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## HEDGING ANALYSIS: *BELT AND ROAD INITIATIVE* – ASEAN COOPRTATION IN IMPLEMENTING *MASTER PLAN ON ASEAN CONNECTIVITY 2025*

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### Abstract

*This paper examines the cooperation between ASEAN and China through China's ambitious Belt and Road Initiative (BRI). Over the past decade, ASEAN and China have strong economic relations marked by reciprocal cooperation. However, despite this cooperation, both parties continue to face conflicts in other sectors, compelling ASEAN to navigate its economic potential with China. This paper aims to illustrate how the Hedging perspective explains the ongoing relationship between ASEAN and China amid the persistent friction in their interests. Hedging is defined as a strategy employed by a country to mitigate risks by pursuing multiple policy options with the goal of eliminating risks in uncertain situations caused by competing powers. This study will use a qualitative research method with an inductive approach, which involves building or confirming theories starting with concrete empirical evidence and progressing toward abstract concepts and theoretical relationships. The paper will explore the ASEAN-China relationship as no longer confined to high-level government issues but increasingly involving multinational corporations and banks, which create interdependence in economic relations. Given this mutual dependence, the use of military power by either side is no longer relevant for resolving disputes. The continuity of the ASEAN-China relationship persists due to uncertainty and the maximization of cooperation arising from their interactions. While security disputes remain a focus of this theory, the emphasis is on regional interests and how the region can position itself amid the power dynamics between China and the United States.*

*Keywords: Belt and Road Initiative, ASEAN, Hedging*

### Abstrak

Tulisan ini mengkaji tentang kerja sama ASEAN – Tiongkok melalui program ambisius Tiongkok yaitu Belt and Road Initiative (BRI). ASEAN dan Tiongkok memiliki hubungan ekonomi yang baik dalam dekade terakhir, dengan rangkaian kerja sama timbal balik. Namun dalam rangkaian kerja sama tersebut, keduanya masih diperhadapkan kepada konflik-konflik pada sektor lain yang menyebabkan ASEAN harus tetap berhadapan dengan Tiongkok dalam memaksimalkan potensi ekonomi. Tulisan ini ingin memperlihatkan bagaimana perspektif Hedging menjelaskan hubungan antara ASEAN dan Tiongkok tetap berjalan bersamaan di tengah-tengah gesekan kepentingan antar keduanya. Secara sederhana, Hedging mendefinisikan sebagai perilaku sebuah negara dalam upayanya untuk menetralkan risiko dengan mengejar beberapa opsi kebijakan dengan tujuan untuk meniadakan risiko dalam situasi ketidakpastian yang diakibatkan oleh tarikan kekuatan. Penelitian ini akan menggunakan metode penelitian kualitatif dengan pendekatan induktif, yaitu pendekatan untuk membangun atau mengkonfirmasi teori dimulai dengan bukti empiris yang konkrit dan pekerjaan menuju kepada konsep abstrak dan hubungan teoritis. Dalam tulisan ini akan melihat situasi ASEAN dan Tiongkok bukan lagi hubungan yang berkebut pada isu-isu formal elit pemerintahan melainkan mulai melibatkan perusahaan multinasional dan bank-bank menciptakan ketergantungan dalam hubungan ekonomi. Dengan hubungan yang saling bergantung ini maka penyelesaian menggunakan kekuatan militer masing-masing negara tidak lagi relevan dalam menyelesaikan persengketaan. Kontinuitas hubungan antara ASEAN dan China tetap berlanjut oleh karena ketidakpastian dan maksimalisasi kerja sama yang muncul akibat hubungan antar keduanya. Segala bentuk sengketa pada isu keamanan menjadi menjadi fokus dalam teori ini namun lebih mengedepankan kepentingan kawasan dan bagaimana kawasan dapat memposisikan diri pada tarikan kekuatan antara China dan Amerika Serikat.

Kata Kunci: Belt and Road Initiative, ASEAN, Hedgin

## 1. Introduction

ASEAN is the seventh-largest economy in the world and is predicted to rank fourth (Breene 2016). The economic growth in ASEAN is largely driven by the rise of industries relocating to Southeast Asia, previously dominated by China, as well as economic competition within the region. In the Master Plan on ASEAN Connectivity (MPAC) 2025, ASEAN members recognize that the agenda on ASEAN connectivity benefits all member countries by promoting competitiveness, prosperity, inclusiveness, and a sense of togetherness. This spirit also in accordance with the goals of ASEAN as stated in the ASEAN Charter Article 1, which states (The ASEAN Charter, 2007):

*“To alleviate poverty and narrow the development gap within ASEAN through mutual assistance and cooperation.”*

If ASEAN can create deep connectivity and economic integration, then the gaps or disparities in poverty will diminish, and ASEAN will become a relatively stable region. This idea aligns with one of the objectives of the establishment of ASEAN, which is to reduce poverty and the development gap among member countries. MPAC 2025 outlines ASEAN connectivity, including physical connectivity, institutional connectivity, and people-to-people connectivity. To achieve this agenda, ASEAN engages in various bilateral and multilateral cooperations. China, through its Belt and Road Initiative, is one of ASEAN's strategies to realize the MPAC 2025 agenda. ASEAN's focus on physical connectivity is demonstrated through efforts to enhance infrastructure development, involving significant support from ASEAN partner countries. During the ASEAN Summit, Indonesian President Joko Widodo encouraged ASEAN partner countries to support infrastructure development.

At the 24th ASEAN-Japan Summit held on October 27, 2021, President Joko Widodo, in his speech, continued to promote sustainable cooperation in infrastructure development. President Jokowi stated that ASEAN and Japan have a long history of cooperation in infrastructure development. The Japanese government has long supported the implementation of the Master Plan on ASEAN Connectivity (MPAC) and it is also one of the priorities for concrete cooperation under the ASEAN Outlook on the Indo-Pacific (Presiden Republik Indonesia 2021). Additionally, President Joko Widodo reiterated the plan to hold an Indo-Pacific Infrastructure Forum and encouraged Japan to support its organization. Besides Japan, ASEAN has also partnered with the United States, which is committed to supporting economic recovery through various programs, including infrastructure development. At the 45th Anniversary of ASEAN-U.S. meeting in May 2022, the U.S. government formally outlined its support for ASEAN, including the following points on infrastructure (The White House 2022):

*We are committed to working to meet the region's infrastructure needs by catalysing investment in high-standard, transparent, low-carbon and climate-resilient infrastructure projects that advance inclusive and sustainable economic growth that meet applicable international labor standards and environmental protections.*

*We seek to deepen our collaboration on transport connectivity, including air, land, maritime, and transport facilitation program to advance sustainable infrastructure development and support emerging technologies, including electric vehicles.*

This official statement demonstrates the United States commitment to collaborating to meet the region's infrastructure needs by promoting investment in high-standard infrastructure projects and enhancing connectivity (The White House 2022). The meeting concluded with the U.S. government agreeing to allocate US\$150 million for infrastructure, security, and post-pandemic recovery. Thus, through various dialogues and speeches in international forums, Indonesia has emphasized that infrastructure is a primary focus and believes that economic recovery will occur through infrastructure connectivity.

The view that a developed country is characterized by advanced and integrated infrastructure is accurate. Infrastructure here includes not only physical development but also other strategic sectors. A region capable of creating connectivity through infrastructure is expected to stimulate economic competition and increase mobility across regions. ASEAN indeed has significant potential in global economic competition if connectivity through infrastructure is available. The intended infrastructure connectivity includes physical connectivity related to transportation (roads, railways, ports, airports) and energy infrastructure, as well as soft infrastructure (related to finance, trade, investment reform, and institutions) (Plummer, Morgan and Wignaraja 2016).

In general, ASEAN member countries support infrastructure development for regional connectivity. However, economic disparities among ASEAN countries reveal differing priorities and interests in regional cooperation. For example, Singapore, with its more advanced infrastructure, does not see substantial national benefits from this development. Nonetheless, infrastructure development to enhance connectivity among member countries can reduce trade costs. More developed countries like Singapore are likely to focus on leveraging technology to boost economic growth. The idea of infrastructure development to improve regional connectivity faces challenges in funding and cooperation in planning these project.

ASEAN can leverage cooperation and assistance from intra-ASEAN countries in terms of financial support, knowledge, and technology, making this idea feasible and ensuring sustainable economic stability for ASEAN member states. Regarding the mechanisms for provide assistance and cooperation within ASEAN, a careful planning is needed in line with the Master Plan on ASEAN Connectivity 2025. ASEAN infrastructure connectivity also demonstrates optimism when viewed from several projects being pursued by ASEAN, such as the ASEAN Highway Network and the implementation of the Singapore–Kunming Rail Link (SKRL), which connects Singapore to Phnom Penh, Cambodia, and then to Vietnam and Laos, the latter of which is still in the stage of seeking funding for project implementation (ASEAN 2016)

### **1.1. Research Question**

The relationship between China and ASEAN member countries has existed for a long time; however, significant increases occurred in the 1980s and 1990s when China sought to accelerate economic growth, ultimately creating trade and investment relationships in ASEAN countries (Booth 2011). In 2013, China initiated and introduced the Belt and Road Initiative in the ASEAN region, which received a positive response from member countries.

The Belt and Road Initiative is China's ambitious mission to create interconnections between Asia, Europe, and Africa. For China, Indonesia is a key partner in Southeast Asia to realize the BRI. Indonesia is important country in the region, not only due to its status as the largest economy, but also because of the maritime routes that stretch from the Sunda Sea and Lombok Strait, which have the potential to be an alternative to the

Malacca Strait that requires new ports and supporting infrastructure ("One Belt-One Road Initiative" and ASEAN Connectivity: Synergy Issues and Potentialities, 2018). By 2022, 147 countries had agreed to cooperate within the framework of the BRI through the signing of MoUs. Among these 147 countries, ASEAN is seen as a highly potential region for China. On the other hand, the BRI itself promises to support the internal and international integration agenda of Asia alongside the AMPC (ASEAN Master Plan of Connectivity) agenda (Jetin 2011). Under the umbrella of the BRI, the ASEAN region has a very important position and role, with ASEAN countries being primary partners in this collaboration. The following table outlines the ASEAN countries that have signed MoUs for cooperation under the BRI framework; this cooperation is conducted across various sectors, focusing on transportation infrastructure development.

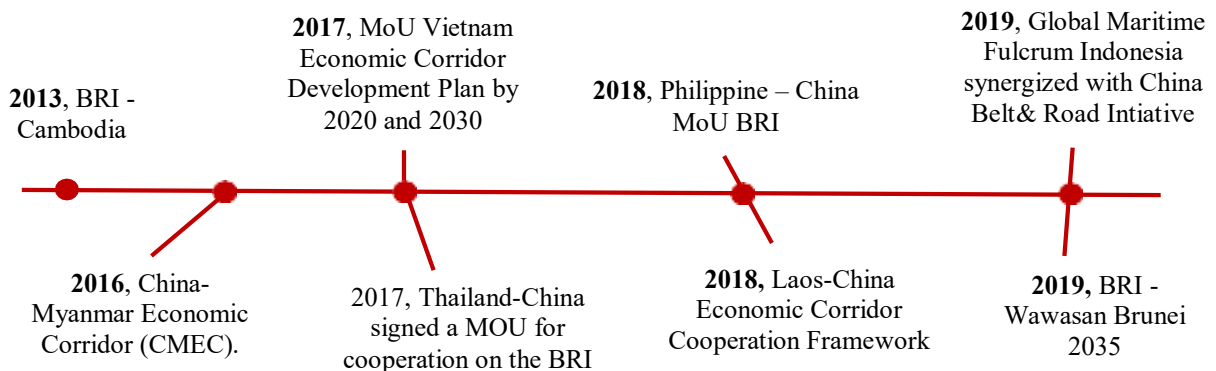
**Table. 1 Cooperation of ASEAN Countries - BRI**

ASEAN Countries	Join Year
Kamboja	2013
Laos	2018
Myanmar	2016
Filipina	2018
Thailand	2017
Vietnam	2017
Malaysia	2017
Singapore	2018
Brunei	2018
Indonesia	2019

Source: Green Belt and Road Initiative Center; Belt and Road Portal, 2023

From the table above, it can be observed that China consistently improves the integration of infrastructure development programs among ASEAN member countries under the BRI umbrella.

**Image. 1 Time line of ASEAN Member – BRI Synergy**



Source: [www.yidaiyilu.gov.cn](http://www.yidaiyilu.gov.cn), 2023

In the context of ASEAN-China relations, conflicts have arisen within their interactions. In the South China Sea dispute, China's claims over most of the sea area bordering several ASEAN countries such as the Philippines, Vietnam, Malaysia, and Brunei have led to

tensions and disputes among the parties involved. Not stopping at maritime areas, China has also claimed specific islands in the region and even built artificial islands and military installations in disputed areas, which has raised concerns among ASEAN countries.

Despite the continued cooperation and good relations between China and ASEAN across various economic sectors, the security situation caused by China's provocative actions in disputed regions has created uncertainties for ASEAN member countries. Thus, the tension created by China's influence in the region has presented ASEAN with uncertainties in terms of the economy, strategic interests, and political uncertainty (Kuik 2008). ASEAN dependence on China, particularly in trade, makes ASEAN countries vulnerable to fluctuations in China's economy and domestic policies. Additionally, the rising tensions due to China's growing influence and power in Southeast Asia through the Belt and Road Initiative have raised concerns regarding regional hegemony and the security of ASEAN countries. Beyond the anxieties of ASEAN member states, the response from the United States to changes in China's policies and global geopolitical tensions emerging from the power struggle between them also compels ASEAN and all its members to be prepared for uncertainties in changing regional dynamics.

## **1.2. Purpose and objective**

The purpose of this research is to analyze the synergy of China-ASEAN cooperation within the Belt and Road Initiative framework and its role in realizing the ASEAN Connectivity 2025 agenda using the Hedging theory developed by Kuik Cheng Chwee. Research on Hedging theory is significant as it examines ASEAN-China relations, with Indonesia as a middle power displaying behavior aimed at balancing risks through policies taken in light of the high uncertainty in their relationship. For ASEAN, China is an important partner in achieving Indonesia's infrastructure development and economic reform agenda, but on the other hand, the China-ASEAN relationship is still faced with security conflicts. For China, ASEAN is a crucial partner to support the development of the Belt and Road Initiative agenda while expanding markets through connectivity. Understanding the concept of Hedging through this research is expected to contribute and serve as a reference for analyzing the synergy between BRI and ASEAN as a form of interdependence. Thus, through this research, the synergy of BRI-ASEAN cooperation in creating ASEAN Connectivity 2025 can be seen as ASEAN's move to strengthen the regional political economy.

## **2. Literature Review**

Infrastructure development cooperation between China and ASEAN is an important element in enhancing economic infrastructure. China has demonstrated a strategy to dominate Asia-Pacific countries by promoting a "Peaceful Rise" characterized by the BRI through development and cooperation (Nie 2016). Observing ASEAN's policy and behavior in embracing various parties to achieve ASEAN connectivity per the MAPC 2025 agenda, this phenomenon is analyzed from a Hedging perspective. This theory developed by Kuik Cheng Chwee shows the behaviour of middle powers seeking a balance of risk through the policies taken in light of the high uncertainty of relations between the two international actors. In simple terms, Hedging is defined as a country's behaviour in attempting to neutralize risk by pursuing several policy options to eliminate risk in uncertain situations caused by competing power dynamics.

In this context, ASEAN as an analytical unit exhibits hedging behavior between the pull

of American power and China's rise in the region (Kuik 2008). Debates in international relations, particularly from a realist perspective, assume that each state faces uncertainty due to international polarity that influences each country's policy in the international system. Waltz argues that the greater the uncertainty, the greater the likelihood for policymakers to misinterpret the intentions and actions of others who may potentially become adversaries (Viotti & Kauppi 2010). Mainstream theories in International Relations view state behavior in positioning themselves against rising threats from great powers as tending towards balancing or bandwagoning. However, this theory does not accurately explain the responses of East Asian countries in facing China's rise (Kuik 2008).

Many scholars assert that hedging is a strategy to address threats while simultaneously making efforts to meet other interests, such as cooperation in investment or trade. However, in practice, hedging strategies aim to manage risks in the form of potential security threats, making it necessary for states to develop protective options, such as security guarantees (Ciociari and Haacke 2019). ASEAN stands in an important position and has a complex relationship with the United States and China. On one hand, ASEAN has an interest in maintaining good relations related to security and defense with the United States. On the other hand, ASEAN has a strong economic relationship with China in terms of cooperation and connectivity development. Thus, it can be seen that ASEAN, in its policy, maintains flexibility in reducing risks associated with uncertainties in international relations (Jackson 2014).

### **3. Research Methods**

This research will utilize qualitative research methods, which involve collecting and analyzing non-numerical data (Lamont 2015). Qualitative research in international relations aims at in-depth studies of phenomena or events within a regional scope, organizations, or individuals. The topic analyzed in this research is the synergy of the Belt and Road Initiative and ASEAN Connectivity 2025 within the framework of infrastructure development cooperation. To support the research process, this study adopts an inductive approach, a method to build or confirm theories starting from concrete empirical evidence and working toward abstract concepts and theoretical relationships (Neuman 2014). This study specifically highlights the relationship between ASEAN and China through development program synergy, demonstrating that the empirical relationship in cooperation can be viewed using Hedging theory. The types of data used to support this research will include primary and secondary data. The primary data will be sourced from official government documents, press releases, and official government websites, such as joint agreements, cooperation agreements, and draft agreements regarding collaboration within the framework of the BRI synergy program.

### **4. Results and Discussion**

To support efforts to promote regional connectivity, ASEAN and China signed a joint statement on the synergy of MPAC 2025 and the Belt and Road Initiative in 2019. The joint statement document outlines the importance of enhancing connectivity between ASEAN and China by implementing shared priority synergies within MPAC 2025 and BRI as part of the effort to synergize various connectivity strategies in the region for mutual benefit. The synergy between MPAC 2025 and BRI is further acknowledged by all ASEAN member countries and China signing bilateral agreements on cooperation under the BRI

framework and recognizing the progress achieved and the cooperation established through the synergy of MPAC 2025 and BRI.

In addition to the aforementioned multilateral cooperation, ASEAN is also partnering with infrastructure companies that serve as the backbone of the development ecosystem and play a crucial role in infrastructure projects. Besides offering services, infrastructure companies also provide knowledge exchange in terms of technical, construction, operational, maintenance, and project management. Examples of such companies include Siemens, which recently launched a Digitalization Hub in Singapore, and Hyflux, which operates in the water and energy sectors (PWC 2017). ASEAN collaborates with Multilateral Development Banks as aid agencies to support ASEAN member states in development processes and efforts to reduce poverty through infrastructure development. Their support may come in the form of loans, grants, technical assistance, political risk guarantees, and more. ASEAN can establish partnerships with institutions such as the Asian Development Bank (ADB), Inter-American Development Bank, and Multilateral Investment Guarantee Agency (PWC 2017).

As discussed at the beginning, besides collaboration, ASEAN is also faced with security conflicts with China; therefore, to secure this condition, ASEAN embraces the United States and engages in cooperation in security and infrastructure sectors. The United States needs partners with strong maritime capabilities in Southeast Asia, particularly in the South China Sea, and the cooperation offered by Indonesia comes at a timely moment to strengthen comprehensive strategic relations in light of China's rise in the region (Quirck 2015).

## **5. Conclusions and Recommendations**

The relationship between ASEAN and China, fostered through the BRI program, creates integration, interdependence, and uncertainty. Referring to the characteristics of the hedging perspective, we observe that a country's behavior in efforts to neutralize risks by pursuing several policy options is aimed at eliminating risks in uncertain situations and high stakes caused by competitive powers, namely China and the United States. The situation between ASEAN and China is no longer just a relationship revolving around formal elite government issues but has begun to involve multinational corporations and banks, creating interdependence in economic relations.

Next, as a result of the interdependent relationship between ASEAN and China, military solutions are no longer relevant in resolving disputes. The relationship between China and Indonesia, which starts from economic cooperation, positions both countries to adhere to broader interests; any military controversies would impact the economic stability of both nations. Furthermore, other external actors also influence the continuity of relations between China and ASEAN. China, currently striving to elevate its economy to a global level, is viewed as attempting to supplant the hegemony of the United States in the international system, and we cannot deny that China's ambitious posture is influenced by this, making China more cautious in determining or taking steps regarding conflicts that may disrupt the stability of its relations with Indonesia or its cooperative partner countries.

Thus, we can see that the continuity of the ASEAN-China relationship persists due to uncertainties and maximization of cooperation arising from their interactions. Any disputes in other sectors or issues related to security will focus on this theory while prioritizing



regional interests and how the region can position itself amidst the competitive powers of China and the United States.

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