilateral ratification.' This procedure means that, once a treaty has been signed by all member states, it will enter into force in the countries that ratify it independently of what happens in the others. In an extreme case, one EU member state is enough to derail the whole agreement; in the opposite extreme, the AA could enter into force between the EU on one side and only one Mercosur member state on the other' (Malamud 2022, 17).

as the United States receded' (Urdinez, Mouron, Schenoni and Oliveira, 2016). Today, the EU is Mercosur's second biggest trade partner after China, and 'the emergence of China has shifted the global centre of gravity and reduced the relative interdependence between the EU and Mercosur' (Malamud 2022, 23).

The Political Dialogue and Cooperation Part has not been made public. It was signed in 2020. The scholar, Andrés Malamud, who was granted confidential access in order to produce a report for the AFET committee of the European Parliament (Malamud 2022), indicates that the agreement does not mention the United States or China but it vows 'to establish a political agenda, cooperate in areas of common interest and make efforts to coordinate their positions in order to undertake joint initiatives in the appropriate international fora' (Malamud 2022, 12). The recent declaration of President Lula da Silva after his visit to China however clearly shows that Brazil does not intend to refrain its commercial trade with China but rather intensify it, *including in strategic sectors*, indicating that Brazil – if not Mercosur – is clearly engaging in a hedging strategy that does not allow for strategic autonomy vis-à-vis China, and makes, from the EU perspective, the agreement EU-Mercosur of a very important, yet 'relative' strategic added value (see section on Mercosur).

### *The EU-CELAC partnership*

Relations between the EU and LAC date back to 1999 and summits have been held every two years since then. The CELAC was launched in 2011, and the first EU-CELAC summit took place in 2013 with the second in 2015. On the 17<sup>th</sup> and 18<sup>th</sup> July, 2023, the long-awaited third summit between the EU and CELAC took place in Brussels, eight years after their last summit. Leaders pledged to hold an EU-CELAC summit every two years, and issued the EU-CELAC roadmap 2023-2025 which outlines a series of events that will take place during this period. Before the Summit, the European Commission proposed seven priorities in key areas revolving around reinforced political engagement and the strengthening of the rules-based international system; trade and investment through the Global Gateway connectivity strategy; and inclusive and sustainable societies (European Commission 2023). Regarding the war in Ukraine, the Commission was expecting that the EU and LAC countries would stand up to the Russian aggression against Ukraine (European Commission 2023, 1), but the LAC countries were reluctant to do so (Jütten 2023), considering the war to primarily be a 'European problem' (Brzozowski and Pugnet 2023). The final declaration does not even mention Russia but expresses deep concern over the ongoing war in Ukraine. This position contrasts with that of LAC countries in the UN General Assembly where they voted by a clear majority (almost 80%) in favour of the latest resolution (of the 33 LAC countries, 26 voted in favour) (United Nations General Assembly 2023).

All references to the fight against corruption were removed from the counterproposal sent by the CELAC members before the Summit, however such references did appear in the final declaration. In an unexpected move, CELAC members also demanded reparations due to colonial occupation (Brzozowski and Pugnet 2023). In the final

declaration, the EU and CELAC agreed on one paragraph in which they 'acknowledge and profoundly regret the untold suffering inflicted on millions of men, women and children as a result of the transatlantic slave trade'. The declaration acknowledges that 'slavery and the transatlantic slave trade were appalling tragedies [...] not only because of their abhorrent barbarism but also in terms of their magnitude, organized nature and especially their negation of the essence of the victims, and that the slave trade are a crime against humanity'. A series of topics were addressed during the summit, including: enhanced cooperation in multilateral fora, global peace and stability, trade and investment, economic recovery, efforts to combat climate change, research and innovation, and ensuring that citizens are able to enjoy justice and security.

The EU-CELAC partnership has been revived but the 2023 Summit shows that the perspectives and priorities of the two parties do not coincide on all matters and that continuing dialogue within the framework of the roadmap 2023-2025 will be necessary for better understanding and further progress. Interestingly, an EU diplomat emphasised that 'the EU needs to work harder to convey its messages and not simply when it suits it' (Brzozowski and Pugnet 2023). The partnership represents added value in terms of the EU's resilience against China's influence in the region inter alia regarding trade and investment, however from a political perspective the CELAC countries do not share the same view as the EU of the risks to the international order of Russia's aggression, and China's global governance ambitions.

## **An EU-led forum: The European Political Community (2022)**

While the EU has developed differentiation to the point of being described as a 'system' of differentiated integration (Leuffen, Rittberger, and Schimmelfennig 2013) and is increasing its use of external differentiation in trade and security policies, it has also recently engaged in informal external cooperation, as exemplified by the European Political Community (EPC), a forum which endeavours 'to reach out to the countries of Europe beyond the accession process' (European Commission 2022b).<sup>122</sup> Proposed by French President Macron on 9 May 2022 at the closing ceremony of the Conference on the Future of Europe, the EPC met for the first time in Prague on 6 October 2022 under the Czech Presidency of the Council of the EU, at an inaugural Summit of 44 European Heads of State and Government. The second meeting took place in Bulboaca, Moldova and gathered together 45 countries (European Council

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<sup>122</sup> 'We will continue our cooperation with candidate countries in the Western Balkans, along with Ukraine, Moldova and Georgia, in view of their future accession to the Union. We will maintain our support for the Eastern Partnership and Southern Neighbourhood. In addition, we will actively contribute and feed into the work of the future European Political Community to reach out to the countries of Europe beyond the accession process' (European Commission 2022b, 9).

and Council of the European Union 2023b).<sup>123</sup> The third meeting will be held in Granada, Spain on 5 October 2023. Whereas the war is waging in Europe, the ambition of the EPC goes beyond the offer of a response to the long process of enlargement of the EU: it is to propose a space for political dialogue in Europe to strengthen the security, stability and prosperity of Europe as a whole. The objectives are to work on peace and security, the economic situation, energy and climate, and migration and mobility (Michel 2022b).

The EPC is an instrument that has the potential to increase resilience as it is intended to bring about unity and there are a number of incentives for participating in it. First, it does not impose conditions on participation as such, however the European Council in its conclusions specifies that those participating should be European countries with whom the EU has 'close relations' (European Council 2022, 1)<sup>124</sup> The sense of community is also reflected in the name given to the forum. Second, participation is also eased by a low level of formality, reflected in the absence of a formal written outcome (Michel 2022). Third, a sense of ownership of the forum is facilitated by the style of governance: Charles Michel's invitation letter to the first meeting emphasises that the 'ambition is to bring leaders together *on an equal footing*' (Michel 2022b)<sup>125</sup> – thus avoiding a top-down approach – and participants are given the option to arrange bilateral meetings on the day of the event; in addition, the EPC Summits are organised on a rotating basis by each participating country with the host alternating between an EU and a non-EU member state (The Republic of Moldova 2023). The second meeting in Moldova in June 2023 was the first EPC Summit hosted by a non-EU country.

The war in Ukraine and the fact that the most affected countries are not EU or NATO members has provided new impetus for finding a creative framework that will bring the whole of Europe together to discuss questions that affect the continent (Martinez and Droin 2022). However, the platform also provides an important opportunity for states in the EU's neighborhood, be they candidates or not, to engage in political dialogue and build trust at the same time that China is creating alternative platforms such as the China-Central and Eastern European Countries forum (see introduction and chapter 5) which is attempting to sow division both in the EU, and between the EU and the candidate countries (Foreign Policy Association of the Republic of Moldova 2022).

The question of whether the EPC is a form of differentiation is a very interesting one. According to the definition we rely on, the EPC is not a differentiated mechanism. However, if the European Political Community does not emanate from the EU, there

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<sup>123</sup> The 45 countries are: EU27 member states, Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Iceland, Kosovo, Liechtenstein, Moldova, Monaco, Montenegro, North Macedonia, Norway, Serbia Switzerland, Ukraine, United Kingdom.

<sup>124</sup> Russia and Belarus have not been invited.

<sup>125</sup> My emphasis.

are connections between the forum and the EU: the letter of invitation for the first meeting in Prague was sent by Charles Michel, President of the European Council (Michel 2022b); the summits which are organized in the EU are hosted by the country which holds the Presidency of the European Council (the Czech Republic in October 2022, Spain in October 2023). The EPC summits are attended by the President of the European Council, the President of the European Commission and the President of the European Parliament and are followed by an informal meeting of the European Council. Still connected to the EU, the EPC is an innovative framework, the ambition of which goes far beyond integration: it creates new ways of sharing expertise, as well as values and a sense of a common destiny (Chopin, Macek, and Maillard 2022). Further elaboration on the question of the differentiated nature of the instrument is provided in the conclusion.

## ASEAN's reliance on hedging

When one considers hedging as exercised by ASEAN, one has to be cautious not to conflate the hedging situation brought about by ASEAN as a regional organisation, with that achieved by ASEAN MS. They can complement each other but not necessarily. Some ASEAN MS are actively hedging, such as Indonesia: 'Not choosing sides between the great powers is more than a mantra. It's an active policy deeply rooted in Indonesia's 'independent and active' doctrine formulated in the 1940s and mandated in its constitution. This approach also complements Indonesia's reliance on ASEAN in its quest to deny regional hegemony' (Laksmana 2021).<sup>126</sup> Given recent economic decisions in strategic sectors, it is not sure if Indonesia manages to avoid overdependence on China but Indonesia tries to maintain a 'pragmatic equidistance' vis-à-vis the major powers' (Laksmana, 2017). Analysts suggest that because of Indonesia's autonomy being historically undermined by great powers 'Indonesia has developed a vision of regional order fixated on maintaining stability and legitimacy at home, seeking *strategic autonomy*, and denying great powers hegemony over the region (Laksmana 2021). [Our emphasis] The engagement of ASEAN, as a grouping, in hedging has intensified in recent years.

## ASEAN strategic partnerships

ASEAN has recently established several strategic partnerships with states from inside and outside the region: Russia (2018), New Zealand (2020), Australia (2021), the EU (2020), India (2022) and the US (2022). It is beyond the scope of this research to review all of these partnerships, particularly since they are not made public. The diversity of

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<sup>126</sup> 'Indonesia has for the most part tried to avoid overdependence on a single country, particularly economically and in military procurement, thus diversifying its external economic resources and weapons' suppliers to avoid becoming vulnerable to external pressures and embargoes' (Laksmana 2021).



the states and regional organisations with which ASEAN has established strategic partnerships (the strategic *agenda* with China is considered in chapter 7) testifies to the hedging strategy of ASEAN which does not seek to take sides and choose between powers. Such a strategy enables ASEAN the possibility to avoid being dependent on one power or the other. However, does this strategy reinforce ASEAN's resilience, strategic autonomy and to what extent?

Trump's presidency has contributed to rising uncertainty surrounding the US commitment and reliability in relation to the Southeast region, and to the rise of the threat of economic decoupling. ASEAN realised that it would not be possible to rely on the US for ever but that an open dialogue with more partners was necessary, including Japan, the EU, India, Australia, in order to lessen the influence of China. Under Trump's presidency, US foreign policy regarding ASEAN was clarified in 2022 at a Special Summit in Washington hosted by President Joe Biden, at which he announced a significant commitment of USD 150 million to ASEAN. This funding is aimed at addressing various critical issues such as infrastructure development, security cooperation, pandemic preparedness, and clean energy initiatives. In addition to the financial commitment, the Biden administration pledged to deploy a Coast Guard vessel in the region to bolster maritime security and enhance cooperation in safeguarding the vital sea lanes and maritime resources in Southeast Asia. Furthermore, the position of US ambassador to ASEAN which was unoccupied since the beginning of the Trump administration was re-established (CSIS 2019).

In October 2021, a decision considered 'a key milestone' was taken at the 4th ASEAN-Russia Summit to further strengthen and deepen the ASEAN-Russia Strategic Partnership: Russia increased its annual contribution to the ASEAN Russian Federation Dialogue Partnership Financial Fund from USD 500,000 to USD 1.5 million (ASEAN 2023). One year later, Russia invaded Ukraine, a decision which worsens the international geopolitical context already affected by the 2014 annexation of Crimea. In this context the strategic partnership with Russia (and without considering the impact that the Ukraine war has de facto on food and energy security in Southeast Asia<sup>127</sup>) poses several questions about its contribution to a hedging behaviour. First, China is siding with Russia in the Ukraine war and thus cooperation with Russia can hardly help in hedging against China. Second, apart from India, all strategic partners of ASEAN have condemned the Russian aggression of Ukraine. But as mentioned in the previous section, Laos and Vietnam abstained to UN Resolution No. ES-11/1 of 2022 condemning the aggression against Ukraine<sup>128</sup>, and only Singapore has

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<sup>127</sup> 58.3% of Southeast Asians feel that the most serious impact of Russia's invasion of Ukraine is in the increase in energy and food prices. Overwhelmingly, 73.6% of Indonesians feel this way due to the country's dependence on food grain and fertiliser imports from Ukraine and Russia (Seah et al. 2023, 19).

<sup>128</sup> The UN General Assembly in Resolution No. ES-11/1 dated 2 March 2022, adopted by majority vote (141 votes for, 5 against, 35 abstentions, 12 absent) deplores in the strongest terms the aggression by the Russian Federation against Ukraine and demands its complete and unconditional withdrawal from the territory of Ukraine (United Nations 2022a). The 35

committed to imposing sanctions on Russia, and this, as early as March 2022. Although ASEAN partnerships with Dialogue Partners are not alliances, strategic partnerships are based on trust. Hedging with Russia can weaken its potential contribution to the regional security architecture of ASEAN. The 2023 survey on the State of Southeast Asia shows that more than 25% of Southeast Asians consider that the most serious impact of Russia's invasion of Ukraine on Southeast Asia is the erosion of trust in a rules-based order and violation of national sovereignty. 40.9% of Singapore respondents say that erosion of trust is the second most serious impact of the invasion. This is followed by 32.4% of Vietnam respondents who think the same way. Trust may not be an overrated value when it comes to resilience in a hedging context.

From ASEAN's perspective, the EU-ASEAN strategic partnership – first presented in the section on the EU – provides economic benefits to ASEAN as it facilitates and generates trade and investment in the region. From a political standpoint, the EU represents an alternative to the US and China: according to a European diplomat, 'when it comes to hedging against the U.S.-China rivalry, the EU is always the very top answer in the region' (Guarascio and Chalmers 2022). However, the discussion between the EU and ASEAN could not lead to a common position on Russia, and as mentioned on the section on EU-ASEAN partnership, this situation hampers somewhat the strength of the partnership.

There is a sense of inevitability, among ASEAN actors, about resorting to hedging given the economic and geographic proximity with China. Therefore, ASEAN also engages in hedging through fora which involve China among the partners.

## Hedging by means of fora that include China

In addition to partnerships, ASEAN has developed fora, many of which include China, and some of which began as early as 1993 (the ARF), which contribute to a regional architecture over which ASEAN claims for 'centrality' (Mueller 2019). At the time they were established, the geopolitical situation was very different from what it is now. China was far from the powerful state it is now, but its growing influence in the region convinced Southeast Asian states that it was better to associate and connect with China rather than keeping it outside the fora (E. Goh 2011). These fora are presented in a chronological way.

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states which abstained are: Algeria, Angola, Armenia, Bangladesh, Bolivia, Burundi, Central African Republic, China, Congo, Cuba, El Salvador, Equatorial Guinea, India, Iran, Iraq, Kazakhstan, Kyrgyzstan, Laos, Madagascar, Mali, Mongolia, Mozambique, Namibia, Nicaragua, Pakistan, Senegal, South Africa, South Sudan, Sri Lanka, Sudan, Tajikistan, Uganda, Vietnam, Zimbabwe.

## **ARF**

The establishment of the ASEAN Regional Forum (ARF) in 1993, the first multilateral forum for discussing geopolitical and security issues and encompassing the Asia-Pacific region, clearly reflects a hedging strategy that takes the form of an inclusive regionalism where former and current adversaries are accepted as members (Anwar 2022, 6). The ambitions of the forum are to foster constructive dialogue and consultation on political and security issues of common interest and concern; and to make significant contributions to efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region. The ARF has 38 participants, including China, both Korea and the Democratic People's Republic of Korea, and it also counts the EU among them. The ARF has extended participation so much that some scholars consider it to be more of a 'talking shop' rather than an effective platform for solving issues in the region, and certainly far less functional than the ADMM (Tang 2016). Others have been far more critical of the ARF's capacity to meet ASEAN's objectives and point to the role of the ASEAN way in that failure: 'The ASEAN Regional Forum (ARF), which suffers from all the debilitating effects of the ASEAN Way and the ritualistic invocation of 'ASEAN centrality', is the quintessential example of an organization that ought to be important; but never will be as long as it remains hamstrung by ASEAN's paranoia about being marginalized or compelled to behave in ways that might cause a loss of face (Emmers & Tan, 2011)' (Beeson 2020).

## **East Asia summit**

If hedging by means of fora that include China is considered as an option, however the influence of China inside the fora needs to be taking care of. This was the case of the East Asia Summit, as early as its formation in 2005. Indonesia insisted that East Asia Summit membership be extended beyond the ASEAN and ASEAN Plus Three countries to include Australia, India and New Zealand, to prevent the East Asia Summit from being dominated by China (Anwar 2022, 5). Faced with a large number of opportunities and challenges in the wider Asia-Pacific, Indonesia was at the forefront of promoting the development of a more inclusive regional architecture at the highest level, based on ASEAN centrality, by widening the membership of the East Asia Summit in order to foster dialogue and ensure a dynamic equilibrium between the various major powers. Among the conditions for membership of the East Asia Summit is accession to the Treaty of Amity and Cooperation (TAC). All of the salient regional powers are now members of the East Asia Summit, which besides the ten ASEAN member states include the United States, China, Japan, India, Russia, South Korea, Australia and New Zealand (Anwar 2022, 6).

## **ADMM-Plus**

The ASEAN Defence Ministers Meeting Plus (ADMM-Plus) established in 2010 stands as an important defence-related regional mechanism. It is a platform for ASEAN and

its eight Dialogue Partners Australia, China, India, Japan, New Zealand, Republic of Korea, Russia and the United States (collectively referred to as the “Plus Countries”), to strengthen security and defence cooperation for the sake of peace, stability, and development in the region. France has now an observer status in two of the ADMM-Plus Experts Working Groups, including the one devoted to maritime security. Questioning the rationale for establishing the ADMM-Plus, Goh estimates that ‘with the putative great power bargain in mind, the importance of such an inclusive forum was two-fold: first, it helped to legitimize the security interests and role of each of these great powers in East Asia; and second, it also institutionalized the small states' and middle powers' claims to a legitimate ‘voice’ in the management of regional security affairs’ (Goh 2011, 380). Tang (2016, 78) considers that without the ADMM-Plus, it would not have been feasible for Laos, for example, to participate in a maritime security exercise with far-flung countries such as New Zealand and Japan. Tang also highlights that the ADMM-Plus contributes to confidence building between ASEAN and the Plus countries by providing the platform for non-traditional military partners to work together.

The ADMM-Plus is attended by the same constellation of states as the East Asia Summit. However, in addition to serving as a forum for dialogue on defence security, in contrast to the East Asia Summit or Shangri-La Dialogue, the ADMM-Plus organises joint military and naval exercises in order to carry out training on humanitarian and peacekeeping operations, humanitarian assistance and disaster relief, as well as prepare for maritime security and counterterrorism operations (ASEAN Secretariat, 2011) (Giese 2021). The ADMM-Plus represents a key forum for discussing defence related issues in the region, especially since it is a forum that complements venue the ADMM where ASEAN MS can address issues without China being present. The ADMM-Plus’ limits in contributing to achieving autonomy and ambitioning strategic autonomy is that the autonomy of small states can only be achieved with the support of external powers; therefore the risk is that this dependence will be maintained and reinforced, and that it only works insofar as it complements the ADMM venue: therefore, the added value of the ADMM-Plus depends on the capacity of ASEAN to consolidate its integration in the first place.

## **Hedging by means of economic agreements that include China**

ASEAN has initiated or acted as a core member of specific economic institutions that include China, and this inclusion again does not guaranty an autonomy of ASEAN. The Chiang Mai Initiative is one such economic institution. It was established in 2000 by ASEAN and originates from the ASEAN+3 forum, and more specifically from the ASEAN+3 Finance Ministers Cooperation. It is a financial arrangement that was created in the aftermath of the 1997 Asian financial crisis which started in Thailand. The CMI expanded the already existing ASEAN swap arrangement in order to facilitate bilateral currency swaps between all of the ASEAN+3 countries. Actually, Japan had proposed creating an Asian Monetary Fund (AMF) comprising regional

reserves, which would be deployed to countries under stress. The plan appealed to many developing states in Asia but it met a 'stiff opposition from China, and the West, in particular the US' (J. Ciorciari 2011). The CMI was multilateralised into a single contractual arrangement called the Chiang Mai Initiative Multilateralisation (CMIM) in 2010. Although it has never been used, it is a mechanism that is worth mentioning as it shows how power relations – including from China – can be institutionalised. Indeed, the CMIM agreement created a contractual arrangement under which participating economies agree to certain collective principles and procedures: although ASEAN+3 determines fundamental decisions such as the size of CMIM and amounts of consensus-based member contributions, the initial scheme that was discussed would have given ASEAN an effective veto, but instead the negotiated result was a majority two-thirds voting system granting the +3 states nearly 72% of the voting power.<sup>129</sup>

The Regional Comprehensive Economic Partnership (RCEP) established in 2020 by Australia, China, Japan, New Zealand and the Republic of Korea now represents the largest existing free trade agreement in the world. Some observers point to the positive impact of the RCEP on ASEAN in not only stimulating regional economic integration but also intra ASEAN trade which has remained stagnant over the last two decades.<sup>130</sup> In an article addressing the question of whether ASEAN centrality should be expanded from the much-analysed security area to include the areas of trade and connectivity, Mueller puts forward a contrasting view on the benefits of the RCEP from the standpoint of ASEAN centrality – and therefore not only its capacity to be 'a driving force' but also its capacity to act autonomously. He contends that:

'While ASEAN centrality in trade may have been fact until the early 2010s, ties between other East Asian states have caught up, creating a complex network of trade relations in East Asia that no longer relies on ASEAN as a central node. An analysis of ASEAN's substantial role as a central actor in trade highlights that ASEAN leadership in trade and the provision of the ASEAN Way is likely becoming less useful to other East Asian partners, threatening its central role in fora. In connectivity, the limitations of a technical view of ASEAN centrality come into view. [...] In connectivity, the organization may be at the center of things, but it is faced with contestation of its connectivity agenda, with actors utilizing bilateral relationships as a conduit to exercise power over ASEAN. [...] The organization has also failed to create adequate mechanisms to manage its external relations in connectivity, which calls into question its ability to act as a regional convener. Overall, while ASEAN remains central in connectivity, it is so in name only, and not in substance.

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<sup>129</sup> The exact voting power distribution is China 28,41%, Japan 28,41%, Korea 14,77 (Plus 3: 71,59%) and ASEAN 28,41%.

<sup>130</sup> Interview 2, EU institution, November 2022.

## Hedging: a strategy for resilience?

Based on the above considerations, there is great uncertainty about characterising hedging as a strategy that enables ASEAN to be resilient, not to mention being strategically autonomous. Using the term 'strategy' to characterise such an approach to hedging is not necessarily appropriate. Siew MunTang, Director at the ASEAN Secretariat's Political & Security Directorate and former Head of the ASEAN Studies Centre and Senior Fellow at Singapore's ISEAS-Yusof Ishak Institute, deems that: 'In a broad sense, our sense of not choosing allows us to maintain our strategic autonomy, our policy space. [...] To lessen Chinese influence we ask the dialogue partners to remain engaged. We want to prevent a hegemony, be it the US or China' (CSIS 2019). In MunTang's perspective strategic autonomy refers to the capacity to decide with whom to engage partnerships. This understanding of 'strategic autonomy' does not correspond to our analytical framework: in this study, 'strategic autonomy' means the capacity to act *autonomously* (and in cooperation with like-minded partners) (Tocci 2021; Järvenpää, Major, and Sakkov 2019; Hwee 2017; Jose 2022; Anghel et al. 2020; Fiott 2018b). The hedging situation in which ASEAN engages creates multiple arrangements which are expected to neutralize their dependence effects and to create some sort of balance. Furthermore, hedging in this context can hardly be qualified as a strategy as it is not clear whether it results from a deliberate choice against another, or as a default option. Therefore, hedging can at best lead to some form of resilience, but it cannot lead to strategic autonomy as it maintains a form of dependence.

Goh deems that it is not yet clear whether the whole set of security arrangements in the region creates a system that is greater than the sum of its parts (Evelyn Goh 2020, 2). This is the reason why she prefers to characterize the security landscape as a patchwork of arrangements rather than a network. To create a system would imply a stronger coordination and a sense of a common trajectory, in other words, to deepen the integration process. Interestingly, the independent variable of integration appears again in the analytical picture, as a stronger explanatory variable than external cooperation in the causality chain leading to resilience and strategic autonomy. The capacity of regional external cooperation to be conducive to resilience and strategic autonomy appears to be dependent on the degree of integration. Indeed, the regional organisation lacks a coherent foreign policy, and strong cohesion mechanisms.

First, the ASEAN way does not give ASEAN enough weight to act as a powerful negotiator, especially when the external hegemon exploits institutional vulnerabilities in order to exercise its power. ASEAN's specific regional architecture in relation to an embedded China in the ASEAN+ formula creates economic and security opportunities but equally fosters substantial vulnerabilities in terms of (strategic) autonomy'. Suffice to say, writes Beeson (2020) that China's skilful divide and rule approach to regional diplomacy has ensured that ASEAN is incapable of articulating a coherent response to its rise, much less actually implementing effective policy to

counter its impact.' The absence of a united position on Russia also hampers ASEAN credibility as a central actor, such as when it does not show unity or adopts a position that is condemned by all but one of its Dialogue Partners (India).

Second, if at the level of ASEAN, there is a diversification of partnerships and forum, which does not make up for a strategy, so is the situation at the level of MS. The dispersion of initiatives at the level of MS complicates further the make up for a strategy. Cambodia is viewed as one of China's closest allies given its pro-China position regarding the SCS dispute, yet Cambodia also upgraded its relationship with Japan to strategic partnership in 2013. Actually, ASEAN states often do not view a major power as either a clear-cut threat or a straightforward solution but they perceive a spectrum of risks and challenges, each with constantly changing manifestations and magnitude, all of which requiring complex combinations of mutually-reinforcing and counteracting measures (Kuik 2022).

Third, structural weakness remain: one such weakness is the asymmetry in overall defence capability, with external partners of ASEAN having far more extensive capability than the member states (Faiz 2023, 5), an asymmetry which is also to be found in the economic sector, making ASEAN dependent on external support from its Dialogue Partners.

Therefore the question that needs to be posed is whether hedging is sustainable. One interviewee responded to this question by saying that 'it *has* to be', yet necessity is not a guarantee of effectiveness. Similarly, another interviewee suggested that hedging was the *only* solution, since achieving a balance with the US would be risky considering the history of the US in the region: and again necessity does not warrant success. One consequence of the fragile contribution of hedging to resilience may be that ASEAN faces the risk of being outweighed or bypassed by the development in the region of other fora, including the minilateral fora: subregional fora – such as the Malacca Straits Patrol – or extraregional fora such as QUAD<sup>131</sup> and AUKUS.<sup>132</sup> ASEAN is not a member of these extraregional fora, and should this be the case, the question remains as to its voting power inside each minilateral forum. Allès and Fournol point to 'the inflation of minilateral arrangements which 'is likely to weaken the regional security architecture in the longer term. It could indeed disintegrate the spaces for deliberation, norm production, and legitimacy' (Allès and Fournol 2023, 18). Actually, one can also analyse the situation the other way round. Because of ASEAN's lack of centrality deriving inter alia from a lack of integration, other fora are being established which hamper the effectiveness of a regional architecture which was already fraught with weaknesses. However, pursuing regional integration will require political will. In other policy areas, such as the rule of law, similar conclusions have been drawn on

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<sup>131</sup> The QUAD (quadrilateral security dialogue) is a strategic security dialogue between Australia, India, Japan and the United States initiated in 2007.

<sup>132</sup> AUKUS is a trilateral defence agreement between Australia, the UK and the US established in 2021.

the necessity for ASEAN to go beyond the 'ASEAN Way' and trust its own institutions by using them and making them actually work (Deinla 2017, 73).

## **Mercosur's partnership diversification**

Mercosur's external relations agenda is very likely to change substantially as a result of President Lula da Silva coming to power, in 2022. Former President Bolsonaro did not prioritise regional coordination. Ventura characterises Mr. Bolsonaro's regional perspective as having four dimensions. First, he supported the primacy of the OAS in the management of regional disputes, in conjunction with the United States. Second, he supported actively opposing those countries that emerged from the left-wing wave of 2000-2010 and their regional initiatives. Third, he championed the Forum for the Progress of South America (Prosur) launched in 2019 by centre-right and right-wing governments (on the initiative of Ivan Duque, then President of Colombia, and Sebastian Pinera, then President of Chile) as a means of replacing Unasur as part of Brazil's policy to disengage generally from regional life, and fourth, he favoured a repositioning of Mercosur towards a policy of developing free trade agreements with the rest of the world ('open integration') as part of a policy that prioritises Brazil's bilateral approach to trade negotiations with its partners (Ventura 2021, 3).

By contrast, President Lula da Silva has expressed his determination to 'build a permanent South American and Latin American unity', and to 'strengthen Mercosur so that Brazil, Uruguay, Argentina, Paraguay and now Bolivia can become a very strong trade bloc' (Lula da Silva 2023). Whereas President Bolsonaro's foreign policy was very much driven by a nationalism in line with Trump's politics, Lula da Silva puts emphasis on strengthening Mercosur, but also on South American regionalism, and he is rethinking the role of Brazil in the 'Global South'.

## **The Mercosur-EU agreement**

Negotiations between the EU and Mercosur were difficult during Bolsonaro's mandate. Not only did Bolsonaro not prioritise regional integration, but he also declared that Brazil would withdraw from the Paris Agreement on climate change, a declaration which raised concern over Brazil's commitment to addressing the issue of deforestation in the Amazon, a key point of the negotiation on the European side. Bolsonaro also proposed merging the ministry of agriculture with the ministry of environment, a decision that would have given the powerful agricultural lobbies leverage in trade decisions.

Mercosur as an intergovernmental regional organisation has no negotiating mandate, and Mercosur MS have to coordinate their positions before each negotiating round. Mercosur lacks a central authority and does not have a diplomatic service either: this explains why the negotiation process with its ups-and-downs depended so much on



the political orientation of the incumbent presidents, especially in Argentina and Brazil (Malamud 2022, 18). The support of Brazil to the agreement is paramount. Indeed, Brazil accounts for 80% of Mercosur's population and GDP. Additionally, three factors turn it into a dealmaker – or deal -breaker: 'its strong agribusiness sector (which favours the agreement), its powerful industrial lobby (which is more apprehensive), and its coverage of 60% of the Amazon rainforest (whose deforestation is one of the main obstacles to the finalisation and ratification of the agreement). Understanding Brazil's society and politics is key to estimating the prospects of the association agreement' (Malamud 2022, 15)

The election of President Lula da Silva in October 2022 opened the way for the ratification of the EU-Mercosur Agreement. It should be noted that although Brazil is the most important trade partner involved in the agreement, on the Mercosur side – unlike the EU – only the ratification of one MS is necessary for the agreement to enter into force, albeit this would only apply to the state which has ratified the agreement. In particular, Lula da Silva has appointed an Amazon activist Marina Silva as environmental minister. In recent years, however, domestic politics got in the way of interregional negotiations also in the EU.<sup>133</sup> An annex to the agreement was proposed by the Commission to offer guarantees on deforestation and other areas that involve sustainability and it is awaiting Mercosur's response, after which the ratification process can start. Lula da Silva expressed again his interest for the ratification of the EU-Mercosur agreement in July 2023. He declared he would make a 'counter proposal' within a few weeks to address environmental concerns (Demony and Gray 2023). There is therefore a window of opportunity for the agreement to be ratified, after the 2022 French presidential elections, the 2022 presidential elections in Brazil, and before the general elections in Argentina on 19 November 2023.

The EU-Mercosur agreement which main characteristics are presented in section 1 of this chapter, represents a means, not unlike that afforded to ASEAN, of diversifying Mercosur's partnerships and not having to choose between the US and China. China is construed, from a pragmatic point of view – and despite not agreeing on all political issues – as an important trade partner and is *de facto* already the number one commercial partner among all of the Mercosur countries. 'Latin America states don't want to be faced with the choice of either the United States or China. And from there, it's in their interest to work with us [the EU] because they don't see us as being on the same side as the United States and even less on the same side as China. They see us as a medium-sized player with whom they have a lot of values in common, and they

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<sup>133</sup> The French Parliament adopted a non-binding resolution in June 2023 by 281 votes to 58. In particular, it calls on the French government to notify Brussels of its opposition to the agreement if it is not conditional on "compliance with European production standards". It also calls for suspension clauses in the event of non-compliance with the Paris climate agreements. The resolution, co-signed by MEPs from nine groups, also calls on France to oppose separating the trade part of the draft agreement from the rest. It thus intends to influence the European procedure and impose a vote by "unanimity of the Member States". The text also calls for ratification by national parliaments (Le Monde and AFP 2023).

may be interested in building alliances.’<sup>134</sup> In particular, the COVID-19 pandemic and Russia’s invasion of Ukraine have increased the need to diversify sourcing to mitigate supply-chain disruptions and geopolitical risks.

The EU-Mercosur agreement is the external partnership which represents a possibility to enhance resilience vis-à-vis China. However, the declaration of President Lula da Silva after his visit to China in April 2023 indicates that Brazil does not intend to impose any limitation on its commercial trade with China but rather intensify it, including in strategic sectors. Argentina and Uruguay’s policy approach towards China also seem to be moving towards a strategy of alignment (bandwagoning) with China (see chapter 7) that does not allow for strategic autonomy vis-à-vis China. Furthermore, the lengthy of process of the EU-Mercosur agreement’s negotiation and ratification (coupled with Mr. Bolsonaro’s disinterest for regional integration) has led Uruguay to push its commercial agenda with China ahead.

## Other Mercosur agreements

Mercosur has engaged in trade negotiations with other extra-regional partners than the EU (see Table 11). Mercosur and Singapore announced the conclusion on 20 July 2022 of the negotiations of an FTA. The EU however, considering the size of its market, is the major partner with which an agreement in principle has been signed and which has the potential to counterbalance the influence of China. Former vice president of Uruguay, Rodolfo Nin Novoa stated that ‘What has failed, and everyone recognises this, is external integration’ (Pennaforde and Fávoro Martins 2017).

*Table 11. Extra-regional agreements of Mercosur, as of January 2023*

Agreements in force	Israel (FTA). Entry into force 2009, 2010, 2010, 2011 Egypt (FTA). Entry into force 2017 India (PTA). Entry into force 2009
Agreements in principle	EU, EFTA, Singapore
Agreements under negotiation	Canada, Korea, Indonesia, Lebanon

*Source: Mercosur; SICE-OAS*

## Conclusion of chapter 6

The theoretical framework of the English School has been strengthened to ambition an explanatory understanding of the role of primary and secondary institutions (see chapter 1) in the resilience and strategic autonomy of regional organisations vis-à-vis an external hegemon. This chapter has therefore contributed to the understanding of

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<sup>134</sup> Interview 6, European Union institution, December 2022.

how and why regional organisations strengthen or not their resilience and strategic autonomy vis-à-vis the influence of China by focusing on the role of primary and secondary institutions in external cooperation consisting in balancing and hedging. It is shown that the consideration of secondary institutions is paramount to understand the dynamics at play between regional organisations and external hegemon, and that the level of integration is a key factor in the capacity of regional organisations to strengthen resilience and possibly aim at strategic autonomy.

More specifically, according to our second hypothesis, strategic partnerships and international fora are secondary institutions which can be used as a balancing or as a hedging strategy to strengthen the resilience or strategic autonomy of a regional organisation, when they are based on shared norms between the regional organisation and its partners. It is doubtful that they will contribute to the attainment of strategic autonomy if China, as an hegemon, is associated with the forum. The results shed light on the trajectories of the EU, ASEAN and Mercosur, explain more specifically how balancing and hedging differ in terms of their capacity to bring about resilience and how tensions between certain primary institutions affect the relevance of secondary institutions in terms of resilience.

*Normative/pragmatic aspects of external cooperation*

The EU opts for a balancing approach by selecting like-minded partners in both trade and security. 60% of all EU instruments are instruments that involve external cooperation. ASEAN endeavours to bring about the widest cooperation possible with states that are influential in the region by means of a behaviour of hedging. ASEAN is significantly dependent on external cooperation: 80% of all of its instruments relate to external partners, 76% of them to China. Mercosur represents the regional organisation that establishes the fewest external partnerships with the EU-Mercosur agreement being the agreement which is the closest to ratification and which could respond to the growing influence of China in the region.

The difference between balancing and hedging lies in the degree of closeness that exists between partners and the regional organisation in terms of norms and values. Only the EU is concerned about partnering with like-minded countries. ASEAN extends its partnerships based on a pragmatic view of cooperation but it has been shown that such a type of cooperation, especially that which involves China – does not guarantee centrality either in the economic or defence and security sectors. This extended cooperation can at best bring about a certain degree of resilience but not autonomy. The lack of consideration of the normative aspects of cooperation also leads ASEAN to engage with partners which have opposing agendas such as Russia, whose aggression towards Ukraine has been condemned by all but one of its Dialogue partners (India). The English School has paid far less attention to secondary institutions (Youde 2018, 35) than to primary institutions: however, this research shows that the relations between primary and secondary institutions and their shifts bring light to the questions of resilience of regional organisations and to some of the challenges faced by the EU in its external relations. A relative decline of war as a

primary institution of international society was observed by Buzan in 2010 (Buzan 2010). Goh (2020, 6) specifies how this observation applies to Asia: she notes that 'between the Second World War and China's contemporary resurgence in East Asia, alliances moved from an initial association with the primary institution of war to the primary institution of great power management. Great power management, one of the five classical primary institutions of international society identified by Bull, refers to the fact that 'the powers concerned attract legitimacy to support their unequal status as leaders by accepting special responsibilities as well as claiming special rights' (Cui and Buzan 2016, 182).

Goh considers that the shift of the primary institution of war to that of great power management had the effect of de-securitizing alliances, making them a more 'normal' secondary institution, more malleable, a tool that hangs towards the political end of the spectrum of statecraft'. And she asks whether we should consider re-naming this secondary institution something more generic, like 'security partnerships' (Evelyn Goh 2020, 6). Tyushka and Czechows (2019) also regard the increasing use of 'strategic partnerships', a relatively new phenomenon that emerged with the beginning of the post-bipolar era in IR, as a signal of the emergence of new forms of 'security governance' (Tyushka and Czechowska 2019).

However, the war waged by Russia in Europe contradicts the decline of war as a primary institution of the international society and our research shows the limited capacity of strategic partnerships to unfold their potential and create substantial structures of bilateral engagement. The research highlights that in the context of its relations with several regional organisations, the EU could not convince its partners to support its position against Russia, even in the case of the strategic partnership established with ASEAN. Strategic partnerships therefore cannot provide a high level of predictability regarding the behaviour of partners, a limitation which diminishes the potential of strategic partnerships to be conducive to resilience in the current volatile international context. Buzan raises an important question when he writes that the English School does not take seriously enough the issue of what holds societies together raised by Wendt in 1999 (Buzan 2018, 19), a core question of international relations today.

As for Mercosur, its external cooperation has not developed yet enough to reach a solid conclusion but so far there is no coherence in Mercosur's external agenda vis-à-vis China. Each member state develops its own agenda with China. The recent election of President Lula da Silva sets a new direction for the external policy of Mercosur, opening cooperation with China but the results of the forthcoming general elections in Argentina on 19 November 2023 might change this direction radically. The lack of integration in Mercosur and its sensitivity to domestic politics also constrain the potential of external partnerships to become a possible means of enhancing resilience or strategic autonomy.

*External cooperation and integration*

The comparison between the EU, ASEAN and Mercosur shows that the capacity of regional external cooperation to be conducive to resilience and strategic autonomy is dependent on the degree of integration. This result was not envisaged in the hypotheses. A minimum of coordination and coherence is needed to ensure resilience. Strong cohesion mechanisms are also necessary to allow small states to benefit from the regional organisation's policies rather than being - and remaining - dependent on external actors. The risk for ASEAN and Mercosur of not strengthening integration would be to lose their political and diplomatic relevance, or to be bypassed by other forums or regional organisations and to lose their relevance in the international system.

# Chapter 7

## Bandwagoning: autonomy at risk?

The third hypothesis (H3) suggests that regional organisations which align with China (engage in bandwagoning) to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation not only increases interdependence but that the cooperation mechanism is based on the norms of the hegemon, a situation which can jeopardise resilience and does not allow for strategic autonomy. Indeed, strategic autonomy is defined as the capacity to act autonomously with like-minded partners. Chapter 6 has shown that ASEAN has engaged in multilateral strategic partnerships of regional relevance or in regional I which include China as one of the external partners (such as the CMIM, RCEP, ARF, EAS, ADMM+...). ASEAN is also the only regional organisation to have established bilateral agreements with China in an arrangement that involves bandwagoning, and the final chapter of this book addresses this issue. The first section specifies the state of bilateral relations between the EU and China which do *not* resort to bandwagoning. The second and third sections explore the consequences of the alignment with China on ASEAN's and Mercosur's autonomy, the costs versus the benefits of such cooperation, and examines the role of their MS in this process.

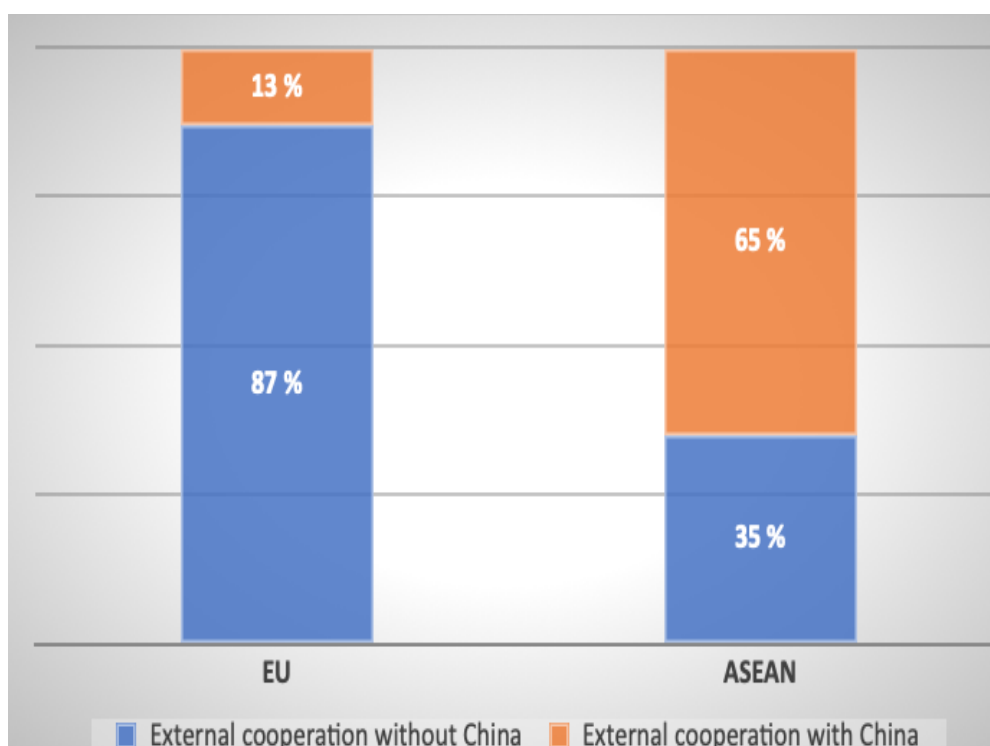
### The EU bilateral relations with China: no alignment in sight

The EU has established two bilateral partnerships with China, a strategic agenda, and an agreement on investment. Both agreements pose question as to their relevance with regard to securing EU's resilience and achieving strategic autonomy. The EU-China agreement in principle on investment (the CAI) was signed in 2020 but not ratified due to tensions between the European Parliament and China. In 2021, the European Parliament adopted a resolution on Chinese counter-sanctions that were imposed due to EU human rights sanctions against a number of Chinese officials in connection with

reported human rights abuses in Xinjiang, China. The resolution states that the European Parliament will not consider the agreement until Chinese counter-sanctions are lifted (European Parliament 2022). Therefore the CAI is on hold (Soutullo et al. 2022). Furthermore, the agreement was met with significant scepticism across Europe, with many expressing doubts over the possibility of arriving at a fairer, more reciprocal EU-China economic relationship (EU China Chamber of Commerce in China and Merics 2021).

A strategic agenda between the EU and China was signed in 2013: the EU-China 2020 Strategic Agenda for Cooperation. This agreement is no longer in line with the EU's position on China as reflected in the 2019 joint communication 'EU-China - A strategic outlook'. Indeed, the Strategic Agenda for cooperation reflects the positions that the EU and China had in 2013. At the time, the global financial crisis had widened the imbalance in global development; China had released in 2011 its 12<sup>th</sup> Five Year Plan (2011-2015) and the EU its Europe 2020 Strategy in 2010. Both sides agreed to cooperate on 4 chapters: peace and security; prosperity; sustainable development and people-to-people exchanges. Although the EU and China did not agree on all aspects of their relations, in particular Intellectual Property Rights and human rights, a major shift in their relations occurred under Xi Jinping's presidency when Chinese foreign policy became more assertive with the development of the BRI. The 2013 Strategic Agenda was ambitious: 'based on the principle of equality and friendship to China and EU Member States' it encouraged to establish cultural centres: such an objective would not be possible today considering the degree to which China has instrumentalised the Confucius centres around the world to spread its propaganda (Charon 2021).

The trio of considerations on China of the 2019 EU-China strategy specifying that the EU is simultaneously, across different policy areas a cooperation partner, a negotiating partner and a systemic rival promoting alternative models of governance is clear that the EU should not align with China. Considering that the EU needs a new EU-China strategy, more assertive, comprehensive and consistent on a wide range of issues, the EU Parliament has adopted a Resolution which recommends that the Vice-President of the Commission/High Representative of the Union and the Council develop a new EU-China strategy (European Parliament 2021). The question of whether the economies of the EU and China should be decoupled has been posed, however this radical option has been discarded by EU institutions including the European Parliament (see chapter 3). Regarding investment, which is the focus of this research, it is important to remind ourselves that several instruments already exist, including the 2019 FDI Screening Regulation (see chapter 3): despite the fact that it certainly needs to be revised in order to allow for more effective screening of FDI, it is one of the key tools for attaining resilience and strategic autonomy in the EU.



*Graph 15. External cooperation involving China and external cooperation not involving China*

## Trade and investment in ASEAN and Mercosur

### Investment (and foreign aid) risks

As was highlighted in the introduction, according to the OECD, FDI is widely considered to be beneficial for host and home economies and for the enterprises that invest in these economies. However, FDI can sometimes pose risks to the vital security interests of the countries that receive such investment (OECD 2020b). There are risks that investors will monitor and control activity within strategic infrastructure and technologies, risks that indebtedness will occur, and risks that there will be a shift from economic vulnerability to political leverage which can drive political loyalty away from the regional organisation (Meunier 2019). Another report based on the analysis of 100 contracts between Chinese state-owned entities and government borrowers in 24 developing countries in Africa, Asia, Eastern Europe, Latin America, and Oceania – the first systematic analysis of the legal terms of China's foreign lending arrangements – reveals that Chinese contracts contain unusual confidentiality that bar borrowers from revealing the terms or even the existence of the debt. Second, Chinese lenders seek advantage over other creditors, using collateral arrangements such as lender-controlled revenue accounts and promises to keep the debt out of collective restructuring ('no Paris Club' clauses). Third, cancellation, acceleration, and



stabilization clauses in Chinese contracts potentially allow the lenders to influence debtors' domestic and foreign policies (Gelpern et al. 2021, 2). The authors conclude that 'overall, the contracts use creative design to manage credit risks and overcome enforcement hurdles, presenting China as a muscular and commercially-savvy lender to the developing world' (Gelpern et al. 2021, 2).

Furthermore, to foster Chinese investment, China uses a type of aid which is mostly commercial in nature (OOF-type aid) and is made up of near- or at-market rate loans and export credits (Raess, Ren, and Wagner 2022, 3). China presents its development aid as being completely unconditional, and presents itself as a neutral provider<sup>135</sup>: 'When cooperating with other countries for development, no country should interfere in their efforts to find a development path suited to their own national conditions, interfere in their internal affairs, impose its own will on them, attach political strings, or pursue political self-interest' (State Council Information Office of the People's Republic of China 2021). However, another recent study shows that China's foreign aid commercially oriented forms of state financing from China influence recipients' foreign policy alignment according to Chinese preferences (Raess, Ren, and Wagner 2022, 3). The authors of the study 'Hidden Strings Attached? Chinese (Commercially Oriented) Foreign Aid and International Political Alignment' show that unlike traditional donors and guided by the principle of 'non-interference' in domestic affairs, 'China refrains from applying aid conditionality to promote human rights and good governance in recipient countries. This provides the Chinese government with maximum leverage to influence recipients' foreign policy' (Raess, Ren, and Wagner 2022, 3). With this in mind, it is important to determine what are the costs and benefits in terms of resilience and strategic autonomy of engaging in bandwagoning with China.

## ASEAN's strong interest in cooperating with China

ASEAN has supported the BRI from the outset (Koh 2018), due to the fact that the initiative is able to meet almost all regional states' infrastructure and other economic needs (Gong 2019) and therefore represents an opportunity to ensure economic resilience. All ASEAN member states have joined the BRI. China is ASEAN's top trading partner and ASEAN became China's most important trading partner for the first time in 2020. However, ASEAN's trade deficit with China has almost multiplied tenfold in nine years: it increased from USD 10.4 billion in 2010 to USD 102.9 billion in 2019 (ASEAN Secretariat 2020a; Noor 2020, 109).

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<sup>135</sup> Unlike most major nation-state sources of aid – China's official aid is not regulated and measured under the OECD's protocols for official development assistance (ODA) and is not counted in international statistics as Official development Assistance (ODA). For a comparison of the 2014 and 2021 White Papers of China on development aid (the first was released in 2011), see (UNDP 2021).

The ASEAN MS emphasise that the historical underinvestment in infrastructure needs to be addressed and they claim that China is providing enough investment in the region to meet its needs. The limited conditionalities that Chinese investors require from the lender, in terms of social and environmental standards, are attractive to ASEAN MS: China's tolerance for a low level of labor standards and its disposition to 'work with corrupt local elites is precisely one of the reasons that Southeast Asian governments find it an attractive economic partner' (Strangio 2022). It should also be noted that 'in contrast to working with the US, Japan, India, South Korea, and Australia, China does not receive any push back from ASEAN states regarding issues of democracy, human rights, or other issues that it is unwilling to cooperate on' (Po and Primiano 2021, 335).

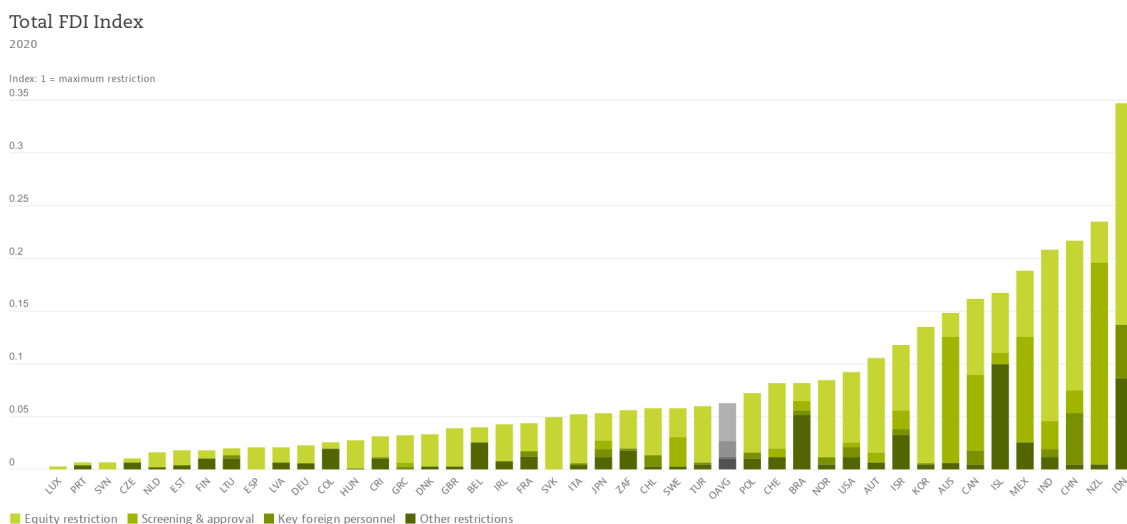
### *Investment in ASEAN: agreements and controversies (hidden debts)*

ASEAN was among the fastest growing regions of the world in 2022. The Asian Development Bank (ADB) predicted that economic growth in Southeast Asia would reach 5.55% in 2022. This figure is expected to only fall marginally in 2023, with ASEAN expected to remain one of the fastest-growing regions of the world in 2023 (Fox 2023). Investment between ASEAN and China is structured by the ASEAN China Free Trade Agreement on Investment (ACFTA) of 2009 (ASEAN and China 2009), which was updated by means of a protocol in 2015 (Menon and Melendez 2019). In 2022, ASEAN and China agreed to launch negotiations on updating the 2015 protocol (ASEAN Secretariat 2022b). The upgraded ACFTA will cover areas of mutual interest, among which are the digital economy, the green economy, supply chain connectivity, competition, consumer protection, and Micro, Small, and Medium Enterprises. China is ASEAN's largest trading partner: in 2021, total merchandise trade between ASEAN and China reached USD 669 billion, registering a year-on-year increase of 29% despite the lingering impact of the COVID-19 pandemic. China is also the second largest source of FDI. During the same period, FDI flows from China to ASEAN amounted to USD 13.6 billion, almost double the USD 7.0 billion in 2020, and equivalent to 7.8% of total FDI flows to ASEAN (ASEAN Secretariat 2022b).

The concerns around the risks associated with China's investments do not seem to justify a change in ASEAN's position towards Chinese investment. On the contrary, ASEAN is increasing cooperation with China on investment, but it has not expressed concern about strategic implications of this. Political and economic elites state their support for trade openness, which is seen as incompatible with a selective approach to investment. To prevent ASEAN from the intention to restrain investment and establish restrictive measures on Chinese trade and investment, the 2018 ASEAN-China Strategic Partnership Vision 2030 states that the parties should stand firm against growing protectionist and anti-globalisation sentiments (ASEAN and China 2018). On the occasion of the EU-ASEAN 45<sup>th</sup> Anniversary of dialogue Partnership in December 2022, ASEAN heads of state and ministers held a discussion with EU representatives during a business meeting organised by the EU-ASEAN business

Council. Mr. Lim Jock Hoi, then General Secretary of ASEAN, explained that 'ASEAN is committed to remain open for business.' Mr. Wannamethee, Ambassador of Thailand to Belgium and Luxembourg, made it clear that 'strategic autonomy' bears too much resemblance to protectionism. ASEAN needs to remain open to trade if it 'is to become an economic power house', and strategic autonomy is seen as contrary to trade, and thus not to be pursued either in ASEAN or in Indonesia<sup>136</sup>. Some diplomats make the issue a matter of rights: establishing bilateral agreements 'is the right of any country. That does not mean that China is exercising political control [...] Investments do not erode sovereignty, or independence. On the contrary, they maintain them'.<sup>137</sup>

However, it is not accurate to say that ASEAN MS do not control FDI. Regarding ASEAN's openness to trade and the alleged contradiction with a mechanism that would allow FDI screening and maintain strategic autonomy, it must be remembered that ASEAN countries have a very high FDI restrictiveness index compared to the EU and Mercosur member states (See Graph 8) and Indonesia has by far the most restrictive index in the world, just above New Zealand and China (see Graph 16).



Graph 16. FDI restrictiveness index.  
Source: OECD

### *Political shift*

In addition, China does exert influence on domestic politics, which can impact on ASEAN. China's influence on domestic politics has generated a degree of disunity within ASEAN (Anwar 2022, 3). In 2012 for the first time in history, ASEAN failed to issue a joint communique at its summit in Phnom Penh over a disagreement about a statement regarding the South China Sea, which was widely known to be caused by Beijing's influence on Cambodia (Anwar 2022, 3). Moreover, although the risks of democratic backsliding do not represent the strongest argument for suggesting cautiousness vis-à-vis Chinese investment considering that ASEAN governments are

<sup>136</sup> Interview 12, ASEAN Member state, March 2023.

<sup>137</sup> Interview 12, ASEAN Member state, March 2023.

considered flawed democracies and authoritarian regimes (see Annex 6), the influence of an illiberal hegemon can jeopardise an evolution toward democracy.

#### *The debt risk*

With regard to the risk of debt in relation to Chinese investments through the BRI, some ASEAN policy makers claim they are well aware of the risks it poses. However, the fact that the risk of debt is now more widely known has not however erased the risk. Actually, China's overseas lending during the BRI era shows that Chinese debt burdens are substantially larger than previously understood: 44 low-income and middle-income countries now have levels of public debt exposure to China in excess of 10% of GDP: among these countries are Laos, Cambodia and Brunei (Malik et al. 2021).<sup>138</sup> China manages the repayment risk using collateralization, and it does so using fully liquid 'grab and go' assets: the borrower maintains a minimum cash balance in an off-shore, lender-controlled bank account: if a borrower falls behind on its repayments, the Chinese state-owned lender can simply debit funds from its bank account without having to deal with the inconvenience of going before a judge to recover overdue debts. The 2021 AIDDATA report estimates that China has an amount of USD 385 billion of 'unreported debts' on the World Bank's Debtor Reporting System, a situation which tells a story about the rise of hidden debt and the fall of sovereign debt (Malik et al. 2021): ultimately it is the central government institutions that will likely be expected to pay the debt in the event that the primary borrowers go into bankruptcy or default (Kuo 2021).<sup>139</sup>

Laos has also an exceptional level of debt to China: it has exceptionally high levels of sovereign debt exposure (29.4% of GDP) and hidden debt exposure 154 (35.4% of GDP) to China (Malik et al. 2021, 52). The Boten-Vientiane (Laos-China) railway, now completed has been hailed as a BRI landmark project but it is unclear how the project has contributed to the national debt, although the government of Laos claims there was no debt trap (Freeman 2023). The question also arises as to how the project will benefit the economy of Laos, and if it will not only be beneficial in one direction, i.e., for the Chinese economy. That does not mean that that BRI projects cannot be successful and that only China is to be blamed in the difficulties that occur in the implementation phase. Interestingly, the Boten-Vientiane (Laos-China) railway project is to be continued through Thailand, and the government of Thailand assured that the project would be run under its terms (Freeman 2023). In Vietnam, the cost overruns for the construction by China of the Ha Noi metro between 2011 and 2021 turned out to be 57% of the initial estimate cost (Nguyen 2023).

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<sup>138</sup> Since the BRI was launched, China has outspent the U.S. on a more than 2-to-1 basis. It has done so with debt rather than aid, maintaining a 31-to-1 ratio of loans to grants.

<sup>139</sup> Malik et al.'s definition of 'hidden debt' is conservative in that it excludes loans from official sector institutions in China that benefit from 150 explicit host government guarantees (i.e., government-guaranteed debt). In principle, all government-guaranteed debts should be disclosed via official reporting systems like the World Bank's Debtor Reporting System (DRS). However, in practice, government guaranteed debts are underreported in official reporting systems.

Another example of investment in infrastructure leading to unexpected debt is the high-speed railway project in Indonesia which illustrates that policymakers continue to expose their country and its taxpayers to high levels of debt. The Jakarta-Bandung High Speed Rail (HSR) Project was originally going to be financed by the Japan International Cooperation Agency (JICA) but Beijing sought to outcompete Tokyo on several fronts, including cost, speed of implementation, and level of public liability. The Indonesian government wanted to work around its public debt ceiling by financing this USD 5.29 billion mega-project through an off-government balance sheet transaction. The construction of the railway was thus financed on a public-private partnership (PPP) basis. A group of Indonesian and Chinese state-owned enterprises created a special purpose vehicle (SPV) – called PT Kereta Cepat Indonesia China – and the China Development Bank (CDB) lent USD 4 billion to the SPV. All of the remaining project costs were supposed to be covered by the owners of the SPV. President Jokowi signed a decree that prohibits the use of government funds for the project. However, during the implementation phase, the project encountered major cost overruns worth approximately USD 2 billion. This led Mr. Joko Widodo to reverse course and to issue a new decree in October 2021 that authorizes a government bailout. The Indonesian government planned to take USD 286.7 million out of state in 2022 and inject the funds into PT Kereta Cepat Indonesia China. The report underscores that actually any injection of Indonesian government funds into the SPV effectively represents an indirect (hidden) form of public debt.

#### *Control over strategic infrastructure*

Another risk associated with FDI is investors monitoring and controlling activity in strategic infrastructure and technologies. The Indonesian government has allowed an important amount of Chinese FDI in one of its key industrial complexes, the Indonesia Morowali Industrial Park (IMIP) which primarily hosts nickel-related industries (Tritto 2023). Indonesia owns 20% of the world nickel reserves which is an essential mineral for batteries and therefore for the expanding market of electric vehicles (US Geological Survey 2023). Chinese investment in the industrial park has enabled Indonesia to substantially increase its share of the global Class 2 nickel export market, rising from 20% in 2015 to over 80% in 2020 (International Nickel Study Group (INSG) 2021). The expansion of this industrial site occurred after the government decided to impose a ban on its exports of nickel in order to improve the industry's value chain and stimulate Indonesian growth so that Indonesia becomes a developed country: the ban on nickel exports was challenged by the EU and third parties including China, at the WTO (see chapter 6) (WTO 2022), and the WTO ruled in favour of the EU prompting Indonesia to appeal to the ruling. The government decision forced Chinese companies to invest in Indonesia's smelters in order to keep hold of their sources of nickel (Tritto 2023, 1).<sup>140</sup> Such decision makes Indonesia's nickel industry dependent on Chinese investment and compromises Indonesia's strategic autonomy.

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<sup>140</sup> The Indonesia Morowali Industrial Park, which is China's largest investment in the country's mineral sector, saw complaints—often inflated, false, or misleading—over illegal

*Institutional synergy or institutional power?*

The vulnerability of the cooperation between ASEAN and China when it comes to financing infrastructure does not lie solely in the lending mechanism, and in investment in strategic infrastructure, but also in the institutional power that China can exercise. Indeed, China is trying to progressively gain influence on ASEAN programmes and strategies by proposing increased synergy with its own programmes and strategies: this is an example of Chinese institutional power, which is reinforced by Chinese economic clout. More specifically, the synergies that China expect to establish concern:

(1) The Lancang-Mekong Cooperation (LMC) mechanism which was initially an initiative of Thailand and is now a China-led initiative. The Five-Year Plan of Action of the LMC (2018– 2022) required that synergy be strengthened between the BRI, the “ASEAN 2025: Forging Ahead Together”, the “Master Plan on ASEAN Connectivity 2025”, and other Mekong sub-regional cooperation mechanisms (Wang 2022, 231).

(2) The Master Plan on ASEAN Connectivity (MPAC) 2025 and the BRI which were ‘synergised’ in 2019 via a Joint-Statement (ASEAN and China 2019). ASEAN launched its own Master Plan on Connectivity (MPAC) as far back as 2010. The 2016 updated version, the MPAC 2025, is now officially to be closely associated to the Belt and Road Initiative (BRI).

(3) A third area that involves increasing synergy is the digital sector: the Comprehensive Strategic Partnership (CSP) established in 2021 between China and ASEAN intends to ‘Explore synergies between the ASEAN Digital Masterplan 2025 and the Initiative on Building ASEAN-China Partnership on Digital Economy and its Action Plan. The objective is to ‘enhance cooperation on the digital economy, smart city development, artificial intelligence, e-commerce, big data, 5G use cases, digital transformation, and cyber and data security as we embrace the Fourth Industrial Revolution (4IR)’ (ASEAN and China 2021).

(4) Regarding the AOIP, China expects to ‘advance cooperation to develop enhanced strategic trust and win-win cooperation’ and a ‘high-quality Belt and Road cooperation’ (ASEAN and China 2021).

Attention should be reserved for what synergy actually means and implies: which decision-making powers will be at play knowing that China enjoys considerable economic leverage? Which norms should prevail, since according to hypothesis 3, there is a high risk that an hegemon imposes its own secondary institutions and norms.

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workers and working conditions. But amid a spate of misinformation about the park, there were real concerns too, around respect for local customs and traditions, the bypassing of Indonesian environmental regulations, and potential environmental harms posed by the park’s activities’ (Tritto 2023, 3).

China also enjoys leverage through the financing structure it has established. One of the funding vehicles of Chinese investment is the AIIB. One Luo et al. (2021, 29–30) in an analysis of the power structure dynamics in growing multilateral development banks, show that in the AIIB China has the absolute ability to stop a project (Luo, Yang, and Houshmand 2021, 29–30).<sup>141</sup> Furthermore, there is no resident board of directors, which gives the president a lot of leeway (Jha 2022).<sup>142</sup>

China's capacity to exercise economic power over ASEAN depends on the degree of integration within ASEAN; currently China is better able to exert economic power due to a low level of integration within ASEAN. There are no ASEAN rules to ensure that ASEAN and its member states are protected with regard to FDI in strategic sectors. China has used such economic leverage in order to wage retaliatory measures against South Korea, a measure which has been qualified as 'a weaponization of economic interdependence' (Han 2023). The South Korean government is now trying to cut dependency on China in critical minerals, from the current 80% level to 50% by 2030 (Shin 2023). China also used retaliatory measures against Japan in 2010, cutting supplies of rare earth elements which are crucial to Japanese industry, following an incident involving the disputed Senkaku Islands (Yang 2022). While Indonesia holds 20% of the world reserves of nickel, it is striking, from a strategic autonomy perspective, that China has the biggest share of FDI in the mineral sector is owned by Chinese companies (Tritto 2023). This interdependence is not only a matter of concern for Indonesia but for ASEAN as a whole, since Indonesia is not only ASEAN's economic power, it is traditionally a leading voice in ASEAN (Dannhauer 2022).

Scholars consider that ASEAN is becoming concerned that the BRI will not complement but will instead supplant its own connectivity project, the Master Plan on ASEAN Connectivity 2025, which began in 2010, 3 years before the launch of the BRI (Koh 2018). The 2023 *State of Southeast Asia survey report* indicates that 'China continues to be seen as the most influential economic (59.9%) and political-strategic (41.5%) power in the region. However 64.5% of those who view China as the most influential economic power express their concern about its expanding influence' (Seah et al. 2023, 3). In Indonesia, Chinese investment in the Indonesia Morowali Industrial Park without proper social and environmental standards being implemented has resulted in harsh criticism towards Mr. Joko Widodo's politics (Tritto 2023, 3). The diversification of public tenders in Indonesia is also intended to prevent the public

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<sup>141</sup> 'Critical issues that China disprove will never pass but critical issues that China supports are also difficult to pass unilaterally. In many ways, the AIIB is a defensive institution whereby China *does have* the absolute ability to stop critical actions while no single member has distinctly more power than others to set the agenda' (Luo, Yang, and Houshmand 2021, 29–30) [My emphasis].

<sup>142</sup> In 2019, ASEAN and China signed a joint statement on 'Synergising the MPAC 2025 and the Belt and Road Initiative' which adds the Silk Road Fund to the financial institutions encouraged to participate in aiding support infrastructure (ASEAN and China 2019).



opinion from thinking that 'China is buying the country'.<sup>143</sup> However, on the ground, despite growing concern among Southeast Asian citizens (Seah et al. 2023), Chinese investment continues to flow into ASEAN without sufficient control putting ASEAN resilience and autonomy at risk.

Given that ASEAN is engaging in robust economic relations with China through functional bilateral cooperation, which shows signs of risks vis-à-vis ASEAN's autonomy, what is the state of cooperation in Mercosur and its potential implications in terms of resilience and strategic autonomy?

## China's trade and investment in Mercosur member states

Although Mercosur voted in 2017 a decision to facilitate investments within Mercosur (Consejo Del Mercado Común 2017) – intraregional trade and investment have been decreasing since 2011 – and Mercosur largely depends on external trade (see Graph 9). Mercosur has not signed any trade agreement with China. Its relations with China resumed in 2018, after 14 years of inactivity, on the occasion of the VI Dialogue Meeting in Montevideo (Unidade de Comunicação e Informação do MERCOSUL 2018). China reaffirmed its willingness to 'deepen cooperation in Mercosur – China relations' in the joint Communiqué on the Deepening of the Brazil-China Global Strategic Partnership (Ministério das Relações Exteriores de Brazil 2023). The fact that Paraguay has recognised Taiwan – and reached with Taiwan an agreement on economic cooperation in 2017 (Paraguay and China 2017) – makes it unlikely that Mercosur and China will soon engage in an agreement.<sup>144</sup> However, in 2023 Mercosur's incapacity to significantly develop internal and external trade (Pennaforte and Fávoro Martins 2017) makes the promises of the cooperation with China and the BRI all the more attractive.

According to Mercosur legislation, no FTA can be signed by individual member states, and a regional agreement can only be signed once negotiations involving all parties have taken place (see chapter 3). Despite the absence of a common trade agreement between China and Mercosur member states, Argentina, Brazil and Uruguay in particular are developing trade and financial transactions with China which may impact their resilience and strategic autonomy. The risks posed by Chinese investment relate to the types of economic sectors targeted, the investment terms and in particular the loan conditions and the risk of economic interdependence shifting into political dependence. Another type of transaction has been established with China which the study has not referred to in detail yet: swap agreements.<sup>145</sup> Swaps consist of the

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<sup>143</sup> Interview 2, EU institution, November 2022.

<sup>144</sup> Interview 6, EU institution, December 2022.

<sup>145</sup> Swap-lines are commitments entered into between central banks with the aim of improving their liquidity conditions in global financial markets. They also represent international monetary cooperation schemes currently used to reduce the difficulties that economies have in obtaining foreign currency financing. In this sense, they are agreements that seek to



purchase or sale of foreign currencies in cash against the sale or purchase of the same foreign currencies in the future; the exchange of money flows related to the evolution of a future variable, among which are: share price, interest rate, price of the goods or the exchange rate (Hurtado Briceño and Zerpa de Hurtado 2020). The benefits of swap agreements in Mercosur have been assessed as mixed: it has been shown, in the case of Mercosur countries, that swap agreements have facilitated trade and increased the initial international reserves position of the countries that signed them, but have not guaranteed that these countries have a stable exchange rate and financial stability (Hurtado Briceño and Zerpa de Hurtado 2020). The benefit of swap agreements from China's perspective is that confidence is increased in the renminbi (the official name of the Chinese currency of which the basic unit is the Yuan), the renminbi is used more often in the international market, investment and trade with China is promoted by eliminating the cost of foreign exchange, and international reserve savings are boosted (Hurtado Briceño and Zerpa de Hurtado 2020). In the absence of an agreement between Mercosur and China, the analysis that follows focuses on bilateral agreements with member states.

Its relations with China resumed in 2018, after 14 years of inactivity, on the occasion of the VI Dialogue Meeting in Montevideo.

## *Paraguay*

Slightly more than half of those countries that recognize Taiwan are located in Latin America and the Caribbean, and Paraguay is the strongest diplomatic ally of Taiwan in South America (Maggiorelli 2019). In recent years China has convinced several states, including the Solomon Islands in 2020, Panama in 2017, El Salvador in 2018, the Dominican Republic in 2018, and Nicaragua in 2021 to switch allegiances, with promises of increased trade, loans and investment (Davidson 2022). Honduras ended decades of diplomatic relations with Taiwan in favour of Beijing in 2023. 13 states continue to maintain diplomatic relations with Taiwan as of August 2023<sup>146</sup> (see Annex 9). Agriculture represents 30% of Paraguay's GDP and the country is interested in increasing its exports, including inter alia soybeans and beef to China. Aware that his country was losing export opportunities, Mr Abdo Benítez, the then president of Paraguay, indicated that his government was working with Taiwan to ensure Paraguayans felt 'the real benefits of the strategic alliance': he has asked Taiwan for USD 1 billion in investment to ensure Uruguay could resist pressure to switch its diplomatic allegiance to China (Davidson 2022). Taiwan's government ensured it

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promote investment and trade between two or more countries, in addition to minimising exchange rate risk and safeguarding financial stability (Hurtado Briceño and Zerpa de Hurtado 2020).

<sup>146</sup> Taiwan maintains full diplomatic relations with 13 sovereign states, 12 of which are members of the UN. The Vatican is a UN General Assembly observer state. See Annex 9.

would continue to encourage local businesses to invest in Paraguay. The current President of Paraguay, Mr Santiago Peña, has explained that trading with China would offer great opportunities but that the negotiating leverage does not favour Paraguay, and his country does not want to be 'flooded' with Chinese goods whilst it is only able to export agricultural products. The relationship with Taiwan is considered to offer greater added value as it brings Paraguay closer to developing an industrial sector than it would have if it had relations with China (Blanchard 2023). Paraguay therefore does not perceive China as a means of diversifying its external trade, but as an obstacle to its autonomy.

## *Uruguay*

Uruguay is a small country which has not much benefitted from Mercosur integration (Pennaforde and Fávaro Martins 2017) and wants to expand its external trade agenda. It joined the BRI in 2018 and has developed very strong economic relations with China. The growing influence of China in South America in recent years has been facilitated by the fact that Mr. Bolsonaro, the former President of Brazil, did not prioritise regional integration, which has given Uruguay some 'breathing space' to advance its commercial agenda with China and other partners (MercoPress 2022). Another factor that has encouraged Uruguay to enter into an FTA with China is the protracted negotiation of the EU-Mercosur association agreement, which has generated frustration, and the trade pillar of which still requires ratification.<sup>147</sup> In 2021, Uruguay joined the NDB and its government is keen to establish a bilateral FTA with Beijing despite the opposition of the three other Mercosur member states, and in particular Brazil and Argentina who do not want their markets to be exposed to Chinese commodities. The Uruguayan decision has fostered heated discussions within the bloc and has even caused concern over Uruguay withdrawing from Mercosur. The idea was publicly expressed by the President of Argentina Alberto Fernandez.<sup>148</sup> First announced in 2016 with the signing of an agreement in principle with China that was due to take effect in 2018, the agreement was opposed in 2018 by the presidents of Argentina and Brazil. On 18 April 2023 Uruguay and China signed a MoU to increase investments and economic cooperation between the two countries, while parallel negotiations for an FTA continue. The signing of this agreement took place during the official visit of Minister of Foreign Affairs Francisco Bustillo to China, where he met with Vice President Hang Zheng, Foreign Minister Qin Gang, and China's

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<sup>147</sup> Interview 6, EU institution, December 2022. Interview 8, Mercosur member state, March 2023.

<sup>148</sup> 'I apologize. We don't want to be a burden for anyone. If this burden weighs (on you), it's better to abandon the ship [i.e., leave Mercosur]. We don't want to be a weight on anyone. Let's be finished with these ideas. For me, it's an honor to be part of Mercosur' (Sanders 2022).

International Trade Representative Wang Shouwen (Ministerio de Relaciones Exteriores de Uruguay 2023).<sup>149</sup>

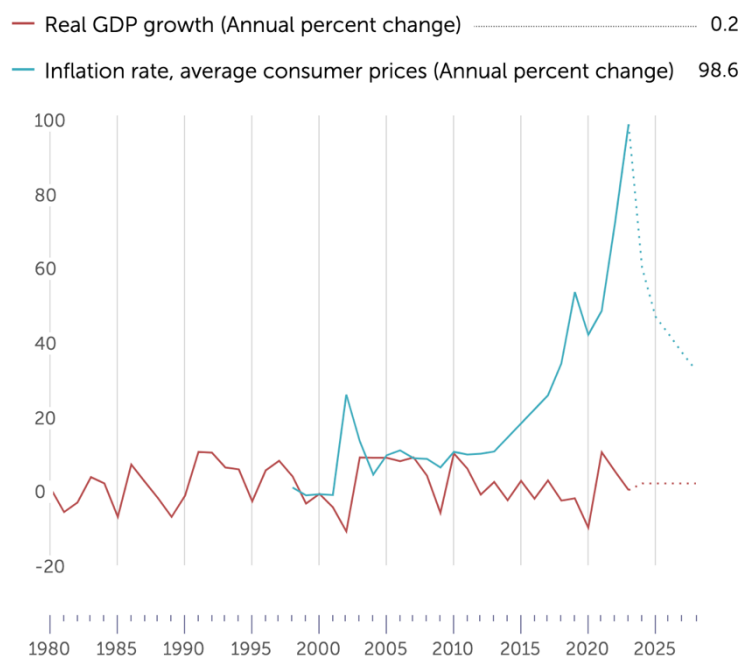
## *Argentina*

Argentina joined the BRI in 2022. However, strategic cooperation between China and Argentina started years before, as exemplified by the agreement of 2014 on the building of a space station in Patagonia, Las Lajas, which raises concern about its use by the Chinese military (see the next section on strategic cooperation). The political, economic and social situation in Argentina is deteriorating. Argentina is facing a severe crisis. In March 2022, the debt of the Argentine's government to the IMF reached USD 45 billion. Argentines are described as 'disenchanted, frustrated, fed up with their politicians, with corruption, galloping inflation, lack of foreign currency which have turned such a rich country into an international beggar' (MercoPress 2022). The 2022 Memorandum of accession to the BRI includes the financing for strategic infrastructure works in Argentina for a bit more than 23 billion dollars (Ministerio de Relaciones Exteriores, de Comercio Internacional y Culto de Argentina 2022). In addition to an economic recession, Argentine faces an historic drought in 2023 which is destroying its agriculture and further threatening its economy. The annual inflation reached 115,6% in June 2023. Argentina and China signed another cooperation agreement in June 2023, which builds on the MoU that both countries had agreed on in 2022 in the context of the BRI. To strengthen Argentina's reserves, the two countries agreed to extend for three years their currency swap agreement<sup>150</sup> for a valuation of close to USD 19 billion. The funds shall be used to implement the projects signed under the framework of the BRI. As the government of Argentina was due to make a payment of USD 2.7 billion to the IMF in July 2023, it took out a loan of USD 1 billion from the Inter-American Development Bank and an amount in yuan equivalent to USD 1.7 billion, included in a currency swap with China (Genoux 2023). The Argentina-China relations might however evolve depending on the results of the November 2023 general elections as Javier Milei, the populist candidate, has threatened to freeze relations with the Asian state over its human rights record (Jiangtao 2023).

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<sup>149</sup> The press release specifies: 'In this first face-to-face meeting after the completion of the Joint Feasibility Study on a possible Free Trade Agreement, both parties agreed on the benefits that this agreement would have; in this sense, they analysed different scenarios to continue advancing in the concretion of this instrument.' [My translation. Original text: 'En este primer encuentro presencial luego de haber finalizado el Estudio Conjunto de Factibilidad sobre un posible Tratado de Libre Comercio, ambas partes coincidieron en los beneficios que este acuerdo tendría; en este sentido, analizaron distintos escenarios para seguir avanzando en la concreción de dicho instrumento.'] (Ministerio de Relaciones Exteriores de Uruguay 2023).

<sup>150</sup> The two countries first agreed on a currency swap in 2009.



*Graph 17. GDP and inflation rate in Argentina*  
Source: IMF

## **Brazil**

The state of relations between Brazil and China is driven by both politics and by economics. President Lula da Silva is willing to ensure economic growth in Brazil, inter alia through the development of infrastructure, and is developing a foreign policy supporting multilateralism. He considers that Brazil, as part of the BRICS, should be a driving force to reduce inequalities and join forces with many countries including China.<sup>151</sup> Although the first major official trip of President Lula da Silva was to the US (the very first was to Argentina), he wants to forge closer ties and expand trade with China, and this includes strategic sectors: 15 bilateral agreements were signed during his visit to Beijing in April 2023, most of which concerned technological cooperation (Silva 2023). The two countries agreed to renew their space cooperation and build a seventh space observation satellite together. An agreement in principle between the two countries also proposes to conduct future trade without recourse to the US dollar. On 7 February 2023, the two central banks signed an agreement in principle enabling clearing agreements in renminbi (Lemaître and Gerez 2023). This independence from the dollar is a condition that da Silva would like to see extended

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<sup>151</sup> 'As President Lula explains in an interview: It's not normal for us to treat inequality as normal. What is normal is for us to be outraged about the unfair distribution of wealth, you know, across the planet. So I'm going to dedicate myself a lot. A lot. I hope to count on comrade Xi Jinping [President of China] in this fight, I hope to count on Biden [Joe Biden, President of the United States], I hope to count on European leaders. Because it's not a fight for one country or one region, it's a fight for all of us. That's why I'm engaged in it until the end of my mandate and even after my mandate' (Governo do Brazil 2023).

to all developing countries (Governo do Brazil 2023). Brazil has not joined the BRI. The joint Communiqué on a Global strategic agreement specifies in §27 the expectations of both parties in terms of financial investment. The concept of transparency in investment is not mentioned, instead the parties commit to 'offer a business environment that is open, equitable, fair and non-discriminatory to the investments and businesses of 'ach party's companies in accordance with the laws of the other party.' An ambitious programme on space technology (§ 33) includes satellites, lunar exploration and deep space, the next generation of synchrotron technology...

This strengthening of cooperation between Brazil and China indicates that Brazil is engaging in a strategy that is expected to provide Brazil with a certain degree of economic resilience and the means to become a global player. However, this strategy may pose risks concerning interdependence and vulnerabilities vis-à-vis China. President Lula da Silva does not only envisage utilising a hedging strategy with China (navigating relations between the US and China); the close political ties that he is establishing with China also indicate that Brazil's position is evolving into some kind of alignment or bandwagoning scenario (as explained in section 3 of this chapter).

The next section on security shows that in this policy area too, China is making strides in Mercosur countries. The third section starts with an analysis of ASEAN and China security relations before analysing security relations with Mercosur.

## **Strategic cooperation with China in ASEAN and in Mercosur member states**

### **China' strategic perspectives and ASEAN's responses**

Strategic relations between ASEAN and China, and the quest for centrality that both are trying to achieve, are made more complex by the trajectories of individual member states which are determined by diverse positions vis-à-vis China's politics, distinct interests in the SCS and different defence capacities and supplier-based dependence. Unlike in the economic arena where China is seen as a partner, there is less consensus amongst ASEAN MS about China's role as a security provider. Some MS align with China while others are trying to develop a degree of strategic autonomy, and states can also shift their position depending on China and US initiatives. This diversity is made possible by the absence of integration in defence and security policy which curtails the effectiveness of the ADMM (see chapter 3).

Despite this diversity, ASEAN and China are able to establish partnerships and strategies whereby they each affirm their centrality in the region. ASEAN agreed to establish a strategic partnership with China in 2003, the first time it had ever done so. Over the following years, ASEAN also agreed strategic partnerships with Japan

(2005), South Korea (2010), India (2012), Australia (2014), New Zealand, the US (2015), Russia (2018) and the EU (2020).<sup>152</sup> Since 2014, ASEAN and China have also exchanged views through the ASEAN-China Defence Ministers' Meeting (Parameswaran 2019, 4). There has also been a significant development in bilateral relations between ASEAN and China in the shape of China's initiative in 2021 to upgrade its partnership with ASEAN to a comprehensive strategic partnership – the ASEAN-China Comprehensive Strategic Partnership (CSP) (ASEAN and China 2021).

This initiative for a CSP was formally launched in October 2021 at the Commemorative Summit which celebrated the 30th anniversary of ASEAN-China dialogue relations, with Xi Jinping in attendance. The CSP has not been made public. ASEAN provides an overview which recaps existing initiatives between ASEAN and China. The scope of cooperation between ASEAN and China encompasses a 'wide array of issues, ranging from defence, maritime security, counter-terrorism and transnational crime, drugs and cross-border activities, humanitarian assistance and disaster relief, non-proliferation and disarmament, as well as cyber security' (ASEAN Secretariat 2023).<sup>153</sup> Cooperation through the ADDM+ include 'humanitarian assistance and disaster relief (HADR), maritime security, military medicine, counter-terrorism, peacekeeping operations, humanitarian mine action, and cybersecurity (ASEAN Secretariat 2023).

### *China's quest for centrality in its neighbourhood*

From the perspective of China, upgrading its partnership with ASEAN to a comprehensive strategic partnership signals the importance it gives to ASEAN in terms of its neighbourhood diplomacy, and ensures so that it fits into its vision of the regional order. China's neighbourhood diplomacy is becoming crucial as the Sino-US tensions rise and China's relations with Europe harden. The CSP proposal signals a 'calibrated and invested Chinese strategy to actively reshape its relations with ASEAN in China's own image, promoting China's status as *primus inter pares* among ASEAN Dialogue Partners' (Hoang Thi 2021, 5). It ambitions to consolidate the centrality of Chinese leadership and influence in the regional order.

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<sup>152</sup> 'Save for Canada (and the UK who just became the 11th ASEAN Dialogue Partner in August 2021), 'strategic partnership' has been applied to all Dialogue Partners despite the different degrees of their regional engagement and cooperation with ASEAN. Once proliferated, the term started to lose its special shine' (Hoang Thi 2021, 7). ASEAN and Russia reaffirmed commitments to strengthen their strategic partnership at the 19th ASEAN- Russia Senior Officials Meeting (ARSOM) held in Siem Reap, Cambodia in April 2023.

<sup>153</sup> Cooperation in these areas is carried out through several ASEAN-led mechanisms such as the ASEAN Regional Forum (ARF), the ASEAN Defence Ministers' Meeting (ADMM) and ADMM-Plus, the ASEAN Ministerial Meeting on Transnational Crime (AMMTC) and the ASEAN Ministerial Meeting on Drug Matters (AMMD) and their subsidiary bodies.

'A CSP with ASEAN would serve as a propaganda instrument to amplify the positive narrative about China, especially its development and connectivity-focused diplomacy with the developing countries. The imperative for Beijing to foster this positive narrative has intensified as China's international image in the developed world has taken sharp downturns following the Covid-19 pandemic outbreak, according to many public polls worldwide.'

(Hoang Thi 2021, 6)

In his speech at the Commemorative Summit, Xi Jinping spoke of 'inclusiveness' and 'open regionalism' as being common values of both ASEAN and China. This emphasis could be a tacit criticism of the more exclusionary minilateral groupings led by the US, especially the QUAD and AUKUS (Hoang Thi 2021, 8). The Minister of Foreign Affairs of China, Wang Yi, highlighted the five key objectives of the ASEAN-China CSP: (1) upholding good neighbourliness and enhancing mutual strategic trust; (2) deepening Covid-19 response cooperation; (3) focusing on development and fostering new growth drivers; (4) safeguarding peace and stability, 'bearing in mind the larger picture' [here reference is being made to the SCS] and (5) upholding solidarity and coordination in the UN system and defending justice and fairness in the global governance (Embassy of the People's Republic of China in the Republic of Finland 2022).

The same year that the CSP is agreed on, ASEAN agreed a comprehensive strategic partnership with Australia, despite the AUKUS. Reaching such an agreement with China and with Australia is considered as an 'ASEAN masterstroke of hedging and soft balancing among the major powers' (Hoang Thi 2021, 7). However, China is moving forward with an instrument that has global reach, and regional significance: the GSI<sup>154</sup>. The GSI is an overarching framework for multiple Chinese security initiatives at the global level that seek to challenge the 'Western-led global system' and project China as a leader in global governance and security architecture (Hoang Thi 2023b) (see introduction). The GSI can be used by China in the Southeast region to shape the regional security architecture, which makes the GSI incompatible with ASEAN's autonomy. The concept of 'indivisible security', a core concept of the GSI, is of particular concern. It could be a 'normative device for China to advance its longstanding geopolitical end goal, namely to dismantle the US's alliance system and security partnerships' (Hoang Thi 2023b, 4). Indeed, China may emphasise its sense of insecurity due to the strategic autonomy of its neighbouring states should they choose their own security arrangements, instead of the security provided by China alone (Hoang Thi 2023, 4). The GSI has been received with scepticism in ASEAN. The 2022 ASEAN-China summit 'took note of the GSI proposed by China' (Hun Sen 2022). The ASEAN position cautiously reflects the diversity of positions of its member states. Singapore and Malaysia have remained silent on the initiative. Vietnam, Indonesia and the Philippines have taken note of the initiative and/or are expecting further

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<sup>154</sup> The CSP does not mention the GSI as the latter was launched a year later, in April 2022.

details on the initiative.<sup>155</sup> By contrast, Cambodia, Thailand, Myanmar and Laos appear to be supportive of the initiative (Hoang Thi 2023b, 6). Strategic cooperation between ASEAN and China is indeed best understood if two distinct areas are analysed: the ASEAN mainland and maritime areas.

### *The Lancang-Mekong Cooperation: China's leverage on the mainland*

One crucial aspect of ASEAN-China strategic cooperation, which is important here when one reflects on the risks of alignment with China when it comes to strategic autonomy, is the Lancang-Mekong Cooperation mechanism. ASEAN and indeed academics have given far less attention to this region than they have to the SCS. The Lancang river has its source in China; five ASEAN countries lie downstream of the river where the river is named the Mekong: Cambodia, Laos, Myanmar, Thailand and Vietnam. China is mostly interested in the Lancang-Mekong river, which is situated inside the China-Indochina Peninsula Economic Corridor, a segment of the BRI. A Chinese-led cooperation mechanism was established in 2015: the Lancang-Mekong Cooperation (LMC) mechanism which brings together China and ASEAN mainland countries (Cambodia, Laos, Myanmar, Thailand and Vietnam).<sup>156</sup> It is the most active Mekong-related forum, and it is dominated by China (Kausikan 2020; Busbarat, Bunyavejchewin, and Suporn 2021).

The LMC involves many issues that cannot be addressed here but the main issue is the leverage that China can gain from its governance of the Lancang river but also from the LMC. The Lancang-Mekong river is of interest to China in terms of shipping – ‘the Mekong waterway is an indispensable missing link connecting the Chinese Land and Sea Silk Road’ (Wang 2022) – and it can also provide China with leverage over downstream countries. Indeed, China has built eleven dams in Chinese territory to produce electricity, which have been highly contested due to the devastating impact on the river’s fisheries and agricultural processes along its floodplain including droughts. China’s control of the headwaters of the Mekong and the dams it has constructed give China significant leverage and raises questions about food security (Kausikan 2020). Competing studies on the deliberate use of the dams by China to control river levels in relation to downstream countries have been published (Jaipragas 2020).

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<sup>155</sup> Both sides agreed on the need and importance of robust consultations and communication as well as to explore possible cooperation for mutual benefit regarding the Global Security Initiative (GSI) (The People’s Republic of China and The Republic of The Philippines 2023).

<sup>156</sup> Actually, the LMC draws on a proposal initially made by Thailand that was initially dismissed by China in 2012: to begin dialogue on the management of the Mekong River which China as part of the BRI strategy has revived with major revisions regarding its initial institutional design: it was not until April 2014 that China spoke of Thailand's dismissed plan and China's attempt to establish the LMC as a vehicle for subregional leadership (Busbarat, Bunyavejchewin, and Suporn 2021). See also (Devlaeminck 2021).



LMC states want to engage all major powers to maximise the possibilities of improving water management, environmental and dam issues along the Mekong (Po and Primiano 2021, 337). China's immense economic power has the potential to induce the members of the LMC to favour cooperation with it rather than with other states: 'For example, Cambodia and Laos work with both the US and Japan on Mekong issues. But on other issues, such as security and economics, Cambodia and Laos side with China exclusively' (Po and Primiano 2021, 337). Whereas Vietnam and Thailand are hedging in security and economics, they go along with the LMC even though they are not content with China's dams along the Mekong, simply because of their limited options overall and because of the negative impact on their ties with China, as they would be going against China's wishes (Po and Primiano 2021, 337).

ASEAN has never devoted significant attention to Mekong issues. Its strategic orientation has historically been towards the sea as four out of the five founder members are maritime states (Kausikan 2020). ASEAN's low degree of concern for this mainland region is detrimental to ASEAN's autonomy. Actually, ASEAN does not challenge China (Po and Primiano 2021, 335), and China is trying to widen its institutional control by establishing 'synergies' with ASEAN programmes. The Five-Year Plan of Action on the LMC (2018–2022), issued in 2018, requires that synergy be strengthened between the BRI, the 'ASEAN 2025: Forging Ahead Together' mechanism, the 'Master Plan on ASEAN Connectivity 2025', and other Mekong sub-regional cooperation mechanisms that relate to the China-Indochina Peninsula Economic Corridor. It is also calling for the LMC to be developed into a new platform and a new sub-regional cooperation mechanism for the China-Indochina Peninsula Economic Corridor (Wang 2022, 231–32). The Chinese plan for the Mekong River also has a security dimension which concerns the fight against drug trafficking. It is also deemed that, in the unlikely circumstance of militarized interstate disputes, the improved Mekong waterway will provide a clear passage for Chinese military vessels (Busbarat, Bunyavejchewin, and Suporn 2021, 29–30).

The CSP does not explicitly refer to the LMC, only to the BRI (which includes the Lancang-Mekong area). By contrast, in its Global Security Initiative, China explicitly refers to the part of the Lancang that belongs to China, and to the riparian countries: Cambodia, Laos, Myanmar, Thailand and Vietnam.

China's hand in the institutional architecture of the Lancang-Mekong region poses risks to ASEAN's autonomy. There are three things that ASEAN could collectively do, according to Kausikan: accelerate economic reforms to enhance Southeast Asia's role, at least as a partial alternative to China in global supply chains and keep major powers engaged in the region; encourage ASEAN Dialogue Partners to consider ASEAN as one strategic area (including the mainland); place all cooperation mechanisms under the framework of international law, in particular the UN Convention on the Law of the Non-Navigational Uses of International Watercourses – which in the region only Vietnam is a party to (Kausikan 2020). In short, according to Kausikan, ASEAN should treat the Mekong like the SCS, where the influence of China and the effects of ASEAN

division can be attenuated by means of external cooperation and participation in security governance.

### *The SCS and the maritime areas*

Negotiations on a code of conduct (CoC) have been on-going for twenty-one years and China has regularly tried to prevent ASEAN MS to reach a consensus on the issue by exercising pressure to avoid discussion of the issue in ASEAN-led fora (Storey 2014; Thayer 2016; Vu and Nguyen 2014; Kausikan 2020). The Southeast Asian countries are concerned that an economically and militarily strong China would pressure them into accepting unfavourable terms (Storey 2014). In his comments on the CSP, Minister of Foreign Affairs of the People's Republic of China Wang Wi recommended that consultations on a code of conduct (CoC) be speeded up in order to reach a substantive and effective CoC that conforms with international law, including UNCLOS (Embassy of the People's Republic of China in the Republic of Finland 2022). However, no progress is in view. Only guidelines – which have not been made public – were agreed on on July 13, 2023.<sup>157</sup> In 2022, Wang Wi assured that:

'China will work with ASEAN to safeguard the UN-centered international system and the basic norms governing international relations based on the purposes and principles of the UN Charter. We need to champion multilateralism with Asian characteristics, build an open and inclusive framework for regional cooperation, and defend the common interests of people of developing countries and of the whole world.'

(Embassy of the People's Republic of China in the Republic of Finland 2022)

This statement is certainly surprising given that China has failed to respect UN norms at important moments in recent history: firstly, in relation to the UN Charter, given China's severe repression of the province of Xinjiang (United Nations 2022b), and secondly, UNCLOS, in light of China's refusal to respect the ruling of the Arbitral Tribunal of The Hague in 2016 (Permanent Court of Arbitration 2016).

With China's growing economic weight, the relationship with ASEAN 'has transformed from amity to uncertainty' (Koh 2018). China's 'growing economic influence' – seen against the backdrop of an increased military presence in the South China Sea – is viewed as cementing China's political 'domination' and threatening 'sovereign rights' (Tong 2021a, 2). Five years since China rejected the SCS Arbitration Award (Permanent Court of Arbitration 2016), a fifth state now has issues with China in the SCS, Indonesia. The 2021 incursions of China's coastguard boats into Indonesia's Exclusive Economic Zone (EEZ) around the Natuna Islands have heightened Indonesia's security concerns (Anwar 2022, 3; Giese 2021, 94). For the first

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<sup>157</sup> The Association of Southeast Asian Nations (ASEAN) and China on Thursday (July 13) agreed on guidelines to accelerate the negotiation of the code of conduct for the South China Sea.

time in its history, an ASEAN joint-military exercise will take place in the South China Sea involving Indonesia, Malaysia, the Philippines and Vietnam (Lamb and Teresia 2023). The exercise is planned to take place in September 2023 around the Natuna Islands. Still, only a few MS are concerned about this: given that MS have different positions on cooperation with China and various different interests in the SCS, strategic autonomy can hardly be achieved.

As tension in the Southeast is intensifying and extending geographically, many states – along with the EU – have released an Indo-Pacific strategy as a response to the growing influence of China. ASEAN has followed suit with the release of the ASEAN Outlook on the Indo-Pacific (AOIP) (see chapter 3), and has ensured that China endorses it, despite its ‘visceral aversion to the term ‘Indo-Pacific’ which China associates with a strategy by Washington and its allies/partners to counter and contain China’ (Hoang 2021, 6). Hoang reports that ASEAN proposed a motion to link the establishment of the CSP to China’s express support for the ASEAN Outlook on the Indo-Pacific (AOIP). However, the AOIP is not a strategy that can provide any room for ASEAN’s autonomy vis-à-vis China, as it ‘offers the most inclusive and China-friendly vision of the Indo-Pacific’ (Hoang Thi 2021, 6). Furthermore, Xi Jinping was prompt to highlight the potential link of the AOIP with the BRI: ‘We seek high-quality Belt and Road cooperation with ASEAN and cooperation between the Belt and Road Initiative and the ASEAN Outlook on the Indo-Pacific’ (Ministry of Foreign Affairs of the People’s Republic of China 2021).

If ASEAN is retaining a minimal formal consensus on the SCS, the divisions are still hampering a strong response vis-à-vis China. This is all the more arduous that in the absence of a strong ASEAN integration in foreign policy, China establishes strategic partnerships with individual MS. The next section highlights the diversity of ASEAN MS’ positions and their potential evolution in time.

## **ASEAN member states’ strategic partnerships with China**

China’s leverage in the region is facilitated by the continued support of certain ASEAN member states. And the pursuit of wide security alignments by China is more challenging than isolated actions that China may take (Parameswaran 2020). The development of strategic partnerships between China and Southeast Asian states can bring some benefits but they can also be perceived as a ‘double-edged sword’ since they provide China with additional pressure points to use against these same countries further down the line (Parameswaran 2019, 8). China has expanded its array of partnership agreements over the last ten years and secured defence cooperation agreements with the majority of its ASEAN partners under Xi’s leadership (Ford 2020, 9). This cooperation includes:

‘specific provisions for new defence industry cooperation, increased professional exchanges and military education, expanded joint training and exercises, and, reportedly, military access arrangements. Similarly, China is

steadily expanding its military sales and aid to regional partners. Recent analysis by the Center for Strategic and International Studies notes that China's arms sales to South and Southeast Asia nearly doubled from 2008-2018, with over 60% of its conventional arms sales going to three close partners: Pakistan, Bangladesh, and Myanmar.'

(Ford 2020)

China uses a labelling system for its partnerships which has different levels corresponding to the importance that it attaches to each partner, to the substance of its relations with the partner and other contextual peculiarities (Hoang Thi 2021, 3). As noted by Tyushka and Czechowska, due to political sensitivity, China may be unwilling to make 'multiple hierarchies of 'strategic', 'comprehensive', 'constructive', 'privileged', 'development' and other partnerships broadly visible (Bang, 2017; Oviedo, 2006)' (Tyushka and Czechowska 2019, 10). As shown in Table 12, there are various titles describing China's relations with the ten ASEAN member states. 'Comprehensive strategic partnership' is considered the second highest level of bilateral ties, above 'strategic partnership' and below 'comprehensive strategic cooperative partnership.'

*Table 12. China's bilateral partnerships with ASEAN member states*

<b>Title of China's bilateral partnerships</b>	<b>ASEAN Member states</b>
Comprehensive strategic cooperative partnership	Myanmar, Thailand
Comprehensive strategic partnership	Cambodia, Indonesia, Malaysia
Comprehensive strategic partnership of cooperation	Vietnam, Laos
Comprehensive strategic cooperation	The Philippines
Strategic cooperative partnership	Brunei
All-round cooperative partnership	Singapore

*Source: Hoang, 2021*

To manage tensions, China has shown a tendency to use a limited degree of security engagement with Southeast Asian states. Notable incidents include cancelling a military meeting with Vietnam concerning the South China Sea and impounding military vehicles from Singapore. Furthermore, China has employed diverse methods to influence states, including economic coercion and influence operations (Parameswaran 2019, 8). In terms of arms sales, while China's security links with a select few Southeast Asian states has been a decades-long phenomenon, China has been positioning itself as a key player in more ambitious areas of security, and has proven itself capable of winning bids, as has been the case with China's surprising success in securing the contract for Thai submarines (Parameswaran 2019, 6).

China has backed a number of projects in recent years in order to position itself in key strategic locations; these projects from Kuantan Port in Malaysia to Kyaukpyu in Myanmar, have sparked fears about the rise of military or dual-use outposts in Southeast Asia. Despite China's regular presence on Malaysia's maritime economic

zone, Malaysia has avoided a confrontational posturing. (Chatterji 2021) and has tried to build a valuable relationship with China (Storey, 2020).<sup>158</sup> Although Malaysia prefers accommodation with China, it submitted in 2019 a petition with the United Nations 'to better delineate its continental shelf claims in the South China Sea'. The government's position is that Chinese claims on maritime waters in South China Sea had no legal basis (Chatterji 2021).

China's military base in Cambodia (see chapter 3) has raised questions about not just their intent, but the extent to which Chinese partnerships in general pose a threat to regional security (Parameswaran 2019, 8; Charon 2023). The Ream naval base in Cambodia, which both Cambodia and China's governments have denied exists (Doung, Kang, and Kim 2022), would constitute China's second overseas military base, the first being located in Djibouti.

The diversity in political affinity with China, and diversity of interests in the SCS, defence capacities, supplier-based dependence, but also the existence of partnerships or treaties established with extra-regional powers, result in a fragmented security architecture.

What is particularly notable is that each individual member state maintains distinct security arrangements with various military powers. The Philippines and Thailand are now non-NATO treaty allies of the United States; Malaysia and Singapore are members of the FPDA [Five Power Defence Arrangements] with Australia, New Zealand and the United Kingdom; and Brunei has a security arrangement with the United Kingdom after gaining independence in 1984. On the other hand, Laos, Vietnam and Myanmar, due to differing political ideologies, as well as different waves of political upheavals, have openly rejected joining any military alliance with any external powers. In light of this, the question then is: how can ASEAN open the path towards a truly holistic outlook on cooperation, where we can include defence elements without perceiving it as pre-empting to conflict?' (Faiz 2023, 2).

As one interviewee explains:

'Laos, Cambodia and Myanmar have virtually no autonomy. The other countries manage to balance this situation with the ties they have developed with partners outside the region and with India, South Korea and Japan. This is the case of Vietnam, which hosts American aircraft carriers, and the Philippines, which is once again making bases available to the Americans.

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<sup>158</sup> Malaysia has chosen to not comment on China's treatment of the Uighur Muslims. On this the Malaysian political elite is trying to walk the narrow path between meeting domestic public pressure and displeasing China by refusing to send back the Uighur refugees despite the latter's request (Chatterji 2021).

Indonesia, by virtue of its geography and population, carries a different weight and can afford to oppose China over the Natuna islands'<sup>159</sup>.

To add to the complexity of the situation, the position of ASEAN MS towards external powers or China is not necessarily fixed in time. Vietnam hosting in June 2023 a US aircraft carrier in the city of Danang, weeks after Hanoi protested against Chinese vessels sailing in its waters, is an example: this is the third visit by a US aircraft carrier to Vietnam after a historic port call by the US Carl Vinson in 2018, the first time such a ship had arrived in the country since the end of the war. The case of the Philippines is also a striking example.

*Developments in the Philippines's position vis-à-vis China in relation to the SCS*

The example of the Philippines and its involvement in the SCS conflict with China also shows how national preferences (vis-à-vis China) can undermine ASEAN's legitimacy. On 12 July 2016, the tribunal of the Permanent Court of Arbitration in The Hague stated that China's claim of historic rights over the resources in the waters of the SCS had no legal basis (Permanent Court of Arbitration 2016a: 117; Permanent Court of Arbitration 2016b: 9): if China had ever had historical rights to resources in the waters of the SCS, they had been extinguished by China's accession to UNCLOS. The Tribunal also concluded that China had violated the sovereign rights of the Philippines in its exclusive economic zone by: (1) interfering with Philippines fishing and petroleum exploration, (2) constructing artificial islands, and (3) failing to prevent Chinese fishermen from fishing in the zone. The Tribunal decision, which is final and binding, constitutes an outright rejection of the China's claims.

China reacted by rejecting not only the decision itself, but also the legitimacy of the Tribunal. On July 12, the day the award was made public, China released two statements. In the first one, China declared that the award 'is null and void and has no binding force' and that 'China neither accepts it nor recognizes it' (Ministry of Foreign Affairs of the People's Republic of China, 2016a). China's decision not to recognise the legitimacy of the Arbitral Tribunal is consistent with the declaration China made in 2006, pursuant to article 298 of UNCLOS, to exclude historic bays or titles, military and law enforcement activities from the compulsory dispute settlement procedures disputes concerning maritime delimitation (art. 287 and 298 of UNCLOS). Nevertheless, the Tribunal rejected China's argument on the basis that the dispute between China and the Philippines is not about maritime delimitation but about the entitlement to a maritime zone on which the Tribunal has jurisdiction. The second statement addresses China's rights in the SCS and reaffirms China's territorial sovereignty and maritime rights and interests in the SCS (Ministry of Foreign Affairs of the People's Republic of China, 2016b). Interestingly, the Philippines did not oppose the ruling of the Tribunal, which could give them political leverage in future negotiations with China. Tellingly, the day after the Permanent Court of Arbitration published its award in relation to the SCS Arbitration, China released a

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<sup>159</sup> Interview 15, EU MS, July 2023.

comprehensive statement stating that the Philippines had complicated the issue and had 'invaded' and 'illegally occupied' certain islands and reefs (Ministry of Foreign Affairs of the People's Republic of China, 2016c).

However, a few months later China significantly enhanced its bilateral relations with the Philippines and a China-Philippines joint statement on extensive cooperation between the two countries was released (People's Republic of China and Republic of the Philippines 2016). In terms of the SCS issue, China and the Philippines acknowledged an exchange of views. They also reaffirmed the importance of maintaining peace and stability and recalled the ASEAN-China Joint Statement on the Code of Conduct in the SCS (Foreign ministers of ASEAN member states and China 2016). The enhancement of relations with the Philippines is consistent with the UN position which favours resolving disputes bilaterally or multilaterally and suggests only reverting to legal arbitration when negotiations are deadlocked (Storey 2014). But this move was made at the expense of international law as it occurred after the ruling of the Tribunal which China decided not to accept. The deal between the Philippines and China potentially also undermines the value of the award for other ASEAN member states.

The 2016 China-Philippines joint statement actually did not only address economic cooperation (inter alia the commitment to renew their Trade and Economic Development Program) but also extended this cooperation to political and security issues: several items of a diplomatic nature were added, such as 'the opening of a Consulate-General of the People's Republic of China in Davao', and the enhancement of cooperation between their respective Coast Guards. This extension of cooperation between China and the Philippines to coast guard collaboration is a significant development in the domain of security.

However, while President Rodrigo Duterte (2016-2022) was favourable to China's politics, Bongbong Marcos's Presidency is giving a new direction to the Philippines' relations with China, which also involve maritime cooperation. The Philippines Coastguard committed an act of maritime assertiveness by placing buoys bearing The Philippines flag around the Spratly' islands in 2021, seen as indicators of sovereignty. This assertiveness is to be understood in the context of the re-affirmation of strong US-Philippines bilateral relations after a new defence guidelines were signed according to which the US has promised to help its treaty ally to more effectively address threats in the area, including 'gray zone' operations by China. The guidelines reaffirm that an armed attack in the Pacific, including anywhere in the South China Sea, from either of their public vessels, or aircraft, or armed forces – which includes their coastguard – would invoke mutual defence commitments under Articles IV and V of the 1951 U.S.-Philippines Mutual Defence Treaty (US Department of Defence 2023).

China's influence in the strategic domain is viewed similarly among the population of Southeast Asia as does its influence in the economic domain. 68.5% of those who see China as most influential in the political and strategic sphere express their concern about its expanding influence (Seah et al. 2023, 3).



## Strategic cooperation between China and Mercosur member states

Although it is increasing on the ground, strategic cooperation between China and Mercosur member states has received little attention in the literature (Ellis 2020; Weiffen and Villa 2017). China officially supported strengthening military ties with Latin America (and the Caribbean and South Pacific) in its 2019 National Defence White Paper (State Council Information Office China 2019). China's security engagement in Latin America encompasses the armed forces and defence policies in the region, but also dual-use facilities such as ports or space technology centres. Latin American and Caribbean militaries have gradually expanded their engagement in terms of education and training with the People's Liberation Army, and bought arms and equipment from Chinese vendors (Weiffen and Villa 2017, 8) (see Table 10).

In the absence of a common security and defence policy, Mercosur does not have a direct response to Chinese influence in matters of security and defence. However, regarding the Ukraine war, Mercosur does have an official position – which is in line with that of China and does not mention the word 'war' nor condemn Russia: the four countries again expressed their concern about the 'conflict' in Ukraine and called for the situation to be resolved through peaceful means (Consejo del Mercado Común 2022b). Therefore the remainder of this section consists of analyses by countries.

*Table 13. Strategic cooperation agreements between China and Mercosur member states*

<b>Mercosur Member states</b>	<b>Title of bilateral partnerships</b>
Brazil	Joint Communiqué on a Global strategic partnership (2023)
Argentina	Comprehensive Strategic Partnership Agreement (2014)
Uruguay	Agreement on Defence cooperation (2019)
Paraguay	-

### *Paraguay*

The country, which has diplomatic relations with Taiwan, does *not* conduct military exchanges with China, receive PLA Navy ships or other operational units, or generally buy PRC military equipment (Ellis 2020).

### *Uruguay*

Defence cooperation between Uruguay and China is increasing. As shown in chapter 3, since 2017, China has annually donated approximately USD 5 millions worth of military and dual-use vehicles to Uruguayan security forces (Ellis 2020). The 2019 agreement on cooperation on defence issues between Uruguay and China (República Oriental del Uruguay 2019) was ratified by the Uruguayan Parliament in 2022 (Parlamento del Uruguay 2022). The agreement provides for 'exchange and



cooperation in the areas of research and acquisition of defence goods and services and logistical support in the area of international peacekeeping operations' and 'the promotion of combined exercises and training, cooperation in matters related to science, technology and military equipment, humanitarian assistance in case of disasters and cooperation in anti-terrorist matters, among others.'

This cooperation with China on security issues is seen by some political actors as being exclusive in nature. Former Uruguayan President José Mujica considers that the current Uruguayan head of state Mr. Lacalle Pou 'should apologize to China for the sloppiness in the purchase of two Ocean Patrol Vessels (OPVs) from Spanish shipyard Cardama' (MercoPress 2023). However, the 2019 agreement does not contain an exclusivity clause: article 3(j) and merely provides that cooperation will include 'trade in the defence area' (República Oriental del Uruguay 2019). The agreement does not contain a dispute settlement mechanism: article 8 specifies that any dispute shall be solved through consultation between the parties, a provision which, considering the asymmetry between the two countries, does not protect Uruguay from the influence of China. In particular, Mr. Mujica also said that this incident should not affect the FTA that Uruguay wants to establish, but acknowledged that it would upset China. This political reaction clearly shows how China's economic leverage has the potential to impact a state's strategic autonomy.

### *Argentina*

In 2004 China and Argentina signed the Strategic Partnership Agreement which was transformed in 2014 into a Comprehensive Strategic Partnership Agreement" (Ministerio de Defensa de Argentina 2023). China's investment in the building and operation of a 'space observation station' in Las Lajas, Argentina in particular raises questions because of the opacity in the way it functions and because China's space program is run by its military, the People's Liberation Army (Garrison 2019). The lack of transparency is deeply concerning the Argentinian government but also the US government (Charon 2023).

In July 2023, Minister of Defence Jorge Taiana stated that cooperation between China and Argentina 'in the area of defence will continue to grow and multiply, because we are facing a world in which there are changes in power relations, changes in hegemonies and we are moving from a unipolar world to a multipolar world<sup>160</sup> (Ministerio de Defensa de Argentina 2023). This cooperation in defence between

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<sup>160</sup> My translation. Original text: 'La cooperación entre ambos países en el área de defensa va a seguir creciendo y va a multiplicarse, porque enfrentamos un mundo en donde hay cambios en las relaciones de fuerza, hay cambios en las hegemonías y estamos pasando de un mundo unipolar a un mundo multipolar.' The meeting took place on the occasion of the ceremony marking the 96th anniversary of the founding of the Chinese People's Liberation Army, in the Retiro hall of the Sheraton Hotel in the Autonomous City of Buenos Aires. Chinese officials included outgoing Chinese Ambassador, Zou Xiaoli, and the Defence Attaché, Major Colonel Liu Miao.

Argentina and China is being developed around the argument that China is supporting the sovereignty of those countries that are being occupied by an external power, which although unnamed, in this case means the United Kingdom. Indeed, Minister Taiana also expressed his gratitude for 'the great support of the People's Republic of China for a central aspect of Argentine sovereignty that concerns and occupies all Argentines, which is the Malvinas.' The Defence Minister of Argentina specified that:

'We have part of our territory occupied by a foreign power and this defence of our territorial integrity is an objective that is set in the Constitution and therefore, as the Constitution says, the recovery will be through political and diplomatic means, and we know that in this we have the strong and solid solidarity of the Chinese people and Government.'

(Ministerio de Defensa de Argentina 2023)

China is thus presented to Argentinian citizens as a country that can free Argentina from the occupation of an external power, but what is not mentioned is that China, as a *de facto* external hegemon, is having a growing influence on Argentina's strategic autonomy.

### **Brazil**

Brazil's Defence modernisation efforts have been boosted since 2019, with the expansion of international defence cooperation with both traditional allies and new partners, and the opening of procurement and new investment projects totalling more than BRL 10 billion (EUR 1,87 billion) in 2022 alone (Governo do Brazil, Serviços e Informações do Brasil 2022). There is no evidence of military cooperation between Brazil and China, apart from cooperation in peacekeeping operations and PLA training courses that take place in Brazil (Ellis 2020). However, on the occasion of President Lula da Silva's visit to Beijing in April 2023, Brazil and China released a joint Communiqué aimed at deepening the existing Brazil-China Strategic Partnership and establishing a 'global strategic partnership' (Ministério das Relações Exteriores de Brazil 2023). This joint Communiqué proposes a list of 49 points specifying the positions of each party on a wide range of issues. The security aspects of the Communiqué relate to international institutions and the war in Ukraine.

Regarding international institutions, Brazil and China recognised the need to reform the UN and its Security Council (§6). The sceptical position of President Lula about who bears responsibility for the Ukraine war had already been established in 2022 when he stated in an interview with *Time* that 'This guy [President Zelensky] is as responsible as Putin for the war.' (Nugent 2022). However, the Communiqué does not even mention the word 'war', instead referring to 'the conflict' or 'the crisis', which reflects the position of China. The joint Communiqué specifies that dialogue and negotiation are the only viable way out of the crisis in Ukraine and that all efforts leading to a peaceful solution to the crisis must be encouraged and supported (§9).

Neither Brazil nor China condemn the invasion and nor do they call for Russia to withdraw its troops in the joint Communiqué.

Although the joint Communiqué does not address defence and security cooperation, the rapprochement of Brazil and China through the BRICS may evolve into including these matters. Indeed, §7 of the joint Communiqué indicates that both sides commit themselves to the continued deepening of cooperation in all areas within the BRICS. It remains to be seen how Brazil will position itself, in particular with regard to the GSI. So far, Brazil has maintained a cautious approach which guarantees autonomy in relation to China in defence and security matters.

With the exception of Paraguay, which has diplomatic relations with Taiwan, Uruguay, Argentina and Brazil have all established cooperation agreements with China. Brazil has so far limited its exchanges with China to the sharing of views on international security policies, but it remains to be seen how this exchange of views will take shape in the context of cooperation with the BRICS, as President Lula da Silva has always placed the institution at the centre of his external policy. The options adopted by Argentina and Uruguay reduce their country's autonomy vis-à-vis China in terms of defence and security. While Brazil seems to have adopted a cautious position, Lula da Silva's views on global security paint an uncertain picture of Brazil's autonomy in security matters vis-à-vis China. Furthermore, China is continuing to cooperate on defence and security matters with Latin American countries through the China-Latin America High-level Defence Forum. This forum is supported by the China-CELAC forum (Ministry of Foreign Affairs, China 2021). In 2021, the China-CELAC plan of action for 2022-2024 was released. The scope of cooperation is tremendously vast and testifies to the strategic dimension of the forum for China, which engages in multilateral relations with the Southern hemisphere. Areas of cooperation include combatting terrorism, 'hate speech', defence, infrastructure, finance, agriculture and food, industry and IT, space, energy and resources, transport, education, health, culture... Specific sub-fora have also been established for many of these issues. The China-CELAC plan of action for 2022-2024 briefly mentions scientific cooperation with regard to Antarctica.

Indeed, cooperation with CELAC enables China to strengthen its influence in the Southern continent, compete with the multilateral engagement of the OAS, get access to a wide range of resources and secure access to Antarctica where China runs five research stations. The ban on the exploitation of mineral resources in Antarctica can be revised at any time but the conditions for this revision will be made easier in 2048.<sup>161</sup> Securing access to a logistical base in Patagonia is key to China's ambitions in Antarctica, and Argentina is examining the possibility of establishing a polar base in Ushuaia. The fifth China-Latin America High-level Defence Forum was held in 2022. It is therefore uncertain how regional security architecture will evolve, however it is

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<sup>161</sup> In 2048, only three quarters of the parties to the Madrid Protocol will be necessary to amend its provisions. Prior to 2048, all parties to the Protocol will have to agree on revising it (Dodds, Hemmings, and Roberts 2017).

certainly not moving in the direction of the development of regional strategic autonomy, but an increased interdependence with China.

## Conclusion of Chapter 7

According to our hypotheses, of the three options analysed, the option of aligning with China may theoretically offer a certain degree of resilience but it is the least likely option to offer autonomy. The results confirm our hypothesis that bandwagoning with an external hegemon – especially when it aims at reforming the world order – results in the hegemon imposing its rules and norms in secondary institutions and compromise the ambition for the resilience of a regional organisation as an autonomy entity. Furthermore, a regional organisation which does not have integrated policies to ensure cohesion and coherence faces the risk that a hedging behaviour turns out to equate bandwagoning and consequently jeopardizes any ambition for autonomy.

The EU has decided not to align with China and depending on which policy areas are involved, to be a cooperation partner, a negotiating partner or a systemic rival (European Commission and High Representative 2019). This means that the EU has not stopped all cooperation with China. The EU has established two bilateral partnerships with China of relevance to the research question, a strategic agenda (the EU-China 2020 Strategic Agenda for Cooperation), and an agreement on investment (the CAI) which is on hold. However, both agreements pose questions as to their relevance regarding the EU's resilience and strategic autonomy.

ASEAN is the regional organisation which has the greatest degree of alignment with China, but this depends on the policy sector. In the economic sector, ASEAN is keen to develop cooperation with China and does not restrict cooperation but encourages it.<sup>162</sup> However, ASEAN has not expressed concern about the strategic implications of this. On the contrary, the ASEAN-China Strategic Partnership states that the parties should stand firm against growing protectionist and anti-globalisation sentiments (ASEAN and China 2018). China is better able to exert economic power due to a low level of integration within ASEAN. Even if ASEAN diversifies its partnerships to ensure that it does not only rely on China, an alignment with China's economic agenda and norms presents risks in terms of resilience and autonomy. In particular the risk of debt, even when governments indicate that they are aware of it, is underestimated. In terms of security ASEAN MS do not all align with China, and several states have shifted their position recently towards closer cooperation with the US (The Philippines, Vietnam) or a reinforcement of sub-ASEAN cooperation on military issues in the SCS with a planned exercise involving Indonesia, Malaysia, the Philippines and Vietnam.

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<sup>162</sup> ASEAN is increasing cooperation with China on investment, through its support for the BRI, the updating of its FTA on Investment with China, a Joint-Statement on Synergising its Master Plan on Connectivity and the BRI (ASEAN and China 2019).

Given Mercosur's low level of integration, and the absence of regional agreements between Mercosur and China in the economic and security sectors, MS adopt very distinct positions towards cooperation with China. Apart from Paraguay, they are all developing economic relations even in strategic sectors, including dual-use infrastructure run by the Chinese military in Argentina. If it is not accurate to speak of alignment of these states with China's defence policy; we are witnessing Argentina and Uruguay's growing interdependence vis-à-vis China in both the economic and defence policy areas. So far Brazil's exchanges with China on defence and security policy seem to have been limited to the sharing of views on international security policies, but it remains to be seen how this exchange of views will develop and possibly take shape in the context of the cooperation of the two countries within the BRICS forum. The increasing interdependence of three of the four Mercosur countries with China is putting Mercosur's autonomy at risk. Since its creation 30 years ago, Mercosur has never had such an uncertain future. The conclusion of Long and Suñé's analysis of Unasur holds true for Mercosur: 'Only a greater articulation of national wills can configure a South American bloc capable of carrying some weight at the multilateral and global level and ensuring that its demands are met' (G. Long and Suñé 2022, 126–27).

### *The enlargement of BRICS and the GSI*

In addition to the development of the GDI and the GSI, China is advancing another argument aimed at making cooperating with it more attractive: the political argument around support for the developing world and its willingness to strengthen South-South cooperation. As Xi Jinping voiced during his speech at the closure of the BRICS summit in Johannesburg, 'Development is an inalienable right of all countries, not a privilege reserved for a few.' It is not clear yet how the GSI will impact the current state of alignment of states with China, but it is clear that Xi Jinping is using the BRICS to further his agenda. He proposed to 'enhance the strategic partnership' between BRICS countries and referred to the GSI, alluding to its key concept of 'indivisible security' (Xi 2023). The XV BRICS summit saw the enlargement of the forum to include six new members: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates, which will become full BRICS members from 1 January 2024 (BRICS 2023). This decision was supported by China which is eager that as many countries as possible are included in the BRICS forum which share its vision of a new multilateralism and a new world order. Before the XV summit, the proposal to enlarge the BRICS was met with cautiousness by India who feared that the BRICS agenda would favour China's priorities and that India's voice, which, much like Brazil, does not have an anti-Western orientation, would be diluted in an expanded forum (Pant 2023). According to South African officials, around 40 countries have expressed their willingness to join the BRICS, among which are two ASEAN states: Indonesia and Thailand.<sup>163</sup> India advocated efforts to 'nurture trust and foster cooperation', without which 'the expansion of the BRICS might be an exercise in futility' (Pant 2023). The

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<sup>163</sup> Among the 40 countries, more than 20 have made formal requests to join the BRICS.

BRICS may well face challenges in terms of unity which will complicate any further institutionalisation such as the establishment of a BRICS currency. Meanwhile, the BRICS enables Russia to overcome its international isolation. Mr. Putin could not attend the XV Summit because in March 2023 an arrest warrant was issued for him by the UN-backed International Criminal Court in connection with alleged war crimes over the deportation and “illegal transfer” of children from occupied Ukraine. However, he delivered a speech blaming the West for ‘illegitimate sanctions’, ‘illegal’ actions and ‘violation of basic norms and rules’ accusing the West of being responsible for worsening the economic consequences of the war (Putin 2023). Furthermore, Xi Jinping, in addition to promoting his concept of ‘indivisible security’, foresees several projects for the BRICS which may potentially impact on security, such as ‘BRICS Global Remote Sensing Satellite Data’ and expanding cooperation on AI to ‘make AI technologies more secure, reliable, controllable and equitable’ (Xi 2023).

These are two examples of promises regarding technology which are ostensibly about supporting much-needed development in certain countries, but the potential dual use and surveillance capacity of these technologies may have an impact on the autonomy of the states in which they are developed.

The strategy of alignment with China is used by MS of regional organisations which have a low level of integration and it concerns states which need investment and financial support – and have a low capacity to engage in partnerships on their own terms (and with their own norms) or at least on terms which are not exclusively defined – imposed – by China. To engage in external cooperation with China without resorting to bandwagoning, it is necessary to have leverage, and not all MS enjoy this leverage given their economic and financial situations. Furthermore, China applies ideational power and uses a particular narrative in support of the development of the BRICS that references ‘multipolarity’, and South-South cooperation in order to secure win-win results. However, in Beijing’s view, multipolarity does not mean a pluralistic world, but a world in which China sets the rules.

## Conclusion of Part 3

Part 3 has examined how regional organisations manage interdependence and endeavour to strengthen resilience and potentially strategic autonomy vis-à-vis China with the use of external cooperation mechanisms, in support to regional integration mechanisms analysed in part 2. In order to account for the neglect of causal propositions of the English School as highlighted by Keohane and Navari (2009, 6), this research has grounded the English School's theoretical contribution in an explanatory reasoning and has related the primary and mostly the secondary institutions to the three concepts of balancing, hedging and bandwagoning. The contribution of our research to the English School theory lies first in showing how the consideration of secondary institutions is paramount in understanding the dynamics at play between regional organisations and an external hegemon, but also, and in so doing so, it opens the way for uncovering how the level of integration is a key factor in explaining the capacity of regional organisations to strengthen resilience and possibly aim at strategic autonomy *through external cooperation*. It cannot be presumed that external cooperation will compensate a lack of integration. Furthermore, a regional organisation which does not have integrated policies to ensure cohesion and coherence faces the risk that a hedging behaviour turns out to equate bandwagoning and consequently jeopardizes any ambition for autonomy.

Graph 14 shows that ASEAN is the regional organisation which has resorted the most to external cooperation: 80% of its institutional instruments are made of external cooperation mechanisms, both partnerships and multilateral fora. This shows the relative vulnerability of ASEAN as a regional organisation as it relies more on external cooperation rather than on its own regional capacity to initiate change, establish common regional policies (including foreign policy) and incite compliance. Mercosur is the regional organisation that relies the least on external cooperation to ensure resilience vis-à-vis China, which can be interpreted as the result of an absence of clear positioning vis-à-vis China – at least before Lula da Silva's second mandate started,

but also as the result of a lengthy negotiation process with the EU which has put other Mercosur partnership negotiations on hold.<sup>164</sup>

More specifically, part 3 has analysed three major types of cooperation: strengthening the regional organisation with like-minded partners (balancing), multiplying cooperation agreements in trade or security to avoid China to exercise dominance (hedging), and alignment with China (bandwagoning). The three strategies are not necessarily used independently. Hedging can be accompanied with bandwagoning: this is the way ASEAN has managed external cooperation, and the way Mercosur seems to be engaging as well. However, balancing which is the strategy used by the EU, is incompatible with bandwagoning since balancing implies some form of alliance to counter the attempt from an external state to exercise hegemony on a regional organisation, whereas bandwagoning implies an alignment - even partial - in areas of strategic relevance with the hegemon. That does not mean that the strengthening of a regional organisation is contradictory with cooperating with the hegemon in certain areas: this is the situation of the EU which presents China as a 'cooperation partner, a negotiating partner, and a systemic rival in promoting alternative models of governance' (EEAS 2022a).

The strengthening and multiplication of partnerships between the EU and like-minded partners in both trade (e.g., the TTC agreement with the US) and security policies allow for a reinforced resilience and strategic autonomy vis-à-vis China whether considering its influence in the Southeast Asia and the Indo-Pacific (inter alia with the EU-ASEAN strategic partnership or the Indo-Pacific strategy), or in Europe (with the EU-NATO agreement and the European Political Community (see maps in Annex 8). One limitation to EU's resilience vis-à-vis China when it comes to the external partnerships that the EU has established is the complacent position of ASEAN towards Russia, whereas China is siding Russia itself in the war in Europe. The narrative of China's commitment to supporting the efforts of developing countries in becoming more autonomous also portrays Western countries as paying little attention to them. Such a vision of a bipolar world is inaccurate and extremely harmful to the EU. Developing countries are in great need of investment and China is de facto emerging countries' biggest creditor. China could therefore leverage the GDI to instrumentalise 'discontent among developing countries who feel that the US and Europe devote too much attention and resources to the war in Ukraine at the expense of the Global South's development needs' (Hoang Thi 2023a, 8). However, it is worth noting that the war in Ukraine is an 'existential issue for Europe', as reported by an EU diplomat (Lemaître and Gerez 2023). Furthermore, the EU through the Global Gateway, and also in conjunction with the Partnership for Global Infrastructure and Investment (PGII) (see chapter 5) is reinforcing and expanding its support for investment in developing countries. The EU distances itself from the Chinese proposal by insisting on principles of trust and transparency. In 2023, the Global Gateway is

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<sup>164</sup> Interview 8, Mercosur member state, March 2023. Interview 6, EU institution December 2022.



supporting projects in Africa, Latin America and the Caribbean, Asia and the Pacific and the Western Balkans and the neighbourhood countries (Directorate-General for International Partnerships 2023).

ASEAN is consolidating its resilience vis-à-vis China through strategic partnerships established very recently with the US, Australia, New-Zealand, India and the EU, and can reach some kind of balance with an intensification of hedging whereas it does not want to take side in the rivalry opposing the US and China. However, hedging appears to have been less of a strategy than a default way forward. To create a system that is capable of being conducive to resilience, if not strategic autonomy, would imply stronger coordination and a sense of a common trajectory, in other words, a deeper integration process. Furthermore, external partnerships only represent a satisfactory option, amid sensitive international conditions, if partners share views on key security issues, such as the war in Ukraine. The question of trust must be key when it comes to strategic partnerships. Furthermore, ASEAN is the regional organisation which has the highest degree of alignment with China. In the economic sector, even if ASEAN diversifies its partnerships to ensure that it not only relies on China, an alignment with China's economic agenda and norms presents risks in terms of resilience and autonomy. In particular the risk of debt is underestimated even when governments indicate that they are aware of it. In terms of security, ASEAN MS do not all align with China, and several states have shifted their position recently towards closer cooperation with the US (The Philippines, Vietnam) or a reinforcement of sub-ASEAN cooperation on military issues.

As for Mercosur, the external partnership which represents the most relevant possibility to enhance resilience vis-à-vis China is the EU-Mercosur agreement. The additional document – the interpretative document which aims to specify the sustainability provisions of the Agreement– is now being discussed by Mercosur member states. President Lula da Silva has declared that he is willing to strengthen Mercosur and to reach an agreement with the EU before starting negotiations with China (Lula da Silva 2023). However, the length of the negotiation and ratification process are resulting in frustration on the part of Mercosur countries vis-à-vis the EU. Lula da Silva is also supporting beginning negotiations between Mercosur and China after the agreement on the interpretative document, and extending cooperation between Brazil and the Global South, as well as strengthening cooperation with the BRICS. The external cooperation of Mercosur, in relation to China's influence, is therefore likely to be characterised as a hedging strategy, but also having an alignment dimension, insofar as the government of Brazil has not expressed specific concern regarding China's view on global governance. However, Paraguay's position on Taiwan may complicate the chances of bilateral relations between Mercosur and China.

China has been expressing its views more confidently and concretely in recent years in more China-centric order conceptions advanced under President Xi Jinping and in the context of rising competition with the United States (Parameswaran 2019, 5). The

EU has some capacities to counter the influence of China on its resilience and strategic autonomy, thanks to its level of integration that allows it to establish partnerships based on its norms and international norms, as well as with like-minded partners, and also by reason of its economic power which allows it to propose its own investment to developing countries as an alternative to the BRI. ASEAN and Mercosur face more challenges as without strong integration mechanisms they lack unity to forge a common foreign policy and a defence and security policy. ASEAN and Mercosur, and especially the former which is a neighbour of China, have a pragmatic approach to economic cooperation with China, despite the risks of debts and forced political alignment as shown in the literature and in recent large N studies (Malik et al. 2021; Gelpert et al. 2021). Political alignment is also an effect of China's development aid, even though China claims its aid is free of any conditionality and presents itself as a neutral provider.<sup>165</sup> It appears that in this context, external cooperation has a little capacity to be conducive to resilience and strategic autonomy without a minimum level of integration to ensure unity among the member states of the regional organisations and carry some weight in external negotiations.

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<sup>165</sup> 'When cooperating with other countries for development, no country should interfere in their efforts to find a development path suited to their own national conditions, interfere in their internal affairs, impose its own will on them, attach political strings, or pursue political self-interest' (State Council Information Office of the People's Republic of China 2021).

# Conclusion

## Three Models of Differentiated Regionalism

This research has compared the responses of three differentiated organisations, the EU, ASEAN and Mercosur, with respect to their specific merits in relation to resilience and strategic autonomy vis-à-vis Chinese influence between 2013 and 2023, starting with the launch of the Chinese Belt and Road Initiative and ending in 2023 with a consideration of the most recent policy developments which shed light on the policy adaptation of the three regional organisations. The study has relied on three complementary hypotheses (H1 internal, H2 and H3 external) to explain how and why differentiated organisations strengthen or are not strengthening their resilience and strategic autonomy vis-à-vis the influence of China. The theoretical approach has proposed an innovative framework mainly drawing on differentiated integration theories and the English School. Studies on differentiated integration had neglected both the effects of differentiation and the external dimension of differentiation, while the focus of the English School on primary institutions was limiting the explanatory potential of the theory. The theories of differentiated integration have been expanded to allow for the differentiation dimensions to be more specifically accounted for in the context of the external relations of regional organisations and the influence of an external hegemon. The English School's theoretical approach has been related to the three concepts of balancing, hedging and bandwagoning to offer an explanatory understanding of the implications of the policy options taken by the three regional organisations in terms of resilience and strategic autonomy. The combination of both approaches provides a comprehensive analysis of how differentiated organisations adapt or not to Chinese influence. While the strengthening of institutional differentiation presents one option – which corresponds to a balancing strategy, other options which consist of establishing external partnerships are developed in parallel: they can be characterised as situations that involve reinforcing the regional organisation, establishing partnerships, or aligning with China.

The contribution of this research to the academic field of political science concerns both differentiated integration theories and the English School, but also how these two approaches can be combined when they share a common dependant variable: in the present case, the resilience and strategic autonomy of a regional organisation. This research shows that external differentiation and external cooperation cannot be conducive to resilience and strategic autonomy without strong integration mechanisms being put in place in the first place, but also that integration is equally important for regional organisations to manage interdependence in strategic issues with an external hegemon through external cooperation.

Taking into account the fact that China exercises a similar type of influence but that the degree of influence may vary, the research shows that the three regional organisations have followed very distinct paths. The EU has both reinforced its institutional design and extended its external partnerships. However, its regulatory framework lacks stringency to ensure an effective resilience. ASEAN is resorting to external cooperation to a great extent but the study shows that hedging alone, without the reinforcement of integration, only leads to fragile resilience. Aligning with China is an option that ASEAN embraces in the economic sector, but only a few states align with China in defence and security issues, while the US is increasingly considered as a security provider. Mercosur has not formally established partnerships with China, but apart from Paraguay, all member states are increasingly dependent on China, in both investment and financial sectors, and security policy, including defence policy in the case of Uruguay and Argentina. Strategic partnerships, which constitute a secondary institution of the international society, cannot provide a high level of predictability regarding the behaviour of partners, a limitation which diminishes their potential to be conducive to resilience in the current volatile international context where the primary institution of war is regaining prominence. Buzan's argument that the English School may not adequately address the critical question raised by Wendt in 1999 regarding the issue of what hold societies together (Buzan 2018, 19) is a key question in the context of an assertive China which is drawing closer to Russia and attempts to sow division inside the regional organisations and in the international society as well as by spreading a narrative opposing the West to a 'Global South'.

## **Differentiation: comparison of its use and conditions for resilience**

Generally, the EU makes an extensive use of differentiation in its adaptation to Chinese influence. This result does not come as a great surprise as the EU has developed differentiation to the point of being described as a 'system' of differentiated integration (Leuffen, Rittberger, and Schimmelfennig 2013). However, the research shows that the three regional organisations use of the various *types* of differentiation in different ways.

*Vertical differentiation* is only used by the EU since it is the only regional organisation that uses both intergovernmental and supranational decision-making. Vertical differentiation has significantly increased: the EU has deepened its institutional and policy integration. 75% of regional instruments aimed at addressing the influence of China are supranational instruments while intergovernmental instruments represent 25%: in contrast to the intergovernmental mode of decision-making chosen to address the financial and eurozone crisis that gave rise in the academic literature to claims that a renewed intergovernmentalism was occurring in the EU (Fabbrini 2016, 594; Schmidt 2016, 13; Smeets and Beach 2020, 2), this high proportion of supranational instruments shows the suitability of this mode of governance in a situation that involves external stress. However, in the case of FDI where the EU has exclusive competences, the inherent screening regulation does not show a high degree of stringency, and thus allows significant flexibility in its implementation by MS. Given that no flexibility could come from differentiation in the policy on screening FDI,<sup>166</sup> leeway is given to the MS through a paradoxically very lax regulation which actually hampers its effectiveness, especially in the post-Covid period when actors from the economic community are endeavouring to make commercial deals without considering the consequences on strategic autonomy. A revision of the FDI Screening Regulation to strengthen it would allow it to function as a key instrument to avoid decoupling and to de-risk the economic relation with China.

*Internal differentiation* is seldom used by the three regional organisations in the specific context of counterweighing the influence of China and strengthening economic and defence resilience. It is used in the EU in only one out of twelve regional instruments in relation to countering Chinese influence (see Graph 11) to avoid stagnation (H1b1) in defence and security policy, and more specifically in the case of PESCO. ASEAN and Mercosur use internal differentiation to reduce economic asymmetries within the regional organisation and to increase cohesion (H1b2) with the two instruments that allocate funds: the IAI (the Initiative for ASEAN integration) and FOCEM (the Mercosur Structural Convergence Fund). The situation in which internal differentiation is used in the EU (H1b1: to prevent the regional organisation from stagnating in relation to a crucial policy) – in relation to PESCO – has proven to be very effective as it has initiated a process of cooperation that has progressively been extended to other member states and has deepened in terms of the scope of areas of cooperation (Denmark has joined PESCO, while Norway, the US, and Canada are participating in a military mobility project and the UK has applied to do so), and this has enabled cooperation to be deepened as well, as the number of projects has increased from 17 projects in 2017 to 68 in July 2023. The internal differentiation mechanisms put in place in ASEAN and Mercosur (in particular the IAI and FOCEM) to reduce economic asymmetry and strengthen cohesion, have proven both *indispensable* – their absence would be detrimental to the functioning of the regional

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<sup>166</sup> Several hurdles, some perhaps insurmountable, to multispeed cooperation on FDI' appear under current treaty law (Lundqvist 2018: 1).

organisation – and *insufficient* in scale to effectively reduce asymmetries and ensure resilience in relation to Chinese economic influence.

Regarding (H1b-3) which relates to the negative impact of internal differentiation which can occur when an instrument that is aimed at protecting the regional organisation is applied in a non-uniform way, the research did not find any instance of such an instrument. However, although the FDI Screening Regulation applies uniformly to all MS, paradoxically the regulation is lax given its legal nature, and acts as a kind of *de facto* internal differentiation since it authorises MS not to take action. This situation shows that the design of the law can be understood as the result of a certain trade-off between the necessity to send MS a strong signal to engage in national reforms and the impossibility under Treaty law of putting in place a differentiation mechanism: without the possibility of resorting to internal differentiation, the flexibility mechanism is provided through a low degree of legal requirement.

*External differentiation* is only used by the EU, and to a great extent. It extends the protective rules of the regional organisation to third countries (providing broader unified cooperation) including the Balkans and candidate countries (H1c), and therefore has the potential to be conducive to resilience. The results show that external differentiation is used in 92 % of EU regional instruments. The FDI Screening Regulation is the only instrument that is not externally differentiated, with the service in charge of the screening mechanism lacking the capacity to deal with even more screening requests. External differentiation is used in policies that range from the pre-accession instrument to the NIS2 Directive on Network Infrastructure security.

The development of regional instruments by the EU testifies to a very dynamic response in terms of vertical, internal and external differentiation, a response which strengthens its resilience and strategic autonomy and amounts to a balancing strategy. By contrast, the regional instruments established by ASEAN and Mercosur which can be considered as potentially having an effect on resilience in relation to China are strikingly low in numbers and only a few are differentiated: they relate to policies aimed at reducing economic symmetry and strengthening internal trade by means of an increase in inward FDI, and therefore involve positive incentivisation. This situation can be explained by the fact that neither ASEAN nor Mercosur are willing to constrain China's influence, even in strategic sectors.

Although differentiated integration can be a powerful mechanism and is used extensively by the EU, certain conditions need to be fulfilled. The importance of stringency in facilitating resilience has been brought to light: supranationalism in the EU without stringency leads to mixed results and intergovernmental cooperation without stringency is also problematic: the ASEAN way cannot constrain either ASEAN MS or China, and can only be considered an 'efficient' form of diplomacy if the 'principal goal is form', i.e., ambition, 'over substance'. i.e., outcomes. (Beeson 2020, 6).

## The limitations of differentiation and the use of external cooperation

Regional instruments and their external differentiation dimension, which projects normative power beyond the regional organisation's borders are not the only tools at the disposal of regional organisations. If resilience or strategic autonomy can be pursued through the strengthening of a regional organisation, it can also be pursued through external cooperation. External cooperation in the form of partnerships is more extensively used by the EU and ASEAN than regional instruments in response to the growing influence of China (see Graph 7). 60% of all EU instruments analysed are instruments that involve external cooperation and are used for a balancing approach that relies on selecting like-minded partners in both trade and security. This option is the most conducive to resilience and strategic autonomy. The strengthening and multiplication of partnerships in both trade (e.g., the TTC agreement with the US) and security policies allow for reinforced resilience and strategic autonomy vis-à-vis China whether one considers its influence in the Southeast Asia and the Indo-Pacific (inter alia with the EU-ASEAN strategic partnership or the Indo-Pacific strategy), or in Europe (with the EU-NATO agreement and the European Political Community (see maps). We found that one significant constraint on the EU's resilience vis-à-vis China in the context of its external cooperation is ASEAN's complacent position towards Russia in the context of the EU-ASEAN partnership, whereby China is siding with Russia itself in the war in Europe.

ASEAN is significantly dependent on external cooperation: 80% of all its instruments relate to external partners. In the security and defence sector ASEAN is consolidating its resilience vis-à-vis China through strategic partnerships established recently with Russia (2018), New Zealand (2020), Australia (2021), the EU (2020), India (2022) and the US (2022), and may reach some form of balance wherein it does not take sides in the rivalry between the US and China. However, hedging appeared to be less a strategy than a default option. To create a system able to be conducive to resilience, if not strategic autonomy, it would imply a stronger coordination and a sense of a common trajectory, in other words, to deepen the integration process. Furthermore, external partnerships can only be a solid option, in a sensitive international context, if partners share views on key security issues, such as the war in Ukraine. The question of trust can only be central when it comes to strategic partnerships. Furthermore, ASEAN is the regional organisation which has the highest degree of alignment with China. In the economic sector, even if ASEAN diversifies its partnerships to ensure that it does not only rely on China, an alignment with China's economic agenda and norms presents risks in terms of resilience and autonomy. In particular the risk of debt is underestimated even when governments indicate that they are aware of it. In terms of security ASEAN MS do not all align with China, and several states have shifted

their position recently towards a closer cooperation with the US (The Philippines, Vietnam) or a reinforcement of sub-ASEAN cooperation on military issues. Although aligning with China allows some form of - fragile - resilience, the absence of an ASEAN foreign policy limiting economic interdependence in strategic sectors and incentivising consistency in external military cooperation is harming any attempt to increase autonomy and definitely does not allow for ambition as regards strategic autonomy.

Mercosur is a regional organisation whose relationship with China may also affect its resilience and autonomy not only by reason of the increasing trade deficit but also because there has been investments in strategic sectors in Brazil, Argentina and Uruguay, along with cooperation of a military nature. As shown in the thesis, Mercosur has not established a clear foreign or trade policy with China. It has adopted a Decision that commits states to jointly negotiate agreements of a commercial nature with third countries or groupings of countries outside the region in which tariff preferences are granted (Consejo Del Mercado Común 2000), therefore preventing Uruguay from signing an FTA with China. However, this rule does not prevent states from signing trade agreements with China which have strategic implications. Cooperating with China does not predominantly seem to be about using a hedging strategy to counterbalance the influence of the US. Brazil's recent trade agreements with China seem to indicate that Brazil is bringing about some kind of alignment with China, based on 'south-south' cooperation and a shared will to expand cooperation within the BRICS forum. There is also a growing interdependence of Argentina and Uruguay vis-à-vis China in both economic and defence sectors. The EU-Mercosur agreement remains the most relevant agreement for Mercosur to maintain some autonomy vis-à-vis China's influence.

## Three models of differentiated regionalism

Our theoretical framework combining differentiated integration and English School theories allows to propose three models of differentiated regionalism.

(1) First, we found an *expanding centralized differentiated regionalism*, which also includes a new type of differentiation which we label '*co-differentiation*'. This model of differentiation is exemplified by the EU. It is characterised by a prevailing balancing strategy in relation to the influence of China, a strategy which manifests itself in an increase in supranational integrated instruments, a deepening of external differentiation, and the parallel development of informal differentiated cooperation. There is a geographical expansion in cooperation in both trade (investment) and security (especially in defence in relation to PESCO and the agreement with NATO) (see Map 5). This strategy is conducive to resilience and to a moderate degree of strategic autonomy. Amidst the attempt of China to change the world order and its competition with other actors to impose its norms, it is interesting to note that the EU



has not given up on conditionalities either in external differentiation or in external cooperation, and contrary to China, is making them transparent.

The European Political Community is an interesting development in that regard, somewhat indicating a move towards a low level of legal formalism that ASEAN is more familiar with. However, the EU version of an informal institutional mechanism is very different from that of ASEAN in at least two respects. First, contrary to the low level of legal formalism in ASEAN, the EPC is backed by the EU which is built on a strong institutionalisation which warrants accountability and judicial power. Second, the EPC is a forum whose format – at least in its early phase – corresponds to what can be described as a ‘co-constructed’ project. The EU does not have a full control of the forum, of which the agenda and venue are shared with the members. EPC Summits are organised on a rotating basis by each participating country with the host alternating between an EU and a non-EU member state (The Republic of Moldova 2023). One could therefore argue that, despite bearing the features of external cooperation – and having been analysed as such in this research, the EPC constitutes yet another form of differentiation, something along the lines of a ‘co-differentiation project’.

(2) *A lightly institutionalised and encircled regionalism* which applies to ASEAN, which relies on a hedging and alignment strategy that puts ASEAN in a situation that involves a high degree of dependence on external cooperation with China and with great and middle size powers that have diverging interests in the region and which are involved in its governance. This approach, which seeks to accommodate the presence of a powerful and ambitious neighbour as well as a high degree of internal diversity, leads to a moderate degree of resilience and the absence of strategic autonomy. Without the political will of member states to pursue integration, the risk is to be progressively controlled or taken over by China’s ‘synergisation’ with ASEAN programmes and/or bypassed by other fora: subregional minilateralism, which already exist but also by minilateralism developed by external powers that does not involve ASEAN MS. Should these minilateral fora develop into mechanisms that involve ASEAN or ASEAN MS, a key question remains as to the voting power that ASEAN MS will enjoy in the final mechanism.

(3) *A functionally and geographically limited regionalism coexisting with multiple regional organisations*, which applies to Mercosur which seems to engage in a hedging strategy in order to enhance resilience and autonomy, but it has no strategic autonomy, and is deepening interdependence with China. Mercosur, which is an imperfect customs union, uses differentiation as a mechanism for managing heterogeneity but it cannot be efficient with regard to resilience without the regional organisation’s integration being strengthened in the first place. Deriving from a low degree of integration, the political sensitivity of Mercosur to political shifts and the fact that its main focus is on trade, are hampering Mercosur’s realisation of autonomy. The absence of a common defence and security policy makes Mercosur dependent on other regional organisations which could regain momentum such as Unasur. The future of Mercosur

can therefore hardly be envisaged without considering its role in relation to Latin American regionalism.

Although differentiation cannot be the only mechanism to strengthen resilience and strategic autonomy vis-à-vis the influence of China – and reforms at the level of the WTO, although fraught with great difficulties (Petiteville 2021, 105)<sup>167</sup> are needed to achieve a level playing field –, differentiation can be a powerful mechanism to manage heterogeneity and strengthen external cooperation amid China's global agenda. It was suggested for ASEAN more than twenty years ago in order to overcome the dead-end of unanimity and consensus rule and allow some member states to pioneer new initiatives through coalitions of the willing, 'provided that the general direction of such initiatives is welcome and the coalitions remain open for all to join' (Tay 2001, 268).

However, in order to be effective, differentiation, but also external cooperation presuppose solid integration in the first place, including stringent regulation. This study shows that vulnerability does not arise from differentiation but from a low level of integration. This does not mean adopting an EU model of regionalism, but such an option would equate to 'uploading more of state prerogatives: policy instruments, institutional and constitutional arrangements from the state to the regional level' (Fossum 2019). Differentiation and external cooperation, in the very sensitive international context of an assertive China – and an aggressive Russia with whom China is siding – cannot be conducive to resilience and strategic autonomy without a strong commitment to the sharing of common values based on mutual trust.

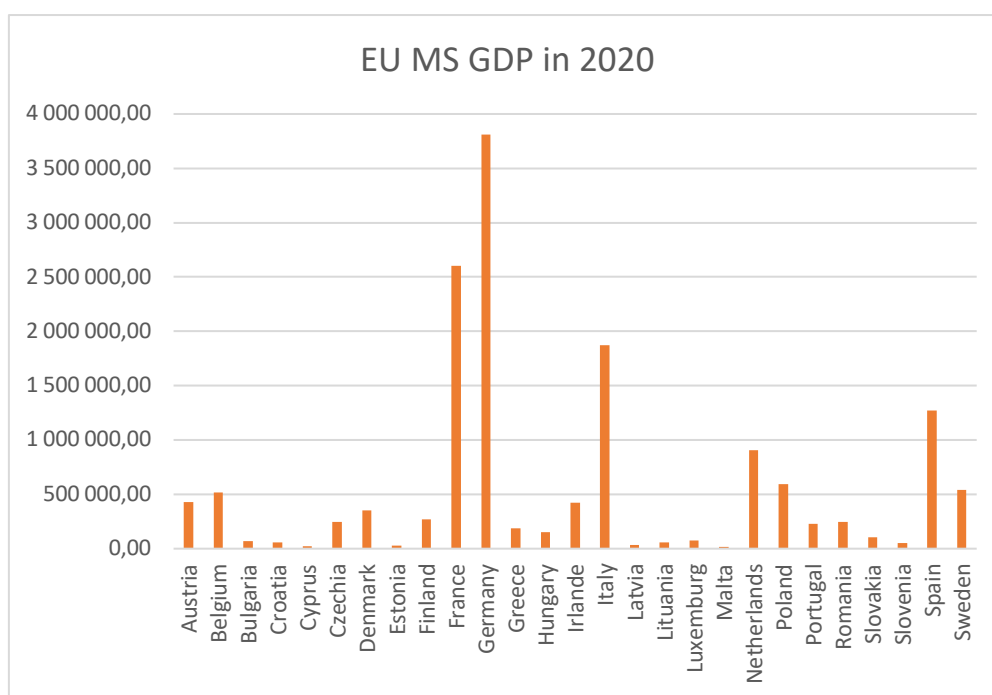
China is projecting powerful compulsory, institutional and ideational power and is exercising divisive power inside regional organisations and at the global level by spreading the narrative of a benevolent China supporting South-South cooperation. However, in Beijing's view, multipolarity does not mean a pluralistic world, but a world in which China sets the rules. China only partially adheres to the primary institutions of international law and democracy and tries to impose its own secondary institutions, norms and conditionalities through opaque agreements. Regional organisations may dis-integrate, or simply become powerless, bypassed in favour of other regional cooperation mechanisms more effective, or in favour of regional cooperation whose commercial agendas look attractive and requirements less demanding.

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<sup>167</sup> 'In the post-Doha negotiating configuration, the transatlantic leadership of the GATT era has been eroded by the growing trade rivalry between the United States and Europe. In any case, this leadership is no longer sufficiently hegemonic to give impetus to multilateral negotiations in the face of emerging powers, notably China' (Petiteville 2021, 105). [My translation] Original text: 'Dans la configuration de négociation post-Doha, le leadership transatlantique de l'époque du GATT s'est érodé en raison de la rivalité commerciale croissante entre les États-Unis et l'Europe. Ce leadership n'est de toute façon plus assez hégémonique pour dynamiser la négociation multilatérale face aux puissances émergentes et notamment la Chine'.

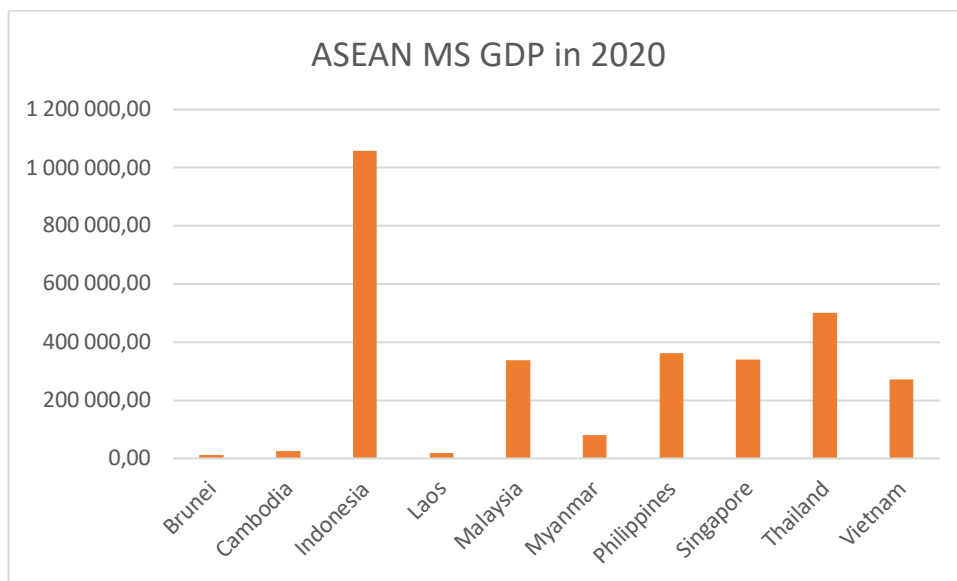
# Annexes

## Annex 1. GDP of regional organisations, member states and major powers

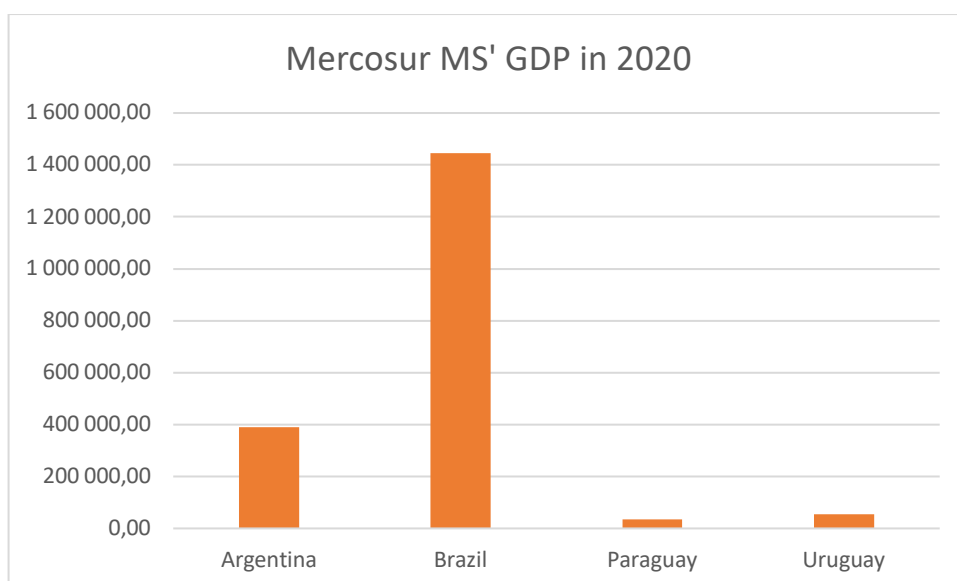


Graph 18. EU MS GDP in 2020

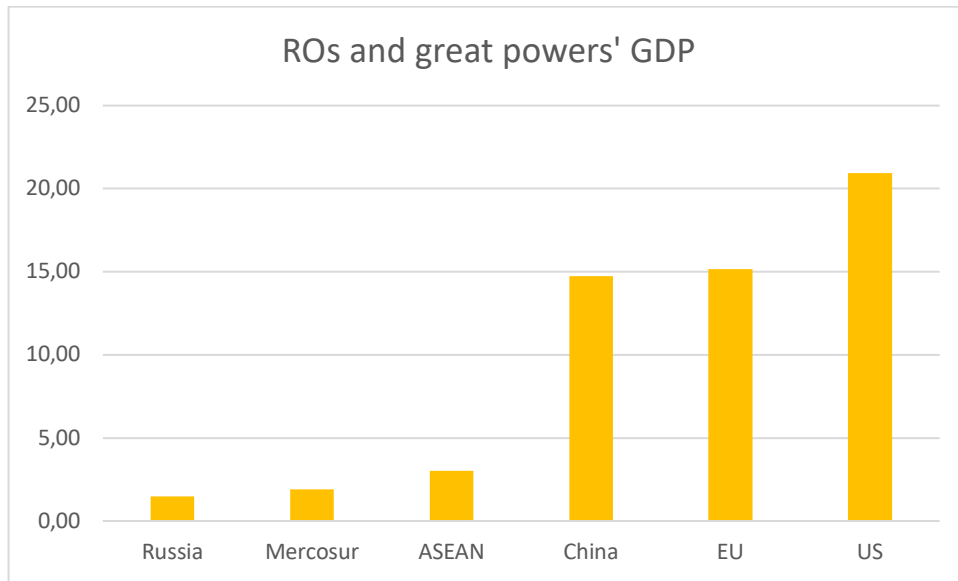
Source: World bank



*Graph 19. ASEAN MS' GDP in 2020*  
*Source: World bank*



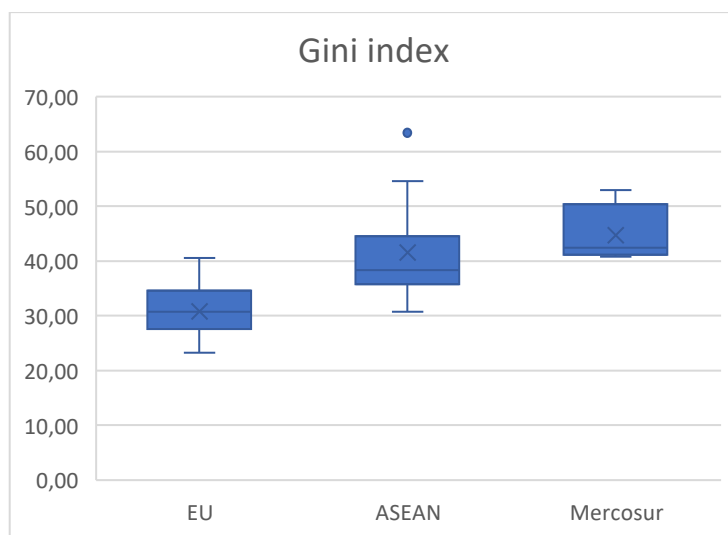
*Graph 20. Mercosur MS' GDP in 2020*  
*Source: World bank*



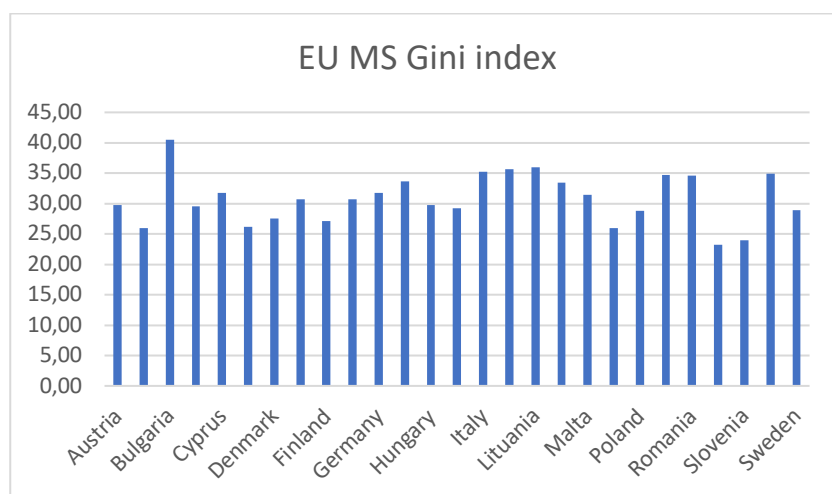
*Graph 21. Regional organisations and great powers' GDP in 2020 expressed in USD.*

*Source: World bank*

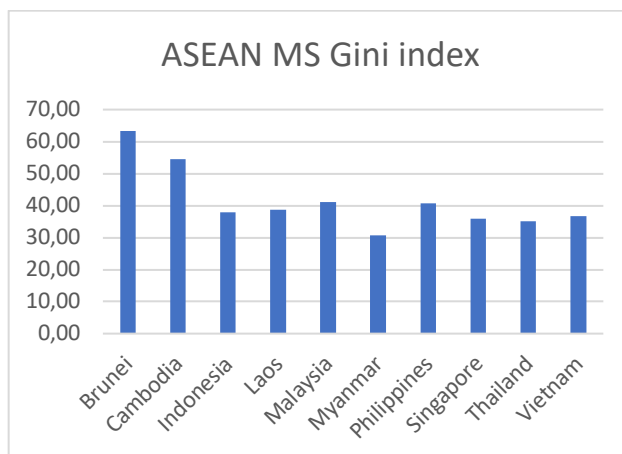
## Annex 2. GINI index



*Graph 22. Dispersion of Gini index among the EU, ASEAN and Mercosur  
Sources: World Bank. World Economics (Brunei and Cambodia), Statista (Singapore).  
Most recent data obtained from government statistical agencies (as of July 2023)*

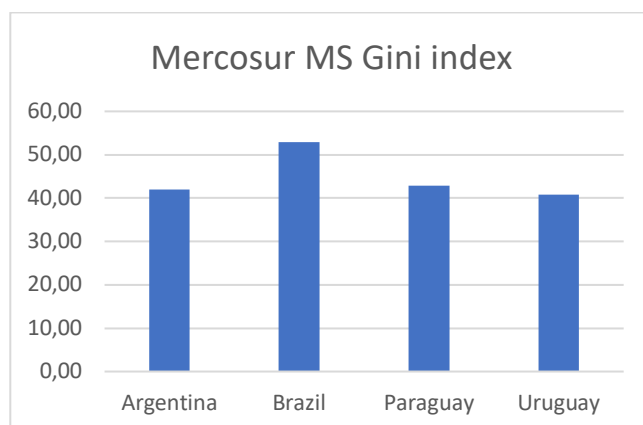


*Graph 23. Gini index in EU member states  
Sources: World Bank.  
Most recent data obtained from government statistical agencies (as of July 2023)*



*Graph 24. Gini index in ASEAN member states*

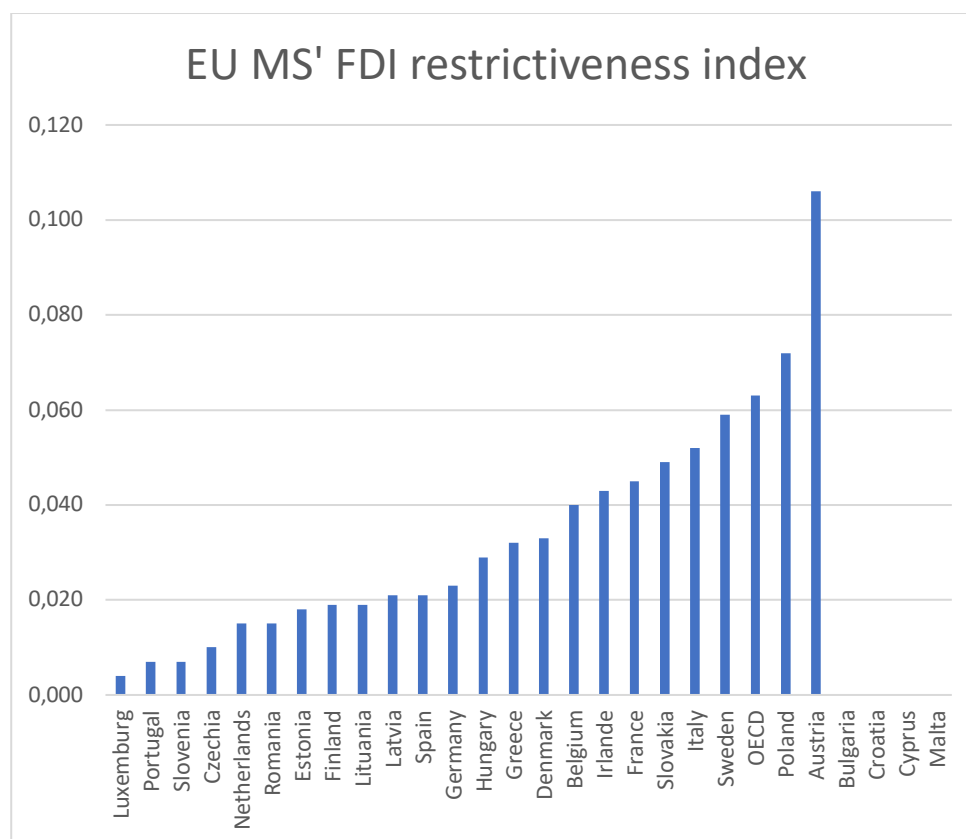
*Sources: World Bank. World Economics (Brunei and Cambodia), Statista (Singapore).  
Most recent data obtained from government statistical agencies (as of July 2023)*



*Graph 25. Gini index in Mercosur member states*

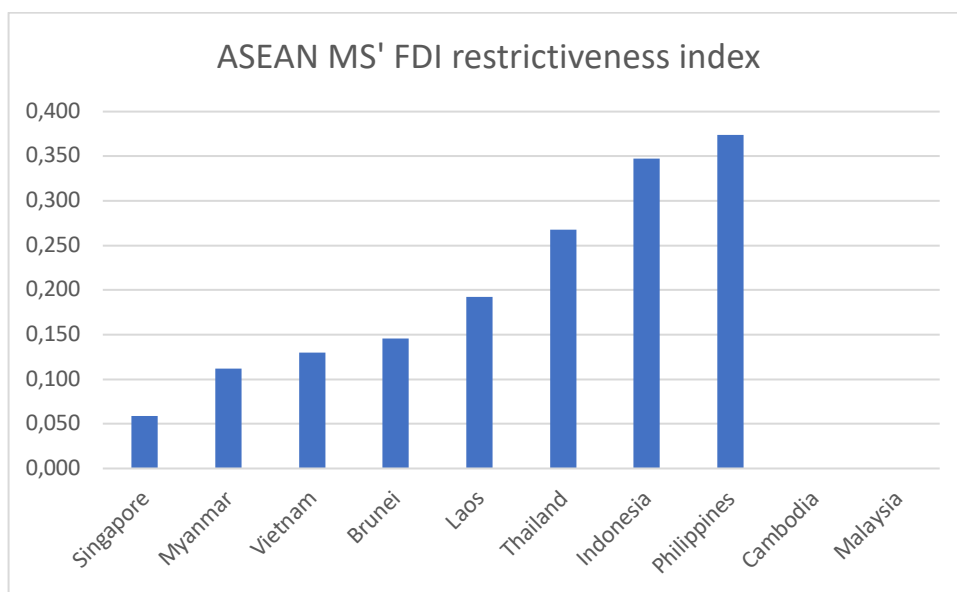
*Sources: World Bank.  
Most recent data obtained from government statistical agencies (as of July 2023)*

## Annex 3. FDI Restrictiveness Index

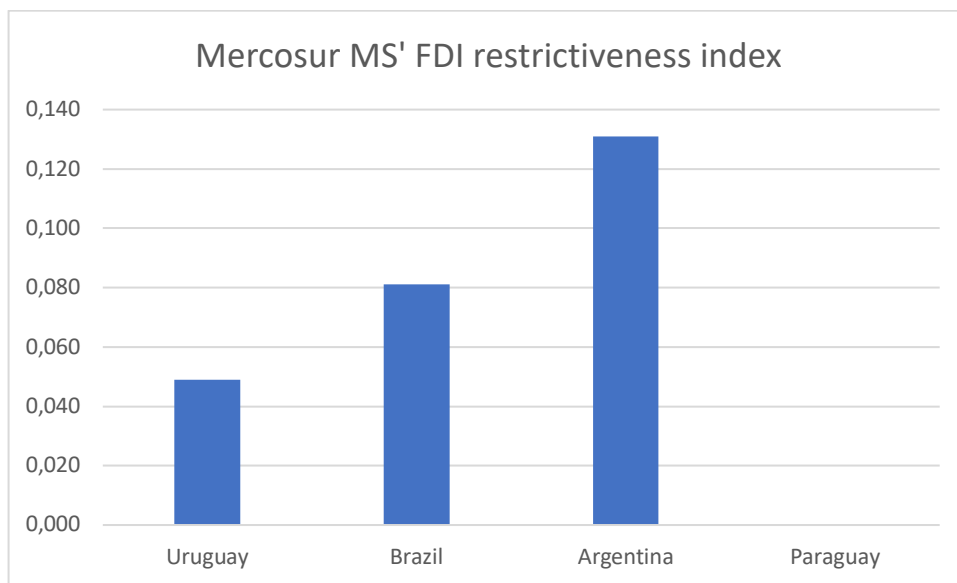


*Graph 26. EU MS' FDI restrictiveness index in 2019*  
Source OECD



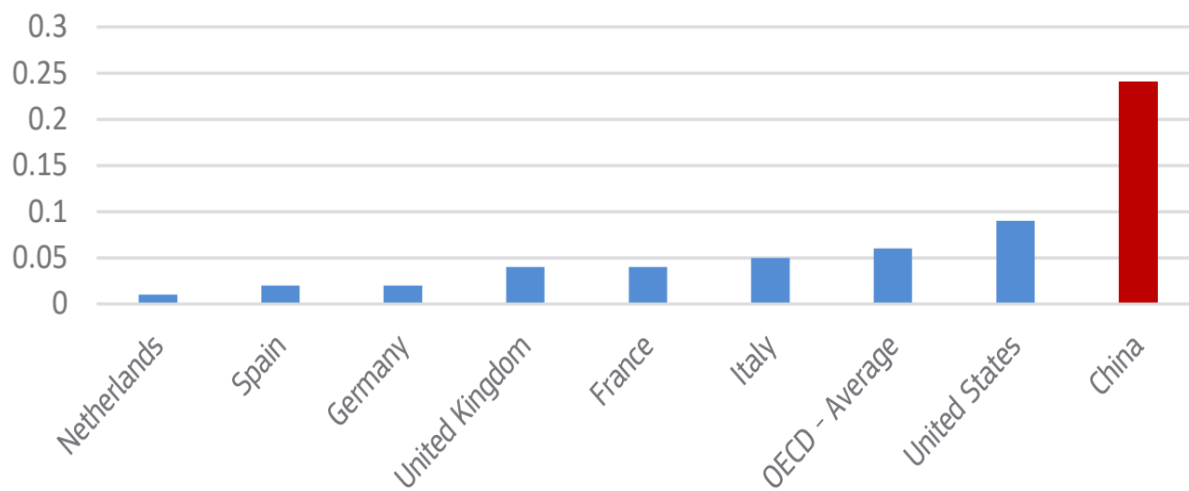


*Graph 27. ASEAN MS' FDI restrictiveness index in 2019*  
Source OECD



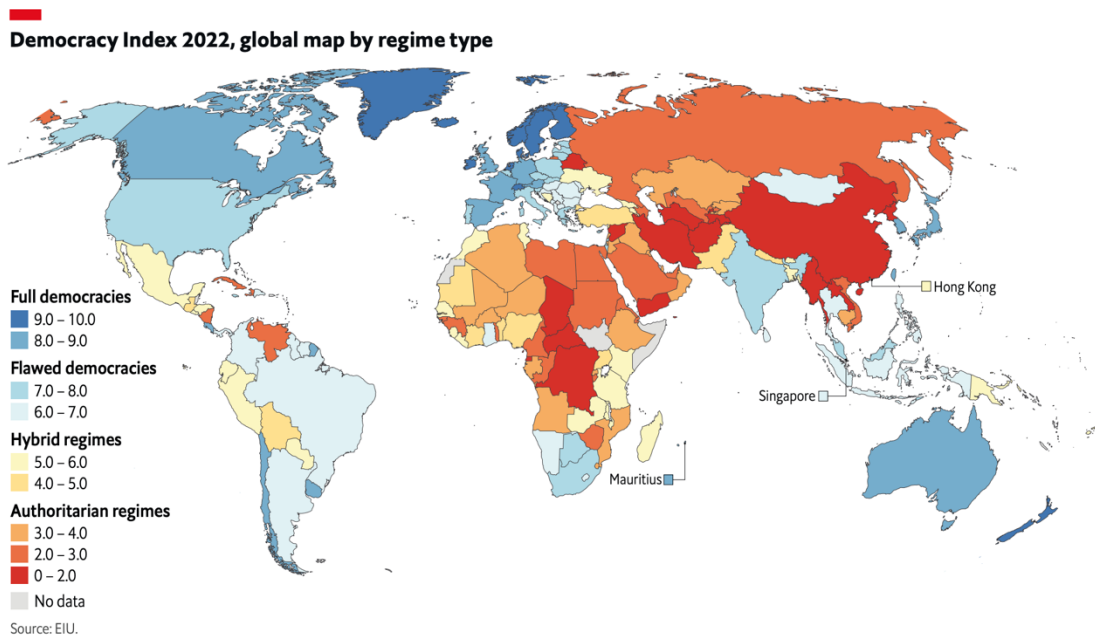
*Graph 28. Mercosur MS' FDI restrictiveness in 2019*  
Source: OECD

*Differentiated regionalism and China's global agenda*

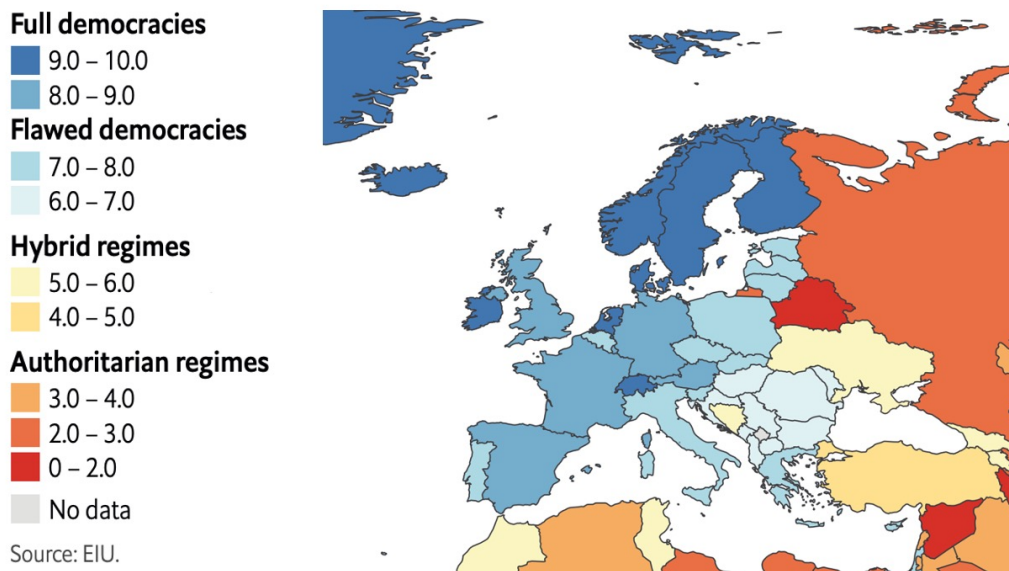


*Graph 29. OECD's FDI restrictiveness index in 2019*  
*Source: OECD*

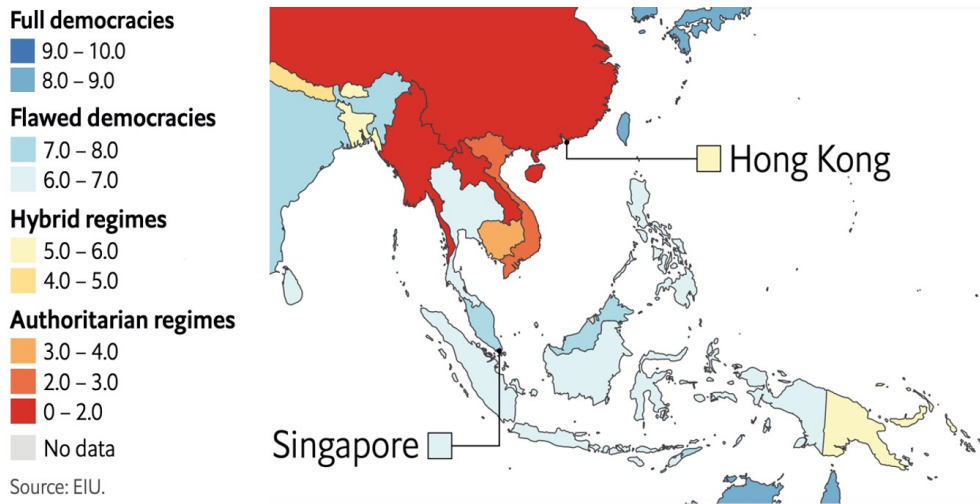
## Annex 4. Democratic index



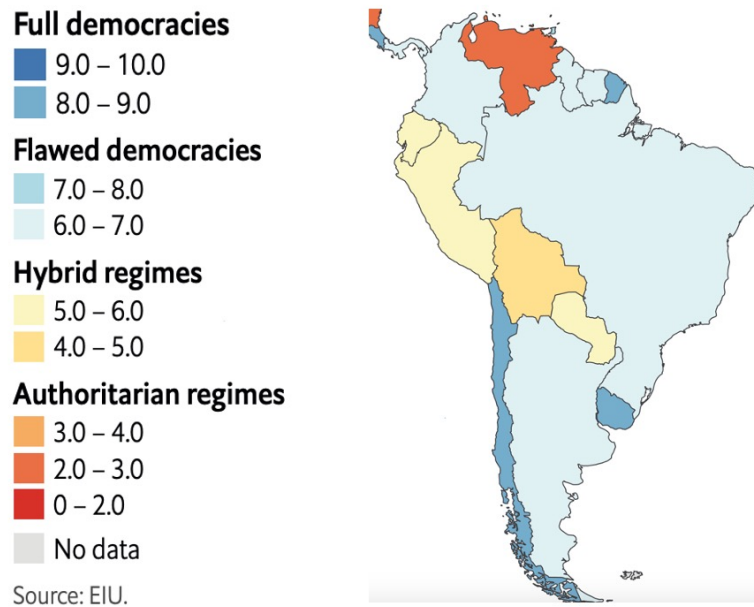
Map 1. Democratic index, global map  
Source: EIU Democratic index 2022



Map 2. Democratic index, EU map  
Source: Adapted from EIU Democratic index 2022

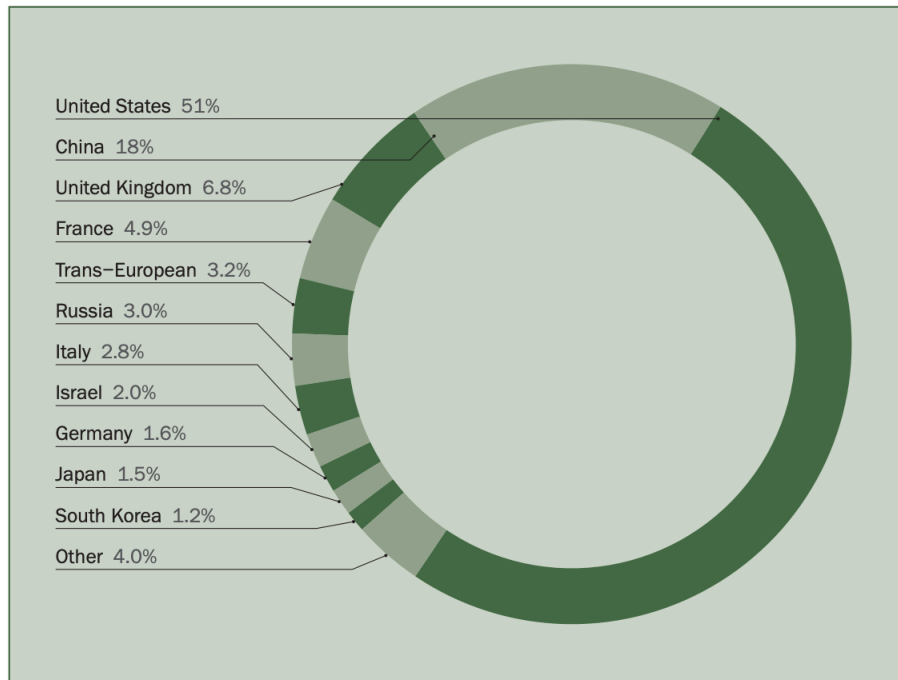


*Map 3. Democratic index, ASEAN map*  
 Source: Adapted from EIU Democratic index 2022



*Map 4. Democratic index, Mercosur map*  
 Source: Adapted from EIU Democratic index 2022

## Annex 5. Chinese arms sale



*Graph 30. Share of total arms sales of companies in the SIPRI Top 100 for 2021, by country*  
*Source: SIPRI Arms Industry Database, Dec. 2022*

Notes: The Top 100 classifies companies according to the country in which they are headquartered. This means that sales by an overseas subsidiary are counted towards the total for the parent company's country. The Top 100 does not encompass the entire arms industry in each country covered, only the largest companies. The category 'Other' consists of countries whose companies' arms sales comprise less than 1.0% of the total: Australia, Canada, India, Norway, Poland, Singapore, Spain, Sweden, Taiwan, Türkiye and Ukraine. Percentage shares may not add up to a total of 100% due to rounding.

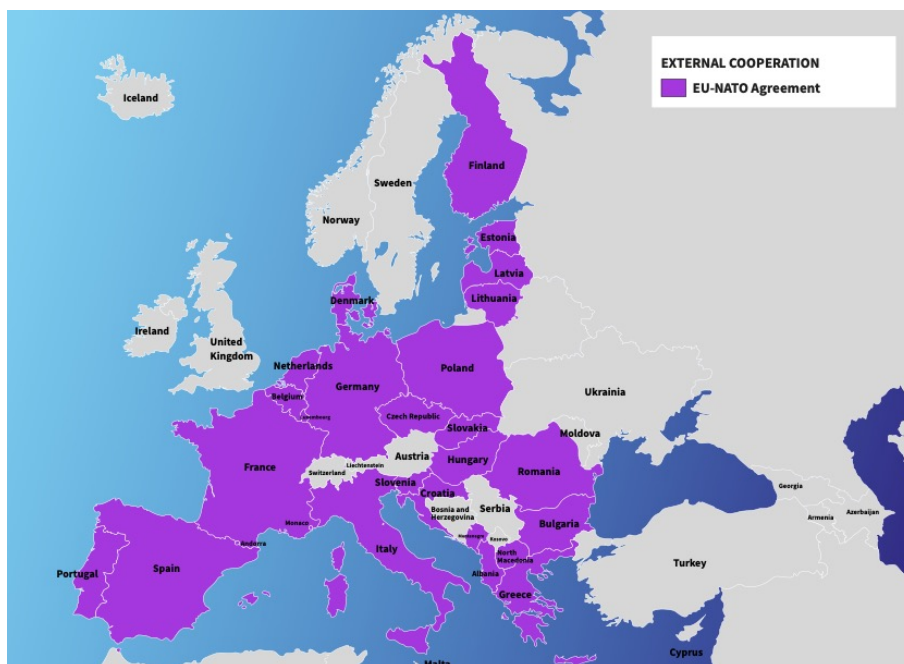
## Annex 6. Maps



*Map 5. EU internal and external differentiation*  
*Source: Data collected by the author of the manuscript*  
*Author: Arthur Larpent, Pacte*



*Map 6. EU external cooperation (map 1)*  
*Source: Data collected by the author of the manuscript*  
*Author: Arthur Larpent, Pacte*



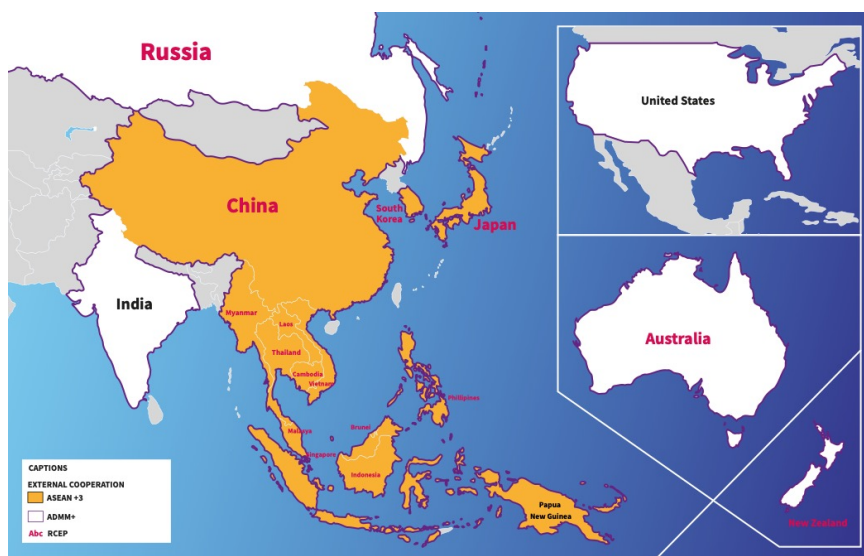
*Map 7. EU external cooperation (map 2)*  
*Source: Data collected by the author of the manuscript*  
*Author: Arthur Larpent, Pacte*





*Map 8. ASEAN Internal differentiation*

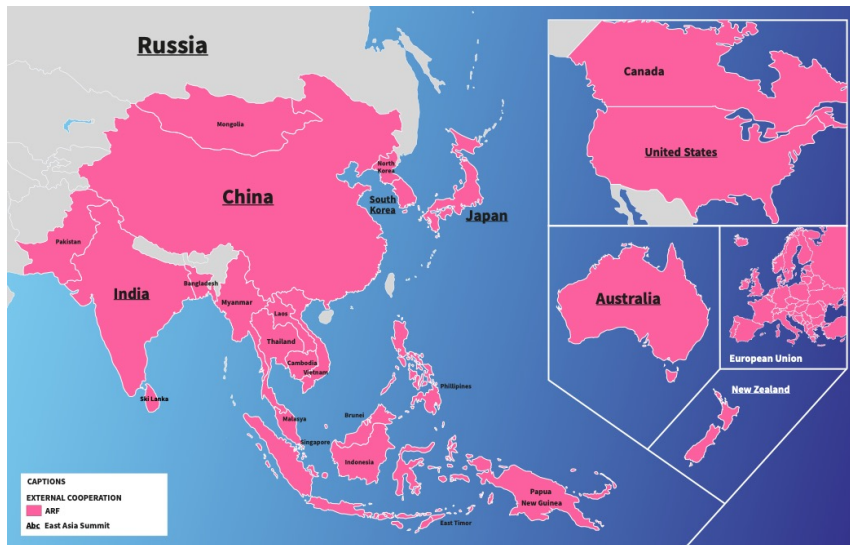
*Source: Data collected by the author of the manuscript  
Author: Arthur Larpent, Pacte*



*Map 9. ASEAN External cooperation (map1)*

*Source: Data collected by the author of the manuscript  
Author: Arthur Larpent, Pacte*





*Map 10. ASEAN External cooperation (map2)*  
*Source: Data collected by the author of the manuscript*  
*Author: Arthur Larpent, Pacte*



*Map 11. Mercosur*  
*Source: Data collected by the author of the manuscript*  
*Author: Arthur Larpent, Pacte*

Associated states (Bolivia, Chile, Columbia, Ecuador, Guyana, Peru, Surinam) are not concerned about policies in relation with resilience vis-à-vis China.



*Map 12. CELAC*  
*Source: Worlddata*

The 33 countries forming the CELAC are: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Ecuador, El Salvador, Granada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, St. Lucia, St. Kitts and Nevis, St. Vincent and Grenadines, Trinidad and Tobago, Uruguay and Venezuela.



*Map 13. Unasur in 2008*  
*Source: DonnéesMondiales*

12 members joined in 2008: Brazil, Argentina, Paraguay, Uruguay, Chile, Colombia, Venezuela, Bolivia, Peru, Ecuador. Surinam, Guyana 5 members remain in 2023: Bolivia, Venezuela, Guyana, Surinam, Peru, with Peru having suspended its participation

## Annex 7. Diplomatic relations with Taiwan

### **Sovereign states with diplomatic relations with Taiwan (as of August 2023)**

1. Belize	Central America
2. Eswatini	Southern Africa
3. Guatemala	Central America
4. Haiti	Caribbean
5. Holy See (Vatican)*	Southern Europe
6. Marshall Islands	Micronesia
7. Nauru	Micronesia
8. Palau	Micronesia
9. Paraguay	South America
10. Saint Kitts and Nevis	Caribbean
11. Saint Lucia	Caribbean
12. Saint Vincent and the Grenadines	Caribbean
13. Tuvalu	Polynesia

(\*) The Vatican is not a member of the UN but an observer at the UN General Assembly.

### **Sovereign states who recently ended their diplomatic relations with Taiwan**

1. Panama	Central America	2017
2. El Salvador	Central America	2018
3. The Dominican Republic	Caribbean	2018
4. Solomon Islands	Melanesia	2020
5. Nicaragua	Central America	2021
6. Honduras	Central America	2023

## Annex 8. Tables of instruments

EU						
			Integrati on	Competences	Int diff	Ext diff
<b>REGIONAL ORGANISATION INSTRUMENTS</b>						
<b>Trade</b>						
1.	FDI Screening Regulation	2019		Exclusive	No	No
2.	EU-China strategic outlook	2019	Intergov		No	Yes
3.	Invest Plan for the Balkans	2020		Shared	No	Yes
4.	Invest EU	2021		Exclusive	No	Yes
5.	Pre-Accession	2021		Exclusive	No	Yes
6.	Global Europe	2021		Shared	No	Yes
7.	Global Gateway	2021		Shared	No	Yes
<b>Security</b>						
8.	Accession to the EU 1993	1993		Exclusive	No	Yes

*Differentiated regionalism and China's global agenda*

9.	PESCO	2017 - 2020	Intergov		Yes	Yes
10.	EDF	2021		Shared	No	Yes
11.	EU Strategy Indo-Pacific	2022	Intergov		No	Yes
12.	NIS 2 Directive (Network Infrastructure Security)	2022		Shared	No	Yes
<b>PARTNERSHIPS AND FORA</b>						
<b>Trade</b>						
13.	EU Singapore FTA	2018				
14.	EU-Mercosur AA	2018 - 2019				
15.	EU-Japan Connectivity and infrastructure	2019				
16.	EU-US TCC	2021				
17.	EU-India Connectivity	2021				
18.	EU-Vietnam Trade Agreement and IPA	2019				
<b>Security</b>						
19.	EU-Indonesia Partnership and Coop. Agreement	2009				
20.	EU-Philippines Partnership and Coop. Agreement	2018				
21.	EU-Japan Strategic Partnership	2019				
22.	EU-Singapore Partnership and Coop. Agreement	2019				
23.	EU-ASEAN Strategic Partnership	2020				
24.	EU-Thailand Partnership and Coop. Agreement	2022				
25.	EU-Malaysia Partnership and Coop. Agreement	2022				
26.	European Political Community	2022				
27.	EU-NATO	2023				
28.	EU-CELAC	2023				
<b>PARTNERSHIPS WITH CHINA</b>						
<b>Trade</b>						
29.	CAI	2020 (on hold)				
<b>Security</b>						
30.	EU-China Strategic agenda	2013				

ASEAN						
			Intergov.	With China	Int diff	Ext diff
<b>REGIONAL ORGANISATION INSTRUMENTS</b>						
<b>Trade</b>						
1.	ASEAN CIA	2009	Intergov.		Yes	No
2.	Master Plan on ASEAN Connectivity 2025	2016	Intergov.		No	No
3.	Initiative for ASEAN Integration Work Plan IV (2021-2025)	2020	Intergov.		Yes	No
<b>Security</b>						
4.	ASEAN outlook on the Indo-Pacific	2019	Intergov.		No	No
<b>PARTNERSHIPS AND FORA</b>						
<b>Trade</b>						
5.	ASEAN-Japan Comprehensive Eco Partnership (AJCEP)	2008				
6.	Chiang Mai Initiative Multilateralization (CMIM)	2010		Yes		
7.	Regional Comprehensive Economic Partnership Agreement	2020		Yes		
<b>Security</b>						
8.	Treaty of Amity and Cooperation	1976		Yes		
9.	ASEAN Regional Forum	1993		Yes		
10.	East Asia Summit	2005		Yes		
11.	ASEAN Defence Ministers' Meeting Plus	2010		Yes		
12.	US-ASEAN Comprehensive Strategic Partnership	2022				
13.	EU-ASEAN Strategic Partnership	2020				
14.	ASEAN-India Comprehensive Strategic Partnership	2022				
15.	ASEAN-Australia Comprehensive Strategic Partnership	2021				

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16.	ASEAN-New Zealand Partnership (2021-25) Plan Action	2020				
<b>PARTNERSHIPS WITH CHINA</b>						
<b>Trade</b>						
17.	Agreement on Investment with China	2009-15		Yes		
18.	Deepening Coop. on Infrastructure Connectivity	2017		Yes		
19.	Synergising Master Plan ASEAN Connectivity and BRI	2019		Yes		
<b>Security</b>						
20.	ASEAN-China Defence Ministers' Meeting	2014		Yes		
21.	ASEAN-China Comprehensive Strategic Partnership	2021-22		Yes		

<b>Mercosur</b>						
			Intergov.	With China	Int Diff	Ext Diff
<b>REGIONAL ORGANISATION INSTRUMENTS</b>						
<b>Trade</b>						
1.	Decision 32/00 relaunch of Mercosur, 2000	2000	Intergov.		No	No
2.	Decision on FOCEM, 2004	2004	Intergov.		Yes	Yes
3.	Decision on intra Mercosur Investment facilitation 2017	2017	Intergov.		No	No
<b>PARTNERSHIPS</b>						
<b>Trade &amp; security</b>						
4.	EU-Mercosur Association Agreement, 2018-2019	2018-2019				

## Annex 9. Interviews

- Interview 1, EU institution, November 2022.
- Interview 2, EU institution, November 2022.
- Interview 3, EU institution, November 2022
- Interview 4, European Union member state, December 2022.
- Interview 5, European Union institution, Brussels, December 2022.
- Interview 6, EU institution December 2022.
- Interview 7, EU institution, March 2023.
- Interview 8, Mercosur member state, March 2023.
- Interview 9, Mercosur institution, April 2023.
- Interview 10, Mercosur member state, March 2023.
- Interview 11, Mercosur member state, March 2023.
- Interview 12, ASEAN Member state, March 2023.
- Interview 15, EU member state, July 2023.
- Interview 16, EU institution, July 2023.

Given the sensitivity of the issues at stake in the research question, the interviews were limited in number. Their contribution to the research is backed up by the most recent publications in the academic literature and by surveys conducted by think tanks and research institutes.

To the exception of three of them, all interviews were recorded. Many interviewees requested that the recording be deleted, and that the location of the interview is not disclosed. A condensed form of the transcript of the interviews, fully anonymised, is available upon request.

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