



ASEAN Centrality in Indo-Pacific Trade: Vis-à-vis the US, China and India

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Abstract

In the twenty-first century, the Indo-Pacific region has become a region of intense economic and strategic rivalry in the world. In this dynamic geopolitical environment, the Association of Southeast Asian Nations (ASEAN) stands at a central place because of its strategic location, increasing economic power, and institutionalization in the governance of the region. The paper focuses on the idea of ASEAN centrality in Indo-Pacific trade specifically on the rivalry and collaboration roles of the United States, China and India. It examines the effort by ASEAN to stay relevant and independent in the face of increasing competition between the major powers. The paper states that ASEAN plays a significant role in advancing multilateralism, regional connectivity, and economic integration via the Regional Comprehensive Economic Partnership (RCEP), ASEAN-led forums, and the ASEAN Outlook on the Indo-Pacific. The paper also examines the rising economic involvement in China by the Belt and road initiative and trade integration, the strategic and economic efforts of the US as part of the Indo-Pacific framework and the increasing role of India by the Act East Policy. Although China is still the biggest trading partner of ASEAN, the United States and India are offering ASEAN with strategic options that will enable it to maintain a balanced regional order. The paper posits that the centrality of ASEAN remains a stabilizing force in Indo-Pacific trade despite the internal division, maritime disputes, and great-power rivalry. The capacity of ASEAN to be neutral, inclusive and collaborative through consensus has been critical towards stability and economic development in the region. The paper concludes that the future relevance of ASEAN will be pegged on increasing regional cohesiveness, economic and institutional flexibility in the face of an increasingly contested Indo-Pacific order.

Key words -ASEAN, United States, China, India, Trade, etc.

Introduction

Indo-Pacific has become one of the most strategic geo-economic and geopolitical regions in the twenty-first century. The region, which extends to the eastern coast of Africa to the Pacific Ocean, has gross seaways, vibrant economies, and high levels of strategic rivalry between the powers of the world. The Association of Southeast Asian Nations (ASEAN) has a central place in this changing architecture (Acharya, 2017). The aspect of ASEAN centrality is the capacity of the organization to be at the forefront in influencing regional cooperation, dialogue and trade structures in the indo pacific. The concept has become eminent with the ASEAN spearheaded institutions like the ASEAN Regional Forum (ARF), East Asia Summit (EAS), ASEAN Defence Ministers' Meeting Plus (ADMM-Plus) and the ASEAN Outlook on the Indo-Pacific (AOIP). The rivalry of strategic and economic concerns between the United States, China, and India is becoming the challenge to ASEAN centrality.

The importance of ASEAN is not just geographically but also economically. Collectively, ASEAN is among the largest economic regions of the world with strategic routes that pass through the sea like the Strait of Malacca where much of the global trade passes through. Major powers thus aim to form economic alliances with ASEAN in order to gain supply chain security, market access and geopolitical influence. As China considers ASEAN to be



a strategic partner in its Belt and Road Initiative (BRI) and Regional Comprehensive Economic Partnership (RCEP), the United States focuses on free and open trade systems like the Indo-Pacific Economic Framework of Prosperity (IPEF). India also perceives ASEAN to be at the center of its Indo-Pacific policy, also through its policy, the Act East Policy. Therefore, ASEAN now functions as a counterbalancing mechanism between rival powers and tries to maintain its strategic independence and economic competency (Daye, 2023).

The ASEAN centrality concept came in the post-Cold War period and was institutionalized in the form of the ASEAN-led multilateralism. ASEAN has always insisted on inclusivity, dialogue, and making decisions. Recent scholarship suggests that the centrality of ASEAN is maintained by the fact that major powers continue to view ASEAN as a key economic and diplomatic plumbing in the Indo-Pacific, although they are moving towards minilateral arrangements outside of ASEAN structures. In 2019, ASEAN adopted the ASEAN Outlook on the Indo-Pacific, which aimed to strengthen ASEAN through the fostering of openness, transparency, inclusivity, and rule-based cooperation (Chatterji, 2021). Economically, the ASEAN has turned into a world manufacturing and trade center. With the emergence of the global supply chain diversification, in particular, since the COVID-19 pandemic and the US-China trade tensions, ASEAN has become more economically significant. China+1 strategy has seen countries like Vietnam, Indonesia, Thailand, Malaysia and Singapore as alternative manufacturing bases. Studies undertaken on reallocation of global supply chains reveal that ASEAN has been significantly incorporated within triangular trade connections between China and the United States. This has enhanced the bargaining power of ASEAN in the negotiations of Indo-Pacific trade.

China is still the largest trading partner of ASEAN and is probably the most powerful economic player in Southeast Asia. The emergence of China has had a significant restructuring of trade within the region. The Belt and Road Initiative by Beijing has funded significant infrastructure development projects in ASEAN such as ports, railways, highways, and industrial parks. China is another state that rhetorically undergirds ASEAN-led institutions, and recognizes ASEAN centrality in regional cooperation. Nonetheless, the rising influence of China is also raising the issue of dependency and strategic imbalance. The ASEAN-led economic integration has seen a big success with the Regional Comprehensive Economic Partnership (RCEP) that contains ASEAN, China, Japan, South Korea, Australia, and New Zealand. ASEAN was at the heart of the negotiation of RCEP and the assurance of the framework that was inclusive and multilateral as per the principles of ASEAN. The rising trade tensions with the United States have seen China increasingly depend on ASEAN markets. Recent revelations show that China and ASEAN are strengthening their relationship of free trade by updating the agreements to be more digital trade oriented, green economy oriented and pharmaceuticals oriented (Kurus, 1993).

ASEAN–United States Cooperation and Indo-Pacific Economic Framework

The partnership between ASEAN and the United States has emerged to be one of the core pillars of the emerging Indo-Pacific regional order. The United States has identified ASEAN as a strategically important partner because of its geographical location, economic dynamism and institutional contribution towards the stability of the region. The United States, in its turn, sees ASEAN as a significant economic and security ally that would help to counter the increasing influence of China in Indo-Pacific (Department of Commerce, 2021) . Over the years, the relationship between ASEAN and the United States has evolved to cover more than traditional security issues and encompasses trade, digital economy, infrastructure, climate change, maritime security, and supply chain resilience.

In 2022, the relationship was upgraded to a Comprehensive Strategic Partnership, which indicates greater involvement in economic and geopolitical activities. The US has also been keen to promote ASEAN centrality in regional forums like the East Asia Summit (EAS), the ASEAN Regional Forum (ARF) and the ASEAN Defence Ministers Meeting Plus (ADMM-Plus). With the help of such platforms, Washington aims to enhance a free and open Indo-Pacific, which is founded on international law, freedom of navigation, transparency, and rule-based cooperation.



One of the key areas of ASEAN-US collaboration is the Indo-Pacific Economic Framework for Prosperity (IPEF), which was introduced by the United States in 2022. IPEF does not emphasize tariff reduction but concentrates on contemporary economic issues and strategic economic collaboration unlike the old-fashioned free trade arrangements. The framework comprises four pillars: trade and digital economy, supply chain resilience, clean energy and decarbonization, and provision of fair economy like anti-corruption and tax transparency. A number of the ASEAN member states, Singapore, Vietnam, Indonesia, Malaysia, Thailand and the Philippines were part of the initiative and this shows that ASEAN is interested in diversifying economic partnerships.

The importance of IPEF is that it is the first move by the United States to increase its economic interest in the Indo-Pacific since its withdrawal in 2017 as part of the Trans-Pacific Partnership (TPP). With the help of IPEF, Washington strives to build resilience within regional supply chains, decrease over-reliance on China, and become more economically resilient between partner nations. The advantages of ASEAN countries include the possibilities of digital trade, technologies transfer, green infrastructure, and investment collaboration. Meanwhile, ASEAN countries are also wary of getting sucked into strategic competition between the United States and China (Negara & Wihardja, 2023). IPEF has some limitations, although it is important. Critics point out that the framework does not have market access provisions and tariff benefits that tend to be attached with trade agreements. Thus, the countries of the ASEAN region still have good economic relations with China and interact with the United States through IPEF. This is indicative of the overall policy of ASEAN to balance major powers without any commitment to any particular country. ASEAN-United States cooperation and the Indo-Pacific Economic Framework is a developing collaboration that seeks to enhance economic resilience, regional stability and inclusive development in the Indo-Pacific. The ASEAN has maintained its balancing role by being economically involved with the United States and still maintaining its centrality and autonomy in the regional politics.

ASEAN-China Economic Integration and Maritime Frictions

In the last 20 years, ASEAN-China economic integration has grown at a significant pace making China the biggest trading partner and one of the most influential economic actors of ASEAN. The initiatives that have enhanced the relationship include the ASEAN- China Free Trade Area (ACFTA), the Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP). Through these structures, the levels of trade movements, infrastructure connectivity, investment cooperation, and regional production networks have been boosted in the Southeast Asia region. Chinese investments in transportation, energy, manufacturing, digital infrastructure, and tourism have increased the ASEAN economies and have helped in promoting the growth of the region economically (Parpiani, 2022). The economic activity between China and ASEAN has a strategic position since Southeast Asia has the hub of key maritime trade routes linking the Indian and Pacific Oceans. The ASEAN nations like Vietnam, Thailand, Malaysia, and Indonesia, are now considered as components of global supply chains that are connected to Chinese manufacturing and export sectors. The growth in trade and infrastructure collaboration has also augmented the presence of ASEAN in the Indo-Pacific economic framework.

Nevertheless, despite the strong economic interdependence, ASEAN-China relations are characterized by severe maritime disagreements especially in the South China Sea. The South China Sea is enclosed by China in their so-called Nine-Dash Line which overlaps with the territorial claims of many ASEAN states including Vietnam, the Philippines, Malaysia and Brunei. The ongoing creation of artificial islands, military bases, and frequent military actions in the disputed waters have created tensions and fears of freedom of navigation in the region by China.

These sea conflicts form a complicated affair where economical collaboration exists amidst strategic distrust. The members of ASEAN are economic reliant on China and at the same time cautious of Chinese aggression in their waters. The conflicts have also defied the unity of ASEAN since the member states have different stances with



China. On the one hand, such nations like Cambodia and Laos have close relations with Beijing, on the other hand, some promote a more assertive attitude to Chinese activity in the oceans.

Although ASEAN has been engaged in dialogue and diplomacy to control tensions using instruments like the proposed Code of Conduct in the South China Sea. The relations between ASEAN and China could therefore be seen as a mixture of close economic integration on the one hand and geopolitical tension in the Indo-Pacific area on the other (Peng, 2023). According to China, ASEAN is a strategically important body to access maritime trade routes, and regional supply chains. It is also in the interest of ASEAN to give China a chance to present itself as a champion of multilateralism and regional economic integration. Nonetheless, the Chinese aggressiveness in the South China Sea poses great tension with the ASEAN member states like Vietnam and the Philippines. Such conflicts confront the unity of ASEAN since member countries have conflicting stands about China. As a result, ASEAN is frequently not able to devise a concerted reaction to Chinese maritime practices.

Notwithstanding these tensions, there is an ever-increasing economic interdependence among China and ASEAN. There is a growth in Chinese investments in digital infrastructure, renewable energy, and manufacturing. Chinese capital inflows, tourism and trade opportunities are a benefit to ASEAN economies. But there are still apprehensions of excessive reliance. Certain countries within ASEAN are concerned that overdependence on China can jeopardize strategic independence and subject the local industries to the threat of international competition of cheaper Chinese products. The latest controversies in Southeast Asia indicate that there is fear of deindustrialization and economic imbalance as a result of RCEP-driven trade integration.

The United States has a different approach towards ASEAN centrality. The Indo-Pacific policy of Washington focuses on a free and open Indo-Pacific that is based on rules-based order, maritime security, and economic resilience. Compared to the United States, China pays more attention to strategic balancing and diversification of supply chains instead of the massive investments in infrastructure. US is cognizant of ASEAN centrality rhetoric and has been participating in ASEAN-led forums. Nonetheless, the US approach is perceived inconsistent by the ASEAN countries due to the variation in American regional commitment.

The main U.S. economic initiative in the Indo-Pacific is the Indo-Pacific Economic Framework for Prosperity (IPEF) which was introduced in 2022. Some of the ASEAN countries became members of IPEF, considering it as a way of diversifying economic relations with China. IPEF concentrates on digital trade, supply chain resilience, clean energy, anti-corruption, and labor standards instead of the classic tariff cuts. Scholars postulate that ASEAN involvement in IPEF is indicative of balancing between the US and China without disrupting ASEAN centrality (Storey, 2023). However, the US has restrictions in economic interaction with ASEAN. Compared to China, Washington has never been rejoining any comprehensive trade agreement like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The commitment of the American economic interest is thus at times doubted by ASEAN states. Additionally, the heightened US-China strategic competition puts the ASEAN nations in a challenging situation. ASEAN does not want to take any sides between the two powers. Rather, ASEAN tries to remain strategically neutral and uphold an inclusive regional order.

The balancing approach of ASEAN can be observed especially in terms of the restructuring of the trade and supply chains. The shift of many MNCs out of China has seen the manufacturing activities being moved to the ASEAN nations. The trend of diversification has become a big beneficiary to Vietnam, Thailand, Indonesia, and Malaysia. Being an in-between production zone, ASEAN can enjoy both the integration of Chinese manufacturing and access to the American market. This two-pronged involvement solidifies the economic centrality of ASEAN in the Indo-Pacific (Teo, 2023).



ASEAN–India Cooperation: The ‘Act East Policy’ and Maritime Commons

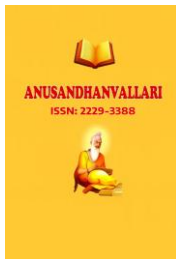
The cooperation between ASEAN and India has become a significant part of the Indo-Pacific regional order especially in the spheres of trade, connectivity, maritime security, and strategic cooperation. India believes that ASEAN plays a core role in its Indo-Pacific vision and it has been paying significant focus to the importance of ASEAN-led regional institutions. This relationship has gained momentum following the introduction of the Indian policy of Look East Policy in the early years of the 1990s that was later changed to the more proactive policy of Act East Policy in 2014. The Act East Policy seeks to enhance the economic, political, strategic, and cultural interest of India in the Southeast Asia and the greater Indo-Pacific region.

India and ASEAN have been increasing their economic collaboration over the years. One of the biggest Indian trading partners is the ASEAN and the ASEAN-India Free Trade Agreement (AIFTA) that was adopted in 2010 has led to an improvement in the trade of goods and services. India has also encouraged connectivity projects like India, Myanmar and Thailand Triple Highway and Kaladan Multimodal Transit Transport Project to enhance physical and economic connectivity with southeast Asia. These programs are to be used to enable trade, regional integration and people-to-people connectivity among India and the member states of ASEAN (The ASEAN Secretariat, 2022). Maritime security and maritime commons protection is a critical aspect of the ASEAN–India collaboration. Indo-Pacific region hosts important sea lanes of communication which are crucial in the global trade and transportation of energy. India and ASEAN have common interests to guarantee freedom of navigation, maritime security, and the international law, especially the United Nations Convention on the Law of the Sea (UNCLOS). The growing strategic rivalry in the South China Sea and the wider Indo-Pacific has prompted a deeper cooperation on the sea by India and the ASEAN member states.

India has been actively involved in ASEAN-based forums including the East Asia Summit (EAS), ASEAN Regional Forum (ARF) and ASEAN Defence Ministers’ Meeting Plus (ADMM-Plus). India contributes to a free, open, inclusive, and rules-based order in the Indo-Pacific through these mechanisms. Maritime cooperation has also been enhanced by naval exercises, cooperation with the coast guards, disaster relief, and anti-piracy.

Concurrently, ASEAN considers India as a balancing power that can help in bringing stability to the region without taking over the region. In contrast to significant power rivalry between the United States and China, the involvement of India is seen as cooperative and inclusive in general. However, the lack of trade volumes and delays in connectivity initiatives and the exit of India in the Regional Comprehensive Economic Partnership (RCEP) have not allowed further economic integration. ASEAN-India collaboration within the framework of the Act East Policy is associated with the willingness to collaborate economically, encourage the idea of regional connectivity and safeguard the maritime commons of the Indo-Pacific region (The ASEAN Secretariat, 2023). India has also seen its relationship with ASEAN grow tremendously in the last twenty years. The Act East Policy and the Indo-Pacific strategy of India acknowledge that ASEAN is the key to regional connectivity and cooperation. India has historical, cultural, and maritime connections with southeast Asia. The ASEAN holds a key position in the Indo-Pacific vision of a free, open, inclusive, and rules-based Indo-Pacific by India.

Since the signing of the ASEAN-India Free Trade Agreement in 2010, trade relations between India and ASEAN have been increasing. One of the key trading partners of India is ASEAN and India is interested in becoming more integrated into the Southeast Asian supply chains. India is working towards increasing the engagement in the region as evidenced by connectivity projects like the India-Myanmar-Thailand Triple Highway and maritime cooperation. India is also actively involved in other institutions of ASEAN like the East Asia Summit and ASEAN Defence Ministers Meeting Plus (VOA, 2020).



Nevertheless, India has a relatively low economic involvement with ASEAN in comparison with China and United States. Analysts state that the trade share of India with ASEAN has not grown and some connectivity developments are lagging behind. In 2019, India pulled out of RCEP as it was worried about the imbalance in trade and feared that Chinese products would find their way into Indian markets via ASEAN economies. This move restricted the economic integration of India with regional supply chains and undermined its economic power compared to that of China.

In spite of these shortcomings, ASEAN considers India as a significant balancing force in the Indo-Pacific. The democratic nature, location and the rising economy of India are the three reasons that make it a good partner to the ASEAN countries that want diversified economic and security relations. India also promotes ASEAN centrality in the institutions of the region and always insists on inclusiveness and not bloc politics. The Quad grouping that includes India, the US, Japan and Australia has reiterated severally that they support ASEAN centrality.

The sustainability of centrality in ASEAN hinges on its effectiveness in dealing with great power competition. Member states of ASEAN possess different political regimes, economic interests and foreign policy orientations. Countries like Cambodia and Laos are closer to China, whereas countries like Vietnam and Singapore prefer to have more security cooperation with the United States. Indonesia tends to maintain the unity of ASEAN by encouraging neutrality and discussion. These differences inside weaken the ASEAN cohesion and decision-making ability (Wester, 2023). External pressure by major powers is not the only problem that ASEAN is facing, but there is also the danger of being fragmented within the organization. Researchers observe that ASEAN centrality is still an effective approach in the economic sphere than in security. The economic frameworks led by ASEAN are still supported by major powers since the ASEAN markets and supply chains cannot be economically sidelined. But in security affairs, powers are progressively depending on other formations like the Quad, AUKUS, and bilateral formations.

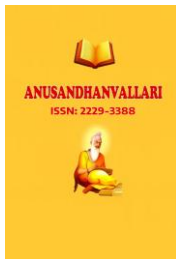
Meanwhile, the economic relevance of ASEAN is bound to grow in the next few years. Its youthful population, growing middle classes, digital economy, and strategic location contribute to the fact that the region is a good trading and investment destination. The work of ASEAN in semiconductor manufacturing, making electric vehicles and providing green energy is also rapidly expanding. Recent analyses have shown that ASEAN economies are starting to play a central role in sophisticated manufacturing and digital commerce platforms.

Whether ASEAN can make its normative vision an effective economic cooperation will determine the future of ASEAN centrality. The need to strengthen intra-ASEAN trade, enhance connectivity, harmonize regulations, and institutional coordination is critical to maintaining the relevance of ASEAN. The ASEAN should also see to it that Indo-Pacific projects by outside forces do not override the ASEAN-driven projects.

Also, inclusivity is a key characteristic of ASEAN as opposed to more exclusive geopolitical structures. ASEAN is not interested in containing China or aligning against the United States. Rather, ASEAN encourages cooperative regionalism which allows all the major powers to interact positively. This is a way that enables ASEAN to act as a compromise and stabilizer in the face of increasing geopolitical competition.

Conclusion

The centrality of ASEAN continues to characterize the Indo-Pacific trade and regional architecture amidst increasing strategic competition among United States, China, and India. The geographical location, economic dynamism, and institutional structures have helped ASEAN to hold a special place in the region. China considers ASEAN to be an invaluable economic and strategic ally in its wider regional ambitions. The United States sees the importance of ASEAN to ensure a rules-based Indo-Pacific as it works to diversify supply chains and build economic resilience. India considers ASEAN to be the foundation of its Act East Policy and Indo-Pacific vision.



The presence of internal rifts and external geopolitical pressures is a challenge to ASEAN, but the capability to balance the competing powers still offers strategic value. In the economic sphere, ASEAN centrality is the most powerful as all the great powers acknowledge the significance of ASEAN markets, production networks, and sea trade routes. The future relevancy of the organization will lie in its ability to remain united, enhance economic integration and an inclusive regional order. With the growing competition in Indo-Pacific geopolitics, the balancing role of ASEAN could be even more critical to maintain a stable situation in the region, establish economic cooperation, and multilateral participation.

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