

Chirathivat, Suthiphand; Langhammer, Rolf J.

Article — Published Version

ASEAN and the EU Challenged by “Divide and Rule” Strategies of the US and China Evidence and Possible Reactions

International Economics and Economic Policy

Provided in Cooperation with:

Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

Suggested Citation: Chirathivat, Suthiphand; Langhammer, Rolf J. (2020) : ASEAN and the EU Challenged by “Divide and Rule” Strategies of the US and China Evidence and Possible Reactions, International Economics and Economic Policy, ISSN 1612-4812, Springer Nature, Berlin, Vol. 17, Iss. 3, pp. 659-670,
<https://doi.org/10.1007/s10368-020-00470-6>

This Version is available at:

<https://hdl.handle.net/10419/279830>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0>



ASEAN and the EU Challenged by “Divide and Rule” Strategies of the US and China Evidence and Possible Reactions

Suthiphand Chirathivat¹ · Rolf J. Langhammer²

Published online: 20 May 2020

© The Author(s) 2020

Abstract

The US and China have launched attacks upon the coherence of the Association of Southeast Asian Nations (ASEAN) and the European Union (EU) by offering individual member states privileges if they depart from common policies of the two integration schemes. The article describes the motivation behind these offers and the ways how they are addressed to the member states. It sees such “divide and rule” policies as serious challenges for the collective bargaining power the ASEAN and the EU and discusses strategies to counter these challenges. For both the US and China, the authors see economic and political targets as the main motivation. Economically, each of the two countries wants to gain superiority in pathing free ways for their suppliers of technology, goods and services to the markets of the two schemes against the competitive pressure of the other country. Politically, the two schemes have become contested areas in geopolitical struggles between the two countries. For the EU as the more advanced scheme of deep integration, the paper recommends a closer convergence between EU policies and the demand of the electorate, to prefer more cooperation projects over deeper integration steps and to motivate the private sector, in particular foreign investors to stand up against “divide and rule” strategies. For ASEAN, it is important to see the Sino-US conflict as a long term challenge, to prevent the region from becoming a Chinese backyard, and to deepen integration by removing non-tariff barriers to trade within ASEAN.

Keywords Regional integration · Cooperation · External challenges · US-China conflict · Brexit · Asia · Trade

JEL Classification F01, F15, O52, O53

✉ Rolf J. Langhammer
Rolf.Langhammer@ifw-kiel.de

Extended author information available on the last page of the article

1 Introduction

Economic integration following the traditional steps from shallow integration (free trade areas) to deeper and finally deep integration (customs unions, common markets, economic and monetary union) has always served political targets in addition to economic targets such as higher economic prosperity.

One of the political targets was to increase the bargaining power of small countries against powerful larger trading partners (Kahnert et al., 1969). In a mercantilist world where concessions for opening domestic markets were always conditioned by equivalent counter-concessions of trading partners, market size and bargaining power coincide. The powerful trading partners are the US and, as a latecomer, today China. Those who intended to improve their bargaining power were countries forming integration schemes like the EU and ASEAN. While the EU itself is a model for deep integration and should have already achieved a level playing field status against China or the US, it is not a nation state with a similar political clout as the two countries. Instead, with ongoing integration widening and with rising economic and political heterogeneity among member states, the strategy towards integration deepening got challenged. This has weakened the bargaining power of the EU as even the common trade policy, the oldest common policy next to the common agricultural policy, increasingly faces controversies between the EU Commission and member states as well as between member states. In short, the imbalance between integration widening and integration deepening and a rising gap between what Brussels does and what citizens want, has made it easier for third countries like the US and China to test the robustness of the EU against attacks on its coherence and stability.

ASEAN as a model of shallow integration has never achieved a level playing field status like that of the EU. It has always been gradual, characterized as a “work in progress”, always pursuing for many decades back, but still not that deepened as the EU. Until the cooperation was matured enough that ASEAN started to adopt an open regionalism, with trade-led integration, adopted and agreed in a consensual way, or the ASEAN way, in its decision making, which also often reflects the geo-political and geo-economic environment of the time. As such, ASEAN, a much smaller outward-oriented grouping, has never been ambitious as the EU in its economic deepening process. Although it looks at the EU as a model of integration to learn from, ASEAN’s success as a model of regional integration among developing countries lies elsewhere, more on with the way ASEAN is becoming a “club”, or “ASEAN centrality” for convening meetings with major countries, so called dialogue and strategic partners, in dealing with security, regional affairs, and new emerging issues, where Northeast Asia and South Asia cannot form such similar platforms. However, on-going development of ASEAN is never far away from the role of US always playing in the security sphere of the region, but also has become to face more with the rise of China in recent years.

In addition to internal divergences in the two groupings, the two giants exert external pressure on ASEAN and EU that attacks their cohesion. The US government challenges EU cohesion in different ways: by supporting a hard Brexit or even a non-deal exit of the UK, favoring autocratic governments in Central and Eastern Europe which deny the EU Commission the right to intervene into domestic policies, urging for a hostile position against Iran and blacklisted Chinese companies, and criticizing Germany for its large current account surplus which it sees as a result of unfair trading

practices. China pursues divide and rule practices (in the following called DRP) by marketing its Belt and Road Initiative (BRI) in East and Southeast Europe while Northern and Western European countries have refrained from formally joining this initiative (called 17 plus 1).

Traditionally, the US favors individual ASEAN member countries over others, Malaysia and Singapore over Cambodia and Laos PDR, the Philippines over Indonesia, and Thailand over Vietnam. However, this order has subject to recent changes and new priorities in recent years, in large part, because the US preoccupied with the security and terrorist threat in many parts of the world since the 9/11 event and the Bush administration had put behind the US initiative to counter China in Southeast Asia. From the turn of the century, China has progressively been moving to be ASEAN's most important trading partner, surpassing Japan, the US and the EU, unlike before the end of the Cold War. And since the beginning of Trump's "America First", the US abandoned the Trans-Pacific Partnership (TPP), leaving the scene, making the rest of signatory countries to pursuing its new version of a Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) by themselves, along with four ASEAN member countries, Brunei, Malaysia, Singapore and Vietnam. With US-China trade frictions, ASEAN feels even more to secure its broader trade integration so the long standing Regional Comprehensive Economic Partnership (RCEP), since the start of 2012 negotiations, with China-back up with 16-countries trade initiative, has been finally advanced although India decided to pull out at the latest ASEAN Summit in Bangkok, November 2019. Despite ASEAN's divide on distrust with China, particularly, on issues of South China Sea and Lancang-Mekong Cooperation, many ASEAN member countries have no other way, but feel obliged to cooperate with China or to choose their best path, for the most part to balance out the US and China, in moving their countries forward, and that include for their strategic and economic interests.

The paper addresses the issue whether current trade tensions between the two giants aggravate a "natural" tendency of powerful countries to achieve their targets by DRP and how these practices convert themselves into economic and political costs for the EU and ASEAN (part II). Part III discusses various options for the EU and ASEAN to counter these practices individually while Part IV widens the scope of options towards common endeavors of ASEAN and EU against them. Given the divergences in the state of integration (deep vs shallow) as well as in the understanding of political governance (democracy vs autocratic ruling), it is evident that the limits to common endeavors are important and thus must be observed. Part V concludes on the findings.

2 US-China Trade Tensions as a Driving Force of (DRP) and what they Cost for the EU and ASEAN

Trade tensions with China have become the unique selling point of the US administration under Donald Trump. At first glance, this is a trade war between a country running a bilateral trade deficit and a country running a bilateral trade surplus. For the US government only (not for economists), such a bilateral trade imbalance always suggests unfairness against the deficit country and thus calls for corrective measures. Thinking in zero sum or even negative sum games in which both lose but to different extent is at the heart of such belief. Behind trade, however, the tensions also reflect a

tech war between the old No 1 world's economic power to be bypassed soon by a new No 1. Given that this war is not fought with cheap labor but on the battlefield of new technologies like digitalization, artificial intelligence (AI) and machine learning, the US want to delay the rise of China to world's No 1 as long as possible.

For the US, two ways to achieve this delay are possible. The first one is to weaken China's rise by protectionist measures which would cost China more than the US. Both would lose if China would retaliate but China would lose more (Felbermayr and Steininger, 2019). For the US administration, this would be relative gain for the US. To win trading partners as compatriots for this first way, a free trade area between the US on one side and the EU and ASEAN on the other side against China would be the appropriate strategy. But that would mean to negotiate with the two integration schemes at level playing field. This is not what the US president prefers. He prefers deals with individual countries where the US is always the superior party. Agreements among unequals rule his understanding of trade diplomacy. This is why he lures the UK leaving the EU with an agreement on trade as a special partner and this is why he encourages Central and Eastern European (CEE) countries to resist against common policies implemented by the EU Commission. Trade sanctions against the EU would thus be preferably targeted against products made in Germany as the allegedly unfair trading partner country but not directly against producers in CEE countries. Indirectly, the CEE countries as part of the supply chains, however, would also be affected. So far, the US president has failed to divide the common trade policy of the EU but via his open support for autocratic governments in CEE countries he undermines Brussels-made policies in general.

ASEAN was quite neglected over years for the US to treat them as equal partner for its trade policy. The US prefers to treat ASEAN, "small", individually, and separately. No wonder there is no ASEAN country gets a FTA with the US anyway (Singapore might come to the closest for its agreed trade partnership with the US), as the US looks for them in a broader scope of cooperation in the Asia-Pacific like APEC where the US could command views and directions as superpower. And despite the prospects of US-led TPP, under the Obama administration, the whole initiative was shot down by Trump so nothing substantial could be said to favor links between ASEAN and the US. Despite such a context, ASEAN as a group has been able to benefit from a trade surplus with the US for years, and even more so after both the Asian and global financial crises of 1997–98, and 2007–08. On the other hand, China has been a net beneficiary in dealing with ASEAN economically through ASEAN-China FTA, the first FTA of ASEAN signed with outsiders, not long once China accessed as WTO member. Along with continued ASEAN-China Dialogue Partner since the mid of 1990s, China and the whole Southeast Asian region has much evolved much faster each other with more integrated relationships and intense partnership. At one point, ASEAN depends more on China's imports for its raw materials and intermediate inputs to make finished products, thus linking each of them to increasing China-centric supply chains in Asia, for various products, ranging from rubber, palm oil, down to textile, automobile, electrical and electronic products.

For this round of US-China trade disputes, ASEAN looks to adjust to the spillover and trade diversion effect on its soil, with Vietnam, the Philippines, Malaysia, and Thailand seemingly at the forefront, from the transshipment or relocation of manufacturing and investment, which then will move into services, logistics and newly

adjusted supply chains. So far, US Customs and Border Protection have identified Vietnam, Malaysia and the Philippines not to be the backyard of the Chinese transshipment for its exports while watching on the manufacturing activities of supply chain investment in many ASEAN countries that have come to cope with such US-China trade disputes' fall out. The US Department of Commerce has started imposing additional punitive duties on goods it deems to have been transshipped (Menon, 2019).

The second way addresses the tech component of the tensions. It includes a boycott of Chinese firms in the IT and AI sector by denying them access to the US and preferably also EU markets and cutting them off from international financial sourcing. Huawei has become the test case of this second way which could become a game changer should the tensions between the US and China reach the financial and technological sphere. This second way is far more costly with uncertain implications than the first way of trade policy retaliation. It could force the EU into a captive alliance with US-dominated technology with the risk of being decoupled from state-of-the-art technology due to threats for US national security. The EU would become a hostage of US-China tensions on IT and AI technology. There is no common technology policy of the EU like in trade and thus responses of EU member states to the US claim for a concerted policy against Chinese firms differ widely, from benign neglect to tacit understanding, the former shown by the German government and the latter being shown by the UK proposal to exclude Chinese suppliers from the core part in the IT sector and to allow access to so-called periphery parts only.

As China assesses the threat of this second way as serious and probably (and rightly) more serious than the first way, it uses its BRI initiative not only to convince members of the 17 + 1 group to allow Chinese suppliers of physical infrastructure to close the existing infrastructure gap in the European countries. In addition, it offers the extension of a "Digital Silk Road" from Asia to Europe which would include market access of Chinese IT and AI suppliers both as sellers as well as investors. The latter role could raise issues of national security in sensitive infrastructure software and hardware and thus has induced Germany and France to propose a common mandate of the EU commission to screen foreign direct investment on whether or not such investment threatens national security (EU, 2019). This proposal is not unanimously shared by all member states if it conflicts with access to funds and know how. Especially CEE countries merit such access highly and rate the risks (indebtedness, loss of technology control) much lower than their Western EU member states.

ASEAN is not far behind the EU in this regard. The US-China tech component of the tensions seems to touch upon ASEAN both on the production as well as security-related consumption side. Although it was announced by the US as clear as the EU to deter from Chinese IT and AI technology, ASEAN is in full phase of developing and using the state-of-the-art technology, in all dimensions of development, in business, government and the public in general. To be frank, it seems, for ASEAN, Asian IT and AI technology, particularly, Chinese, Korean and Japanese, is working well in the global competitive market, even with the US, both on the global supply chains, logistical arrangement, as well as services and investment. Apple is clear example, as Tim Cook admitted, most of its supply chains (more than 90% of its hardware manufactured in China (Ting-Fang and Li, 2019), being outsourced to China, while the present US-China trade disputes will make the firm to decide to move part of the production back home, and elsewhere, mainly in Asia that includes ASEAN. Other

firms like Foxconn Technology Group, Samsung Electronics Co., Google, HP and Dell have started to relocate their production mainly from China to elsewhere. ASEAN is not a lead competitive player in IT and AI technology like China, even less the US, so the region prefers to play safe on the receiving end of the value chains and consumption. Only Singapore and Malaysia have been trying to play leading roles in this area, but it is still limited and not spreading much elsewhere in the region.

The same way as China uses its BRI strategy in the EU, ASEAN is perhaps even more at the forefront to face with such a China's rise (Chirathivat et al., 2019). Only at the ASEAN-China Summit held in Singapore in November 2018 and continuing at the ASEAN-China Summit in Bangkok in November 2019, ASEAN leaders welcome China's support for the implementation of Master Plan on ASEAN Connectivity 2025, with an aim to connect to China's BRI and making it more synergy and opportunities together. However, asymmetric relations are also clear in this example, as Chinese firms, both SOEs and private, already make move with the support of Chinese government into ASEAN. The case of Chinese smartphones is clear on the ASEAN market for brands like Huawei, Xiaomi, Oppo, well competed with Samsung, and Apple, and could dominate the whole ASEAN landscape very soon. In the meantime, ASEAN has just recently discussed and been trying to put in place ASEAN agreement on cybersecurity. Much more aggressive Chinese penetration in ASEAN IT and AI scene suggests there might be soon some kinds of retaliations from the US for ASEAN to protect their own security in this area.

The main direct costs of DRP for the two integration schemes consist in making common positions against non-member countries victims of political horse trading. Compromises become necessary which dilute an appropriate response to third countries, in particular to the US and China. In the EU, a common policy for external economic relations in which trade policies played an essential role, could be the stepping stone for a common foreign policy. Yet, DRP successfully act against the implementation of a common foreign policy and expose the institutional setup of such policy ("High Representative of the Union for Foreign Affairs and Security Policy") as window dressing and as new clothes of the emperor. Furthermore, there is an economic price to be paid because of DRP. The two schemes face the risk of scale economies foregone, just in those sectors, where scale economies are extremely important, as in the IT and AI sector producing so-called network goods with zero marginal costs. In particular for the EU, the rise of European companies in this sector to level playing field matching competing companies in the US and China, is very much impeded by successful DRP. DRP also destroy the close link between trade policies and investment policies in EU which is essential especially in service industries. While trade policies are common, investment policies are still under national rule thus giving investors from the US and China a good chance for "cherry picking" and to play off member states against each one another.

In terms of regional architecture, ASEAN is better structured these days to deal with major powers, like the US and China. The grouping has set both ASEAN-US Summit and ASEAN-China Summit, at its core for policy discussion, in addition to other platforms like ASEAN ARF, East Asia Summit (EAS). However, ASEAN is not immune when it comes to put DRP for the case of South China Sea, or the recent Lancang-Mekong Initiative, with controversies putting difficulties for ASEAN to agree on like the joint Communiqué in 2012 in Phnom Penh. To no one surprise, the Indo-

Pacific in its design, viewed from the US, the unspoken part was clear that it would draw other like-minded countries to counterbalance China. Fortunately, ASEAN's latest Outlook on the Indo-Pacific, which welcome everyone essentially "dilutes the concept as a meaningful make-weight" (Chutikul, 2019). It remains to be seen how ASEAN would play on DRP with regard to both China's BRI and US's Free and Open Asia-Pacific. On the frontline, ASEAN products are made via global value chains, and DRP, with regard to US-China disputes, will put ASEAN in a decoupling, or even delinking value chains for sophisticated value chains products, which choosing side, will not be an easy shift for any companies, or policymakers to support it. Like the EU, if taking scale economies into account, DRP could impact quite the link of trade and investment policies in ASEAN. The grouping is already having for each country's own investment policies so DRP could put more harmful and spillover effect for any particular efforts to further integration, and in particular, to other investment partners. As it stands, Chinese FDI, with its own special nature, is starting to replace the Japanese, to dominate more on the ASEAN scene, in more individual countries, leaving much behind the US and other investors as well.

3 Possible Measures of the EU and ASEAN Countervailing Divide and Rule Practices

As mentioned earlier, the EU and ASEAN differ widely in depth of integration. Therefore, in principle, the toolbox of the EU against DRP is much better endowed than that of ASEAN.

Yet, even in the EU this conclusion holds true in principle only and covers the level of decision-making. Implementation of commonly agreed upon measures rests with the member states and ultimately cannot be effectively enforced against individual countries which deny implementation. EU history shows many examples of lack of enforcement and lack of "teeth" against non-compliance ranging from fiscal policies via rule of law to migration policies.

The first defense line in the EU against DRP would be closing the gap between the perception of integration as seen from the citizen's side and activities at the Community level. This is much easier said than done. The EU needs targets which are understood by the citizens as relevant and thus shared with the policymakers. In the past, the completion of the single market has been the last target which matched citizen's and government's priorities. A common defense policy and a policy protecting the external border of the EU against a shockwise inflow of refugees are candidates for a good match between the two levels. Furthermore, the EU needs a correction of common policies which citizens see as much better provided by national governments. The renationalization of agricultural policy is discussed as a candidate for dropping a common policy which started as a break against the German industrial powerhouse in the old EEC but today no longer qualifies for a sector-specific policy needed to protect farmers against global competitors and market volatility. It is not unlikely that this first line of defense will have to cope with challenges once the UK has left the EU. Proponents of stronger centralization will come from France being now no longer restrained by the clear UK preference for decentralization and perhaps also from external pressure to close ranks against the US and China. This is why the clear and

well-communicated distinction between common and national responsibilities for policies is urgently required.

The second defense line in the EU against DRP would be a stronger focus on specific project-oriented cooperation instead of on vague market-oriented integration. Ideally, such cooperation should reconcile the demand of cross-border bottom-up movements of citizens (such as in environmental protection) with a precautionary view of policymakers on coming challenges such as the profound changes in demographics (an aging population with decreasing productivity growth), in labor markets (from jobs to tasks and from manufacturing to digital services), and in the regional patterns of production and consumption (the widening rural-urban gap). This cooperation should involve the lower levels of governments such as municipalities or districts rather than central governments of EU bodies only.

The third line of defense covers the role of the private sector as EU investors in the US and China. It should try to diffuse protectionist threats by acting jointly with their local host companies. The importance of cross-border supply chains and of jobs created by EU companies in the US and China has not yet been sufficiently conveyed to policy circles. This proposal originally put forward by Bhagwati et al. (1992) is especially appealing when (like in China) close cooperation with local companies, for instance, through joint ventures, is indispensable for accessing the local market. For US-EU investment relations, the *quid pro quo* argument is strong as both EU investment in the US and US investment in the EU is mostly horizontal thus serving the local markets and contribute positively to investment income and thus to foreign equity position of both trading partners. Unlike in trade, bilateral investment positions are much more balanced. This raises the risk for the US of losses in income from US investment in the EU should DRP of the US result in a segmentation of EU markets and thus higher transaction costs for investors.

As mentioned earlier, ASEAN's toolbox against DRP is not that effective as the EU. The pragmatism approach has always been the way ASEAN used in its external affairs, as well as for its integration process. The big question is whether the ASEAN way will work in face of DRP that is brewing by both superpowers, with China's rising influence in ASEAN on one hand and the US as a peace and stability guarantor and protector, on the other hand.

For long time, both the US and China have long been involved in the Southeast Asian region, albeit differently. But the latest trade frictions could flare up to many other dimensions, making ASEAN not only needy of strong adjustment, but also be able to adaptable effectively, as grouping as well as individual countries. However, weaker countries of ASEAN are often more the target of expanding influence which also causes complexities for ASEAN as a whole to deal in such superpower rivalries.

The first defense line in ASEAN against DRP would be to take US-China trade disputes as long term and in a much broader picture while formulating each own or grouping policy dialogue. No one place in ASEAN would spare from such rivalries, and impacts which could vary from country to country and place to place. That is why ASEAN must not leave any member to discord the common efforts and put the grouping in danger like it had happened in the past. For sure, many members will be pulled into a possible so-called future "decoupling" supply chains, whether Chinese or American, putting strains on future manufacturing, services and investment. More of "digital Berlin Wall" might also fall into ASEAN which the grouping seems yet

unprepared. With US-China trade disputes persists and could intensify, ASEAN, as a whole, and as individual member, must position and prepare itself to work with firms, professionals, and capital, which also suite needs of both Beijing and Washington, along the way. As a developing region, ASEAN do not have much leverage like the EU in this regard, but needs to balancing out well between any efforts between the two.

The second defense line in ASEAN against DRP would be to make sure that ASEAN is not fallen too much into the China’s “backyard” through BRI as many countries in ASEAN have subject to. From mainland ASEAN, with ongoing construction of Sino-Lao hi-speed train project, down to leaving Cambodia’s Sihanoukville in Chinese hands, and Myanmar’s recent advocate to China due to the US sanctions, all these projects leave marked strongly about China’s BRI in ASEAN, in addition to China claims most of the South China Sea, through which more than 3.4 trillion US dollars, worth of goods, are transported annually, under its unilaterally declared “nine-dash-line”. It overlaps with territorial claims made by several other nations, including Brunei, Malaysia, the Philippines, Taiwan, and Vietnam. The US will not leave alone China’s advancement and invasion in this regard and will do the most to defense as much as possible which will cause tensions in the ASEAN region. The annual ASEAN Regional Forum (ARF), East Asia Summit (EAS) and ASEAN Summits might not be enough, but need to supplement by other stronger regional, sub-regional and bilateral mechanisms, institutions, and initiatives, to counterbalance the adversaries between the two. The latest version of ASEAN Outlook on the Indo-Pacific to neutralize between the US and China is a good starting point but still a long way to go, as well as the way ASEAN links China’s BRI into ASEAN Connectivity Master Plan, rather than leaving China’s BRI alone in its efforts to push further in individual ASEAN member countries into corner.

The third defense line in ASEAN against DRP would be to strengthen broader scope for ASEAN regional integration, which remains to be also integrated forcefully from the inside among ASEAN members too. By far, ASEAN needs to break further non-tariff barriers and other impediments to integration with increased trade and investment facilitation among themselves, while looking forward to conclude the RCEP in face of increasing trading uncertainly and risks. Hopefully, among the 20 chapters of RCEP negotiations, the ASEAN-led meetings could force common agreements of almost all important chapters in time for the ASEAN Summit in 2020. In the meantime, a few more ASEAN members, like Indonesia and Thailand, would like to join CPTPP, with the invitation of Japan, as Trump’s administration later might also be considered to join if not advocate per se on to “America First” policy. ASEAN seems to take at their own level, and possible mechanisms, to test DRP at work for their common interests, but need to down further in scope and real practices on the ground.

4 Are there Options for Concerted Actions of the EU and ASEAN against Divide and Rule Strategies?

Though the EU has started negotiations with ASEAN on a region-to-region base in 2007 with the ultimate goal of achieving a free trade agreement, so far they have not yet succeeded in reaching that goal. Instead, since 2009 two bilateral agreements between the EU and Singapore and Vietnam have been concluded. Other agreements are in the stage of negotiations or on hold. The ultimate target of a region-to-region agreement is alive on both sides. Yet, it is not only the large discrepancy between shallow integration

with low community-wide enforcement capabilities (ASEAN) and deep integration (EU) with a high level of supranational sovereignty which acts as a stumbling block. It also the minimum level of political cooperation and democratic ruling which the EU sees as a precondition for starting region-to-region negotiations and which is not yet fulfilled in all ASEAN member states.

Yet, there is a joint EU-ASEAN Working Group for the development of a framework which could develop the parameters of a future EU-ASEAN free trade agreement and the Enhanced Regional EU-ASEAN Dialogue Instrument (E-READI) in which sector-specific and issue-specific cooperation schemes are discussed. Together with the ASEAN Dialogue Partner format in which the EU, US and China participate, all these formats are suitable first to explore whether DRP are relevant on each side, perhaps for ASEAN beyond the US and China, second, if DRP exist, to assess how detrimental they have been against furthering regional integration and third, to inform the other side on potential or actual countermeasures.

For sure, it is such a reversal role of US and China which will happen in coming years, despite the US efforts to prevent such happenings, taking back the history lessons if that might be, for both EU and ASEAN near its Thucydides trap turning point. That is why nothing is wrong for the EU and ASEAN to focus and forging together a shared destiny of DRP, one of mutual benefit and respect, which could serve better their citizens and constituencies. With more population than the EU, but much less production when compared, ASEAN is still emerging region in a rapidly changing Asia and China. And both could use EU-ASEAN Dialogue Partner mechanism to treat DRP as part of their future partnerships.

With the US and China are considered equally “distrusted”, why not re-orienting better EU-ASEAN cooperation, keeping in mind, DRP as sign of the time. If there is to be a new Cold War between the US and China, both EU and ASEAN would rather sit this one out. The last thing they want to do is to side with one or the other. The EU, with deepening integration, might be stronger to get things done and out, but ASEAN, with still shallow integration, could be more fragile to face as a whole, particularly, the way, both DRP exploits whether, strong or weak ASEAN member states. And the coalition of the willing, whether in the EU and ASEAN, by then, will not come by very easily, dampened more positive integration efforts in the long run.

To the extent, that EU and ASEAN private companies are involved, the third line of defense, the quid pro quo argument, could perhaps be used to improve the collective bargaining power of the two integration schemes against DRP.

5 Conclusions

US-China trade tensions are part of the bigger picture of superpower's fight to gain ground and control across the globe, with the US being challenged by China's rising influence. It causes deep uncertainty and new risks for the entire global economy, with different stages of turbulence caused by changing geo-politics, divided technology, and denials of more or less the global economic governance. For instance, no one is untouched, neither the EU and ASEAN, the two most notable, developed and developing countries' groupings. They all are being hit, suffered and transformed by DRP, in various forms, which warrant them to safeguard, as necessary and perhaps urgent, for their future regional integration.

Precisely, the EU and ASEAN's strength lies on the way they come together to work for the desired paths for regional integration, with the EU more deepened and regulated than ASEAN. However, as future of both groupings is being directly challenged more from both the US and China at their footsteps, and it might cripple their upcoming efforts of integration, if left unchecked. Therefore, it is about time to review, whenever possible, each own DRP toolbox to redefine, re-fix and re-shape to make it more resilient and adaptive to weather the storm. The EU has similarly faced with its own problem in this regard, as much as ASEAN was also struggled even more in recent years with major issues like South China Sea, and what has happened in the Mekong region.

Much more will come for the way in which ASEAN will adjust to the US-China trade frictions with winners, losers, and long lasting effects on the grouping position in emerging Asia's dense and increasingly sophisticated value chains which could also be hiccup and decoupled ASEAN's production efficiency, productivity, logistics, services and investment. ASEAN is already moving on the thin line against the US and China competition for influence in the region, whether it is in the context of China's BRI and the US's stance on the Free and Open Indo-Pacific. The three defense lines for ASEAN, as described above, from grouping's trade defense, down to regional designed strategy, and concrete engagement with dialogue partners and external countries, are crucial and vital to defuse and lessen DRP in the midst of China-US rivalries. For this, it is also much more desirable, for ASEAN, to think and work more seriously, on how to engage and enhance constructively on such key issues with the EU experiences, for plausible and winning initiatives.

For the EU, three options to act against DRP have been proposed. The first is to redefine competences and mandates between the national and the EU level. Preferably, such redefinition should coincide with the preferences of EU citizens. Probably, it would break against further integration deepening of internal issues and to strengthen integration deepening when it comes to economic relations against non-members or protecting the EU border against external economic and financial shocks. This could, for instance, mean to renationalize the common agricultural policy and to give the EU Commission new competences in a common policy on foreign direct investment inflows. Second, the EU could concentrate more on concrete cooperation projects than on integration steps which are not understood and shared by the electorate because of the their degree of abstractness. Third, the EU has the economic clout of a strong private sector being present as foreign investors both in the US and China. Closing ranks with their local partners in the two countries, could be one way to make the quid-pro-quo argument a powerful weapon against DRP from the US and China.

Compared to their own possibilities of defense measures against DRP, the toolbox of common strategies of ASEAN and the EU is much more limited. This is due to the stringent political preconditions set by the EU for deepening the relations to ASEAN which, as seen by the EU, are not yet matched by all ASEAN countries. Yet, the different dialogue formats of ASEAN which are its unique selling point offer a platform on which the two schemes can exchange their assessments on costs of DRP and ways of counterreactions. To hope that China and the US will recognize that DRP are not in their own long-term interest and thus should be abandoned would be a necessary but not sufficient prerequisite for restoring level playing field relations between the two schemes and the two giants.

Acknowledgments Rolf J. Langhammer gratefully acknowledges travel funds received from the Centre for European Studies and ASEAN Studies Center, Chulalongkorn University, Bangkok/Thailand for having attended an international conference “Sustainability of Regional Integration in the EU and ASEAN: Weakening Multilateralism?” at Chulalongkorn University, Bangkok, 9–10 July 2018.

Funding Information Open Access funding provided by Projekt DEAL.

Open Access This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons licence, and indicate if changes were made. The images or other third party material in this article are included in the article's Creative Commons licence, unless indicated otherwise in a credit line to the material. If material is not included in the article's Creative Commons licence and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>.

References

- Bhagwati JN, Dinopoulos E, Wong K (1992) Quid Pro Quo Foreign Investment, *American Economic Review*, Papers and Proceedings, 82, No.2. : 186–190
- Ting-Fang C, Li L (2019) Google to shift pixel smartphone production from China to Vietnam, *Nikkei Asian review*, august 28)
- Chirathivat S, Rutchatorn B, Devendrakumar A (eds) (2019) China's rise in mainland ASEAN: new dynamics and changing landscape, World Scientific
- EU (2019) EU foreign investment screening regulation enters into force, 10 April 2019, https://europa.eu/rapid/press-release_IP-19-2088_en.html
- Felbermayr G, Steininger M (2019) Trump's trade attack on China- who will have the last laugh? CESifo forum, 1/2019, March, Volume 20:27–30
- Kahnert F, Richards P, Stoutjesdijk E, Thomopoulos P (1969) Economic integration among developing countries. Paris: development Center of the Organization for economic co-operation and development (OECD)
- Chutikul K (2019) ASEAN nears its Thucydides trap turning point, *Bangkok post*, Monday, October 14, 2019, p.9
- Menon J (2019) How the trade conflict has fractured global value chains?, *Manila: Asian Development Bank*

Publisher's note Springer Nature remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Affiliations

Suthiphand Chirathivat¹ · Rolf J. Langhammer²

Suthiphand Chirathivat
Suthiphand.C@chula.ac.th

¹ ASEAN Studies Center of Chulalongkorn University, Bangkok, Thailand

² Kiel Institute for the World Economy, Kiel, Germany