

ASEAN'S ROLE AND FUTURE ECONOMIC COOPERATION UNDER THE US-CHINA RIVALRY: THE QUEST FOR EFFECTIVE DEMOCRATIC LEADERSHIP^{®Σ}

FREDY B.L. TOBING* AND FERGA ARISTAMA†

ABSTRACT

Amid the US-China rivalry, the ASEAN role and future economic cooperation are uncertain. Deploying a qualitative approach based on documents as sources of data, this study aims to suggest democratic leadership as an intervening variable and examines future possibilities of the ASEAN role and economic cooperation under the US-China rivalry. There are three ASEAN's role future possibilities under the US-China rivalry: the honest broker (best-case scenario), a partial mediator (moderate-case scenario), and a dysfunctional organisation (worst-case scenario). The gradations linearly demonstrated an interlinked connection between the cooperation engagement and outcome possibilities. This study found that the best-case prospect, "an honest broker" could be materialised by implementing democratic leadership, an equally distributed, empowered, egalitarian decision-making kind of leadership determined by willingness, capacity, and acceptance. It could optimally encourage internal economic development and effectively manage cooperation with both parties through the distribution of responsibility, group member empowerment, and assisting all members in decision-making.

Keywords: ASEAN's economic cooperation, ASEAN's playing role, democratic leadership, US-China rivalry

© The Author(s) 2023. Published by UKM Press on behalf of SPHEA, FSSH UKM and MAFDC. This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted reuse, distribution, and reproduction in any medium, provided the original work is properly cited.

^Σ **Article Info:** Submission date: 17 July 2023; Acceptance date: 16 October 2023; Publication Date: 31 December 2023.

* **First and Corresponding Authors:** Fredy B.L. Tobing, PhD (*Universitas Indonesia*), Professor, Department of International Relations, Faculty of Social and Political Science, Universitas Indonesia, 16424, Depok, West Java, Indonesia. Email: fredyblt@ui.ac.id

† **Second Author:** Ferga Aristama, Postgraduate Student, Department of International Relations, Faculty of Social and Political Science, Universitas Indonesia, 16424, Depok, West Java, Indonesia. Email: ferga.aristama@ui.ac.id

PERANAN ASEAN DAN MASA DEPAN KERJASAMA EKONOMI DALAM PERSAINGAN AS-CINA: PENCARIAN KEPIMPINAN DEMOKRATIK YANG EFEKTIF

FREDY B.L. TOBING DAN FERGA ARISTAMA

ABSTRAK

Di tengah-tengah persaingan AS-Cina, peranan ASEAN dan masa depan kerjasama ekonominya berdepan ketidakpastian. Dengan menggunakan pendekatan kualitatif berdasarkan dokumen sebagai sumber data, kajian ini bertujuan untuk mencadangkan kepemimpinan demokratik sebagai pembolehubah perantara dan mengkaji kemungkinan masa depan peranan ASEAN dan kerjasama ekonomi di bawah persaingan AS-Cina. Terdapat tiga kemungkinan masa depan peranan ASEAN di bawah persaingan AS-Cina: broker yang jujur (senario terbaik), mediator separa (senario sederhana), dan organisasi disfungsi (senario terburuk). Pengredan ini menunjukkan kaitan linear antara penglibatan kerjasama dan kemungkinan hasilnya. Hasil kajian ini mendapati bahawa prospek terbaik, "broker yang jujur" dapat diwujudkan dengan melaksanakan kepemimpinan demokratik, sejenis kepemimpinan pengambilan keputusan yang seimbang, memberikuasa, dan egalitarian, yang ditentukan oleh keinginan, kapasiti, dan penerimaan. Ini dapat mendorong pengembangan ekonomi internal secara optimum dan menguruskan kerjasama dengan kedua pihak secara efektif melalui pengagihan tanggungjawab, pemberdayaan anggota pasukan, dan membantu semua anggota dalam proses pengambilan keputusan.

Kata kunci: Kerjasama ekonomi ASEAN, peranan ASEAN, kepemimpinan demokratik, persaingan AS-Cina

Introduction

In recent years, China has emerged as a significant player in the global economy due to its fast economic growth and ambitious plans to expand its influence. Experts predict China will overtake the United States (US) as the dominant economic power (Chan *et al.* 2021; Drache *et al.* 2019; Kupchan 2021; Morrison 2019). This shift in global power dynamics has impacted the relationship between the US and China, leading to a rivalry affecting Southeast Asia's political and economic landscape.

Three dynamics pertain to the current political-economic competition between China and the United States, which impacts Southeast Asia. *The first* is the trade war between the two countries. The United States believes China is engaging in unfair trade practices, such as currency devaluation to boost its export position and the coercive transfer of proprietary technology from US companies to Chinese companies (Ajami 2019). Additionally, Chinese regulatory and commercial practices allow Chinese companies to acquire US technology (Ajami 2019). As a result, the United States has increased trade tariffs on Chinese imports, among other measures (Ajami 2019). This has led to reciprocal tariffs between both countries, resulting in a ripple effect on the global trading system and supply chains (Iqbal *et al.* 2018; Ajami 2019; Mao and Görg 2020; Shimizu 2021). As Southeast Asia's primary trading partner, this rivalry also creates trade and economic uncertainties in the region.

Secondly, there has been a currency war between China and the United States. China is attempting to shift the dominance of the United States Dollar (USD) by promoting its currency, the Renminbi, internationally (Prakoso *et al.* 2019). This move was triggered by the 2008 global financial crisis, which raised questions about the stability of the US dollar. China uses its economic power to encourage trade partners, including Southeast Asian countries, to use Renminbi as their currency (Xu 2017). As a result, the supply of Renminbi has increased (Prakoso *et al.* 2019).

Moreover, the contemporary dynamics of the Russian and Ukrainian War affected the ability of the Renminbi to shift the dominance of the United States Dollar in Russian trade (*Bloomberg* April 3, 2023). This influence occurred due to Western countries' imposition of several sanctions on Russia (*Bloomberg* April 3, 2023). It results in the demand side for the Renminbi increases. In addition, China joins the collective efforts on de-dollarisation with other BRICS (Brazil, Russia, India, and South Africa) countries. It will count Bangladesh, Iran, and Argentina in the future since these countries seem interested in joining. The dynamics gain response to the Association of Southeast Asian Nations (ASEAN) Finance Minister and Central Bank Governor Meeting, reducing international currencies dependence, including the United States Dollar and Renminbi, and focusing on local currencies (ASEAN Briefing June 22, 2023).

Thirdly, Since the introduction of China's Belt and Road Initiative (BRI) in 2013, competition has existed for granting access to development funds. In 2019, the United States launched the International Development Finance Corporation (DFC) and Blue Dot Network as a countermeasure to BRI. The United States initiative was implemented through The Asia Reassurance Initiative Act (ARIA) of 2018 and the Better Utilisation of Investments Leading to Development (BUILD) Act of 2018 to reduce developing countries' dependence on China for development funds (ICAS June 5, 2020). DFC finances private development projects through OPIC (Overseas Private and Investment Corporation) and USAID's Development Credit Authority. On the other hand, the Blue

Dot Network is a multi-stakeholder initiative led by the DFC in collaboration with Australia's Department of Foreign Affairs and Trade (DFAT) and the Japan Bank for International Cooperation (JBIC). The initiative offers financing options for infrastructure projects, providing an alternative to BRI. Southeast Asian countries' projects are also part of the financing under this initiative.

Nonetheless, Southeast Asian countries and ASEAN institutions have been influenced by three dynamics related to the US-China rivalry. In this context, it is relevant to explore the future possibilities of Southeast Asian countries' economic cooperation through ASEAN regional institutions. The study argues that democratic leadership is crucial for fostering internal cooperation and managing external cooperation with both parties. Therefore, the research question is, "How can democratic leadership strengthen ASEAN's playing role and economic cooperation under US-China rivalry?". This study examines future possibilities of ASEAN's economic cooperation under US-China rivalry and highlights the need for democratic leadership as an intervening variable.

The study is organized into six parts. The *first part* is the introduction, which explains the research background, question, and objectives. The *second part* includes the literature review on the development of ASEAN cooperation under the US-China rivalry and the role of leadership in ASEAN. The *third part* presents the theoretical and conceptual approach. The *fourth part* describes the research methodology. The *fifth part* discusses the future of ASEAN's economic cooperation under US-China rivalry and the role of democratic leadership. It also presents three scenarios for the future of ASEAN under US-China rivalry. The study concludes with the *final part*.

Literature Review

This section explores the contribution of a previous study to ASEAN cooperation under the context of US-China rivalry and the role of ASEAN leadership. *Firstly*, the study discovered that ASEAN economic cooperation was carried out through intra-ASEAN and extra-ASEAN schemes, and internal and external factors, including the rise of China, caused the challenges faced by the cooperation. *Secondly*, the ASEAN leadership plays a crucial role in determining ASEAN's reaction towards the rivalries, individually and collectively. *Lastly*, the study aims to contribute to examining ASEAN's future possibilities under the US-China rivalry by utilizing positioning theory and democratic leadership as an analytical framework. This area of research requires further expansion and is expected to bring new perspectives to the existing literature.

The ASEAN Economic Cooperation Under US-China Rivalry

The ASEAN economic cooperation has been a prominent topic of discussion, both within ASEAN and with external actors (Chia 2016; Ishikawa 2021; Shimizu 2021; Soong 2019). Intra-ASEAN cooperation is mainly done through the ASEAN Economic Community (AEC), which aims to deepen economic integration by allowing free movement of goods, services, investment, skilled workers, and capital (Ishikawa, 2021). The elimination of trade tariffs is one of the main achievements of this cooperation (Dosch 2016; Ishikawa 2021; Jorn 2015).

External ASEAN cooperation involves actors such as state or international organizations and institutions (Ishikawa 2021). Challenges to ASEAN economic cooperation come from both internal and external factors. Internal challenges arise from economic disparities and differences in industrial development, changes in investment

patterns, slowing productivity, domestic law and national constitutional barriers, and conflicting economic interests between members (Azis 2018; Chia 2016; Menon and Melendez 2017; Yean and Das 2015). External challenges relate to ASEAN's response to China's rise, such as maritime border issues (Azis 2018; Beeson 2016; Bi 2021; Hong 2019; Lee 2021; Yates 2016). However, China also presents opportunities for ASEAN, including deepening China-ASEAN cooperation through China's Belt and Road Initiative, South-South cooperation, and trade expansion (Soong 2016; Ishikawa 2021; Shimizu 2021).

The rise of China in Southeast Asia has prompted the United States to react, leading to rivalry. The US-China rivalry in the region is uncertain and impacts ASEAN's economic growth. ASEAN is vital in managing the rivalry by involving both parties in its regional initiative. Two key factors that have helped ASEAN survive are its elite diplomatic culture and power management. ASEAN is often criticized for its response to rivalries and its ability to survive amidst rivalries. ASEAN's role as a convening power with normative leadership functions as the hub and agenda-setter.

ASEAN Leadership to Response US-China Rivalry

Previous studies have linked the rivalry between the US and China to leadership, which is seen as an intervening factor. The analysis focuses on the state and ASEAN as regional institutions and examines their contributions to maintaining order. Among the ASEAN members, Indonesia's leadership stands out. According to Rattanasevee (2014), Indonesia's leadership is crucial in ensuring ASEAN's survival and success, and it is considered by other ASEAN members to be the natural leader of the group. Indonesia's leadership supports ASEAN centrality and has played a significant role in shaping ASEAN's Indo-Pacific outlook. It has also been instrumental in managing relations with the US and China. However, since 2014, Indonesia has paid less attention to cooperation within ASEAN. Other studies have examined the leadership roles of other ASEAN members, such as Malaysia and Singapore, in advocating economic policies. At the same time, Vietnam has focused on preserving its national interest in the South China Sea.

The studies have also examined the role of ASEAN as an institution. According to Stubbs (2014), ASEAN's leadership has been the most progressive in East Asia institution-building. However, its regional architecture through ASEAN centrality has been met with scepticism and support. Yates (2016) notes that ASEAN's diplomatic leadership has helped shape its role as a 'regional conductor' after the Cold War. ASEAN's influence in Southeast Asia largely depends on its ability to maintain relations between the great powers, specifically the US and China.

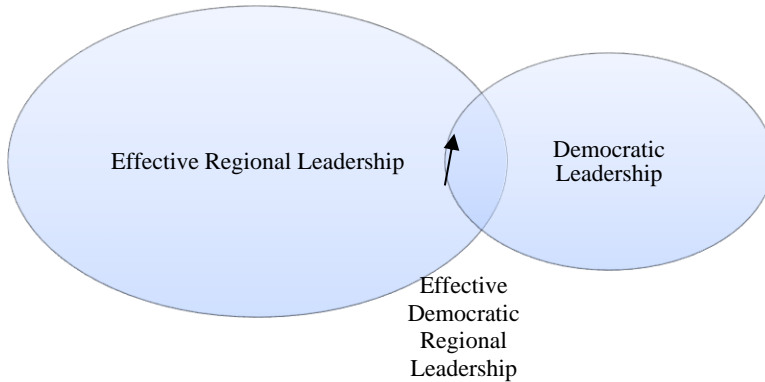
Theoretical and Conceptual Approach

We have employed positioning theory and democratic leadership to answer the research question. We call the relationship between these two concepts "practical democratic regional leadership," as shown in Figure 1. It refers to the effective leadership of a region, which involves political discourse, diplomatic actions, and the acceptance of the leader-follower relationship to maintain the regional leader's status. It also includes democratic leadership principles such as empowering group members, distributing responsibility, and assisting all members in decision-making to influence international relations and sometimes even the internal workings of an actor in the region.

Our study aims to explain ASEAN's democratic leadership positioning as an

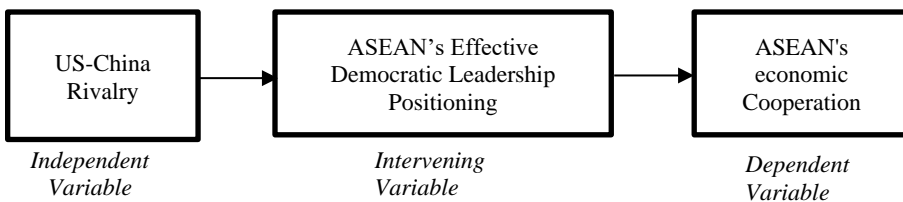
intervening variable, as represented in Figure 2. This variable describes the relationship between the independent variable (US-China Rivalry) and the dependent variable (ASEAN's economic cooperation). Leadership can be crucial in this relationship by promoting internal cooperation and managing external cooperation with both parties.

Figure 1. Effective Democratic Regional Leadership



Source: Created and compiled by the Authors from multiple sources.

Figure 2. Analytical Model



Source: Designed by the Authors from multiple sources.

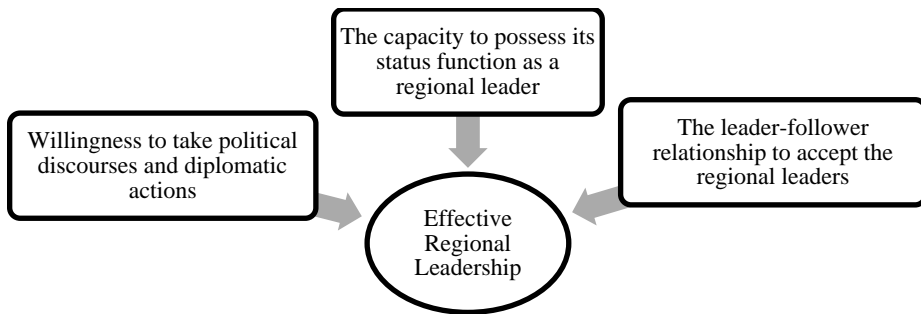
Positioning theory examines the conditions required to become an influential regional leader. According to Langenhove *et al.* (2016), regional leadership is the ability of an actor to influence certain aspects of international relations and, in some cases, the internal functioning of an actor in its regional neighbourhood. Based on the level of involvement, regional leadership can be categorized as state over the state, state over the regional organization, regional organization over the state, and regional organization over the regional organization. Our study focuses on regional organization leadership over the states, where the regional organization is ASEAN and the states are the US and China. The issues discussed are specific to the political-economic area.

According to positioning theory, regional leadership is associated with delivering regional public goods, community-building schemes, regional organization support, and

connections to the international system. Therefore, the definition of regional leadership is fluid and depends on how the function of the regional organization is evaluated. In our study, ASEAN is associated with leading community-building schemes and supporting regional organizations through ASEAN's economic community.

Additionally, Langenhove *et al.* (2016) have identified three determinants of how ASEAN can position itself as a regional leader in interacting with China and the United States. The first determinant is the willingness to engage in political discourse and diplomatic actions. The second determinant is the capacity to maintain its status as a regional leader. Lastly, the third determinant is acceptance, which focuses on the leader-follower relationship and the acceptance of regional leaders.

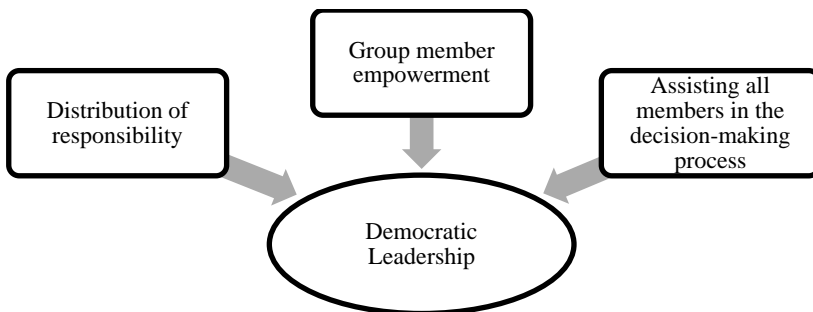
Figure 3. Effective Regional Leadership Determinants



Source: Adapted from Langenhove *et al.* (2016) and adapted by the Authors.

We advocate using democratic leadership as an appropriate approach for ASEAN to maintain its internal and external economic cooperation under the US-China rivalry. This leadership style is based on the principles of democracy, which ASEAN and its members uphold in their charter. Additionally, the decision-making process principle of equal standing and participation is closely related to the democratic principle. Finally, it is worth noting that democratic countries historically founded ASEAN.

Figure 4. Democratic Leadership Indicators



Source: Adapted from Gastil (1994), and created by the Authors.

Democratic leadership, as defined by Gastil (1994), involves three main functions. *Firstly*, it promotes membership distribution by distributing responsibilities among members, thus allowing each member to take the initiative. *Secondly*, it empowers group membership by enhancing each member's ability to become politically competent. *Lastly*, it aids the group's decision-making process by facilitating constructive

participation, maintaining healthy relationships, and fostering a positive emotional setting. In fulfilling these three functions, group members alternate between roles as leaders and followers.

Research Method

We follow a qualitative approach, mainly dealing with words instead of numbers. This method involves an inductive perspective on the relationship between research and theory and combines interpretivist epistemological and constructionist ontological positions. The process starts with defining general research questions, selecting appropriate sites and subjects, gathering relevant data, interpreting the data, and conducting conceptual and theoretical work. Finally, we present our findings in writing. Moreover, we rely on documents as data sources, including books, journal articles, and online news, in this study. The qualitative method concerns words rather than numbers (Bryman 2016). It is an inductive view of the relationship between theory and research and interpretivist epistemological and constructionist ontological positions (Bryman 2016). The step begins with general research questions, selecting relevant sites and subjects, collecting relevant data, interpreting data and conceptual and theoretical work, and writing up findings. Furthermore, we use documents as sources of data. In this study, the document includes books, journal articles, and online news.

The ASEAN's Economic Cooperation Under US-China Rivalry and the Role of the Intervening Variable: The Quest for Democratic Leadership

Since its inception in 1967 until now, ASEAN's development has been influenced by internal and external factors. The external factor is the great power rivalry in influencing ASEAN. Meanwhile, bilateral conflicts and conflicts within ASEAN countries are part of the internal dynamics. In the economic field, the disparity in the economic level of ASEAN countries often causes friction in determining plans and implementing collective economy strategies (Choiruzzad 2014). Different perspectives and national interests are part of the challenges in responding to global dynamics, including the US-China rivalry. State ideology and the level of dependence on the United States and China are believed to influence the way ASEAN countries behave. It also determines the future of ASEAN as a regional institution.

The importance of ASEAN regional leadership, involving elite-imposed top-down policy, has been demonstrated since ASEAN's establishment. The region unified through political agreements and relatively common views regarding the geographic location of Southeast Asia. The leaders' initiative is a part of the response to the surrounding conflict situations that occurred in the 1950s-60s. *First*, the Cold War between the United States and the Soviet Union was a conflict in a global dimension that spread to Asia, resulting in the Korean War and the Indochina War. *Second*, several conflicts were involved between countries in the Southeast Asian region, such as the dispute over the Sabah region between the Philippines and Malaysia. *Third*, conflicts take place inside the particular states concerning nation-building struggles. These conditions were unfavourable for Southeast Asian countries, which were newly independent. The economic development could not go along optimally.

The establishment of ASEAN strongly determines Indonesia's initiative under Suharto's leadership. In other words, Suharto became the most influential leader in the early history of ASEAN because he united ASEAN (Mahbubani and Sng 2017). Furthermore, the initiative to unify the region was discussed and welcomed by Thailand and continued with the signing of the 1967 Bangkok Declaration by Adam Malik

(Indonesia), Narciso R. Ramos (Philippines), Thanat Khoman (Thailand), Tun Abdul Razak (Malaysia), and Rajaratnam (Singapore). In the declaration, one of the points highlighted was accelerating the economic growth of countries in Southeast Asia. In addition, the friendship of the ASEAN leaders at that time, Suharto, Lee Kwan Yew, and Mahathir Mohamad took part in determining the progress of cooperation in ASEAN (Mahbubani and Sng 2017).

After the declaration, ASEAN cooperation has progressed even though it is evolutionary. The First ASEAN Summit was just held in 1976, 11 years after its establishment. It was the response to the Vietnam fall, a fear of communism (Mahbubani and Sng 2017). Although the focus was on discussing regional political-security issues, the summit was also concerned with accelerating economic growth in Southeast Asian countries through cooperation on essential commodities, industry, and trade. In 1992, regional economic cooperation attempted to deepen through the ASEAN Leaders' mandate to establish the ASEAN Free Trade Area (AFTA). Following adopting the Hanoi Plan of Action (HPA) in 1998, the leaders chartered to initiate economic integration through the ASEAN Vision 2020. In 2003, ASEAN leaders declared that the ASEAN Economic Community (AEC) would be the goal of regional economic integration.

Nowadays, ASEAN faces a contemporary challenge: US-China rivalry. However, Indonesia's attention towards ASEAN leadership tends to diminish (Anwar 2020). While Indonesia is expected to be the natural leader of ASEAN and recognised by the other ASEAN members as first among equals (Emmers 2014; Emmers and Thu 2020), the current condition demonstrated that ASEAN is not Indonesia's top priority (*Oxford Analytica* 2022). It might relate to its focus on domestic political and economic conditions after the 1997-98 crisis (Anwar 2020). Despite this, we agree that the initiative for the Indo-Pacific outlook is remarkable, as Nabbs-Keller (2020) noted. Besides Indonesia, Thailand has a strategic position as the leader of ASEAN. Thailand's contribution towards ASEAN has been wide-ranging and substantial (Acharya 2019). However, internal conflict within the state might make domestic affairs a priority for Thailand. The limited motivation to lead seems similar to Vietnam and The Philippines. Malaysia has excellent potential to lead and make other significant contributions towards ASEAN (Pero and Apandi, 2018), but the current intention seems limited.

Based on the positioning theory, *three determinant factors* set the effectiveness of ASEAN's interactions with the US and China. *First*, willingness to take up a position in political discourses and diplomatic actions. Both are related to elite diplomatic culture and excellent power management, which can help ASEAN survive amid the US-China contesting order (Wicaksana and Karim, 2023). In this case, ASEAN's diplomatic culture, "ASEAN Way", in organising relations intra and extra ASEAN reminds matter (Wicaksana and Karim 2023). It promoted the values of sovereign equality, internal affairs non-interference, non-violent conflict settlement, non-involvement of ASEAN in bilateral disputes of member countries, mutual respect, and quiet diplomacy (Wicaksana and Karim, 2023). This style of diplomacy prevents friction among member states (Wicaksana and Karim, 2023). In response to excellent power management, ASEAN used more than just a formal approach in favour of an informal approach (Wicaksana and Karim 2023). This approach prioritises trust as the central pillar in conducting cooperation. In this way, the principles of the ASEAN Way through the informal approach, which have been ASEAN tradition, are considered relevant and unquestionable, especially in responding to the US-China rivalry.

Second, the capacity to possess its status function as a regional leader. It determines the effectiveness of political leadership, which is more than just political will (Pero 2019). Pero (2019) highlights three needed capacities to lead ASEAN as a regional institution. They are positional power, persuasion and mediation skills, and organisational knowledge and experiences. Positional power refers to the ASEAN positional power within an organisation to share power and influence. In addition, persuasion and mediation skills are about adjusting members' behaviour to inspire trust and confidence and effectively influence and control the responses of others. Furthermore, organisational knowledge and experiences are closely related to contributing factors to persuade and convince others of the benefits of being together as a regional community. The capacity could be built through sectoral and coalition leadership (Pero 2019).

Third, acceptance of followers towards the leader-follower relationship. It is closely related to a leader's legitimacy. Pero (2019) recognised it as followership. It is a critical demand-side agency function. The absence of leader legitimacy could pose an obstacle to regional organisation aims. Furthermore, trust is a factor in accepting leaders (Pero, 2019).

In carrying out its regional leadership role, ASEAN needs to pay attention to the principles of democratic leadership. *First*, ASEAN's responsibility should be distributed equally to all members. *Second*, the group membership needs to be empowered. *Third*, all the groups should assist in the decision-making process. As we mentioned earlier, these principles are embodied in the ASEAN principle: ASEAN Way. It is a behavioural code of conduct and decision-making procedure. As the ASEAN Way means to reach a consensus among all the ASEAN members, the decision-making process is an absolute voice of all the members. The process includes informality in making decisions from the forum.

To some extent, this process made progress late, yet it was able to unify ASEAN. Trust-building is the most important in the decision-making process in the ASEAN tradition (Mahbubani and Sng 2017). This is, for example, demonstrated through the ratification of the ASEAN Charter (Mahbubani and Sng 2017).

Moreover, the history of ASEAN has demonstrated how Indonesia under Soeharto did not admit to becoming a hegemon in Southeast Asia (Mahbubani and Sng 2017). In fact, as the largest country, Indonesia has the modality to undertake the role. Indonesia even allowed itself to be led by other smaller countries. We could say that this type of leadership allows responsibility and empowerment to be distributed to all members equally, that is, democratic leadership.

In response to interactions between the US and China's rivalry, ASEAN has set significant policies by ASEAN leaders that influenced the developments of US-China relations in recent years. We use three dynamics in the introduction part as cases for discussion: *trade war, currency war, and granting development funding*.

The first case is the trade war. In this case, we see ASEAN's leaders possess its status function to persuade and convince others of the benefits of being together as a regional community by proposing ASEAN Outlook on the Indo-Pacific, a regional architecture initiative agreed at the 34th Summit in Thailand. Furthermore, ASEAN also proposes its diplomatic culture and values within the rivalry. This initiative's rationale emphasises possibilities of cooperation with internal and external actors and requires avoiding the deepening of mistrust, miscalculation, and behaviour patterns based on a zero-sum game.

It proposes trade facilitation and logistics infrastructure and services and deepening economic integration, ensuring financial stability and resilience, as well as strengthening and promoting trade and investment by supporting the implementation of the ASEAN Economic Community Blueprint 2025 and other free trade agreements, including the Regional Comprehensive Economic Partnership (RCEP).

Furthermore, during the trade war, ASEAN's cooperation with RCEP has given member countries the will to cooperate regardless of the quantity to be gained (Ke 2019). Ke (2019) identified meeting and negotiation processes related to the trade war in the partnership, resulting in member countries prioritising participation without calculating who will benefit more. Among these members are other external actors of ASEAN, including Japan, Korea, and China. It is evidence that ASEAN leadership can intervene in the outcome towards its economic cooperation under the US-China rivalry. ASEAN could be seen as a winner in the US-China competition (*CommonWealth Magazine* December 1, 2023).

The second is the US-China granting development funding. Like the trade wars case, we see ASEAN's Outlook on the Indo-Pacific included as ASEAN leaders' responses to the rivalry though possessing its status function to persuade and convince others of the benefits of being together as a regional community. We found connectivity to be an area of ASEAN cooperation that includes a regional public-private partnership (PPP) development agenda to mobilise resources for connectivity projects, including infrastructure projects in the Indo-Pacific region. It accommodates both parties' interest in ASEAN, which could benefit the ASEAN cooperation project. Previously, China launched China's Belt and Road Initiative (BRI) in 2013. This is not a new China financing scheme since it was started in 1997 through the ASEAN-China Cooperation Fund (ACCF). Furthermore, in 2021, ASEAN and China leaders have agreed on the ASEAN-CHINA Joint Statement on Cooperation in Support of the ASEAN Comprehensive Recovery Framework, which aims to accelerate Synergising the Master Plan on ASEAN Connectivity (MPAC) 2025 and the Belt and Road Initiative (BRI).

To compete, the United States held the International Development Finance Corporation (DFC) and Blue Dot Network in 2019. Furthermore, ASEAN has upgraded the US-ASEAN relationship to a Comprehensive Strategic Partnership (CSP) through a public-private partnership. Moreover, the 2023-2024 ASEAN-U.S. Trade and Investment Framework Arrangement and Expanded Economic Engagement Work Plan includes the infrastructure financing initiative and catalyses private sector investment (US Embassy and Consulates in Indonesia, 2023). In 2024, the US requested an unprecedented \$1.2 billion in economic, development, and security assistance for Southeast Asian nations (US Embassy and Consulates in Indonesia, 2023).

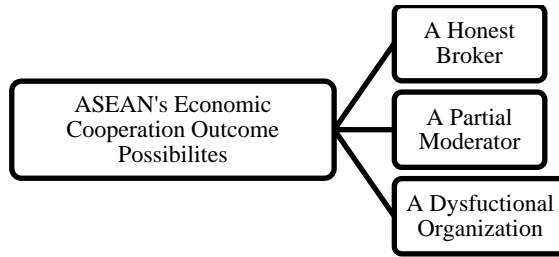
The third is the currency war, which was responded to by the ASEAN Finance Minister and Central Bank Governor Meeting in 2023. It results in the means to reduce international currency dependence, including the United States Dollar and Renminbi, and focus on local currencies (*ASEAN Briefing* July 12, 2023). In this case, the ASEAN's willingness to take up the position in political discourses and diplomatic actions. First, ASEAN has launched its initiative to improve the regional payment connectivity system, employing a contactless QR code payment system within the region (*ASEAN Briefing* July 12, 2023). Second, it is a brave political discourse taken by ASEAN leaders under both parties' competition. Third, this leadership has shown ASEAN's strategic diplomatic action to avoid its wary of US possibilities to sanction ASEAN in the future.

ASEAN has agreed to the Joint Statement of the 9th ASEAN Finance Ministers and Central Bank Governors' Meeting (AFMGM), looking forward to the Guidelines on ASEAN Local Currency Settlement Framework to promote Local Currency Final Transactions (LCT), including the establishment of the ASEAN LCT Task Force. To decide, ASEAN conducted informal meetings months before, such as during the IMF-World Bank Annual Meeting, that has potentially increased trust among the members. Furthermore, its preference to use local currencies rather than a single ASEAN currency is proof of ASEAN leadership wisdom that avoids friction between each member, thus encouraging optimal internal cooperation and managing external cooperation with both parties effectively.

During the decision-making process through the framework of ASEAN Outlook on the Indo-Pacific and during consultative meetings, ASEAN acknowledges no one in place if anyone out of the member states objects to a proposal or idea. It is beneficial for the acceptance of followers towards the leader-follower relationship. The absence of leader legitimacy should not pose an obstacle to ASEAN aims. It includes the principle of democratic leadership that is distributed to all members equally. This distribution has also been possessed through the ASEAN chairmanship mechanism that rotates annually, based on alphabetical order. ASEAN has also committed to empowering and assisting the decision-making process through the 2023 ASEAN Leaders' Statement on Strengthening ASEAN's Capacity and Institutional Effectiveness. ASEAN has also previously provided economic and technical assistance to the ASEAN-5 members before adopting the ASEAN Economic Community.

Assessing Possibility in Uncertainty: Three Scenarios for the Future of ASEAN Economic Cooperation Under US-China Rivalry

In the previous section, we discussed ASEAN's current economic cooperation in the context of US-China rivalry. We also talked about the importance of democratic leadership as an intervening variable. Now, we will evaluate three potential scenarios for the future of ASEAN's economic cooperation amidst the rivalry. These scenarios are based on our assessment of the effectiveness of democratic leadership in promoting ASEAN's unity and ability to withstand rivalry. We have illustrated these scenarios in Figure 3, and they are an honest broker, a partial moderator, and a dysfunctional organization. An honest broker is ideal as it can provide effective regional leadership, promote internal cooperation, and manage external cooperation with both parties efficiently. The partial moderator is a moderate scenario, while the dysfunctional organization is the worst-case scenario.

Figure 5. ASEAN's Economic Cooperation Outcome Possibilities

Source: Created by the Authors.

First, the best scenario is placing ASEAN as an honest broker, a mediator who does not take sides in the rivalries and continues to play an active role in maintaining regional stability. As intended by the ASEAN Outlook on Indo-Pacific, a regional architecture initiative, this role is ideal: "ASEAN also needs to continue being an honest broker within the strategic environment of competing interests," (ASEAN June 22, 2019) Under these conditions, ASEAN can provide an open and inclusive approach to dialogue and cooperation in the ASEAN priorities: maritime, economy, connectivity, and Sustainable Development Goals (SDGs). Furthermore, ASEAN will be able to carry out its three main principles in viewing Indo-Pacific rivalry: centrality, inclusivity, and complementarity on an ongoing basis. Through these ideal conditions, regional stability can be gained. Thus, ASEAN countries can optimally carry out domestic economic development and cooperate with both parties.

In addition, as open regionalism, the prospects for ASEAN cooperation through the ASEAN plus framework are also expected to run optimally. This collaboration builds upon the need to get closer to big powers, which is part of strategies for managing relationships (Yoshimatsu 2022). The ASEAN plus mechanism goes along through ASEAN+1, between ASEAN and China, the United States, Russia, Japan, South Korea, India, New Zealand, and Australia. Besides ASEAN+1, ASEAN+3 is expected to be effective between ASEAN and China, Japan, and South Korea. The East Asia Summit mechanism also functions collectively between ASEAN and eight partner countries. In addition, ASEAN-EU, ASEAN-UN, and ASEAN-Latin America are continuously developing. This cooperation is increasingly relevant and has positive prospects as a collective effort to deal with economic losses, as the exceed of globalisation. It could work under the Chiang Mai Initiative Multilateralization mechanism support through the ASEAN+3 Macroeconomic Research Office as a subordinate of the International Monetary Fund (Grimes and Kring 2020). This initiative helps manage economic crises.

Second, a moderate scenario that places ASEAN as a partial mediator. In this scenario, ASEAN behaves as an honest broker but liminary. This condition is reflected through ASEAN's involvement in several dialogues and cooperation in the Indo-Pacific region, including in the ASEAN plus mechanism. In this condition, ASEAN can engage effectively in some dialogues and cooperation. However, there needs to be more institutional friction between ASEAN member countries in viewing economic issues involving the United States and China. As a result, member countries tend to leave ASEAN in several regional cooperation forums due to its inability to accommodate their national interests, thereby preferring bilateral cooperation mechanisms.

Third, the worst scenario places ASEAN as a dysfunctional organisation. In this condition, ASEAN is powerless against the US-China rivalry; the cooperation mechanism does not provide optimal benefits for the parties involved. This condition may occur in three scenarios. First, ASEAN is still recognised as a regional institution but has no significant power to respond to rivalries. It accounts for the inability of ASEAN to accommodate the national interests of its members amidst a conflict of interest between the two countries. Second, ASEAN is part of the United States or China alliance. Thus, ASEAN still needs to implement the ASEAN Outlook on Indo-Pacific and lose its independence in implementing the non-interference principle according to the ASEAN way. Third, this region has developed into a proxy war arena in various fields (Adiwilaga *et al.* 2023), including the economic field.

There are three prerequisites for ASEAN to overcome the challenges of the United States-China rivalry (Yoshimatsu 2022). First, ASEAN wants to continue to unite. Second, the ASEAN Outlook on Indo-Pacific promotion must be executed concretely. Third, ASEAN needs to expand its strategic reach on Indo-Pacific issues. This study argues that leadership plays a vital role in moderating these prerequisites, thereby exercising the response to the US-China rivalry. The next part discusses the role of leadership as an intervening variable, precisely democratic leadership. As mentioned earlier, democratic leadership is related to membership distribution, group membership empowerment, and the group's decision-making process. We urge that this characteristic has been a natural part of ASEAN's principal tradition. However, the challenge reminds us of how to manifest it into reality.

Conclusion

Based on the explanation, the US-China rivalry leverages Southeast Asia's contemporary political-economic dynamics. This rivalry at least puts off through three dynamics: trade wars, currency wars, and competition for granting access to development funds. In the future, ASEAN will face three conditions that make it an honest broker, a partial mediator, and a dysfunctional organisation in responding to the US-China rivalry.

First, an honest broker is an ideal type of condition. It is related to the ASEAN vision on Outlook for Indo-Pacific. In this case, ASEAN acts as an impartial mediator in the rivalries that occur and continues to play an active role in maintaining regional stability. Under ideal conditions, regional stability can be attained so that ASEAN countries can optimise domestic economic development and cooperate effectively with both parties. *Second*, a moderate scenario that places ASEAN as a partial mediator in just a particular agenda and makes the member states tend to choose bilateral rather than ASEAN forums. *Third*, the worst scenario places ASEAN as a dysfunctional organisation in which ASEAN is powerless to face the rivalry.

This study argues that effective democratic leadership can be an intervening variable in strengthening ASEAN's role as an honest broker, thereby enabling maximum economic gain under the US-China rivalry. This leadership is characterised by followers' willingness, capacities, and acceptance toward a leader-follower relationship. It pays attention to the distribution of responsibility, group member empowerment, and assisting all members in decision-making. This study strengthens Langenhove *et al.*'s (2016) positioning theory and Gastil's (1994) concept of democratic leadership. Our reflection on combining the theory and concept deployment—effective democratic leadership—found its relevance in analysing ASEAN's regional democratic leadership.

References

- Acharya, Amitav. 2015. "Will ASEAN Survive Great-Power Rivalry in Asia?" *East Asia Forum Quarterly* 7, no. 3: 17-20.
- Acharya, Amitav. 2017. "The Myth of ASEAN Centrality?" *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 39, no. 2: 273-279.
- Acharya, Amitav. 2018. "Doomed by Dialogue: Will ASEAN Survive Great Power Rivalry in Asia?" In *International Relations and Asia's Southern Tier: ASEAN, Australia, and India*, edited by Gilbert Rozman and Joseph Chinyong Liow, 77-91. New York: Palgrave Macmillan.
- Acharya, Amitav. 2019. "Thailand and ASEAN: A Historical Overview with Special Appreciation for the Contribution of Dr. Surin Pitsuwan." *King Prajadhipok's Institute Journal* 1: 5-22.
- Adiwilaga, Rendy., Prasta Kusumah, and Mustabsyrotul Ummah Mustofa. 2023. "Implikasi Rivalitas Amerika Serikat–Republik Rakyat China Terhadap Posisi Kedaulatan Indonesia: Studi Kasus pada Dinamika Konflik Klaim Wilayah Laut Cina Selatan [Implications of US-China Rivalry on the Sovereignty Positions of Indonesia]." *Aliansi: Jurnal Politik, Keamanan Dan Hubungan Internasional* 2, no. 1: 29-38.
- Ajami, Riad A. 2020. "US-China Trade War: The Spillover Effect." *Journal of Asia-Pacific Business* 21, no. 1: 1-3.
- Anwar, Dewi Fortuna. 2020. "Indonesia and the ASEAN Outlook on the Indo-Pacific." *International Affairs* 96, no. 1: 111-129.
- Aristama, Ferga. 2022. "Skeptics and Proponents Towards ASEAN: A Qualitative Content Analysis on ASEAN Facebook Page." *Jurnal Hubungan Luar Negeri* 7, no. 1: 26-39.
- Artner, Annamaria. 2017. "Role of Indonesia in the Evolution of ASEAN." *The Journal of East Asian Affairs* 31, no. 1: 1-38.
- ASEAN Briefing. July 12, 2023 "ASEAN to Increase Local Currency Trade, Reducing Reliance on the US Dollar," *Association of Southeast Asian Nations (ASEAN) Briefing*. Accessed July 12, 2023. Available at: <https://www.aseanbriefing.com/news/asean-to-increase-local-currency-transactions-reducing-reliance-on-the-us-dollar/>
- ASEAN. June 22, 2019. "ASEAN Outlook on The Indo-Pacific." *Association of Southeast Asian Nations (ASEAN)*. Accessed July 11, 2023. https://asean.org/asean2020/wp-content/uploads/2021/01/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019
- Azis, Iwan J. 2018. "ASEAN Economic Integration: Quo Vadis?" *Journal of Southeast Asian Economies* 35, no. 1: 2-12.
- Beeson, Mark. 2016. "Can ASEAN Cope with China?." *Journal of Current Southeast Asian Affairs* 35, no. 1: 5-28.

- Bi, Shihong. 2021. "Cooperation between China and ASEAN under the Building of ASEAN Economic Community." *Journal of Contemporary East Asia Studies* 10, no. 1: 83-107.
- Bloomberg*. April 3, 2023. "China's Yuan Replaces Dollar as Most Traded in Russia", (2023), *Bloomberg*. Accessed July 12, 2023. Available at: <https://www.bloomberg.com/news/articles/2023-04-03/china-s-yuan-replaces-dollar-as-most-traded-currency-in-russia>
- Bryman, Alan. 2016. *Social research Methods* (5th edition). Oxford: Oxford University Press.
- Chan, Steve., Huiyun Feng, Kai He, and Weixing Hu. 2021. *Contesting Revisionism: China, the United States, and the Transformation of International Order*. Oxford University Press.
- Chia, Siow Yue. 2016. "ASEAN Economic Integration and Physical Connectivity." *Asian Economic Papers* 15, no. 2: 198-215.
- Choiruzzad, Shofwan Al Banna. 2016. *ASEAN di Persimpangan Sejarah: Politik Global, Demokrasi, & Integrasi Ekonomi*. Jakarta: Yayasan Pustaka Obor Indonesia.
- CommonWealth Magazine*. December 1, 2023. "Five years on, ASEAN a Winner in U.S.-China Trade War," *CommonWealth Magazine*. Accessed December 1, 2023. Available at: <https://english.cw.com.tw/article/article.action?id=3543>
- Dosch, Jörn. 2017. "The ASEAN Economic Community: Deep Integration or Just Political Window Dressing?." *TRaNS: Trans-Regional and-National Studies of Southeast Asia* 5, no. 1: 25-47.
- Drache, Daniel., A. T. Kingsmith, and Duan Qi. 2019. *One Road, Many Dreams: China's Bold Plan to Remake the Global Economy*. London: Bloomsbury Publishing.
- Emmers, Ralf, and Huong Le Thu. 2021. "Vietnam and the Search for Security Leadership in ASEAN." *Asian Security* 17, no. 1: 64-78.
- Emmers, Ralf. 2014. "Indonesia's Role in ASEAN: A Case of Incomplete and Sectorial Leadership." *The Pacific Review* 27, no. 4: 543-562.
- Gastil, John. 1994. "A Definition and Illustration of Democratic Leadership." *Human Relations* 47, no. 8: 953-975.
- Grimes, William W., and William N. Kring. 2020. "Institutionalising financial Cooperation in East Asia: AMRO and the Future of the Chiang Mai Initiative Multilateralization." *Global Governance: A Review of Multilateralism and International Organizations* 26, no. 3: 428-448.
- Hong, Zhao. 2019. "China's Belt and Road Initiative and ASEAN." *China: An International Journal* 17, no. 2: 127-147.
- ICAS. June 5, 2020. "An Update on American Perspectives on the Belt and Road Initiative." *The Institute for China-America Studies (ICAS)*. Accessed July 11,

2023. Available at: <https://chinaus-icas.org/research/an-update-on-american-perspectives-on-the-belt-and-road-initiative/>
- Iqbal, Badar Alam., Nida Rahman, and Jonathan Elimimian. "The Future of Global Trade in the Presence of the Sino-US Trade War." *Economic and Political Studies* 7, no. 2: 217-231.
- Ishikawa, Koichi. 2018. "The ASEAN Economic Community and ASEAN Economic Integration." *Journal of Contemporary East Asia Studies* 10, no. 1: 24-41.
- Jati, Irawan. 2018. "Bilateral and Multilateral Approach of the United States and China Towards ASEAN." *Global & Strategis* 12, no. 1: 39-56.
- Ke, Haren. 2019. "ASEAN in the Middle of US and Chinese Rivalry: ASEAN Cooperation with RCEP in Reducing the Impact of the Trade War." *International Journal of Science and Society* 1, no. 1: 1-11.
- Korolev, Alexander S., and Anastasiia M. Apasova. 2020. "ASEAN as a Zone of the USA-China Conflict of Interests." *Asia and Africa Today* 8: 13-19.
- Kuik, Cheng-Chwee. "The twin chessboards of US-China rivalry: Impact on the geostrategic supply and demand in post-pandemic Asia." *Asian Perspective* 45, no. 1 (2021): 157-176.
- Kupchan, Cliff. 2021. "Bipolarity is Back: Why it Matters." *The Washington Quarterly* 44, no. 4: 123-139.
- Lee, Su-Hyun. 2022. "ASEAN's Economic Security and Regional Economic Cooperation: Past, Present, and Future." *Asian Journal of Comparative Politics* 7, no. 1: 10-28.
- Mahbubani, Kishore, and Amrita V. Nair. 2017. "ASEAN and Geopolitical Rivalries." *Horizons: Journal of International Relations and Sustainable Development* 9, no. Autumn: 198-207.
- Mahbubani, Kishore, and Jeffery Sng. 2017. *The ASEAN Miracle: A Catalyst for Peace*. Singapore: National University of Singapore (NUS) Press.
- Mao, Haiou, and Holger Görg. 2020. "Friends Like This: The Impact of the US-China Trade War on Global Value Chains." *The World Economy* 43, no. 7 (2020): 1776-1791.
- Menon, Jayant, and Anna Cassandra Melendez. 2017. "Realising an ASEAN Economic Community: Progress and Remaining Challenge." *The Singapore Economic Review* 62, no. 3: 681-702.
- Morrison, Wayne M. 2019. "China's Economic Rise: History, Trends, Challenges, and Implications for the United States." *Current Politics and Economics of Northern and Western Asia* 28, no. 2/3: 189-242.
- Nabbs-Keller, Greta. 2020. "ASEAN Centrality and Indonesian Leadership in a Contested Indo-Pacific Order." *Security Challenges* 16, no. 3: 21-26.

- Oxford Analytica*. 2022. "ASEAN will not be Indonesia's top priority in 2023." *Oxford Analytica*. Accessed July 13, 2022. Available at: <https://www.emerald.com/insight/content/doi/10.1108/OXAN-DB274807/full/html>
- Pero, Siti Darwinda Mohamed Pero. 2019. *Leadership in Regional Community-Building: Comparing ASEAN and the European Union*. New York: Palgrave Macmillan.
- Pero, Siti Darwinda Mohamed Pero. and L. S. Ahmad Apandi. 2018. "Malaysia's Leadership Role in ASEAN: An Assessment." *Journal of International Studies* 14: 65-79.
- Prakoso, Erlangga Arbi, Makmur Keliat, and Fredy Buhama Lumban Tobing. 2019. "The Internationalization of Renminbi." *Intermestic: Journal of International Studies* 4, no. 1: 68-87.
- Rattanasavee, Patharapong. 2014. "Leadership in ASEAN: The Role of Indonesia Reconsidered." *Asian Journal of Political Science* 22, no. 2: 113-127.
- Shambaugh, D. 2018. US-China rivalry in Southeast Asia: power shift or competitive coexistence?. *International Security* 42, no. 4: 85-127.
- Shimizu, Kazushi. 2021. "The ASEAN Economic Community and the RCEP in the World Economy." *Journal of contemporary East Asia studies* 10, no. 1: 1-23.
- Soong, Jenn-Jaw. 2016. "The Political Economy of Development between China and the ASEAN States: Opportunity and Challenge." *The Chinese Economy* 49, no. 6: 395-399.
- Soong, Jenn-Jaw. 2018. "China's One Belt and One Road Initiative Meets ASEAN Economic Community: Propelling and Deepening Regional Economic Integration?." *The Chinese Economy* 51, no. 4: 291-297.
- Stubbs, Richard. 2014. "ASEAN's Leadership in East Asian Region-building: Strength in Weakness." *The Pacific Review* 27, no. 4: 523-541.
- Tan, See Seng. 2017. "Rethinking "ASEAN Centrality" in the Regional Governance of East Asia." *The Singapore Economic Review* 62, no. 3: 721-740.
- U.S. Embassy and Consulates in Indonesia. December 1, 2023 "Fact Sheet: U.S.-ASEAN Comprehensive Strategic Partnership, One Year On." *U.S. Embassy and Consulate in Indonesia*. Accessed Decembe 1, 2023. Available at: <https://id.usembassy.gov/fact-sheet-u-s-asean-comprehensive-strategic-partnership-one-year-on/>
- Van Langenhove, Luk, Marieke Zwartjes, and Georgios Papanagnou. 2016. "Conceptualising Regional Leadership: The Positioning Theory Angle." In *Global and Regional leadership of BRICS Countries*, edited by Stephen Kingah and Cintia Quiliconi, 13-27. New York: Palgrave Macmillan.
- Wicaksana, I. Gede Wahyu, and Moch Faisal Karim. 2023. "How Regional Organisation Survives: ASEAN, Hedging and International Society." *Contemporary Politics* 29,

no. 5: 659-679.

Xu, Zhijian. 2017 "How Internationalization of the Renminbi Contributes to Growing Spillovers from China to the Association of Southeast Asian Nations (ASEAN) Economies." Bachelor's Graduation Exercise. *New York University (NYU) Shanghai*, Shanghai, China

Yates, Robert. 2017. "ASEAN as the 'Regional Conductor': Understanding ASEAN's Role in Asia-Pacific order." *The Pacific Review* 30, no. 4: 443-461.

Yean, Tham Siew, and Sanchita Basu Das. 2015. "The ASEAN Economic Community and Conflicting Domestic Interests: An overview." *Journal of Southeast Asian Economies* 32, no. 2: 189-201.

Yoshimatsu, Hidetaka. 2023. "ASEAN and Great Power Rivalry in Regionalism: From East Asia to the Indo-Pacific." *Journal of Current Southeast Asian Affairs* 42, no. 1: 25-44.