

**The Sino-American Strategic Rivalry in the Asia-Pacific  
in Study Case of the Mekong Development and Regional Trade Deals  
from Three International Relations Theory Perspectives**

by

Theosa Dinar Swastiningtyas

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## **CERTIFICATION**

I, Theosa Dinar Swastiningtyas, hereby declare that this master thesis is my own work which contains ideas and information from published as well as unpublished works of different scholars who are recognized through the references listed in the thesis. The main arguments and ideas that are not cited are ideas and agreements written by author of this thesis.

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## ABSTRACT

The Asia Pacific grows as a region with a dynamic geopolitical rhythm. This region simultaneously becomes a demonstration arena for 'ripe of rivalry' between the United States as the hegemonic state and China as the rising power. The strategic rivalry between the United States and China colors with the competition of their economic diplomacy power over other countries of the region by showing that they have a better power influence against each other. The United States and China rivalry are clearly seen in the application of their economic diplomacy competition on giving development aid assistance in the Mekong sub-region and setting agendas in negotiation regional trade deals (TPP and RCEP).

Regarding look deeper the Sino-American rivalry in the Mekong development and the initiation of regional trade deals, this thesis will attempt to answer on how have the United States and China characterized their strategic rivalry in the Asia-Pacific? Then, how have the United States and China sought to attain better influence over others in the region? As the first research question hypothesis, Washington and Beijing rivalry in Asia Pacific are characterized through the lens of the struggle for a status of power. The United States as the existing status quo power maintains its sphere of influence and do not let any major power take over its domination status in the region. Meanwhile, accelerating Chinese geopolitical sphere of influence, while simultaneously challenging the existing status quo power becomes the characteristic of China as the ascending power. As the second research question hypothesis, Washington and Beijing implement different norms and establish institutional linkage in pursuance of maximizing of power influence over each other. Washington applies liberal-ideals norms, while Beijing applies flexible-pragmatic norms attached to their economic policy in the region. Besides enforcing norms, Washington and Beijing also establish institutional linkage with Japan and ASEAN.

*Keywords:* US-China relations, struggle for power, international political economy.

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## ABBREVIATIONS & ACRONYMS

<b>ADB</b>	: Asian Development Bank
<b>ADF</b>	: Asian Development Fund
<b>AFTA</b>	: ASEAN Free Trade Area
<b>AIIB</b>	: Asian Infrastructure Investment Bank
<b>AMBDC</b>	: ASEAN Mekong Basin Development Cooperation
<b>APSEI</b>	: Asia-Pacific Strategic Engagement Initiative
<b>ASEAN</b>	: Association of Southeast Asian Nations
<b>ASW</b>	: Anti-Submarine Warfare
<b>BTA</b>	: Bilateral Trade Agreement
<b>BOOT</b>	: Build-Own-Operate-Transfer
<b>CBTA</b>	: Cross-Border Transport Agreement
<b>CEPEA</b>	: Comprehensive Economic Partnership in East Asia
<b>CMLV</b>	: Cambodia, Myanmar, Laos, Vietnam
<b>CSG</b>	: China Southern Power Grid Co.
<b>DEG</b>	: German Investment and Development Corporation
<b>DIPECHO</b>	: European Commission's Disaster Preparedness Program
<b>EAFTA</b>	: East Asia Free Trade Agreement
<b>ECHO</b>	: European Commission's Humanitarian Aid and Civil Protection
<b>EU</b>	: European Union
<b>EWEC</b>	: East-West Economic Corridor
<b>FDI</b>	: Foreign Direct Investment
<b>FLM</b>	: Friends of the Lower Mekong
<b>FTA</b>	: Free Trade Agreement
<b>GMS</b>	: Greater Mekong Sub-Region Economic Cooperation Program
<b>IAEA</b>	: International Atomic Energy Agency
<b>IGA</b>	: Intergovernmental Agreement on Regional Power Trade
<b>INGO</b>	: International Non-Governmental Organization
<b>IPRs</b>	: Intellectual Property Rights
<b>JCPOA</b>	: Joint Comprehensive Plan of Action
<b>LMI</b>	: Lower Mekong Initiatives
<b>MRC</b>	: Mekong River Commission
<b>MPAC</b>	: Master Plan on ASEAN Connectivity
<b>NAFTA</b>	: North-American Free Trade Agreement
<b>NSEC</b>	: North-South Economic Corridor
<b>ODA</b>	: Official Development Aid
<b>P4</b>	: Pacific 4 (Brunei, Chile, New Zealand, Singapore)
<b>RCEP</b>	: Regional Comprehensive Economic Partnership
<b>RPTCC</b>	: Regional Power Trade Coordination Committee
<b>SEC</b>	: Southern Economic Corridor
<b>SKRL</b>	: Singapore-Kunming Rail Link
<b>SOE</b>	: Stated-Owned Enterprises
<b>SSBN</b>	: Small Fleet of Ballistic Missile Submarine
<b>TAC</b>	: Treaty of Amity and Cooperation
<b>TPP</b>	: Trans-Pacific Partnership
<b>TPSEP</b>	: The Trans-Pacific Strategic Economic Partnership
<b>TRIPS</b>	: Trade-Related Aspects of Intellectual Property Rights
<b>TVA</b>	: Tennessee Valley Authority



**USCREP** : U.S. – China Renewable Energy Partnership  
**USTR** : United States Trade Representative  
**WTO** : World Trade Organization

## Chapter 1 Introduction

### 1. The background of the Study

‘The Future of U.S. – Chinese Relations: Conflict Is a Choice, not a Necessity’ is title one of essay articles in *Foreign Affairs* magazine written by Henry A. Kissinger in March/April 2012 issue. Kissinger described in the article that, Sino-American relation has been increasing well in cooperation, but at the same time their level of confrontation is also accelerating. The Sino-American relations always attracts international attentions regarding their interaction in each different issue. Both countries show its cooperation and disagreement towards the traditional issues and the non-traditional issues.

There are several successful collaborations between Washington and Beijing in both traditional issue and non-traditional issue. The Iran nuclear proliferation issues could be one of the best examples from the traditional issues. Washington and Beijing worked together with each other along with other P5+1 members group dealing with Iran nuclear power. The collaboration results the Joint Comprehensive Plan of Action (JCPOA) on July 14, 2015. This plan of action set about the lifting oil and financial sanction towards Teheran and in return Teheran gives access for International Atomic Energy Agency (IAEA) to conduct monitoring its nuclear program (White House, 2015). The U.S.-China Renewable Energy Partnership (USCREP) signed in November 2009 became Washington and Beijing successful collaboration in dealing non – traditional issues. The international communities were welcome USCREP as the first and second largest emitter country in the world

(Boden, Andres, & Marland, 2015), successfully put commitment on clean energy program in the context combating global climate change.

The other noticeable Washington and Beijing cooperation is in bilateral trade that highly interconnected and interdependent toward each other. On the one hand, China is important for the United States as China is the largest foreign holder of U.S. bond. Based in the U.S. Treasury Securities in May 2013, China held 23% of all foreign holding in the U.S. Treasury and 7.9% of total outstanding U.S. debt (Lawrence, 2013, p. 33). On the other hand, The United States also becomes an important trade partner for China. America becomes a vital export destination country for China as the number of China's export to the U.S. is nearly quintupled from \$100 billion to \$467 billion from 2000 until 2014 (Wyne, 2015).

With the several examples of those remarkable cooperation between China and the United States, it proves that both states possible to coordinate and work together on traditional issues and non-traditional issues. In climate change context as non-traditional issues, their joint commitment on USCREP implies the significant political gesture by great powers to work together on global climate change. By doing so, it also creates a trigger for the rest world countries to put their commitment and focus the sustainable development program as dealing for global climate change issue. In nuclear power security context as traditional issues, JCPOA brings advantage for Beijing and Washington. For Beijing, it helps smoothing Sino-Iranian economic and trade energy relation with the lifting economic sanction clause. China builds the energy trade with Iran through the construction pipelines access from Iran to the Persian Gulf. It becomes an alternative energy supply route for China since the usual maritime routes through Malacca Straits and Hormuz Straits are quite dangerous (Ryan, 2016, p. 2). For Washington, pursuing unilateral sanction will put burden on

the U.S. itself, while the other countries like China will take advantages of such condition (The Week , 2015). Therefore, it is best option for Washington to start engaging with Teheran in constructive selective engagement by involving Chinese support under the P5+1 framework. By doing so, Washington successfully prevent Beijing as a ‘free rider’ in Iran Nuclear issue.

Regarding the interdependent relations between Washington and Beijing, it is difficult for the United States to totally cut off economic and political relation with China. Chinese President Xi Jinping stated that because China and the U.S.’ interest is interconnected, if both countries can work hand in hand, they could achieve significant tasks together that serves each national interests and also for the better world good sake.<sup>1</sup> On the contrary, if the U.S. and China are in confrontation, then the situation will develop into disharmony relation between two major powers in the world. As a result, it will affect negatively on international affairs and regional affairs. At the end, having the strong interconnected economic ties, despite balance or imbalance of their economic relations, this connection is hedging off the U.S. and China relation from falling into crisis (Ministry of Foreign Affairs of the People's Republic of China, 2014).

There are several reason behinds the U.S.-China cooperation mentioned above. Washington and Beijing has the same interests in specific cases, such as in the Iran nuclear deal to secure regional constructive stability in the Middle East through multilateral framework (CNN, 2015). Additionally, the U.S. and China have a better perspective in viewing each other government that implied in the U.S-China cooperative relations from 2001 until 2012. The United States views China as a great power that needs to cooperate with to maintain its self-image identity as *American*

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<sup>1</sup> Based on his speech on the Joint Opening Ceremony of the Sixth Round of the China–US Strategic and Economic Dialogue & the Fifth Round of the China-US High-Level Consultation on People-to-People Exchange in July 2014.

*Exceptionalism*.<sup>2</sup> Therefore, Washington under Obama Administration was reshaping international regimes start from focusing on particular issues such as climate change and nuclear weapons (Pardo, 2014, pp. 45-47). By doing so, The United States was eager to work together other great powers including China. Reciprocally, climate change and nuclear weapon also become the concerns for Beijing to work together with Washington to provide a stable international environment (Pardo, 2014, pp. 50-54). By doing so, China show that Chinese identity is a peaceful state and want to pursue harmonious world based on a multipolar basis, including work together with the United States. Overall, having a good collaborative actions in the Sino-American relations, both states as major powers show to the world that they could commit and work together dealing with various international issues from traditional issue until non-traditional one. It is also difficult neither for only China alone or the United States unilaterally provides perfect solutions for any particular international problems.

Besides some collaboration actions in Sino-American relations, both states still have some disagreements handling particular global issues such as on energy, trade, and territorial issues. Regardless the fact that Washington and Beijing have high trade interdepend relations, both states have some trade disputes recorded in Dispute Settlement Body of World Trade Organization (WTO). Based on the request registration date, there are 25 cases registered in WTO since March 2002 until February 2015 (World Trade Organization, 2015). The trade frictions between U.S. and China mostly regards to anti-dumping measures. The amount of the U.S.-China trade dispute is higher than the other countries in the Asia-Pacific region. The United

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<sup>2</sup> which purpose is maintaining and expanding the U.S. supremacy in international system through strengthening the U.S. role in international institutions (Pardo, 2014, pp. 43-45).

States' trade dispute with Japan only have 14 cases and with Indonesia registered only 7 cases (World Trade Organization, 2015, data from 2002 until 2015).

Another friction in Washington-Beijing relation in the Asia-Pacific is regarding South China Sea territorial dispute. This territorial dispute is gripping more attention after the destroyer USS *Lessen* incident. The U.S. Naval vessel, *USS Lessen*, patrolled its operation within 12 nautical miles of Subi Reef, which is also the location of the artificial land built by China in the Spratly Islands. The U.S. official stated that the *USS Lessen* operation is consistent with the conduct of freedom of navigation operation, which is also acknowledged as the international norms (Reuters, 2015). Nevertheless, Chinese foreign minister in respond to this USS *Lessen* operation called this operation as illegal action. Later, China sent its missile destroyer aircraft *Lanzhou* and patrol vessel *Taizhou* to Subi Reef area (The Japan Times, 2015).

The scope of Washington and Beijing discord happens not only limited in the Asia-Pacific, but also take places in Africa. Energy security becomes one of intervening factors that shape the U.S.-China dynamic relations in Africa. China has a high reliance on import fuel energy to fulfill its national consumption. One of Chinese fuel energy import resources locates in Sudan. Chinese quest for energy security in Sudan threatens the United States interest on Darfur Crisis. The difference in geopolitical interests leads Washington and Beijing to take a different approach to handling Darfur crisis. Due to securing Chinese oil investment in Sudan, it is a rational calculation for China to take a soft approach in pushing Sudan Government dealing with Darfur crisis without putting in danger Chinese investment in Sudan. Meanwhile, Washington asked that China should take a firm action to push Sudan Government to obey the United Nations & African Union hybrid peace plan towards

Darfur crisis. As a result, the United States complained toward Chinese soft approach toward Sudan, (Shinn, 2007).

Trade disputes, energy security, territorial claim are only a few frictions that flare up the U.S.-China rivalry relations. One of the reasons for those conflicts occurs because of the contested geopolitical interests and the lack of trust between of two states. These two factors lead into the disharmony of Sino-American relations in the global order. China's aggressive expansion on territorial issues makes the US suspicious and alarmed. China's foreign policy is emphasizing strongly about the principle of sovereignty, stability, and territorial integrity as China's core interest (Legro, 2007, pp. 525-526). Beijing aggressive action in the South China Sea, and then added with the increasing its national military budget, it is quite bothering Washington's interest in the region. If China and the United States could not value what they had achieved on their cooperation framework and adding with 'trust deficit' (Hu, 2015, p. 45), it is hard to say that Washington and Beijing will have a better great power relations in the future time.

Hence, this thesis will analyze Sino-American relations characteristics based on their utilization of economic influence power capabilities in development and trade sector in the Asia-Pacific. In the context of development, this thesis will discuss in the U.S. and China involvement in the Mekong Development start from the 1990s until 2016. In the context of trade, this thesis will examine the ongoing regional trade regime negotiations, since there is a significant development of free trade agreement (FTA) proliferation in the region in the early 2000s (Dent C. , 2013, p. 1). The United States. and China have been sponsoring the proliferation of FTA in the region significantly since 2000s. The latest proliferation of free trade agreement in the regional framework in Asia Pacific is Trans-Pacific Partnership (TPP) that has been

sponsored by the United States and Regional Comprehensive Economic Partnership (RCEP) that still under negotiation and mainly sponsored by China. The rivalry interaction between the U.S. and China in engaging the Asia-Pacific countries is interesting to be examined in depth especially from international political economy dynamics. Therefore, this thesis will emphasize the analysis of the U.S.' economic commitments in TPP and also Chinese commitment in RCEP as the part of great powers strategic rivalry areas.

Another interesting economic aspect but barely noticed by public in Sino-American rivalry in the region is the Mekong Development. China started its economic cooperation development in the Mekong sub-region in 1992 with the assistance from the Asian Development Bank (ADB) in the Greater Mekong Sub-Region Economic Cooperation Program (Asian Development Bank, 2011, p. 3). Meanwhile, the U.S.' economic foreign policy with development focus in the Mekong sub-region started with the establishment of Lower Mekong Initiatives (LMI) in 2009. With the big gap of starting active engagement period dealing with the Mekong development, it is very challenging to examine more deeply about the U.S. and China strategic rivalry in development issue.

## **1.1 Significance of Study**

Generally speaking, the phenomenon of Chinese rising economic power and the utilization of it for gaining the geopolitical leverage makes China labeled as the ascending power in the Asia-Pacific. The constant and active presence in Beijing in the region makes worried the United States as status quo power. As a result, the United States decides to react toward the potential rival from the ascending power,



China. By doing so, Washington decides to return to the Asia- Pacific as a counter balance policy of the rising Chinese power.

The previous background explanations have mentioned and discussed regarding the Sino-American relations, in cooperative and confrontation context. However, there is still a lack of comprehensive study that focuses on the utilization of power influence of China to gain more power status in the region. China salient power presence in the Asia-Pacific shows in the Mekong sub-region and Asian-centered regional economic integration. Therefore, this thesis focus on analyzing Chinese power influence presence through the Chinese economic development assistance in the Mekong and the creation of ASEAN-led FTA framework, Regional Comprehensive Economic Partnership (RCEP). As a result of the consistency of Chinese active power influence presence, the United States decides to counterbalance its potential rival power through coming back to the region. Washington's counter balance policies involve the economic assistance program in the Mekong and leading regional trade regime of the Trans-Pacific Partnership (TPP).

By analyzing Sino-American rivalry relation in these study case of economic development agenda and trade agenda, there are some advantages by studying these two study cases. First, analyzing in details of Sino-America rivalry makes possible to identify the appropriate characteristic of the current major power relations in the context of trade and development issue. Secondly, since this thesis is focusing on strategic rivalry interaction between two existing great powers, it helps to identify and anticipate the possibility of 'the Thucydides traps' as the major assumption character of great powers rivalry in the International order. Thirdly, the chosen of two study cases itself have significance. For the Mekong Development, only a few scholars that discussed deeper about it, most of them only took a point of view of the importance of

development aid towards the recipient Mekong countries. However, fewer scholars discussed from the larger scope point a view, such as strategic rivalry arena for the great powers, in seeing the Mekong Development. Also, TPP versus RCEP issues becomes a trending topic of discussion since the significance involvement of the United States and China. Therefore, by discussing deeper of these two study cases with the point of view of great power rivalry will bring a different perspective in seeing the great power rivalry interaction, one from not quite common study case of the Mekong Development and the other from a quite common study case of the ongoing regional trade negotiation.

## **1.2 Organization of the Thesis**

This thesis will conduct in several chapters. The Chapter I Introduction will highlight the background issues between the United States and China in the global arena that become the reason for conducting this research. It consists of a background of the study, significance of research and organization of the thesis. Chapter II Literature Review will examine the previous international relations (IR) scholars' research related to Sino – American relations. It starts with focusing on Sino – American relations in the global arena, Washington's policy behavior towards Beijing, and then Beijing's strategic options towards Washington. After reviewing past literature of IR scholars, the critical assessments will explain later. At the end of this chapter, the research questions of this thesis will be drawn. Chapter III Conceptual Framework will discuss the conceptual framework as the analytical point of view in examining study cases in this thesis. There are three major International Relations' theory concepts that will apply as the analytical tool assessing the

empirical evidence in the study cases, the realist theory concepts, the constructivist theory concepts, and the neo-liberal theory concept.

Chapter IV The Mekong Development will focus on discussing the empirical findings in proving the two research questions of this thesis in the context development agenda. It consists of several sub-chapters that divide into several periods of time. It starts with the discussion of Chinese commitment to the Mekong Development before the 2000s, between 2000 – 2009, and after the 2009s. Then, examining the United States' engagement in the Mekong Development before 2009 and after 2009. Then, Chapter V TPP *Versus* RCEP will explain on the discussion of the empirical findings in proving the two research questions of this thesis in the context trade agenda. Starting with the United States' involvement in leading TPP negotiation and followed by Chinese involvement in leading ASEAN-led RCEP negotiation. Time limitation of discussing the regional trade deals is only describing U.S. leadership under Obama administration, which ended in the beginning of 2017. Since all these regional trade deals is still ongoing, then at end of each TPP and RCEP sub-section author will add the future glimpse of each trade deals. Chapter VI Conclusion will reflect on the empirical findings of this thesis compared to these thesis hypotheses of the research questions. Also, the end of this section will expose a recommendation for future studies in the context of Sino – American relation interaction.

## **Chapter 2 Literature Review**

### **2. Introduction**

This chapter examines some international relations (IR) scholars' researches related to Sino-American relations, which are cited from various resources, including international relations academic journals and books. There are three main discussions in reviewing the United States – China relations. It starts with focusing on Sino – American relations in the global arena, Washington's policy behavior towards Beijing, and then Beijing's strategic options towards Washington. After reviewing past literature of IR scholars, the critical assessments will explain later. At the end of this chapter, the research questions of this thesis will be drawn.

#### **2.1. The United States – China Relations in the global arena**

Friedberg (2002) explained that the global threat of terrorism, which put every state work together including Washington and Beijing against terrorism as the common enemy, could not permanently bring Washington and Beijing gets closer. The thesis of the collaboration against global war on terrorism only creates superficial improvements in Sino-Americans relations since there are deep-rooted problems between them, including human-right issues, the proliferation of weapon of mass destruction technology, and arms sales to Taiwan. All of those military matters contribute profound distrust between the United States and China that later create Sino-American strategic rivalry and ameliorate significance of their limited cooperation on the global war on terrorism. In line with the Sino-American superficial interaction improvements, Xueting (2010) also described Washington and Beijing

relations as "superficial friendship."<sup>3</sup> As their cooperation only happens on the surface, the actual relations between United States relations and China is more proper explained as full of instability relations. It is due to involving fewer common interests (such as denuclearization of North Korea missile program) compared to conflicting and confrontational interests (such as Chinese exchange rate and trade surplus, maritime control of the South China Sea and the Yellow Sea, and global leadership). The lack of good will from both government and mix with various unfavorable interests has deteriorated their relations ever since.

Addressing the prospect of cooperation relations between Washington and Beijing, Evans (2011) explained that the possibility of the United States and China collaboration and future peace in Asian geopolitics is vulnerable. Since Asian geopolitics is coloring by strategic rivalry and balance of power between Washington and Beijing, especially naval power balance in addressing maritime issues in the region. Also, the possibility of miscalculation in their balance of power race will make the region closer into "the tragedy of great power politics" scenario. Also, Goldstein (2013) also examined maritime issues as the most plausible the factor that would trigger the United and China into serious crises. The current maritime issue affects China and the United States to improve their submarines forces. China develops its small fleet of ballistic missile submarine (SSBN's), and the United States balances it with undersea antisubmarine warfare (ASW). This balance of power significantly accelerates the risk of instability in the U.S.-China rivalry relations but not enough yet shifting to war-fighting mode. If there is a possibility of crisis

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<sup>3</sup> Superficial friendship is a terminology that invented by Yan Xuetong (2010) to explain the US – China relationship. Superficial friendship refers to two states relations that have more common favorable interests compared to unfavorable benefits on the surface actually in the reality they have more opposed interests than mutually beneficial interests (Xuetong, 2010, p. 280). The inconsistent good will from Washington and Beijing and different page of national interest make the United States and China take the policy of pretending to be friends, neither being friend nor enemy (fei di fei you).

escalation in the future, it will be limited by the power asymmetry in conventional and nuclear power relations between Washington and Beijing. The United States military power capabilities still outclasses Chinese power capabilities. In the meantime, both states need to pay attention on the potential conflict issues that create Sino-American instability relations. It is better to handle those issues while the danger of them is at minimum level.

Besides the balance of power between Washington and Beijing, the idea of open war power transition between the United States as the dominant state and China as the rising challenger keeps coloring Sino-American relations in the global arena. However, Chan (2004) argued that the implication the power transition theory in the United States-China relations in the context challenging the status quo through the war with China as the revisionist rising power is less likely since it only lays more on ideational construction. Also, the one that initiates the preventive war avoiding power transition scenario should be the declining dominant power, the United States, not from the rising power, China. Therefore, the idea of power transition scenario in Sino-American relations only based on weak evidence and unfounded anxiety. Regarding the ideational construction of power transition scenario in Sino – American relations, Beeson and Li (2015) also argued that the rising of China and the U.S. declining power influence give an opportunity for hegemonic power transition that involving transition in the ideational realm. They argued that ‘Beijing Consensus’ led by China as the translation of promising economic development in the future, will replace ‘Washington Consensus’ as the existing economic development modeled by the United States. However, the possibility of hegemonic transition between Beijing Consensus and Washington Consensus is still skeptical since the limitation of technology innovation in ‘Beijing Consensus’ model. As a result, it creates doubt

regarding the sustainability of 'Beijing Consensus' itself. The power shifting in the ideational realm will not break out yet in the near future since Washington always survive dealing with world crisis including the greatest economic depression in the 1930s. Hence, 'Beijing Consensus' should consider this fact on 'Washington Consensus' strong experience dealing with world crisis, if it wants to replace 'Washington Consensus' as the most powerful idea.

## **2.2 Washington foreign policy towards Beijing**

The United States response towards the rising Chinese influence presence in Asia Pacific is the next critical literature to review. Sutter (2010) explained that Sino-American relations in the first decade of the twenty-first century reflects the dualism pattern that leads Washington to apply contingency planning and hedging against Beijing. Being suspicious towards Beijing intentions and interests pushes Washington to use 'Gulliver strategies'<sup>4</sup> toward the rising of Chinese influence. As the result of China is getting more assertive, Washington continues to encourage Beijing to behave as 'responsible stakeholder' in the international system and also maintaining the US strength and influence in the region. The United States under Obama administration tries to balance Chinese rising power influence by applying engagement strategy concerning security, economic, government engagement and Asian contingency planning, and non-government engagement and immigration.

Additionally, in addressing suspicious intentions of rising Chinese power, Shambaugh (2010) argued that the United States hedging strategy policy needs to be re-assured to respond to the rising of Chinese power adequately. There are several

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<sup>4</sup> Gulliver strategies refer to the policy that is designed push back aggressive, assertive of other power [Chinese assertive behavior] through the interdependence relations at bilateral and multilateral level.

issues that Washington re-examines its strategy to deal with China. In the context of dealing with Chinese state-led economy that brings problems to the U.S. business, the United States needs to work together with other states and international institutions imposing fair business competition in the Chinese market. In the context of dealing with Chinese rising military power, Washington needs to get rid of its offensive 'war-fighting scenario' against China due to it only lead into 'security dilemma' paid off for both sides.

As the response of rising Chinese influence, the United States under Obama administration committed to the 'return to Asia.' Kuik, Idris and Nor (2012) collectively argued that the United States' 'return to Asia' policy is the symbol of the US hedging strategy by emphasizing re-orientation of Washington's new direction in Southeast Asia. The grand design for 'Return to Asia' policy is mainly aiming for pushing back and hedging<sup>5</sup> against the US potential rival, China, by using its alignment and strategic assets in Asia, including ASEAN. In practical terms, Washington tries to do the balance of political influence among ASEAN states, as Southeast Asia region becomes the center of rising Chinese influence. By doing so, Washington aims to minimize Chinese aggressive behavior by enhancing the U.S. stayed-power presence diplomatically and militarily without directly targeting China.

Saunders (2014) pointed out that there are three approaches of Washington 'Return to Asia' policy including diplomatic engagement, economic engagement, and security engagement. By increasing the number of the United States government official visiting in the Asia-Pacific Countries is one of the United States' attempt to diplomatically engage the region. Fulfilling national economic commitment that

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<sup>5</sup> According to Kuik, Idris, Nor (2012), Hedging strategy is the opposite of pure balancing strategy, which the best applied under the high stakes and high uncertainties condition between state actors. Hedging is implemented by big countries or even small countries to achieve its long-term national interests by pursuing deterring action and also cooperative action toward the rival countries.



targets the acceleration of U.S. exports between 2010 and 2015, then Washington decides to join TPP as a strategic choice to expand the U.S. trade into the regional economic market and also the way of Washington to economically engage with the region. Maintaining military access to the region through emphasizing military access agreements and conducting military exercises together with the U.S. allies demonstrates Washington military engagement commitment to stay and protect the region. All of these engagements are responding to the rising assertive China behaviors in the region, primarily addressing assertive Chinese policy in the maritime issues.

### **2.3 Beijing's strategic choices towards Washington**

Since the United States becomes the superpower after the collapse of the Soviet Union during the Cold War, China keeps trying to fit itself into the new international order led by Washington. Qingguo (2005) mentioned that China experienced difficulty in restoring its diplomatic relations with Washington. Clinton administration pushed Chinese government to improve its human rights record. If China could not to do so, Washington will invoke Chinese Most Favored Nations (MFN) status. Furthermore, Chinese public was shocked and furious with the incident of the U.S. bombing Chinese Embassy in Belgrade in 1999. The U.S.-China relations under the Bush administration were also not going friendly due to E-P3 Incident in April 2011, which accelerated mistrust between the two states. Beijing's current strategic policy towards Washington is seeking a peaceful environment for its domestic growth by enhancing cooperation and minimizing conflict with Washington. However, China will continue this policy only if Washington does not treat China as a

dangerous enemy and both states could effectively handle the Taiwan problem. Then, it is possible for China work together with the United States.

Yong & Moore (2004) stated that Chinese strategic choice in the middle of interdependence era is designed to make Beijing richer while at the same time reducing international fears of its fast-growing Chinese material power. Therefore, Beijing offers the other countries a more cooperative of inter-state competition, which elevates Chinese chance for its peaceful rise. However, Beijing grand strategy concerning Washington's policy is different. Chinese strategy is not applying a straightforward approach against the United States but more careful dealing with it. It is because Chinese perception on the United States that Washington put many disadvantages for Chinese interest. Hence, Chinese grand strategy uses the economic interdependence with Washington as a de facto strategy for controlling the United States

Furthermore, Gries (2005) mentioned that rather than choose between applying balancing<sup>6</sup> or bandwagoning<sup>7</sup> policy toward the United States, China chooses to apply the strategies of *bargaining*, *binding*, and *buffering* in the middle of the current complex and interdependent world order. For Chinese perspective, it is impossible for Washington to control and handle all international issues even with its unilateral military preeminence in the middle of complex interdependence world order. Then, China applies *bargaining* strategy that includes logrolling, divide-and-conquer strategy, and 'threatening-to-withhold-cooperation' policy to work together with Washington in handling major international issues. China also involves *binding* approach in institutional organizations in the term of delimiting the exercise of the US unilateral dominant power. China becomes a major supporter in pursuing Asian

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<sup>6</sup> Policy strategy aims to seek alliances in order to counter the dominant power (Gries, 2005, p. 401).

<sup>7</sup> Policy strategy aims not to oppose the dominant power but seek to support the dominant power in return for favor position (Gries, 2005, p. 401).

regionalism that excludes the presence of the United States as the translation of applying *buffering* strategy against the United States.

#### **2.4 Critical Assessments on overall literature review**

In light of overall previous literature reviews that already discussed the Sino – American relations and how each country responds towards each other policy, there is research gaps that need to be fulfilled. In the context of Sino-American model of relations, Friedberg (2002) and Xuetong (2010) addressed that Sino-American strategic rivalry happened due to the lack of political will and having profound distrust between Washington and Beijing. According to realist assumption, it is hard for the state to measure other state intentions, especially when the other states keep increasing its power. Hence, being doubtful towards other great powers intentions that keep increasing its power capability is a rational action for states to take to survive in the international anarchy system. The profound distrust between Washington and Beijing might be playing a role as a part of being doubtful towards each other intentions.

Having said that, I think there is another factor that needs to address at first to make easier understanding Sino-American strategic rivalry than applying the distrust issue. We need to identify the type of status power of Washington and Beijing at first place. In my opinion, it is important to categorize at first the power status of the United States and China, which I believe is status quo power for Washington and ascending power for China. Since they have different power status, it also means that they have a different strategic objective to pursue. This kind of differences in power situation and clashed-strategic objectives that I believe have a more significant

contribution in explaining Sino-American strategic rivalry in the global arena. The power status differences and the clashing objective goals between Washington and Beijing also bring the future cooperation possibility for both sides also seems skeptical as I agreed with Evan (2011) and Goldstein (2013) arguments.

Furthermore, I slightly disagreed with Chan (2004) and Beeson and Li (2005) argument in addressing the weak possibility of power transition between Washington, as declining status quo power, and China, as the rising power. According to Power Transition theory, power transition process is possible and must be anticipated especially for the status quo power. As the rising great power keeps accelerating its power capability, the status quo power should be deterring the ascending power and do not let them reach power parity status. Once the rising power reaches the power parity, the power transition conflict is inevitable. Therefore, the United States is necessary to address this power parity possibility from the revisionist power, China, by trying to deter the expansion of China power capabilities and influence as Chinese ascending power capabilities will challenge the current orders to some extent.

In addition, I acknowledged the past literature discussion by scholars in the context of Washington policy towards China and vice versa, might be suitable according to the authors' given problem context as stated in the past literature. However, all of those policies and strategies based on direct and empirical issue findings without much in-depth discussion from theoretical perspectives. Therefore, it is necessary to fulfill the theoretical research gap about the great power strategic means applied by Washington and China that lead them to adopt certain policies and commitments to each other power status. As a summary of those critical assessments, here is the table 2.1 try to simplify the previous explanation, as follow:

**Table 2.1 Literature Gaps & Proposed Solutions**

Category of Issue	Literature Gaps	Proposed Solutions
Sino-American relations	<ul style="list-style-type: none"> <li>Over discussion on each other intentions that lead into mutual distrust and lack of political will as the main reason Sino-American strategic rivalry</li> </ul>	Develop conceptual framework that apply categorization type of power status for Washington and Beijing as the basic requirement to determine each strategic objective. Later, it will contribute to easily find the reason behind Sino-American strategic rivalry relations.
Washington's and Chinese strategy towards each other	<ul style="list-style-type: none"> <li>Few details in explaining theoretical concept approach as a based policy taking by each states.</li> <li>Few details in explaining the significant result of US and Chinese strategies against each other power influence</li> </ul>	Develop the conceptual framework that applies independent variables that determine the character the U.S.-China rivalry interaction as dependent variables. As an example of independent variables: <ul style="list-style-type: none"> <li>U.S. objectives in pursuing strategic rivalry</li> <li>The US means to attain those goals.</li> </ul> As the dependent variables is the significance result of the United States' strategy in winning the U.S.-China rivalry.

**Source: (Author, 2017)**

The past literature mostly touched upon few discussions on development and trade rivalry in the particular region. Therefore, this thesis commits to examining further regarding those specific issues in the Asia Pacific. Through discussing the effort in establishing trade regime and involving in the development issue, Washington and Beijing are assumed trapping into the circle of strategic rivalry in the region. The United States as dominant power apply appropriate means in countering the rising of Chinese influence that endangers the United States' interest position. Meanwhile, China keeps accelerating power capabilities to attain its national objectives that in some extents disturbing Washington's power status and interest. This condition tapers Sino-American strategic rivalry in the region. From now on, to

find the characteristic of the U.S. and China competition interaction in the Asia-Pacific, this thesis will be written based on an eclectic approach. Therefore, this thesis will elaborate the existing international relations theory and conceptual frameworks as the primary analytical eclectic approach to identify the characteristic of political economy rivalry relations between Washington and Beijing in Asia Pacific.

## **2.5 Research Question**

As a result of reviewing the previous literature and finding the literature gaps, this thesis will try to answer the following research questions, as follow:

1. How have the United States and China characterized their rivalry in the Asia-Pacific?
2. How have the United States and China sought to attain greater influence in the Asia-Pacific?

## **Chapter 3 Conceptual Framework**

### **3. Introduction**

This chapter will discuss the conceptual framework as the analytical point of view in examining study cases in this thesis. There are three major International Relations' theories concepts that will apply as the analytical tool assessing the empirical evidence in the study cases. In the beginning of discussion, the realist theory concepts will be used to address the geopolitical objectives of the United States and China's interest in the Asia Pacific. The realist assumptions of national interest, power status (status quo power and ascending power), and power transition has been chosen to describe the two countries mutual-geopolitical objectives in the region. Then, the constructivist theory will apply in explaining the concept of norms in the context of achieving Washington and Beijing realist objective in the region. In addition, neo-liberal theory assumptions of institutional linkage as the way to create cooperation and lowering the possibility of conflict among the states are also used as institutional balancing means to achieve the realist objectives by the United States and China. Lastly, the discussion of research methodology will examine at the end of this chapter.

#### **3.1 Rivalry for the greater sphere of influence as the objectives**

The classical-realist scholars like Hans Morgenthau (1948) mentioned that world politics is profoundly influenced by human nature that is always living in competition towards each other. Neibuhr (1964) also argued that insecurity and

anxiety are the binding nature of man that always led them into seeking for power situation. Therefore, every man is a rival to every man, which always contentiously suspecting each other intention as the natural posture of rivalry. Later on, neo-realist scholars like Waltz (1979) mentioned that international structure systems, which are decentralized and full of anarchy, become the prominent character in the world politics not the nature of human. Therefore, the international anarchy structure is the one that forces the states in seeking its survival among other states. Maintaining survival becomes the primary state national interest to be fulfilled before want to achieve any other national goals. By explaining the effect of the structure into the state behavior as an outcome in world politics, neo-realism rejects the classical realism main assumptions that the human nature is the primary factor in explaining why state involves in the struggle for power through going to war (Waltz, 1988, pp. 616-617). Since neo-realism is focusing on defining and explaining the role international structure systems rather than individual level of analysis, neo-realism is also well-known as structural realism.

There are offensive realism and defensive realism in the neo-realist theory. Mearsheimer (2001) on offensive realism argued that international anarchy structure makes states always search for maximizing and gaining more power over their rivals and should do anything feasible to achieve hegemony as their ultimate goal. By being and maintaining hegemony is the best way to guarantee of survival. The different approach from the offensive realist, the defensive realist assumed that by always maximizing and balancing power over other states power capabilities is counterproductive. It is because increasing power capabilities may not guarantee their ultimate goal of maintaining survival since the fact when one state maximizes its power, then its rival also accelerates its power capabilities. States should selectively



categorize the rising power between the enemy and the ally to survive in the international anarchy system. Evera (1998) argued that states should apply the offense-defense policy to control the dangers of states aggressive behavior. By doing so, states need to maintain offensive power as a deterrence that can be used in the time of war and at the same time also keep defensive power by forming balancing alliances against its rivals. Since the level of analysis in this thesis is the role of the state in maintaining its power status, hence neo-realist theory assumptions and concepts will be more widely applied and chosen compared to the other types of realism school approach in examining the empirical evidence of this thesis.

The role of states plays an important part in decision making foreign policy as neo-realist belief. The state needs to achieve and maintain its national interests under international anarchy system, which there is no authority above states to control states behaviors in international level. States' primary national interest is to guarantee their survival against other states. Ensuring states survival becomes the precondition to achieve other state national goals. To securing its national interests, states rationally maximize its power capabilities in the context of maintaining its power status in international structure. As a result, states will always look for gaining more power capabilities compared to other states to give power assurance toward itself and its allies. The concept of power here refers to tangible power and latent power. The tangible power capabilities are related to states' shared global military force. Meanwhile, the latent powers are related to states' global wealth and the size of its population. The correlation between these two types of power is that the latent power helps to preserve economic-social primacy to support back the tangible military preeminence (Mearsheimer, 2013, p. 72; Wesley, 2015, p.482). As Mearsheimer (2001) mentioned that 'the stronger a state is relative to its potential rivals, the less

likely it is that any of those rivals will attack it and threaten its survival', hence being more powerful than its potential rival becomes the rational option for every state. By having more powerful capabilities over other states, the states sustain its survival under to choose in the context to maintain their survival in the international self-help system. Since the states are going to compete toward each other to show who is the powerful one and they also feel insecure regarding each other intentions, these condition incline in creating strategic rivalry among states, especially among great powers (Mearsheimer, 2013, p. 71).

Strategic rivalry between status quo power and ascending power is inevitable in the context of hegemonic power transition. Hegemony refers to international system situated in strategic rivalry between great powers that have unbalanced power capabilities between the opposed dissatisfied major power against the hegemonic power (Wallerstein , 1983, pp. 101-102). In hegemony strategic rivalry system, Mearsheimer (2001) explained that the regional hegemony as a status quo power always tends to anticipate any potential hegemony power [ascending power] to replace their power status that might dangers to its survival. It is inherent that as a status quo power does not want any rising power to overthrow its power status. Regional hegemon prefers to have at least minimum two great powers located in the same regions as their proximity will provoke them to compete against each other, rather than compete with the regional hegemon located in far distant regions. If the local great power in that region were unable to contain the rising power, then the sole regional hegemon from other region will take appropriate measures by acting as 'offshore balancer' to deal with the threatening potential hegemon [ascending power]. Cheng (2016) also argued that power transformation attempts, which aim for status quo-oriented foreign policy, only happen between a first-rank power [status quo

power] and a second-rank power [ascending power]. At the end, the subject the subject involved in power transition process only between the status quo power and the ascending power.

Since the subject of strategic rivalry is status quo power and ascending power, there are some definitions of status quo power and ascending power. A.F.K Organski and Jacek Kugler (1980) categorized status quo power as the dominant power state, which refers to the most powerful state in the world. He mentioned also that the United States holds the current status quo power, however China perhaps could be the one in the future. The status quo power has a superior position in influencing the behavior of other states, has a contribution in designing and has greater privilege in benefiting the current world order, and only wants to share small portion of its geopolitical opportunities of current world order with 'newcomers' [ascending power country]. Meanwhile, they categorized the ascending power country as the challenger power country that still less powerful compared the status quo power but keeps accumulating its power resources to take over the power level of dominant power since they believed that being a dominant power will bring them greater benefits and privileges. Wellerstein (1983) explained that strategic rivalry is the part of interstate system happened among great powers that refer to major powers as de facto dissatisfied client states [ascending power] aims to oppose against the hegemonic power [status quo power]. He also explained that there are three examples of hegemonic power in the world include the United Provinces ruled in the mid-seventeenth century, the United Kingdom ruled in mid-nineteenth and the United States in the mid-twentieth. All of these hegemonic power had proven that they dominated hegemonic role in economic aspects, ideology aspect, and global military force. However, the hegemonic situation led by status quo power in all of these three

elements never last long. Each status quo power showed a declining its hegemonic influence, such as Great Britain in 1873 and now the United States has started to lose its hegemonic influence. In line with Wellerstein's argument on the declining role of status quo power, Chan (2008) also explained that it is normal process for 'states rise and fall in their international status.' Since the ascending power as a 'rising dissatisfied challenger' will compete and challenge the status quo power as 'the declining satisfied hegemony'.

Summing up the previous definitions of states national interest and concept of status quo power and ascending power in the context power transition, the state national interest refers to guaranteeing its survival in the middle of the hegemony power transition process attempt. The meaning of survival here is that the states need to secure its power status to survive in the international anarchy system. By doing so, one way of states to secure its power status is by exerting and expanding its power influence. The important of expanding power influence since it is the part of state latent power capabilities, which in the end will support the preeminence of its military power status.

Since the state interest is for maintaining power status survival by accelerating its latent power and military power, then status quo power as the most powerful state and ascending power as the second rank powerful state could significantly afford to accelerating both latent and military power capabilities at the same time. Hence, it is also only the status quo power and the ascending power that can afford to be involved in the hegemonic power transition. As most powerful and dominant state, the status quo power always been anticipated towards an ascending power country as it categorized as its potential rival. The characteristic of status quo power involves preserving its superior influence over other states and designing the 'rule of the game'

of the geopolitical order in a view to take the most advantages of it. Meanwhile, the ascending power refers to the rising great power country that has lesser power capabilities compared the status quo power but in strategic context will challenge the status quo power existence. Ascending power has characteristics to keep gaining its power resources for gaining greater strategic benefits for its sake in world politics. Even though the current ascending power has lesser power capabilities, but once its power comes in parity with the status quo power, then the power transition against the status quo power is inevitable.

The Asia-Pacific region becomes an open space for the 'proxy tussle' rivalry between the United States as the status quo and China as the ascending power. The strategic rivalry between Washington and Beijing is centralized over maximizing effort to exert their influence towards other third parties through intensive military, economic and technology competition. By doing so, it will determine the outcome of greater power's sphere of influence in the region (Friedberg, 2011, p. 182; Johnston, 2003, p. 6). However, this thesis focuses on a discussion on an economic-diplomatic aspect of development and trade competition influence between Washington and Beijing in the region. As already mentioned above, economy wealth becomes a latent power that plays crucial role in exerting power influence over other state and later support the preeminence of state military power. Even though, military capabilities still significance and cannot be omitted, preserving economic primacy also needs to be secured in the region as a way to drag more prosperity, which later will back to support the military preeminence in the region (Wesley, 2015, p. 482). Therefore, this thesis will emphasize on how the U.S. and Chinese economic power influence control over the Asia-Pacific countries as a way to winning their strategic rivalry in the region.

Furthermore, the Asia-Pacific currently experienced the rapid economic changes dominated by Chinese economic power influence. Washington is getting worried about the Chinese power influence in the region and decides to do balancing into the region. By doing so, Washington and Beijing prominently accentuates the balance of power game for sphere influence in the region (Ikenberry & Mastanduno, 2003, p. 2). The translation of this balance of economic power influence between Washington and Beijing should be articulated as part of securing broader security agendas that will contribute to the scheme of geopolitical influence rivalry in the region (Higgott, 2004, pp. 160-164). As a result, international political economy agendas between Washington and Beijing that used for the balancing sphere of influence rivalry in the region becomes the core of interest discussion in this thesis.

The current position of the United States hegemony influence has been weakening in regard with its balancing power influence capability against China as the ascending power in the region (Christensen, 2006, p. 105; Campbell and Andrews, 2013, p.2; Freise, 2012. p.3, Overholt, 2008, p. 243, Reich and Lebow, 2014, p.3). Chinese ascending power is currently accelerating its power influence in the region. In responding toward the salient ascending influence of China, the United States targets to prevent any reversal in the existing power relations and maintain Washington hegemony status in world politics against China by minimizing the risk of open war attached to this target (Meijer, 2015, p.7). By doing so, Washington as status quo power intends to widen its sphere of influence to dictate the behavior of other countries and designs the 'rule of the game' to get privilege benefit in the existing international order (Organski & Kugler, 1981, p. 19-21; Johnston, 2003, p. 9). As a result, the United States rationally counterbalances against Chinese influence

by ‘encircling’ Chinese influence area basis to halt China growing political and economic influence in Asia (Zhengyuan, 2013, pp. 111 - 112).

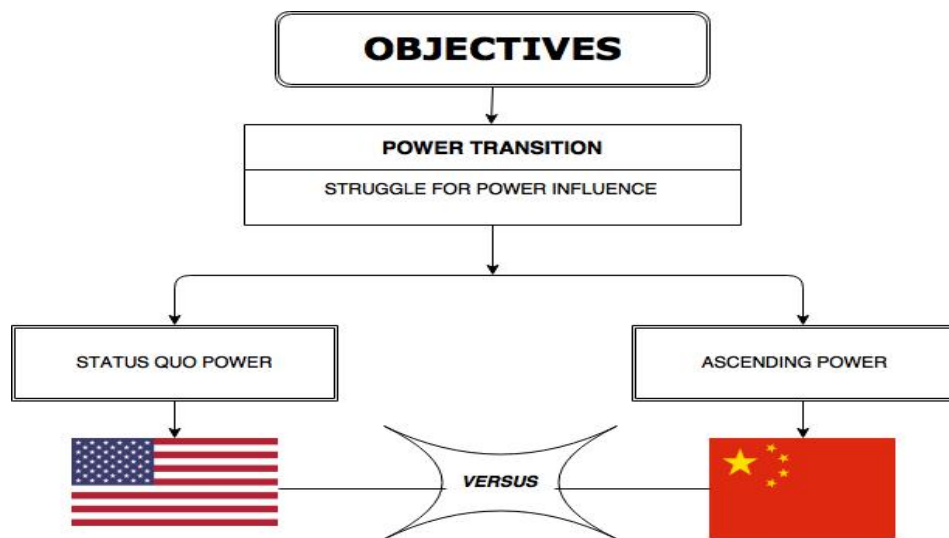
As the ascending preponderant power, China is looking for international power status since mid-1990 along with accelerating its economic wealth capabilities in the region. As China’s power influence accelerates in the regional and international level, it inherently will seek to strengthen its bilateral and regional relations with other states [in the context of exerting its power influence]. Since the basis of Chinese rising influence is sourced from its economic wealth, then the more Chinese economic wealth grows, the more influential Chinese position in the world politics (Cheng, 2016, pp. 139, 156, 184). Furthermore, the more significant Chinese power influence position, the more China’s expectation for greater international respect (Deng, 2008, pp. 8 - 9). In the end, this kind of logical assumption will jeopardize the United States power position as the status quo power of the current international order.

In challenging the United States as the hegemony, China tends to exert its economic diplomacy for greater influence in the context to dissuade its neighbor countries to get closer to status quo power. By doing so, China’s objective is to encourage its neighbors action in favor with Beijing interests rather than Washington interest in the region (Friedberg, 2011, p.200). However, in the way of challenging the status quo order against Washington, Beijing tries to avoid direct confrontation towards Washington within its lead-liberal international order. Therefore, China keeps being ‘low-profile’ while at the same time consolidating enough leadership power to establish a new world order of global harmony starts from expanding its influence expansion in regional in order changing the ‘western-dominated world order’ led by the United States (Deng, 2008, p. 54). By doing so, China actively involves in a various regional institution as showcase its leadership role at the regional level, which

it would be a sound basis for practicing its major power leadership role at the global scale later (Cheng, 2016, pp.14,35,187).

The illustration hypothesis of the first research question regarding Washington and Beijing strategic objectives in their rivalry structure in Asia-Pacific conceptualize as the diagram below:

**Figure 3.1 The Strategic Objectives of the United States and China**



**Source: Author, 2016**

**Figure 3.1** shows the strategic objective framework by of the United States as status quo power and China as the ascending power. Washington and Beijing are involved in the same strategic goal of the struggle for power influence in the context of power transition. This strategic objective provokes their foreign policy actions to perform their power capabilities such as forming regional institutions to exert the better power of influence over each other. Washington, as the status quo power, tries to preserve its superior power influence over other states in the region to show the ascending power that the United States is not welcoming any power transition attempts initiated by the ascending power. Beijing as the ascending power keeps accelerating its power



influence over other states in the region, which in some contexts challenge the declining dominance of status quo power in the region.

### **3.2 Applying Norms and Expanding Institutional Linkage as the means**

As already explained above, the first analysis of answering the first research question is the United States and China's rivalry behavior towards each other as the prolongation of states' interest to struggle for power status in the anarchic international system by applying neo-realist concepts. Then, this subsection focuses on answering the second research question about explaining states' strategic means to achieve states' interest of maintaining power status by using constructivist's concept of norms. By saying so, this subsection focuses on explaining on the strategic means that Washington and Beijing use to achieve their neorealist objective of struggling for power status. The first strategic means is by using one of the constructivist concepts, the application of norms. The second one is through neoliberal concept of institutional linkage with other states. By borrowing the ideas from constructivism and neoliberalism, applying norms and expanding institutional linkage becomes a strategic means for Washington and Beijing to address their strategic rivalry in the region.

According to constructivism, states behavior deals with the social construction to achieve their interest in international order by forming identity (identity of themselves and others) and applying shared knowledge (including beliefs, norms, cultures) (Hurd, 2008, pp. 312-313). The concept of identity and norms as the determining factors in states behavior is equally important. However, the concept of identity is quite exclusive for every state to have and apply it. It might be only several

countries explicitly said to have particular identities that differentiate them from any other states. Meanwhile, the concept of norms is more inclusive to be applied by all the states since it is the part of states' shared knowledge, which means that all of the states have and use the norms as the standard practice of the state. As a result, this thesis takes into account the application of norms than the concept of identity to explain states behavior achieving their best interest in the international order.

Constructivist emphasizes more on the 'logic of appropriateness' than 'logic of consequences' since it helps to explain on how state constructs social norms influence its behavior and interest among the states (March and Olsen, 1998, as cited by Slaughter, 2011, p.4-5). Finnemore (1996) also agreed that states interests and behaviors are deeply influenced by the socialization of norms, rules, and political ideas at the international level. As the socialization of norms plays an important role in influencing state behavior, then it is rational for powerful states like Washington and Beijing to socialize their norms as a strategic means for gaining a better power influence over other states, especially over less powerful states. When other states behavior is in line with the norms introduced by one of the powerful states, then it indirectly means that those states accept the legitimation of that powerful state.

If powerful states want to be labeled as the dominant power, that state needs to apply a set of norms that other states will voluntarily internalize those norms into their action. The internalized-norms will influence other states behaviors to be in favor with the dominant power interests and follow the dominant power policies (Ikenberry & Kupchan, 1990, p. 283). The good example on how powerful states' socialization of norms influence other states behavior could be seen in the international organization. The powerful states introduced and imposed their norms into the organization plays an essential role in guiding and influencing the other state member

behavior in favor with the powerful state preferences in the organization. As a result, the powerful states here utilize particular norms of constructivist concepts as a strategic means to achieve neo-realist premise of struggle for power status in the anarchic international system.

The United States and China apply a different type of norm as their means to achieve their realist's objective for the struggle of power status. The United States uses liberal-ideals norms. The Liberal-Ideals norms refer to the major standards that Washington referred to his actions towards China. Washington is well-known for its liberal ideals norms implied in its national interests which manifested in the comprehensive foreign policies including building an international order. The content of liberal-ideals of norms enshrines the principles of democracy, the rule of law, self-determination, human rights, open-market, multilateralism, which are backing America foreign policy in the 20th century (Ikenberry G. , 2014, pp. 1,6,7,9).

Furthermore, Washington also cherishes sustainable development concept<sup>8</sup> that ideally amalgamates the international environmental protection concern to support the promotion and maintenance of the triumph of (neo) liberal economic order as the global order (Doyle, 1998, p. 771; Bernstein, 2002, p. 1). Hence, the sustainability development value is ideally encouraged by the United States as far as it will support the continuity its liberal economic system as the global order. Related to the continuity of the liberal economic system, Borrus & Goldstein (1987) mentioned that the United States also becomes the primary defender of free market trade system,

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<sup>8</sup> Sustainable Development concept refers to behavior that legitimate to seek economic growth in the context ensuring environmental protection with the political economy aspect of environment and economic development that triumph free trade to ensuring global economic growth and liberal market favored concept to manage environment issue (Bernstein, 2002, p. 3 - 4) Maintaining the sustainability development concept for Washington is important since it is not merely dedicated for taking care of the environment issue instead of keeping the sustainability of liberal industrialization and liberal economic growth. This is happened because there is belief that only free market system with the involvement of private businesses becomes the best solution to allocate natural resources and handling the best practices for managing environmental sustainability issues (Doyle, 1998, p. 773 - 774).

which serves not only for its national economic gains but also provide geopolitical reasons for solidifying the United States' alliances. The free market system here ideally refers to the application of elimination of trade barriers, free movement of goods (being rigid in responding to the application of import goods restrictive policy), and supporting private-owned business compared to the state-owned enterprises. To sum up, the United States imposes the liberal-ideals value norms such as the rule of law, human right, free-trade, multilateralism, and sustainable development as a strategic means to influence other states in the region to behave as Washington guidance and maintain its supremacy as the dominant power. By doing so, liberal-ideals norms help Washington to deter Chinese ascending power influence in the region.

Meanwhile, China adopts flexible-pragmatic norms in contrary to the United States' norms. Westwood & Lok (2003) described that Chinese flexible-pragmatic norm referred to state policy that being eager and flexed in giving special treatments [different actions or policies that applied in specified conditions] in returns for 'gaining pragmatic material rewards' such as national wealth growth.<sup>9</sup> Zhao (2016) explained that Chinese pragmatist strategy refers to state behavior that has little correlation towards ideals value approach and firmly directs into the goal-fulfillment of its national interests (Zhao, 2016, p. 4). Yoshimatsu (2015) also emphasized that one of the pragmatic and flexible characteristics in China's international relations commitments are driven by goal-oriented actions, which are determined by practical and concrete calculation and avoiding any rigid actions as the part of being flexed in

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<sup>9</sup> For instance, as Beijing acknowledged for adopting socialist market economy in political economy context and Hong Kong acknowledged had liberal capitalism political economy context under British colonialism, after Hong Kong reunified with the mainland, Beijing acts flexibly to give *special treatment* towards Hong Kong in the term of considerable socio-economic free expression and limited political context *in return for pragmatically gaining material rewards* and national accumulation *wealth* (Westwood & Lok, 2003, p. 144-145, 157).

the problem-solving context. Cheng (2016) described Chinese pragmatic approach is in pursuit of realistic goals for narrowing the economic, scientific, and technological gap with the advanced western countries by playing the prominent role of Chinese economic diplomacy, especially in Third World countries.

Chinese norms of flexible-pragmatic description in this thesis will be generated from previous definitions. The flexible-pragmatic here has definitions for each word. Flexible here refers to state policy that tends to offer flexed treatments by being less considerate of ideal values consideration in treating other countries in favor of dealing hurdle in the way of achieving its realistic goals. Meanwhile, pragmatic norm refers to state rational and benefit-oriented policy that is driven to achieve its national interests. When flexibility and pragmatic practices combined, flexible-pragmatic norm applies to state policy that contains rational and benefit-oriented characteristics in pursuit of achieving national interests and at the same time being flexed by being less considerate of ideal values for dealing hurdle in the way of achieving its pragmatic goals.

China applies flexible-pragmatic norms as strategic means to accelerate its power status and influence over the other states, especially over less powerful states, within the international liberal value system dominated by the United States. Beijing pragmatically works within the current international system. Beijing participates in the existing international organizations for the sake of increasing its national economic power. Meanwhile, China simultaneously aims for creating the China-led international organization to strengthen its global political influence position. By doing so, Beijing starts to contest against the status quo power without directly confronting the hegemonic order (Schweller & Pu, 2011, pp. 52-67).

Besides applying the shared norms as a strategic means to achieve realist's

objective of struggling for power status, Washington and Beijing build institutional linkages with the significant other parties [regional institution and state] in the region. Neoliberal theory assumed that the role of territorial states and non-territorial actors [multinational corporations, non-governmental organizations, and international organizations] in international relations always tends to seek to cooperate as the reaction from the existence of real or potential conflict (Keohane & Nye, 1997, p. 3; Keohane, 1984, p. 53-53). Hence, states build institutional cooperation with other countries aims for collaborating and decreasing the possibility of conflict. As already mentioned before in constructivist perspective, institutional cooperation becomes a place for states to coordinate their policies and behaviors according to internalized-norms practice inside the institution. The institution contains principles, norms, rules, and procedures that produce instructions, which later those things become 'soft law' determines and prohibits states certain behaviors in pursuit cooperation (Keohane, 1984, p. 59; Keohane, 2012, p.128).

In the context of a neorealist objective in struggling for power status to address strategic rivalry between powerful states, the cooperation and coordination of states behavior in the institutional cooperation is used for powerful states to achieve their neo-realist objective. Since this thesis is trying to explain the strategic rivalry between status quo power and ascending power, institutional linkage here accommodates the status quo power and ascending power's interest for using it as institutional balancing means to maximize their power influence against each other as part of attaining the realist objectives. Maximizing power by using international institution refers to powerful states engage and cooperate with other states, especially less powerful states, to compete and limit the dominant influence from the other major power state considered as the potential rival in the region.

There are several scholars that suggested institutional linkage as the part of the balancing means. Ciorciari (2009) said that the great powers, which choose to be involved in economic relations and institutional linkages, will compete for the balance of influence through these institutional linkages and also reduces the cost of open conflict power politics. Moreover, He (2017) also mentioned institutional linkage becomes the part of 'institutional balancing strategies' by the great powers through reinvigorating the existing multilateral institutions or even introducing a new institution. All those institutions design to obtain neo-realist objectives of competing for dominant and favorable power position during the regional order transition period.

There are two types of institutional balancing strategies, inclusive institutional balancing and exclusive institutional balancing. The former focuses on states behaviors to apply norms, set agendas and initiate 'rule of the game' that will further support its national interest and will refrain any states unwanted behaviors within the multilateral institution. The latter refers to states strategy to rule out rival state from participating in the institution, then work on institution internal cohesion and cooperation to resist or neutralize threats from the rival state (He, 2008, p. 493; He, 2017, p. 7). As a result, a powerful state is eligible to socialize its norms in its institutional agendas and even possible to exclude any states in the institutions as the part of their balancing strategy against potential rival powers.

The United States and China are mutually choosing Japan and ASEAN as their strategic partners in expanding their institutional linkage to pursue their realist's objective of competing for spheres of influence in the region. The main reason China decides to work together with Japan and ASEAN is that both entities had become the strategic partners, in particular for economic exchange partner, that contributes Chinese rising power capabilities in the region. China became ASEAN dialogue

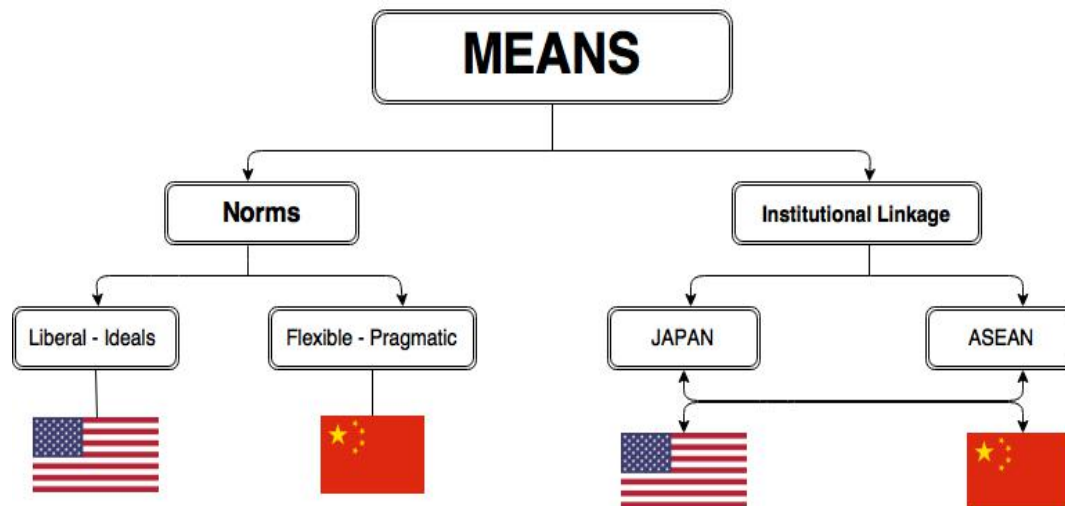
partner in 1991, and since then China has actively worked together with ASEAN to support regional economic integration, especially in regional integration that excludes the role of the United States (Cheng, 2016, pp. 110, 124). Sino-Japanese bilateral relations had experienced ups and downs, some of them due to historical factors. Despite any diplomatic turmoil between them, Japan remains a crucial strategic partner for China that needs to be maintained a good relation with, especially to work together in creating regional economic integration initiative (Cheng, 2016, pp. 302-303).

Meanwhile, the reason for Washington choosing Japan as its institutional linkage partner is because Tokyo plays a prominent role under U.S. Pacific alliances network, which always support U.S. power presence in the region. Therefore, it is crucial for Washington asking Tokyo involvement and get full support from Tokyo in showing U.S power portrait as stayed-status quo power presence and deterring Chinese aggressive power influence in region (Miller, 2016, pp. 170-171). Meanwhile, the United States actively starts to work together with ASEAN because ASEAN and Southeast Asia region becomes the center of geographical arena for contest of influence by Beijing (Manyin, Garcia, & Morrison, 2009, p. 4; Kuik, Idris, & Nor, 2012, p. 322). That is the reason for Washington to be necessarily involved in ASEAN and deters Chinese active power presence. By doing so, the United States decided to accede the ASEAN Treaty of Amity and Cooperation (TAC) as its first formal institutional linkage with ASEAN in 2009 (Manyin, Garcia, & Morrison, 2009, p. 2). Moreover, the reason behind the TAC accession is that TAC becomes the underlying requirement for Washington to join East Asia Summit (EAS), the most significant regional organization dealing with political and security, which China has been played a key role in it (Bader, 2012, p. 14). To sum up, all of two strategic



means that utilized by Washington and Beijing in addressing their strategic rivalry are conceptualized into the figure as follows:

**Figure 3.2 The Objective Means Used by The United States and China**



**Source: Author, 2016**

**Figure 3.2** describes the means that played by the United States and China to achieve their objective in the region. The first means is applying the different type of norms. Washington refers Liberal-Ideals norm that focuses on imposing ideals principles in its foreign policy such as the rule of law, human rights, sustainable development, and free market system. Meanwhile, China imposes Flexible-Pragmatic norm that focuses on non-ideal value standards, benefit-oriented and flexible in accommodating any geostrategic changes in its partnership relations. The second means is to build institutional linkage with ASEAN and Japan mutually. Building the institutional linkage presents regional cooperation by Washington and Beijing. However, institutional linkage here does not intend to explain that Washington and Beijing choose to work together in regional institutions with ASEAN and Japan as liberal theory mentioned. Instead, institutional cooperation here presents that neo-liberal

assumption applies for achieving realist objective in struggling for balancing the power of influence between Washington and Beijing.

### **3.3 Research Methodology**

This thesis focuses on the study of the United States and China's strategic rivalry interaction in the Asia-Pacific region through the lens of the competing for the greater sphere of influence with using geopolitical means of applying different norms and do institutional linkage. Thus, this thesis will base on the qualitative method in pursuance of defining the scope of Sino-American rivalry in the region. The qualitative method aims to describe and explore the particular outcome of individual cases that falls within the scope of theory (Mahoney & Goertz, 2006, p. 230), including the International Relations theory concepts as I cited from the realism and constructivism approach.

There are three ways of data collecting applies in this thesis in the context conducting the qualitative research. Firstly, as the primary data, I will use government official database of each country, such as the U.S. Department of State, China Ministries of foreign affairs, the U.S. Economic & Statistic Administration website. I also will use some other official databases of Asia Development Bank (ABD), Lower Mekong Initiative Website, and Association of Southeast Asian Nations (ASEAN), and World Bank Economic Datasheet. Secondly, as the secondary data, there might be some data that included in APU library online databases such as JSTOR, Cambridge Journal, and ProQuest, and chapters of books that I could use to support my data analysis and interpretation.

Moreover, the selected particular cases in trade and development aspect are chosen to explain the characteristic of the United States and China strategic rivalry in Asia Pacific. This study emphasizes on how Sino-American rivalry is looking for influence dominance to maintain their geopolitical leverage against each other in Asia Pacific region. In doing so, firstly this thesis will explore about Mekong Sub-Region Development along with Washington and Beijing commitments on it in chapter 3. Then, the next chapter will discuss the Asia Pacific mega-trade negotiations with Washington's involvement in TPP negotiation process and Beijing's commitment to the RCEP negotiation process. Finally, the last chapter will cover the part of generalizing the conclusion of Sino-American rivalry characteristic in the Asia Pacific region.

## **Chapter 4 The Mekong Development**

### **4. Introduction**

The Mekong sub-region consist of the least developed countries in Southeast Asia region. For a long time, these small countries in the Mekong sub-region had not been taken into account in regional affairs due to their domestic political and economic struggle. After China and the United States engaged with the Mekong sub-region recently, then this sub-region finally puts into account as strategic arena for the competition between status quo power and ascending power in the Asia-Pacific.

This empirical chapter will discuss in details regarding the Sino-American strategic rivalry in the Asia-Pacific through their rivalry in the Mekong sub-region. This empirical discussion elaborates Beijing and Washington approach toward the Mekong countries from development commitments categorized on the different time frames. In the beginning, the discussion focuses on Chinese commitments before the 2000s, during 2000 – 2009 and after 2009 along with its analytical review of its objective motivation, norms application of flexible-pragmatism and institutional linkage with ASEAN and Japan. Hereinafter, Washington's commitments in Mekong region before 2009s and after 2009s include Washington's objectives motivation, application of its liberal-ideal norms, and its institutional linkage with ASEAN and Japan. Lastly, there is a conclusion of the overall discussion at the end of this chapter, which summarize the empirical findings and the correlation with thesis hypotheses.

#### **4.1 General Overview on the Mekong Development**

Besides China and the United States' active presence in transforming the Mekong sub-region, there are several multilateral and bilateral development frameworks from other countries as well that engage in the Mekong development. ASEAN becomes the prominent multilateral partnership in the Mekong development. Most of the Mekong countries late joined with ASEAN from Vietnam in 1995, Laos in 1996, and Cambodia in 1997. Even though the Mekong countries are latecomers, they are warm-welcomed by the existing ASEAN members and also gain a lot of development projects from ASEAN Mekong Basin Development Cooperation (AMBDC). There have been around 22 development projects from various development sectors recorded until the 16<sup>th</sup> Ministerial Meeting of AMBDC in 2014. The estimated cost for all these projects are worth to US\$338.8 million (Malaysia Ministry of International Trade and Industry, 2014, p. 1).

The other multilateral partnership involving in the Mekong Development is the European Union (EU), which focuses on humanitarian and disaster risk reduction program. The European Commission's Humanitarian Aid and Civil Protection (ECHO) has contributed around € 58.2 million for humanitarian aid to Cambodia, Lao PDR, and Vietnam since 1994. The European Commission's Disaster Preparedness Program (DIPECHO) also has provided € 31.7 million in the region since 1995 with € 1.6 million will be projected in 2016 – 2017 (European Commission's Humanitarian Aid and Civil Protection , 2016, p. 1)

The World Bank is also a good example of multilateral development dealing with the Mekong development. 'Inland Waterways and Port Rehabilitation Project' becomes the first infrastructure project in the Mekong sub-region under this Washington-led multilateral development bank. It started in Vietnam and the project

cost was equivalent to US\$ 73 million in 1997 (World Bank, 1997, p. 21). World Bank approves more than US\$500 million to fund the improvement road and bridge construction (US\$ 385 million) and flood control and sanitation (US\$150 million) project in Vietnam in 2016 (World Bank, 2016).

Some EU countries members also have bilaterally involved in the Mekong sub-region. German and the United Kingdom are one of the examples. German involves in the Mekong through the German Investment and Development Corporation (DEG). DEG expands its investment in Phnom Penh agriculture and renewable energy projects, preferably solar and biomass power supply (The Phnom Penh Post, 2015). Then, the United Kingdom also has been building development cooperation with Vietnam since 1962. From 1962 up to 1980, there was only around US\$ 6 million per year in the UK's Overseas Official Development Aid (ODA) to Vietnam. Between 2001 and 2014, the British government focuses on the disbursement of ODA to support Millennium Development Goals (MDGs). Overall, the UK government has granted £481 million of bilateral ODA to Vietnam since 2001, and the annual ODA of 2009's allocation scored its peak as reached £54 million (United Kingdom Department for International Development, 2016, p. 10)

Australia and Japan are two other countries in the Asia-Pacific that also have a bilateral commitment to contribute in the Mekong development projects. Australia focuses on Mekong water resources program through institutional strengthening, knowledge-availability, and decision-making support project. From 2009 up to 2013, Australian government contributions on Mekong water resources program reached US\$ 36 million in total (Australia Department of Foreign Affairs and Trade , 2011, p. 6).

There are plenty of Japan's commitment towards Mekong development projects. One of Japan commitments in Mekong sub-region development is through the Japan-Mekong Region Partnership program established in Cebu, Philippine in 2007 and also through the formal adoption of the Mekong-Japan Action Plan 63 in November 2009, which gives priority to Mekong comprehensive development, constructing Mekong Society, and expanding cooperation and exchanges (The Japan Times, 2012, p. B6). The latest Japan's development frameworks are 'Friends of the Lower Mekong' (FLM) and 'Mekong-Japan Summit Meeting.' Recently, Japanese Prime Minister, Shinzo Abe, pledged a new Official Development Aid (ODA) towards Lower Mekong countries worth \$6.1 billion under Japan-Mekong Summit framework in 2015 (Global Times, 2015).

#### **4.2 Chinese Commitments in the Mekong sub-region before 2000s**

The mold of Chinese development is centralized in coastal regions following Deng Xiao Ping's Southern Tour in 1992, which later are expanded into the inland and border areas (Ho, 2014, pp. 16-17). Since then, Chinese leaders focus on revitalized economic rapid growth that yielded large-scale foreign trade and investments (Goldstein , 2003, p. 67). In line with its focus on expanding economic growth and promoting its rural border area, China started its commitment with the Lower Mekong countries by participating the Yunnan Province into the Greater Mekong Sub-Region Economic Cooperation Program (GMS) under Asian Development Bank (ADB) supervision in 1992. The Yunnan Province (China) is partnering with Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam and working

together on various development projects, which are mainly focusing on achieving practical infrastructure programs.

The GMS is Beijing's first multilateral development commitment in dealing with the Mekong Development and officially started by signing Cross-Border Transport Agreement (CBTA) in the 3rd GMS Conference in April 1994 (Asian Development Bank, 2008, p. 4). In general, the CBTA is a legal instrument for the entire six countries member to reduce non-physical barriers by eliminating the intermediary stops and proper measurement for an efficient inspection procedure and traffic regulations by increasing the number of border checkpoints to maximize network efficiency and economic effects. In details, the CBTA agreement provides 'Fast Tracks' lanes for truck drivers with loaded goods to have minimum inspection process in crossing borders as long as they have the CBTA declaration documents (Asian Development Bank, 2011, pp. 2, 274).

The signing of CBTA shows that Beijing leader focuses on the acceleration of socio-economic and physical infrastructure program in the region since it helps to maximize the effectiveness of the GMS transportation network project itself (Asian Development Bank, 2015, p. 7). As the prolongation of CBTA agreement, there are also several key projects under GMS framework that focus on cross-border traffic network construction projects, includes North-South Economic Corridor (NSEC), East-West Economic Corridor (EWEC) and Southern Economic Corridor (SEC), and also the economic development program that will be doing along the corridors (Ogasawara, 2011, p. 454). The first of GMS project in the region is Phnom Penh-Ho Chi Minh City Highway Project as approved on 9 November 1995. This project got financial support from ADB low-interest loan toward Cambodia (US\$ 40 million) and Vietnam (US\$ 100 million) (Cambodia Daily, 2001).



Another Chinese multilateral commitment policy in the Mekong development is through ASEAN Mekong Basin Development Cooperation (AMBDC) established in 1996. Cooperation framework under AMBDC has been targeting to increase economic integration between the Mekong riparian countries with other countries by increasing the number of physical infrastructure and human capital projects with the comprehensive and strong economic support from China. The GMS and AMBDC cooperation have the same objective to promote economic growth by increasing in countries and cross-border platform connection. In the context of participant countries, AMBDC has a larger number of members with 11 members (ten ASEAN members plus China) compared to the GMS that only consists of only six members (China and five Mekong countries).

The cornerstone of AMBDC infrastructure project is the Singapore-Kunming Rail Link (SKRL), which becomes the critical support project within the ‘North-South Economic Corridor’ (NSEC) under GMS framework program. As the highlight result of first ministerial meeting on AMBDC in Kuala Lumpur in June 1996, the members agreed to set up Special Working Group under Malaysia supervision to identify relevant issues for the SKRL project and concluded in August 1999 (ASEAN Secretariat, 1996). Beijing commitment to SKRL project showed by funding the Phnom Penh – Loc Nich rail link project with the budget equivalent to US\$ 1 million (Hew, 2009, pp. 11-13).

#### **4.2.1 Chinese Objectives and Means in the Mekong sub-region before 2000s**

In the beginning, China has a strategy to re-establish Yunnan Province as the ‘economic bridge or pivot’ between China and Southeast Asia (Summers 2012 as

cited in Ho, 2014, p. 16) by making Yunnan as the center of China's border and trade management (Cheung and Tang 2001 as cited in Ho, 2014, p. 17). By doing so, Beijing decides to join the multilateral partnership under GMS and AMBDC in the 1990s due to the benefit-oriented for accelerating the economic development its rural area, the Yunnan Province. By participating in these two institutions, China commits to support SKRL and NSEC projects, which connects Kunming (Yunnan Province), a rural city that needs for better economic development, to Singapore, a major economic power in Southeast Asia region.

Chinese development commitment policies before the 2000s are mainly targeting for economic interconnection with the Mekong countries through building up massive railway projects. Beijing involves its rural province of Yunnan to economically interconnected with the Mekong countries. By having various cross-border rail routes, it will help to increase the number of people to people movement between China's territories and the Mekong countries, which later will elevate the number of human capital to boosting its rural economic growth.

As China just began to gradually open its domestic economy toward the international structure since the 1990s, Chinese commitment in the Mekong development before 2000s also heavily directed to fulfill the necessity on improving its national economy condition. Accelerating its economic power is necessary for Beijing to achieve before targeting other national goals. Therefore, Chinese commitment objective dealing with the Mekong sub-region regarding the Sino-American strategic rivalry, is not yet aiming for using its accelerated economic power to compete with any great powers, including the United States as the status quo power.

Regarding Chinese strategic means applied in the Mekong sub-region, Beijing promotes flexible-pragmatic norms to achieve its goals in the Mekong development under GMS and AMBDC framework. China agree to join GMS and AMBDC since these two framework in line with its flexible-pragmatic norms. As China aims for benefited-goals for cross-border interconnection, GMS and AMBDC also aims the same thing for practically improving the economic development of under-developed rural provinces by focusing on infrastructure and people to people connectivity. Furthermore, China also flexibly engages with more countries and does not have any exclusion policy toward particular countries as the pre-condition to work together as China joined with AMBDC. China does not have to concern into the state ideologies or even domestic problems of any countries as long as their partnership serves China objectives, including its economic goal in the Mekong Development. As a result, Chinese commitment in the Mekong development evidently applies flexible-pragmatic norms in collaborating with ASEAN and Mekong countries to achieve its objective for accelerating its domestic economic power.

The second strategic means China applied is institutional linkage. China direct institutional linkage with Japan did not exist yet before the 2000s. China engages institutionally with Japan in an indirect way through ADB financed-GMS framework. Japan is the largest donor to the Asian Development Fund (ADF), which automatically put Japan as the biggest donor in Asian Development Fund (Asian Development Bank, 2016). This fact means that Japan and China work hand in hand indirectly in supporting and financing the GMS development programs in the Mekong region.

As the core multilateral partnership in the region, ASEAN plays pivotal accommodation for Mekong Development (Thambipillai, 1998, p. 260); therefore, it

is important for Beijing to join AMBDC as ASEAN first cooperation initiative on Mekong Development. Having institutional linkage with ASEAN under AMBDC helps China to significantly achieve its pragmatic goal for connecting its rural areas with better economic development country in ASEAN, such as Singapore through SKRL projects. By joining AMBDC, the more countries China engages with, the more economic accesses for its rural areas in particular through cross-border trade and human capital movements.

#### **4.3 Chinese Commitments in the Mekong sub-region during 2000 – 2009**

Besides continuing its previous Mekong development commitments that are focusing on physical transportation infrastructure, there two other recent commitments of China government under GMS framework during 2000 – 2009. Firstly, as the implementation of regional energy power trade under the Intergovernmental Agreement on Regional Power Trade (IGA) in 2002, China supports the establishment of the Regional Power Trade Coordination Committee (RPTCC) in Guilin, China in 2004.<sup>10</sup> This commitment coincides with Chinese national focus on seeking renewable energy source by utilizing its domestic resources, especially in hydropower electric power plant, as China started hydropower dam construction at Xiaowan Dam in Yunnan Province in 2002 (China Daily, 2012) . In the first meeting of RPTCC in Guilin, PRC in July 2004, China's government committed to support GMS energy power cooperation and pointed the China Southern Power Grid Co. (CSG) as a Chinese State-Owned Enterprise to work on energy power trade projects on behalf of PRC under GMS framework (Asian Development Bank ,

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<sup>10</sup> The establishment of IGA and RPTCC is designed for enhancing physical interconnection, besides through transportation network. IGA is placed as framework for members to do power trading transactions among the members.

2004, p. 1). China's support for regional power trade is the translation of pushing forward physical interconnection for cross-border power energy, which aims for dispatching the energy to China's territory (Asian Development Bank, 2012, p. 9). Secondly, the participation of another Chinese rural area, Guangxi Zhuang Autonomous Region, under GMS in 2004. Having similar background with the Yunnan Province, Guangxi Zhuang Autonomous Region located in the southern frontier of China's mainland also categorized as the under-developed area with a large population of ethnic minorities and mountainous landscape (Xinhua Net, 2015) .

The other significant update from China collaboration under GMS framework as the result of the 2nd GMS summit in 2005 is that all members agreed on flexibility in participation timing according to their national development preparedness to participate the projects. Then, all members also agreed to achieve pragmatism and outward looking orientation (Asian Development Bank , 2005, p. 2). By doing so, GMS cooperation showed necessary projects improvements. According to the 3<sup>rd</sup> GMS summit progress updates in March 2008, the EWEC, NSEC, and SEC projects showed good progress completion (Asian Development Bank, 2008, p. 3). The latest Chinese commitment to physical transportation infrastructure is by supporting Vientiane Plan of Action for GMS Development for 2008-2012.<sup>11</sup>

Regarding Chinese commitment to regional power trade, the Fifth Meeting of the Planning Working Group (PWG-5) of RPTCC in 2008 agreed to work on hydro-electric power projects as the part of CSG International Power Projects with Mekong Countries. The several hydro-electric power projects include Nam Ou Hydropower Station Project (Sino-Laos Cooperation), Sambor Hydro-Electric Power Project

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<sup>11</sup> Similar with CBTA, Vientiane Plan of Action still focus on economic connectivity, for example expanding multi-modal corridor transportation network, improving superhighway network project to enhance access to rural communication development, and increasing cross-border trade logistic development

(Sino-Cambodia Cooperation), and Ta Sang Hydro-Electric Power Plant Project in the Thalwan River (Sino-Myanmar Cooperation) (Asian Development Bank , 2008, p. Appendix 4).

In the 7<sup>th</sup> Ministerial Meeting of AMBDC on November 28, 2005, highlighted the significant progress on SKRL Project. Under the scheme of NSEC project, China commits to contribute to the ongoing rehabilitation of 141km railway links Yuxi-Mengxi project with the cost of a budget equivalent to US\$ 540 million (Association of Southeast Asian Nations, 2005, p. 4). Once Yuxi-Mengxi project completed, it will provide the short travel time from Kunming city to Hekou and connect to Pan-Asia railway from Vietnam (access to Haiphong Port) to Singapore (Asian Development Bank, 2005, p. 3). The purpose of this project is also increasing number of people movement and traffic volume by 2020 and establishing more shops, tourist centers and business center near the rail station by 2020 (Asian Development Bank, 2005, p. 6). Beijing's decision to become a donor country in the Yuxi-Mengxi railway program is driven by Chinese domestic economic development initiative called the Tenth Five-Year Plan (2001-2005). By doing so, China contributes to accelerate the number of infrastructure facilities that improves its national economic growth and fills up the development gap between ASEAN members, especially regarding Mekong Development (People's Daily Online, 2011).

Besides collaborating in multilateral framework, China also gives various development economic assistance directly towards Mekong countries. The typical Chinese financial aid assistance has particular character of offering the low-interest loans. This low-interest loan scheme gets full support from Chinese central government to serve Chinese domestic development necessities through direct economic linkage between the recipients and China (Lum, 2009, pp. 1-3). In the

context hydropower energy cooperation, China government push forward its private companies backed by the central government to expand their business in the Mekong sub-region by offering generous energy trade scheme called as ‘Build-Own-Operate-Transfer’ (BOOT) scheme.<sup>12 13</sup> By doing so, China government offers generous project scheme with ‘free’ initial development costs. The reason behind this generous initial development costs due the ownership of the facility once the project done will be hand over to recipient governments within 25 years’ scheme. Then, the ownership will be handled by Chinese companies backed up by China government during those period of time. By doing so, China is possible to arrange hydropower energy export destination back to China and then supplies its domestic energy consumption.<sup>14</sup> With this generous project scheme, the Mekong countries welcomes Chinese energy development assistance since it is affordable for them. Later on, this creates economic dependency from the Mekong countries towards Beijing economic power influences.

One of the best examples in explaining the high dependency of Mekong countries toward Chinese economic power is Cambodia case. China becomes the biggest foreign counterpart to develop dam and transportation networks for Phnom Penh (South China Morning Post, 2011). Furthermore, China also becomes the number one foreign investor and aid donor to Cambodia with US\$ 5.7 billion, while other great powers like the United States’ aid to Cambodia only reached US\$ 57

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<sup>12</sup> “Prepared Statement of Dr. Richard P. Cronin, Senior Associate, Henry L. Stimson Center, Washington, DC”. U.S-China Economic and Security Review Commission. February 4, 2010. <http://origin.www.uscc.gov/sites/default/files/transcripts/2.4.10HearingTranscript.pdf> (accessed February 8, 2017)

<sup>13</sup> BOOT model refers to business contract between private entities with public government to build up public infrastructure assets, which firstly started with the asset construction by private corporations. After done with the construction, the private entities will be owned and operated the asset for defined period of time, then transferred it to the entitled public government (Donaghue, 2002, p.1-3).

<sup>14</sup> “Prepared Statement of Dr. Richard P. Cronin, Senior Associate, Henry L. Stimson Center, Washington, DC”. U.S-China Economic and Security Review Commission. February 4, 2010. <http://origin.www.uscc.gov/sites/default/files/transcripts/2.4.10HearingTranscript.pdf> (accessed February 8, 2017)

million in 2008 (Bradley, 2009). In the context of pursuing integration on physical transportation infrastructure, Chinese private firms backed up by China government and Cambodia private company signed a Memorandum of Understanding to start the US\$ 11.2 billion mega-project in 2013. This mega-project covers three projects including 400-kilometer rail-line, seaport and steel plant construction. The rail line will connect a steel facility from the Northern Preah-Vihear Province to the Southern Island of Koh Kong Province. This mega-project also covers the seaport construction project in Koh Kong province (Reuters, 2013). The railway itself will connect into seaport in Koh Kong area; then it will make easier the transportation flow of steel to be exported from Cambodia back to China and the other countries ( The New York Times, 2013). In pursuing physical cross-border power energy cooperation, CSG on behalf of Chinese government signed the Memorandum of Understanding (MOU) for the China Southern Power Grid Company Limited conducts feasibility research on Sambor and Stungcheayareng Hydropower Projects in Cambodia (National Development and Reform Commission (NDRC), 2008).

Like typically characteristic of the Mekong riparian countries, Cambodia suffers a lack of adequate infrastructures, minimum health care and education system, and high-rated poverty. As a result, Cambodia welcomes foreign investment development assistance to deal with its lacking in adequate infrastructure problem as long as it is affordable for their national budget. China economic development assistance becomes a logical solution for Cambodia due to its low-interest loan characteristic and the hunger in need for a better railway infrastructure system and alternative energy sources. Later on, China massive economic aids and assistances in Cambodia influence Cambodia's foreign policy to be sided with Chinese policy



preference especially regarding territorial agendas discussion in regional level in ASEAN.

#### **4.3.1 Chinese Objectives and Means in the Mekong sub-region during 2000-2009**

China commitment policies between 2000 up to 2009 are still mainly focusing on economic objectives in accelerating its domestic economic growth. As Chinese economic power capability is ascending, China is getting assertive for supporting physical cross-border transportation and energy infrastructures in the Mekong sub-region. In the term of physical transportation involvement, China wants to integrate its rural areas towards Mekong countries with mass transportation network as proven with the GMS participation of its southern rural area, the Guangxi Zhuang region, in 2004. In the term of physical regional power trading, China is assertive in expanding its domestic electric power network due to high domestic demand for electricity in its domestic heavy industries and balancing the energy demand of each region (Xinhua News, 2004). By involving in GMS regional power trading with BOOT project contracts, China will secure energy supply sources as for the defined period, CSG unimpededly arrange to export the generated hydropower electricity result from Mekong countries back to Chinese territories, especially to supply its southern rural provinces.<sup>15</sup>

These two type commitments in Chinese infrastructure projects and regional power trade become salient in creating an economic dependency in the Mekong countries toward China. This economic dependency creates a gradual

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<sup>15</sup> CSG is established in 2002 and specifically designed for promoting GMS development program to constructs and operating electricity power networks covers Guangdong, Guangxi, Yunnan, Guizhou and Hainan area. Retrived from [http://eng.csg.cn/About us/About CSG/201601/t20160123\\_132060.html](http://eng.csg.cn/About_us/About_CSG/201601/t20160123_132060.html) (accessed February 19, 2017)

acknowledgement of Chinese sphere of influence in the region. The gradual Chinese leverage power in the region successfully creates the dependency of Mekong countries towards Chinese economic presence. The medium of widening Chinese power influence is through the massive preferential development loan in the Mekong sub-region including transportation and energy power-plant investment scheme. Since then, China economic relations with the Mekong countries especially with Cambodia significantly gets stronger, which later helps in supporting China position on ASEAN discussion of South China Sea territorial dispute in 2012.

In attaining Chinese economic and strategic objectives in the Mekong development during this period, China applies flexible-pragmatic norms value and doing institutional linkage with ASEAN and Japan. China realizes that dealing with a different development stage in the Mekong countries, Beijing needs to be flexible in practice with them. Therefore, China agreed to be flexible in the term of time participation under GMS development project as concluded GMS summit in 2005. Hence, flexible norm practice is needed to accommodate different economic development stage exists in the Mekong sub-region in the context to achieve the success of regional economic integration and national economic growth as also planned in the Tenth Five-Year Plan (2001-2005). In the context of being pragmatic, Beijing continues to achieve the benefit-oriented goals by developing more infrastructure access and getting more energy supply sources. To attain these pragmatic goals, China intensely works under multilateral and bilateral frameworks. In bilateral level, China pushes forward its private enterprises to expand their business into Mekong sub-region. Chinese private enterprises work in the trade energy supply by offering generous project scheme. By doing so, China is not solely aiming for

regional economic integration, but necessarily for accelerating its national economic growth by supplying energy source for its national industries.

Regarding another objective means to achieve Chinese objective, China collaborates with ASEAN and Japan. China continually keeps working with ASEAN under several AMBDC development projects. Beijing now also institutionally linkages with Tokyo under Japan-China Policy Dialogue on the Mekong Region started in 2008 (Ministry of Foreign Affairs of Japan , 2008). The focus of this collaboration is exchanging information regarding each country contribution in the Mekong region. From the establishment in 2008 to 2009, there is no significant result came from the dialogue between Beijing and Tokyo on the Mekong Development.

Comparing between ASEAN and Japan institutional linkage, China has vigorous and active institutional linkage with ASEAN compared with Japan. It has happened because two reasons. Firstly, the length of formal time of China spends to collaborate with ASEAN is longer than Tokyo, which formally started in 2008. Secondly, the formal institutional linkage with ASEAN is targeting more mutual-benefit oriented on building more infrastructures compared with Tokyo institutional linkage, which is only discussing and sharing experience on the Mekong development.

#### **4.4 Chinese Commitment in the Mekong sub-region after 2009**

China active involvement in the Mekong development faces a challenging chapter in this period of time. It is mainly because the launching of the Lower Mekong Initiative (LMI) led by the United States in 2009. LMI is a translation of geopolitical policy from the status quo power returns to the region or more well-

known as ‘Pivot to Asia’ policy. This ‘return to asia’ policy is a respond policy toward the United States declining active power influence in the region (Christensen, 2006, p. 105; Campbell & Andrews, 2013, p. 2; Freise, 2012, p. 3). The partnership led by Washington under LMI focuses not only on connectivity projects like China does but also touches upon several issues that Beijing still lack including health, environment, institutions and communities, and sustainable energy. Moreover, Washington has also ‘intervened’ in the South China Sea Dispute by criticizing Chinese assertive policy and demands China's action to abide the code of conduct that already agreed between ASEAN and China (Fravel, 2014, pp. 1-2). As a result of Washington’s return policy started in the Mekong sub-region, it is triggered China to accelerate its commitments with the Mekong sub-region and ASEAN after 2009.

Besides the return of status quo power presence, there is also environment problem concerning Chinese involvement in hydropower dam projects. Based on the 2009 concern letters from International Rivers, an International Non-Governmental Organization (INGO), mentioned that CSG’s Sambor Hydropower Dam project would negatively affect fisheries sector in the Mekong River. Meanwhile, Stungcheayareng project would flood nine village areas in Cambodia (South China Morning Post, 2011). There is also opposition from the Mekong Countries regarding the development of Chinese hydropower dams (Xiaowan Dam) located in Yunnan Province in 2010.<sup>16</sup> The environmental problems have been arising since the construction started especially regarding drought problem. Some national media reports in the Mekong countries negatively cover the side effects of this dam project, especially in Lao PDR and Vietnam. However, the national media in Cambodia cover this problem less often compared to the other Mekong countries (Osborne,

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<sup>16</sup> “Lancang River Dams: Threatening the Flow of the Lower Mekong”. International Rivers. August 1, 2013. <https://www.internationalrivers.org/resources/lancang-river-dams-threatening-the-flow-of-the-lower-mekong-2674> (accessed July 12, 2016)

2010). This situation gives a strategic meaning that the Chinese economic influence in Cambodia necessarily control Cambodian policy related to Chinese regional actions including its mega dam construction that being accused not considering the environmental damages.

Concerning Chinese collaboration with Japan in the Mekong development, China deals with some diplomatic issues that make Beijing-Tokyo bilateral relations put in the high-tension. Beijing-Tokyo dialogue on the Mekong issue is still focusing on intensifying discussion by exchanging the Mekong current information and their respective policy implementation towards the Mekong sub-region as mentioned in the 2nd and 3rd meeting of the Japan-China Policy Dialogue on the Mekong Region in June 2009 and April 2010.<sup>17,18</sup> However, there are three diplomatic incidents that deteriorate the diplomatic relations between Beijing and Tokyo. The diplomatic incidents include the release of the 2011 Japanese Defense White Paper that categorized China as a threat,<sup>19</sup> Tokyo 'Buying Diaoyu Islands' policy in 2012,<sup>20</sup> and China's self-announced the establishment the East China Sea Air Defense Identification Zone (ADIZ) in 2013.<sup>21</sup> As a result, there is no joint dialogue discussing the update progress implementation in the Mekong region in the Japan-China Policy Dialogue in the Mekong region since 2011 until 2013. The discussion

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<sup>17</sup> Ministry of Foreign Affairs of Japan, "The Second Meeting of the Japan-China Policy Dialogue on the Mekong Region", June 11, 2009, Retrieved from: [http://www.mofa.go.jp/announce/event/2009/6/1193207\\_1160.html](http://www.mofa.go.jp/announce/event/2009/6/1193207_1160.html) (accessed January 12, 2016)

<sup>18</sup> Ministry of Foreign Affairs of Japan, "The Third Meeting of the Japan-China Policy Dialogue on the Mekong Region", Retrieved from: [http://www.mofa.go.jp/announce/announce/2010/4/0416\\_03.html](http://www.mofa.go.jp/announce/announce/2010/4/0416_03.html) (accessed April 16, 2010)

<sup>19</sup> Xinhua, "China opposes Japan's latest defense white paper", August 5, 2011, Retrieved from: [http://news.xinhuanet.com/english2010/china/2011-08/05/c\\_131030137.htm](http://news.xinhuanet.com/english2010/china/2011-08/05/c_131030137.htm) (accessed February 16, 2016)

<sup>20</sup> Reuters, "Japan buys disputed islands, China sends patrol ships", September 11, 2012, Retrieved from: <http://www.reuters.com/article/us-japan-china-idUSBRE88A0GY20120911> (accessed February 16, 2016)

<sup>21</sup> Ministry of Foreign Affairs of Japan, "Statement by the Minister for Foreign Affairs on the announcement on the "East China Sea Air Defense Identification Zone" by the Ministry of National Defense of the People's Republic of China", November 24, 2013, Retrieved from: [http://www.mofa.go.jp/press/release/press4e\\_000098.html](http://www.mofa.go.jp/press/release/press4e_000098.html) (accessed February 18, 2016)

resumed back in December 2014 as the 5th meeting, which both countries agree to share each other latest improvement projects in the Mekong region and the importance of coordination between the two states on handling the Mekong region issues.

Regarding the continuity of Chinese commitment towards ASEAN, there is a strategic progress of Chinese power influence on ASEAN. The strong Chinese economic power influence shows a negative impact on the unity of ASEAN as a regional institution after creating economic dependency in Cambodia. There are several diplomatic incidents that Beijing successfully controls Cambodian foreign policy position against ASEAN position. Firstly, the disunity incident happened at the 20th ASEAN summit in April 2012 and the 45th Annual Ministerial Meeting (AMM) in July 2012. There was tension among the members regarding the summit material discussion. Cambodia, as the closest Beijing's ally in the Mekong region, said that China's case on the South China Sea dispute should not mention in the summit and this issue should address only in bilateral level. Meanwhile, the Philippines and Vietnam, as the disputant parties in the South China Sea dispute, strongly objected to Cambodia initiation and wanted the conflict settlement process should be addressed inside ASEAN multilateral scheme (Thayer, 2013, p. 78). Secondly, the disunity incident happened again on the ASEAN-China Foreign Ministers' Meeting in Yunnan Province on June 14, 2016. Once again, ASEAN countries did not demonstrate any unity through consensus against China in the case of the South China Sea territorial dispute (Channel News Asia, 2016). Malaysia's side released a draft of the ASEAN joint statement following the result of ASEAN-China Foreign Ministers' Meeting by using the tough-worded that ASEAN 'cannot ignore what is happening in the South China Sea'. Meanwhile, Cambodia and Laos

deny the existence of any ASEAN draft of a joint statement that already concluded during the meeting. Later on, ASEAN officially retracted the released joint statement draft (The Japan Times, 2016).

Regardless some issues happened in the China-ASEAN institutional linkage, China still intensively engage with ASEAN by creating the new Mekong development initiative, the Lancang-Mekong Cooperation (LMC). Premier Li Keqiang proposed the initiative to establish the Lancang-Mekong River partnership in the 17th China-ASEAN Leaders' Meeting in November 2014 (Ministry of Foreign Affairs of the People's Republic of China , 2016). Chinese new engagement with ASEAN covers new pillars of cooperation, including political and security issues, economic, and socio-cultural. These collaboration pillars are in line with the latest objectives of ASEAN itself that wants to cover these issue in the ASEAN Community initiative. Even though LMC starts to touch upon the new issue of partnership, but the primary purpose of LMC development programs still leaning on infrastructure issue. Hence, LMC commits on pursuing the Master Plan on ASEAN Connectivity (MPAC), which one of its projects is to completing the ASEAN Highway Network and SKRL project. By doing so, MPAC projects also in line with Chinese previous commitments in GMS and AMBC development projects completing the SKRL projects.

Besides the new collaboration issues cover in LMC, there is also a significant shifting in the financing scheme under LMC framework. Based on Sanya Declaration of the First Lancang-Mekong Cooperation (LMC) Leaders' Meeting in March 2016, the Head of the Mekong States and China agree to look for support from Asian Infrastructure Investment Bank (AIIB) concerning addressing the financial gap in infrastructure projects in the Mekong region (Ministry of Foreign Affairs of the

People's Republic of China , 2016). Different with the GMS program that collaborates with the ADB, now the financial source of LMC programs should be addressed with AIIB.

#### **4.4.1 Chinese Objectives and Means in the Mekong sub-region after 2009**

Beijing's strategic objectives after 2009 are getting more resilient responding towards Washington strategic commitments in the Mekong. Now, Beijing asserts its strong economic influence in the Mekong region in order to show to the Asia-Pacific region that China is deserved as the reliable ascending dominant power in the region. Like a Chinese classic strategy game of Go, Beijing is successfully applying strategy of 'small gains add up' in the Mekong sub-region.<sup>22</sup> Here, China pays attention towards small countries that not becomes the strategic priority for the United States. The gradual Chinese approach of China with Mekong countries makes both parties have a strong mutual-benefited relation. Regarding Washington 'return to Asia' policy, Beijing balances against Washington's LMI policy by creating a new development initiative called LMC with ASEAN. LMC framework becomes a showcase of its stronger regional dominant power state against the return of Washington power presence.

Chinese engagement approach towards Mekong sub-region carries out more strategic objective after 2009. Beijing vividly shows its dissatisfaction toward the comeback status quo presence of Washington. Beijing responds carefully the return of status quo presence by not directly contending the status quo presence through 'open-war' against Washington. Then, China chooses to strategically accelerate its

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<sup>22</sup> Strategy of 'small gains add up' refers to a tactic to beat the opponent by quietly building up solid relations with small power countries until the opponent feel pressure and surrounded (Kurlantzick, 2008, p.58).



development collaboration with ASEAN by launching LMC framework. By doing so, China also link the LMC financial support with its new multilateral development Bank, AIIB. China initiated AIIB, which formally established in December 2015. The big infrastructure gap in the Asia-Pacific region that could not be addressed by the existing multilateral development banks becomes the main reason behind the establishment of Chinese-backed AIIB (The Korean Times , 2017). As a result, the Chinese-led AIIB mostly labeled by western power as a new rival for the existing multilateral development banks such as World Bank and ADB, which dominated by The United States and its allies (The Telegraph, 2015). By doing so, China proves itself as the prominent ascending power in the region that feel dissatisfied with the current international order led by the status quo power alliances. In the way showing its dissatisfaction of Washington policy, Beijing act carefully against the status quo power domination by creating alternative policy options for the less powerful countries in the Asia-Pacific dealing with their development issues.

Besides the creation of alternative policy options by providing development financial support from AIIB, Chinese strategic objectives after 2009 do not only aim for economic orientation, but also strengthening Chinese prominent ascending power in the region against the status quo power return presence including securing Chinese interest in the South China Sea dispute. Regarding the return of Washington active presence in the Mekong sub-region, Beijing prefers the Mekong countries to be sided with Chinese leadership in the region rather than get closer to Washington new policy in the region.

By doing so, the flexible-pragmatic norm helps Beijing to achieve its strategic objective. In the context of being pragmatic aiming for mutual-benefited collaboration, Beijing initiated LMC framework with ASEAN that covers new

cooperation pillars such as political-security, economic, and sociocultural. However, the main pillar cooperation of LMC still deals with regional economic integration through infrastructure connectivity as poured into MPAC agreement. By participating in LMC, it means that China being flexible dealing with new cooperation issue including political-security and socio-cultural. By supporting the ASEAN Highway Network and SKRL project that will benefit both sides under MPAC, it shows that Beijing still pragmatically commits achieving mutual-benefited goals by supporting new development project under MPAC framework. In the end, these infrastructure projects under MPAC will mutually give economic benefits for China and the Mekong countries by connecting their territories, which means the flow of human capital and goods will be smoothly moved.

Besides applying flexible-pragmatic norms, China also builds institutional linkage with ASEAN and Japan as the second strategic means achieving its strategic objectives. Even though there are some incidents regarding Cambodia policy position siding with China preference rather than siding with ASEAN majority position in the South China Sea dispute, China successfully renews its commitment to increase collaboration with ASEAN in the Mekong development under the new initiative partnership of LMC. Meanwhile, due to several diplomatic frictions between Beijing and Tokyo since 2011 until 2013, it disrupts the progress of Japan-China Policy Dialogue on the Mekong Region as the sole institutional linkage between two countries on Mekong development after 2009. Regardless the diplomatic Beijing-Tokyo frictions, China still considers Japan as an important great power partner due to Japan has a better knowledge and experiences about the Mekong sub-region (Nguyen P. , 2014, p. 3). Therefore, the continuation of the Tokyo-Beijing dialogue

on Mekong development still matter for Beijing as successfully back on track again in 2014.

#### **4.5 The United States' Commitment in Mekong Sub-Region before 2009**

The United States' commitment to the Mekong development before 2009 started in the 1950s by active engagement on a hydroelectric infrastructure project in the Mekong River. Washington joined the Committee for Coordination of Investigations of Lower Mekong Basin or now being well known as the Mekong Committee established in 1957. The detail of America commitments started by doing feasibility study of the Mekong Channel for constructing the hydro-electrical massive dam, the Pa Mong, as the tool for improving the economic development in the region (Chang, 2013, p. 291; Sneddon & Fox, 2012, p. 148). The feasibility study itself conducted for 12 years with the total funding reached \$10 million without never continue into realization at the end (Sneddon & Fox, 2012, p. 148). Another direct engagement with Mekong development is under the Mekong River Basin proposal of Tennessee Valley Authority (TVA) model during Lyndon Johnson administration in 1965. This TVA model proposal equals to \$2 billion of economic and technical assistance toward the Mekong countries, but again at the end, the proposal failed due to some internal and external difficulties (Ekbladh, 2002, p. 337). The total of America economic development assistance in the Mekong Committee framework roughly reached \$67 million during 1960s era (Nguyen T. , 1999, p. 87), which at the end it never makes progress into project realization. Moreover, the United States lost in the Vietnam War by late 1970s and decided to withdrawal its presence in the Indo-China including withdrawal its involvement from the Mekong Committee (Chang,

2013, p. 291). Since then, the United States commitment toward the Mekong development issue is hardly to find as bilateral relations between Washington and the Mekong Countries is also deteriorated.

Then, The United States slightly started restoring bilateral relations with the Mekong countries. Firstly, the normalization bilateral relations between Washington and Hanoi began in the 1990s as US assistance aid began to come to Vietnam in the mid-1990s and gained momentum with the signing Bilateral Trade Agreement (BTA) in 2000 under Bill Clinton administration (Manyin, 2005, p. 1). During his administration, the United States besides starting engage in economic issues also emphasizes on human rights and democratization issues in the Vietnam as its primary concern between Washington-Hanoi bilateral relations (Manyin, 2014, p. 8). As for development assistance, the significant portion of the US bilateral aid toward Vietnam spent for food-assistance program (\$59.97 million) and health-related assistance program (\$56.98 million). Meanwhile, for the Economic Growth and Market Reforms Program Funding only spent for \$18.25 million during the fiscal year of 2000 up to 2004 (Manyin, 2005, pp. 1-9). Secondly, the United States and Lao PDR's bilateral relations just restored in 1992. The primary concern of Washington towards Lao PDR is about the religious freedom existence. By doing so, the U.S. embassy in Vientiane conducted the joint seminar focusing on the religious issues with the Lao government. Meanwhile, in the context of the US major aid assistance program is designed for demining activities and counternarcotic program (Lum, 2010, pp. 1,2,7).

Thirdly, regarding bilateral relations with Cambodia, Washington concerns are about the restoration of democratic institutions and norms, promoting the rule of law, and civic participation in Cambodian politics. Regarding the aid assistance, most of the U.S. aid assistance is distributed through the Non-Governmental Organizations

not through government-to-government channel because since 1998 to 2007 the U.S. Congress banned any government-to-government assistance to Cambodia as the pressure tools for Cambodian Prime Minister Hun Sen to restore democracy in its administration. However, the ban already lifted up in 2007 by the U.S. Congress after see an improved democratic process in Cambodia. Lastly, since the establishment of the military junta in Burma in 1988, the United States has forced wide-range sanctions against Burma including banning imports from Burma in which has been renewed by the U.S. Congress in 2006 due to the ‘extremely poor human right record’ in Burma. After all, the U.S. sanctions that related to the economic relations with Burma had terminated in 2004 and only remains several sanctions that are still enacting including the prohibition giving new loans from the international financial institutions to Myanmar (Niksich, 2007, pp. 3-4).

Regarding the United States’ multilateral commitment in Mekong Development, Washington works together with Tokyo under Asian Development Fund (ADF) as one of ADB’s funding resources. Washington becomes the largest contributor from non-regional countries group and the second biggest contributor after Japan in ADF scheme (Asian Development Bank , 2008, p. 23). ADF grant assistances are targeted mainly for lower-income developing countries and Mekong countries (Lao PDR and Cambodia) becomes the target priority of ADF along with 18 others (Asian Development Bank, 2016). In the case of Cambodia, the ADB program with ADF fund focuses on improving sustainable rural development, strengthening institutional capacity and good governance, and fostering regional economic integration. Since 1970 to 2008, the total of ADF Loan and Grant disbursement in Cambodia reaches \$820 million (Asian Development Bank, 2010, p. 1). Meanwhile, the ADF assistance in Lao PDR during 1970’s up to 1980s focuses on the

improvement of infrastructure program and recently its assistance has been broadening into accelerating the health and education service, renewable energy through hydro power generations, and boosting up the regional links. The total of ADF loan and grant disbursement in Lao PDR from 1968 up to 2008 reaches \$1.106,7 million (Asian Development Bank , 2010, pp. 1-2).

In the context of the United States collaboration with ASEAN dealing with the Mekong development established under the U.S.-ASEAN dialogue in 1997. The focus of this dialogue is in development cooperation and assistance program with ADB as the financial source. The development cooperation here refers to concessional developmental assistance toward the development integration ASEAN as a region, not predominantly focus on Mekong Development itself as individual country per se. For the most of the U.S.-ASEAN Dialogue discussion, Washington uses this framework as a place looking for support for its another foreign policy agenda outside Mekong development issues. For instance, the United States was mainly emphasized on the Middle East, Bosnia-Herzegovina, and Cambodia internal downturn issues in the 11<sup>th</sup> the U.S-ASEAN Dialogue in 1993 (Association of Southeast Asian Nations, 2012). Furthermore, the U.S. Assistant Secretary of States, James A. Kelly, gave an opening remarks that focused on the U.S.-ASEAN counter-terrorism effort in the 16<sup>th</sup> Dialogue in 2001 (Association of Southeast Asian Nations, 2012). Additionally, the United States led the briefing of the update situation in Iraq and noted concern about Iranian nuclear program along with the Korean Peninsula stability under the six-party talks framework in the 19<sup>th</sup> the U.S.-ASEAN Dialogue in 2006 (Association of Southeast Asian Nations , 2012). Meanwhile, the discussion regarding Mekong development issues in general as addressing issue to narrow down development gap

between ASEAN members only had discussed in the 19th ASEAN-U.S. Dialogue in 2006 (Association of Southeast Asian Nations , 2012) .

#### **4.5.1 The United States' Objectives and Means in Mekong Sub-Region before 2009**

The U.S. commitment objectives in the Mekong development before 2009 did not mainly target for the better Mekong Development. Instead, Washington used Mekong sub-region as an arena for achieving its other geopolitical agenda, such as preventing Southeast Asia region fall into the Communist sphere of influence during the Cold War and the U.S commitment in the Middle-East region. The prominent Washington commitment during the Cold War era started with designing the hydropower projects in Mekong River (Sneddon & Fox, 2012, p. 147; Hirsch, 2016, p.64). The U.S. government fully supported the economic development programs by joining the Mekong Committee & proposing TVA model to eradicate the poverty with managing the water resources in the Mekong Basin in the context of deterring the Communist sphere of influence in the Mekong riparian countries (Nakayama, 2002, p. 276). Even after the Cold War disappeared and the United States diplomatically re-engaged again with Mekong countries, Washington objectives in the Mekong sub-region still not designs for countering any rising power influence. Washington focus here was not directed to counter any ascending power country existence that may harm Washington position as the hegemony status in the region but merely focused on getting support from the region for Washington other geopolitical agenda in other other regions such as in the Middle-East and Korean Peninsula stability as described in the U.S-ASEAN dialogue meetings.

There are two objectives means that Washington applies to achieve its objective in the Mekong before 2009. Firstly, the implementation of liberal-ideals norm practice in its Mekong's involvement. During the Cold War era, TVA development model for the Mekong River management becomes a geopolitical aimed policy for deterring the communist influence in Mekong sub-region by emphasizing on democratic people participation on TVA model. TVA was not only transferring technology for managing the Mekong river but also becomes a tool to democratically achieve the development by emphasizing on democratic participation from the people affected by this model as a multipurpose development program (Ekbladh, 2002, pp. 336-337). Washington believes that democratic value in people participation and equal voice play a critical role to determine the better development of the Mekong River, which this kind of ideal values could not found in the Communist development concept (Ekbladh, 2002, p. 337). After the Cold War era, Washington also accentuates its liberal-ideals norm values by emphasizing human right and institutionalizing democracy in Vietnam and Burma, freedom to choose the faith in Lao PDR, the rule of law and civic participation in Cambodia. Regarding the United States aid assistance, it also touched upon more on the humanitarian issue rather captivate the economic development engagement, such as the demining activity assistance, food and health aid assistance.

Secondly, the United States builds institutional linkage with ASEAN and Japan. The United States institutional engagement with ASEAN also was not mainly designed for the better economic condition of the Mekong countries, but mainly as a tool to achieve its geopolitical interests in other regions dealing with North Korea nuclear proliferation and the Middle-East issue as already mentioned in the U.S-ASEAN dialogue since 2001 to 2006. Washington's over-weighted security focus in



the Middle-East helps in creating the underweighted geopolitical interest in the Asia-Pacific, including the Lower Mekong sub-region.<sup>23</sup> In the context of Washington-Tokyo institutional linkage, it indirectly engaged under ADF assistance projects, which most of the projects focused on humanitarian aids rather than captive tangible economic results. For instance, grant disbursement focusing on good governance projects, renewable energy, and sustainable development. Comparing to Chinese first phase of engaging with the Mekong sub-region, the United States still lack in giving full commitment to develop the Mekong sub-region. Rather than offering economic development projects to increase the Mekong countries' tangible economic growth, Washington mostly engages with the Mekong for getting support for its other geopolitical interests in other regions.

#### **4.6 The United States' Commitments in Mekong Sub-Region after 2009**

The United States' presence return in the Mekong sub-region with the creation of the Lower Mekong Initiative (LMI), which established on July 23, 2009. The development program of LMI touches upon on include agriculture and food security; connectivity of infrastructure, institutions, and communities; educations; energy security; environment and water; and health (U.S. Department of States, 2009). The participant members of LMI consists of the United States, Cambodia, Vietnam, Thailand, Lao PDR, and Myanmar. Another strategic initiative of the United States reengagement is by concluding the Mississippi-Mekong Sister Partnership between the Mississippi River Commission and Mekong River Commission (MRC) in May 2010, which becomes one component of environment program under the U.S.-led

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<sup>23</sup> Tom Dinilon speech to the Asia Society, March 11, 2013 in New York, "The United States and the Asia-Pacific in 2013", Retrived from <https://obamawhitehouse.archives.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisor-president-united-states-an> on January 10, 2016

LMI framework. This agreement saw as the revival of the U.S. project on water management under TVA model before, which never put into final realization. The agreement as concluded partnership designed for sharing experience sustainability trans-boundary water management in the Mekong River. Washington commits to spending more than US\$7 million to be spent on sustainable environmental programs and US\$15 million for improving food security in the Mekong sub-region. In the context of human resources and health, Washington gives totals US\$16 million for scholarly exchange and education development in the region and distributes US\$138 for responding pandemic influenza, as concluded in the 1st LMI Ministerial meeting in 2009.

To achieve Washington commitment objective in the Mekong sub-region, the United States realizes the importance ASEAN involvement. Therefore, Obama administration decides to sign ASEAN Treaty of Amity and Cooperation (ASEAN TAC) as a significant re-engagement commitment from the United States towards the region one day before the same day of launching LMI.<sup>24</sup> The United States works together with ASEAN in the Mekong development by committing to narrow down the development gap in among ASEAN members under LMI framework.<sup>25</sup> As a result, the United States designs its concrete contribution by offering \$50 million within a three-year period under the Asia-Pacific Strategic Engagement Initiative (APSEI), as agreed in the 5th LMI Ministerial meeting in 2012. There are several points of the United States commitment in APSEI to filling up the development gap among ASEAN members. Firstly, advancing the democratic institution development, mainly

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<sup>24</sup> Before Obama Administration, the United States government was reluctant to ratify ASEAN TAC as one of the reasons due to the clause of Washington into dilemma position due to one of TAC clauses mentioning about non-intervention and this will disturb Washington interest to intervene ASEAN domestic policy for the sake of promoting human-rights (Solis, 2011, p. 7).

<sup>25</sup> The development gap happens between ASEAN 4 consists of Mekong riparian Countries and ASEAN 6 consists of the founder members of ASEAN with their middle economy status.

regarding political reformation in Myanmar. Secondly, distributing US\$1 million in a three-year program to support the MRC study on the sustainability development of the Mekong River and US\$2 million grant for supporting the MRC technical capacity on fisheries program.

Besides those aid assistances, the United States also commits on infrastructure connectivity to address development gap issue. Like Chinese commitment policy, The United States also fully supports ASEAN initiatives on Master Plan on ASEAN Connectivity (MPAC). Washington support MPAC through focusing on information and communications technology, infrastructure, and people to people connectivity. Dealing with infrastructure connectivity, the United States endorses its new project called as Smart Infrastructure for Mekong (SIM) & ‘Connect Mekong’ Platform that included Mekong Technology Innovation Generation and Entrepreneurship Resources (TIGERS), which involved much of private sectors, in the 6th LMI Ministerial meeting in 2013 (U.S. Departement of State, 2013).

In the context of strengthening the U.S. commitment in Mekong development program, Washington also institutionally engages with Japan through Friends of the Lower Mekong (FLM). FLM is a platform to coordinate among the donor countries inside the LMI mechanism. The donor members of FLM are Australia, South Korea, Japan, New Zealand, European Union, ADB and World Bank. The primary platform of FLM is to vary donor stakeholders, which all of them primarily the U.S allies, and also share information about the recent update in the Mekong sub-region (U.S. Agency for International Development, 2013). Washington and Tokyo agreed that the Mekong Development should be relies on the sustainability management of natural resources in the Mekong sub-region as concluded in the Extraordinary Friends of Lower Mekong Conference on Mekong Sustainability Summary of Joint Discussion

in Laos on February 3, 2015.<sup>26</sup> The imposing of sustainability development practice in the Mekong development is strategically striking on Chinese lack of commitment dealing with environment issue in its development program especially dam construction projects in the Mekong sub-region

Even though Washington is gradually engaging with the Mekong development through LMI program, it does not create a significant progress yet in economic power linkages with the Mekong countries. From the length of engagement period view, it is still early assessing the result of Washington engagement while the LMI programs itself just started and still in ongoing process. According to ASEAN Statistical Yearbook in 2014, the U.S. Foreign Direct Investment (FDI) from 2006 up to 2013 in the Mekong countries only reaches 7.7% of the total shared. It is lower shared portion compared to Chinese FDI that reaches 10.6%.

#### **4.6.1 The United States' Objectives and Means in the Mekong Development after 2009**

Washington's return to the Mekong sub-region is underlined by the translation of the U.S. foreign policy strategy to come back to Asia well known as 'Rebalance to Asia' strategy in 2009 and re-emphasize again in 2011 through 'Pivot to Asia' strategy (Mishra, 2014, p. 149). This U.S. shifted-strategy is targeted to predominantly focus on Asia-Pacific Region and aimed at constraining the rising Chinese influence that has created the regional instability as Washington believed (Manyin, et al., 2012, p. 8; Ratner, 2013, p. 21,34). As the part of the Asia-Pacific region, the Mekong sub-region becomes one of the chosen arenas for Washington

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<sup>26</sup> Lower Mekong Initiative. February 3, 2015. Extraordinary Friends of the Lower Mekong: Conference on Mekong Sustainability Summary of Joint Discussion. Retrieved from: <http://lowermekong.org/news/extraordinary-friends-lower-mekong-conference-mekong-sustainability-summary-joint-discussion>

starting its return engagement policy (Cronin & Hamlin, 2012, p. 49). There are several strategic concerns of the United States towards Mekong sub-region.<sup>27</sup> Firstly, Due to China's assertive gesture in the Mekong development projects, such as the hydropower dam construction projects in the upper Mekong River, which poses a direct threat to the peace and stability of the Mekong sub-region and the Southeast Asia region. Secondly, the United States active presence and its leverage in the Mekong sub-region is limited. Meanwhile, China's leverage presence is incrementally accelerating. As a result, it is triggered the United States to come back and focus dealing with the rising Chinese influence in this sub-region.<sup>28</sup>

According to the Public Hearing Session in the U.S.-China Economic and Security Review Commission on February 4, 2010, mentioned that the Chinese ascending power influences has been showed brings negatives impact towards the regional cohesiveness. As the United States geopolitical influence in the region is also limited to due its long absence active presence after the losing in Vietnam War, it effects on its status quo power influence power status that is decreasing compared to the ascending China power influence in the region (Freise, 2012, p. 3). Then, Washington as benevolent hegemony commits to maintain regional cohesion and stability form Chinese assertive influence. Therefore, Washington responds rivalry issue from Chinese ascending power influence by launching LMI initiative. LMI initiative becomes the U.S. counterbalance medium against Chinese assertive economy development influence, which poses geopolitical threats toward regional

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<sup>27</sup> "Prepared Statement of Dr. Richard P. Cronin, Senior Associate, Henry L. Stimson Center, Washington, DC". The United States-China Economic and Security Review Commission. February 4, 2010. <http://origin.www.uscc.gov/sites/default/files/transcripts/2.4.10HearingTranscript.pdf> (Accessed February 8, 2017)

<sup>28</sup> Ibid.

stability and cohesiveness (Chang, 2013, pp. 295-296; Cronin & Hamlin, 2012; Ling, 2013, p. 151; Yoshimatsu, 2015, pp. 181-185).

To execute America geopolitical objectives in the Mekong development after 2009, Washington applies the liberal-ideals norm values in its engagement approach. Washington socializes the practice of liberal-ideal values against the Chinese flexible-pragmatic norms in the Mekong sub-region. There are several ways for Washington promoting liberal-ideal norm practices in its engagement toward the sub-region. Firstly, imposing the good governance practice in Myanmar under APSEI Program objectives. Secondly, promoting the urgency of having a sustainable water management development program under the Mississippi-Mekong Sister Partnership framework. All of those ideals values becomes a strategic means for Washington against Chinese ascending influence as Beijing has a lack of commitment in environment issue and state domestic issue when dealing with the Mekong development. By imposing different norms against Chinese norms practice, Washington offers alternative development policy towards the Mekong countries with the expectation this that way helps deter Chinese ascending power influence in the region.

Moreover, the difference norms application between Washington and Beijing also accentuates the great power strategic rivalry in solving development gap problem in the Mekong sub-region. For Chinese perspective, building physical infrastructure program becomes the key point of narrowing the development gap within ASEAN members, because it brings actual result economic impact growth for the Mekong countries. For the United States' perspective, the Mekong Development should be relying on the sustainable management of the Mekong natural resources, not only focusing on the physical infrastructure existences. Therefore, it is urgent for

Washington in filling up ASEAN development gap in the Mekong region by creating the LMI with focusing on sustainable economic growth while at the same time also protecting natural ecosystem of the region itself.<sup>29</sup>

Besides using the liberal-ideals norms as a strategic means, the United States also builds institutional linkage with Japan and ASEAN. Washington institutionally engages with Tokyo through FLM. The existence of FLM can be translated as Washington's effort showing its strong alliance with Japan to counter Chinese ascending influence power in the Mekong development program. Washington and Japan share a mutual interest in the Mekong Development under FLM to give priority on sustainability environment program in the Mekong River Basin.

In the context institutional linkages with ASEAN, the United States needs ASEAN unity and cohesion for a better atmosphere in the Mekong development in countering Chinese ascending power in the region (Chang, 2013, p. 297). As a result, Washington decided to engage with ASEAN by formally ratified TAC in July 2009. Since then, the United States formally involve in any states leader's summits in ASEAN. By signing TAC, Washington now possible to counterbalance Chinese assertive policy influence in the ASEAN discussion as China already showed its assertive control in several ASEAN meetings. Moreover, the United States shows a high-commitment maintaining the regional stability as the status quo power in the region (Nguyen P. , 2014, p. 2).

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<sup>29</sup> Lower Mekong Initiative. FAQs. How is LMI different from previous U.S engagement in Southeast Asia?. <http://lowermekong.org/about/faqs>.

#### **4.7 Conclusion**

Based on the finding and discussion about Beijing and Washington engagement approach toward Mekong countries in the context of their strategic rivalry, I provide the answer to the first research question that the United States and China have difference objectives in the Mekong Development. There are two goals that China want to achieve in its involvement in Mekong development. Firstly, China aims integrating its Southern rural areas with the Mekong sub-region to accelerating their economy growth in provincial level, which at in then will contribute towards better economic growth in national scale, through Chinese involvement in various cross-border physical infrastructure projects. Later on, the massive and intense Chinese economic development projects in the Mekong sub-region helps China to achieve its geopolitical objectives. Secondly, China geopolitically aims for being a ascending dominant power country in the region. As the ascending power, China showed its dissatisfaction towards the current international order, but being careful not to directly against the United States-led international order by creating alternative development initiative and financial development source. Also, the salient Chinese economic power influence successfully control over the Mekong riparian country, Cambodia, in the ASEAN discussion meeting. From this empirical findings, China is mainly proven becomes the ascending power that its objective aims for accelerating its power influence against the current international order led by the status quo power. However, there is also another Chinese objectives dealing with the Mekong development, which is accelerating its national economic growth by integrating its southern rural province and securing energy resource supply.

Meanwhile, Washington's objectives in Mekong sub-region also has two goals that slightly different from the thesis hypotheses. Firstly, Washington applies its



hegemony power status to prevent the region from falling into the Communist sphere of influence during the Cold War and not mainly addressing the development gap existed in the Mekong sub-region. Even after the Cold War disappeared and the United States diplomatically re-engaged again with Mekong countries, Washington strategic interest still did not focus dealing with the Mekong development, but merely focused on getting support from this region for achieving Washington other geopolitical agendas in other other regions such as in the Middle-East and Korean Peninsula. Secondly, the United States strategically returns and deters Chinese ascending influence since Beijing behavior is getting assertive and influential while Washington's influence is limited. Washington categorize Beijing as its potential challenger that put danger its status quo power status. Therefore, the United States now strategically focus dealing with the Mekong development issues to deter Chinese strong involvement in the Mekong Development projects by launching LMI.

Concerning answering the second research question, the United States and China are proven to apply two types of means to achieve its objectives. Firstly, utilizing the different norm practice as a strategic policy. China exercises its flexible-pragmatic norm and the United States applies its liberal – ideals norm as a way to achieve their objectives in the Mekong Development. Washington's liberal-ideals norm approach is strategically promoted since the ideals values (sustainable development practice and the good governance) do not become Chinese focus commitments in the Mekong development. However, the socialization of the liberal-ideals norms brings slower direct influence impact to the Mekong countries since the norm was not well-received by the less powerful states in Mekong sub-region. Compared to Washington's liberal-ideals norm approach, Chinese flexible-pragmatic

brings more direct tangible economic results and significantly influence the Mekong countries since Chinese norm is in line with Mekong countries needs.

Secondly, Washington and Beijing takes the same approach in building institutional linkage with ASEAN and Japan. The United States is proven using ASEAN and Japan as institutional linkage. As the U.S. intentionally choose to do cooperation with ASEAN and Japan in countering China influence in through establishment of LMI. The U.S. institutional linkage at least support the practice of liberal-ideals norm as a way to achieve the U.S.' goals in the Mekong development. The United States' institutional linkage with ASEAN and Japan plays similar pivotal role position in supporting Washington achieving its objectives. However, the U.S. institutional linkage doesn't yet bring significant winning against countering Chinese influence in the Mekong since LMI just begun compared with the constant of Chinese presence in the Mekong development. Meanwhile, China also using ASEAN & Japan as its institutional linkage means. However, the degree of cooperation is different between Beijing's institutional linkage and Washington's one. China's institutional linkage with ASEAN has a significant role in helping China achieves its objectives. Meanwhile, its institutional linkage with Japan has the problematic situation.

## Chapter 5 TPP versus RCEP

### 5. Introduction

The significant result of globalization is the emergence of trade liberalization phenomenon, including the proliferation of free trade agreement (FTA). Before the 2000s, the trade liberalization focused in the level of multilateralism cooperation (World Trade Organization, WTO). Due to the deadlock Doha round negotiation in WTO, the trend liberalization process now is focusing on the bilateral and regional cooperation level since 2000. Pakpahan (2012) stated that the current trade trend is shifting from multilateral cooperation into bilateral and regional/interregional trade agreements as a rational solution in facing the Doha deadlock negotiation.

In the East-Asia region, the number of regional trade agreements significantly increases since the 2000s. Prior to the 2000s, there is only ASEAN Free Trade Area (AFTA) that already came into force in 1992, but after 2000 there are 18 more of free trade agreements within the East-Asia region and 54 free trade agreements between East Asia with the other regions (WTO Regional Trade Agreements Database 2016). Move to broader region, the Asia-Pacific region becomes one of the most active regions for FTA proliferation. There was only eight FTA concluded in 1998. Since the 1990s, there is an increasing FTA growth in the region, which is hosted 60 FTA by 2008 (Dent C. M., 2010, p. 202; Duy, 2016).

As the active proliferation of FTA, the Asia-Pacific region right now has two mega-regional trade deals. Firstly, named as the Trans – Pacific Partnership (TPP) led by the United States. The Trans-Pacific Strategic Economic Partnership (TPSEP) was the embryo of the establishment of TPP started in 2006 with Brunei Darussalam, Chile, New Zealand, and Singapore as its founding members (P4 countries). In

general, the TPSEP agreement covers ambitious trade liberalization in goods and services sector with high-target tariff reduction above 90% up to zero tariff (New Zealand Ministry Foreign Affairs and Trade , 2005, p. 8). The United States decided to join TPP in September 2008 as the first country joined outside P4 countries in discussing the new chapter trade liberalization in finance and investment sector. After the United States joined TPP, other countries in the region followed the United States in joining TPP, starts from Australia, Peru, and Vietnam in the November 2008. TPP negotiation itself began since March 2010 during the negotiation rounds Malaysia and Japan joined TPP in October 2010 and July 2013, respectively. The characteristic of TPP trade deal negotiation aims for ‘the high-quality trade regime’ with focusing on comprehensive market liberalization (eliminating high scale of trade tariff barrier and weighing more on trade in service than trade in goods). The conclusion of TPP negotiation rounds concluded in October 2015 and the final agreement text successfully signed by the entire member in February of the following year.

Secondly, Regional Comprehensive Economic Partnership (RCEP) led by ASEAN-centrality but strongly backed and influenced by China presence. RCEP initiative firstly introduced through the 19th ASEAN Summit in November 2011 and the official negotiation rounds began in the 21st ASEAN Summit November 2012. As for now on, the negotiation rounds itself only open for ASEAN and its FTA partners (ASEAN+1 FTAs) including Australia, China, India, Japan, South Korea, and New Zealand). The RCEP characteristic is more likely to harmonize the existing bilateral FTAs between ASEAN and six FTA partners into single regional trade agreement rather than concerning the quality of their current FTA rules like TPP has been addressing. Even though RCEP aims a lower trade bar quality compared to TPP, the negotiation talks are still in progress and not yet complete.

This chapter examines the United States and China approach to getting closer to the Asia-Pacific region to gain their objectives geopolitically and economically. After analyzing the background motives of Washington and Beijing, adequately discussed goal means that both countries applied to attain their goals. There is two type of objectives means. Firstly, by using different norm practice. China adopts flexible-pragmatic norm, and the United States applies liberal-ideal norms practices towards their agendas in RCEP and TPP. Secondly, by building up closer institutional linkage with ASEAN and Japan under a partnership in TPP and RCEP. Finally, there is conclusion summarized all of the empirical findings.

## **5.1 The U.S. involvement in the Asia-Pacific Trade Deal: Trans Pacific Partnership (TPP)**

### **5.1.1 Bush Administration**

In the beginning, the United States under Bush administration's interest in pursuing FTA agendas is generally for pushing forward open market access for its American business. Bush administration economic trade orientation is designed to orchestrate 'Competitive Liberalization' policy (Chan, 2005, p. 5; Solis, 2011, p. 5). The 'Competitive Liberalization' here means that trade liberalization is a certain process and to gain from this process, the United States needs to increase its competitiveness by introducing more American businesses in the global market as its comparative advantages. The open trade market towards foreign investments becomes the United States primary motives to provide access for its American corporates, especially in the trade area of investments and services, labor right, and environmental protection ( Chan M. M., 2005, p. 10) .

Later on, Bush administration using FTA not just for open market access for its national business, but also aims for strategic interest including strengthening its strategic alliance in the region. It starts with the Latin America countries under North-American Free Trade Agreement (NAFTA) during his first administration as he stated that “Our goal will be trade agreements with all the nations of Latin America.”<sup>30</sup>. Additionally, it expands to the Asia-Pacific countries under TPP during his second administration. The first term of Bush administration’s USTR chief, Robert Zoellick, in 2001 mentioned that the U.S. FTA strategy brings the United States to be closer to the Latin America countries, like Brazil, Mexico, and Argentina.<sup>31</sup> Since then, the U.S. FTAs become Bush administration’s strategic economic policy promoting the American enterprises and expanding the U.S alliance network.

After successfully creating NAFTA in the Latin America hemisphere, Bush second administration expands its FTAs network towards other regions, especially the Asia-Pacific (McBride & Sergie, 2017). The year of 2004 becomes a crucial juncture for shifting his trade policy orientation from the Latin America to the Asia-Pacific region. The East-Asia economic integration under East Asia Summit is in progress and gaining more momentum without any the United States involvement on it. The East Asia Summit is annual and open regional forum, which is attended by regional great power countries including China, Japan, and Russia but not the United States yet. The summit annually discusses various cooperation issues including security, politics and especially trade. China, as the ascending power, in this trade regional forum is gaining more influence by proposing its trade deal initiative of East Asia

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<sup>30</sup> The New York Times. *The 2000 Campaign; In Speech, Bush Sets Goal of Free-Trade Agreements with Latin Nations*. August 26, 2000. <http://www.nytimes.com/2000/08/26/us/2000-campaign-speech-bush-sets-goal-free-trade-agreements-with-latin-nations.html> (accessed January 2, 2017)

<sup>31</sup> Robert Zoellick, “Free Trade and The Hemisphere Hope”, Prepared Remarks for Council of the Americas, U.S. Department of States, May 7, 2001, [https://ustr.gov/archive/assets/Document\\_Library/USTR\\_Speeches/2001/asset\\_upload\\_file236\\_4283.pdf](https://ustr.gov/archive/assets/Document_Library/USTR_Speeches/2001/asset_upload_file236_4283.pdf) (accessed January 2, 2017)

Free Trade Agreement (EAFTA) in 2004. Japan also offers its trade deal version as a counter-trade deal against China's proposal with its Comprehensive Economic Partnership in East Asia (CEPEA) later in 2006. Both of these regional trade deals were focusing on regional cooperation (ASEAN Plus FTAs scheme) without engaging with Washington economic and geopolitics interest presence. If a country wants to become the member of this summit, any countries need to become ASEAN dialogue partner at first through the ratification of ASEAN TAC. However, Bush administration decided not to take part in this summit because the United States needs to ratify TAC, which will put Washington into dilemma position due to one of TAC clauses mentioning about non-intervention and this will disturb Washington interest to intervene ASEAN domestic policy for the sake of promoting human rights (Solis, 2011, p. 7). As a result, the United States was being temporarily excluded in the progress of the Asia-Pacific regional economic integration.

Without signing TAC and becoming the member of the East Asia Summit, Bush administration keeps pursuing its FTAs agendas in the Asia-Pacific region by by promoting bilateral and multilateral FTA approach. In bilateral FTA approach, there was a success and suspended result approach. The successful bilateral FTAs could be seen in the concluding of the U.S.-Singapore FTA in 2004, the U.S.-Australia FTA in 2005 and the U.S.-South Korea FTA in 2007. All of these FTAs are highly focusing on Washington FTAs preference deals, including trade of investments and service, labor rights, and environmental protection. The suspended one was the U.S.-Thailand FTA negotiation in 2004 and the U.S.- Malaysia FTA negotiation in 2006. The suspension of these FTA negotiations is because the United States' championed FTA rules high quality trade preferences (such as intellectual property rights, investments, and services liberalization, and government procurement clause) that are being

opposed by domestic stakeholders in Thailand and Malaysia (Solis, 2011, p. 6).

In multilateral FTA approach, the chance for the United States to be involved in the regional economic integration process finally comes in the end of Bush second administration in 2008. When P4 countries in TPSEP members was about to begin the next Trans-Pacific Partnership (TPP) negotiation in 2008, the United States then joined the negotiation. The reason behind the U.S joining in TPP negotiation because TPP goals fits with the core Washington FTAs motives for greater American Business access in the Asia-Pacific. Bush administration finally decided to join multilateral trade talk in TPP started in September 2008 (Rajamoorthy, 2013, pp. 4-8; United States Trade Representative, 2009, p. 127). By doing so, the United States becomes the first country outside P4 members to join the negotiation, which later followed by other countries accede to the force starts from Australia, Peru, and Vietnam.

#### **5.1.1.1 Bush Administration FTA Objectives**

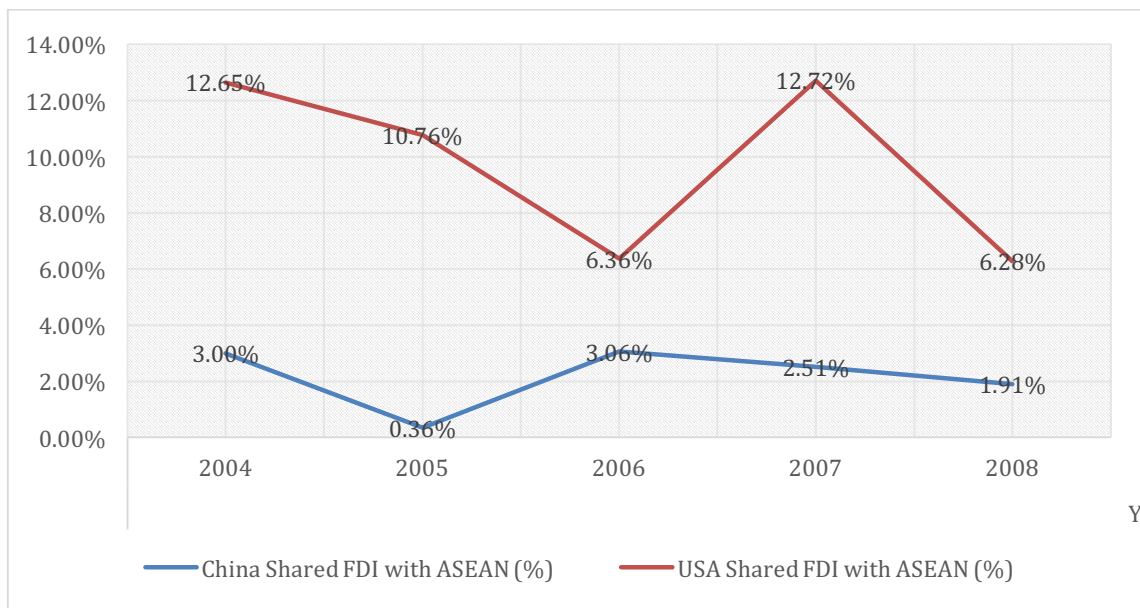
As mentioned before, Bush economic policy orientation aims for two objectives, including open market access for the American business and expanding its strategic alliance network. By doing so, TPP also becomes a medium for him to achieve these objectives. In the context achieving economic market access, Washington expands its FTA networks in the Asia-Pacific since there is a declining shared-trade portion with ASEAN countries, as the significant market in the Asia-Pacific region. As a result, it is important for Washington promoting its American business into ASEAN market in balancing the U.S-ASEAN shared trade portion again. As the 15th USTR Ambassador Susan C. Schwab on launch, the U.S. Negotiation on joining TPP in 2008 mentioned that



This initiative also will help strengthen the United States’ competitiveness and generate growth and prosperity in the years ahead.... With its large and growing markets and robust economic growth, it is clear that further strengthening our ties to this region should be a priority. <sup>32</sup>

While at the same time, the United States also noticed that China trade position is significantly accelerating within the region. The Figure 5.1 shows that the FDI Inward from the United States to ASEAN countries is relatively steady from 2004 up to 2008 compared to Chinese inward FDI percentage that is lower than the U.S portion.

**Figure 5.1 FDI Growth Inflows in ASEAN by USA & China (YoY)**



Source: \*Data calculation is taken from ASEAN Statistical Year Book in 2015

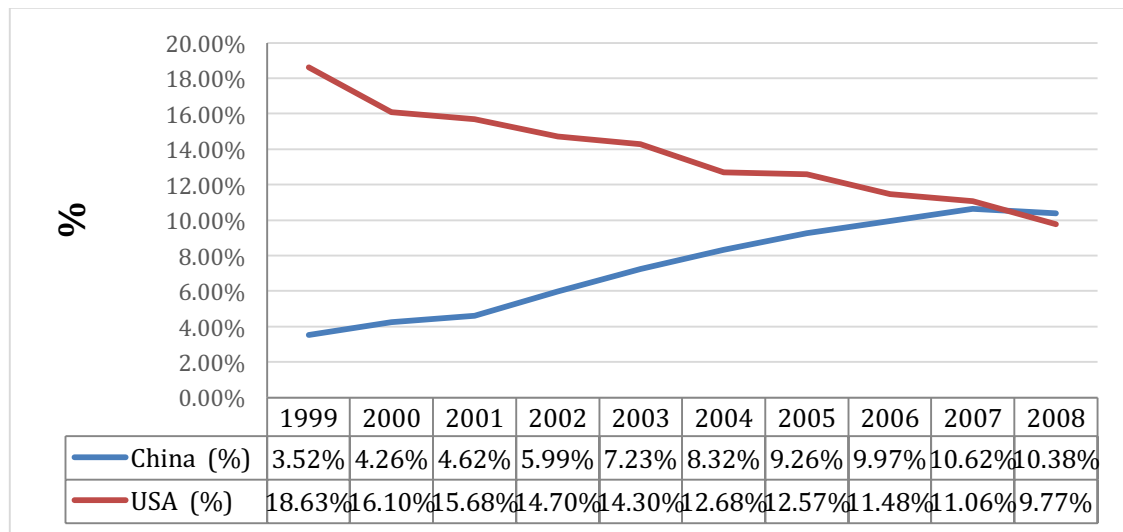
\*\*Data for 2014 is only preliminary figures

However, Figure 5.2 displays that start from 2000 until 2008 the United States shared

<sup>32</sup> “Schwab Statement on launch of the U.S. Negotiations to join the Trans-Pacific Strategic Economic Partnership Agreement”, Susan C. Schwab, USTR Ambassador, 2008.

trading percentage with ASEAN is declining. Meanwhile China, as an emerging economic power during the same period, keeps increasing and surpasses the U.S shared trade capability in 2008.

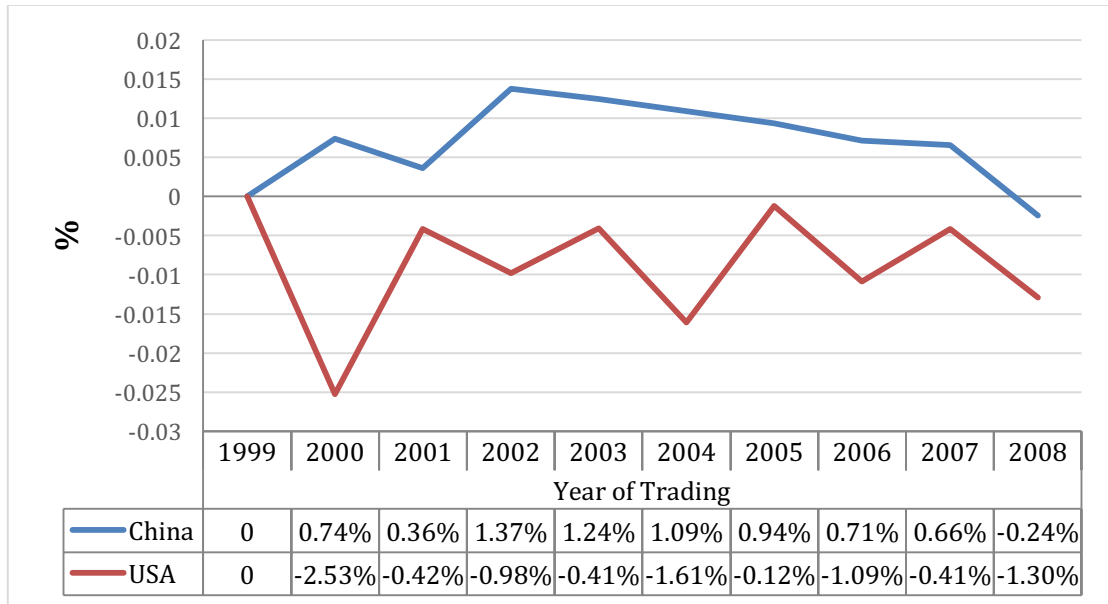
**Figure 5.2 ASEAN Shared Trading with USA and China (YoY)**



Source: \* Data calculation is taken from the compilation of ASEAN Statistical Year Book in 2008, 2014, and 2015

Despite the fact that the United States shared trading percentage in general with ASEAN is bigger than China shared a trading portion with ASEAN before 2008, but actually in year over year (YoY) basis the United States shared trading percentage is slowing down after 2008. Meanwhile, China shared trading rate accelerates with the turning point in 2008, which China shared reaches 10.28% above the United shared portion only seizes 9.77%. When looking into deeper about the annual growth of the U.S. shared trading with ASEAN, it shows negative growth compared to positive growth of China shared trading with ASEAN, as shown in the Figure 5.3 below.

**Figure 5.3 ASEAN shared trading growth with USA and China (YoY)**



Source: \* Data calculation is taken from the compilation of ASEAN Statistical Year Book in 2008, 2014, and 2015

As a result, Washington pushes forward its trade and service agendas to promote in TPP negotiation and several bilateral FTA deals initiative with the expectation to boost up the U.S-ASEAN shared trade portion. TPP and the U.S bilateral trade agreement with some ASEAN countries have goals that in line with the U.S trade agendas in removing tariff and non-tariff barriers trade in goods. By comprehensively eliminating trade in goods tariff, it is likely balancing back again the U.S shared trade with ASEAN countries due to free and fair trade flows within the region. The Bush administration already realized that the ascending influence of Chinese economic capabilities is getting salient while Washington trade economic influence is getting weaker in the region as shown in those figures after 2008.

Overall, Bush administration FTA motivation in the region is weighing more on economic-centric agenda than geopolitical agenda. The economic - centric agenda

here refers to promote its comparative advantage to working on its declining shared trade with the region. Meanwhile, the geopolitical agenda here means to maintain its strategic alliances with its long-standing allies and not directly to point yet in facing China ascending economic influence, even though he realized that Beijing shared trade with ASEAN is getting significant.

#### **5.1.1.2. Bush Administration FTA Means**

The application of liberal-ideals norms and institutional linkages become two means for Washington to achieve its FTA objectives in the Asia-Pacific. In the context of liberal-ideals norms application, Bush administration continues to apply its liberalization market agenda by pushing forward on investments and financial services (in the case of TPP talks), environmental trade chapter (U.S.-Singapore FTA), high elimination trade tariff barriers (U.S.-South Korea FTA), and protection of IPRs (U.S.-Australia FTA). As USTR Ambassador Susan C. Schwab statement in 2008 mentioned that

The United States is pleased to stand with this group of like-minded countries, whose vision for trade liberalization and Trans-Pacific economic integration we share. We are particularly interested in this high-standard agreement potentially serving as a vehicle for advancing trade and investment liberalization and integration across the Trans-Pacific region and perhaps beyond.<sup>33</sup>

In the using institutional linkage, the United States was giving more focus on Australia, South Korea, and Singapore rather than Japan and ASEAN yet as could be

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<sup>33</sup> “Schwab Statement on launch of the U.S. Negotiations to join the Trans-Pacific Strategic Economic Partnership Agreement”, Susan C. Schwab, USTR Ambassador, 2008.

seen in their concluded bilateral FTA talks. As of the ‘last minute decision’ in his second administration in joining TPP, the United States significant effort to promoting strategic alliance in TPP is still a lack of evidence yet. However, it was successful in appealing its allies to join TPP forces as Canberra joined TPP within the same year with Washington.

### **5.1.2 Obama Administration**

As Barack Obama took over Bush administration in 2009, he took some significant shifting in the U.S. foreign policies compared to Bush administration. If Bush administration was not significantly considered countering the ascending China trade influence, Obama administration is strategically taken into account China ascending trade power influence in the region and trying to halt it. The policy shifting started by signing TAC in July 2009, which was Bush administration reluctant to sign, and take part in the next East Asia Summit meeting in the following year. Furthermore, Obama continues Bush’s FTA policy to participate in TPP negotiation by more deliberately focus on the geopolitical aspect to counter Chinese ascending power influence in the region. Even though the United States decided to join TPP in 2008 under Bush administration, but the negotiation rounds started under Obama administration in March 2010. The first outline of the TPP agreement negotiation that announced in November 2011 covers several main features such as investment, services, and intellectual property rights (WTO-plus issues) and ambitiously reducing tariff above 90% up to zero tariffs and reduction non- tariff barrier in sensitive trade sectors such as agriculture, automobile, dairy products. Under Obama administration, TPP becomes the U.S leadership medium in shaping the Asia-Pacific regional

economic integration. By doing so, the United States aims for TPP becomes the 21st-century trade agreement that different from the existing trade deals.

Along the negotiation rounds, the United States leads the negotiation process by committedly pushing forward the market liberalization agendas as a design method to counter China ascending influence. Firstly, eliminating 90% until 100% all foreign import tariffs on trade in goods among TPP members. As China FTAs strategy always striving for goods market access for 'Made in China' products, the United States is also driven by this factor by promoting more 'Made in America' products in the region goods market access through TPP deals. By agreeing nearly 100% tariff elimination of U.S products, it will make easier for 'Made in America' product to fairly compete with 'Made in China' products in Asia-Pacific market. Pushing forward an ambitious elimination of tariff and non-tariff barriers become a crucial point of Washington agenda in TPP due to strong support lobby from the America business associations, as Secretary of State, John F. Kerry stated on the Council on Foreign Relations Session in 2015 that

Our companies need agreements that will reduce both tariff and non-tariff barriers to trade, thereby enabling them to participate more fully in the new global supply chains that are creating unprecedented opportunities to establish winning connections around the world. In fact, the economic case for TPP...is actually overwhelming...<sup>34</sup>

Secondly, pushing forward the fair trade competition with its agenda clause of Stated-Owned Enterprises (SOEs), which has not been discussed in WTO rules, yet (Capling & Ravenhill, 2013 , p. 190) . SOEs agenda to be successfully inserted in

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<sup>34</sup> "Remarks at the Atlantic Council's Conference on Trade and National Security: Renewing U.S. Leadership Through Economic Strength", U.S Department of State, April 23, 2015, <https://www.state.gov/secretary/remarks/2015/04/241019.htm> (accessed January 10, 2017)

TPP agreement is the fruitful result of the United States pioneer efforts to ensure the fair commercial competition between private sector business and State-Owned Enterprises (SOEs) investment practices that usually get preferential treatment from the government (United States Trade Representatives, 2015, p. 22). Before TPP, SOEs clause has never fully discussed under WTO framework and did not exist yet in any other existing FTAs because it seems not important and significant issues (Cooper & Manyin, 2013, p. 3). Moreover, the presence of State-Owned Enterprises issue is categorized as sensitive trade sector to be discussed in China FTA agendas as China central government still gives various subsidization toward its SOEs (Chen & Whalley, 2014, p. 2).<sup>35</sup> As China does not give a high-priority commitment on this issue, this fact puts Washington to be more eager to push forward SOEs issue in TPP negotiation agenda to prove itself as a fair trade promoter, especially in the context promoting anti-monopoly trade practice in the region. As Hillary Clinton in 2012 G20 Ministerial Meeting addressed about the raising ‘state-capitalism’ country practice, which usually identic with China government style, by mentioning that

When favored state-owned or state-supported enterprises enjoy preferential access to government resources and special protection from competition in their markets, that harms foreign competitors and local entrepreneurs alike.... Today, we need to develop similar understandings to ensure that companies compete on a level playing field, whether their owners sit in corporate boardrooms or in government ministries. We call this common-sense principle “competitive neutrality.”<sup>36</sup>

Thirdly, securing IPR commitment among TPP member to establish high

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<sup>35</sup> Up to August 2016, China has 102 strategic SOEs that become a subject of Chinese government trade monopoly practices, including special financial arrangements and monopoly pricing arrangements, State-owned Assets Supervision and Administration Commission database (SASAC), August 03, 2016, <http://www.sasac.gov.cn/n86114/n86137/index.html> (accessed January 2, 2017)

<sup>36</sup> “Remarks at the G20 Ministerial”, Hillary Rodham Clinton, Secretary of State, February 19, 2012.

protection for patents, trademarks, and copyrights, especially in pharmaceutical IP issue, becomes an important agenda for Washington in TPP as it is a comparative advantage sector of the United States (United States Trade Representatives, 2015, p. 27; Cheong, 2013, p. 13; Zhang, 2016, p. 40). By doing so, the United States becomes a vocal country to promote WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Plus Standard in TPP negotiation rounds. Meanwhile, China FTA is also imposing IPR standard in its FTA strategy but with different standardization, which emphasizes more on TRIPS rather than TRIPS Plus standard as the United States commitment to its FTA agenda. Chinese FTA agenda on IPR is more flexible and not in depth and rigid like the United States agendas according to China stage economic development and China domestic law (Zhang, 2016, pp. 43-45). As being emphasized by Obama remarks at the Export-Import Bank's Annual Conference in March 2010 stated that

We [the United States] will pursue negotiations in the Trans-Pacific Partnership... will result in a new standard for 21st century trade agreements... What's more, we're going to aggressively protect our intellectual property. Our single greatest asset is the innovation and the ingenuity and creativity of the American people... it's only a competitive advantage if our companies know that someone else can't just steal that idea and duplicate it with cheaper inputs and labor.<sup>37</sup>

Fourthly, the United States also imposes the significance of environmental protection in order to gain sustainable economic trade growth in the region. Washington pushes forward TPP's environment chapter agenda on requiring all TPP members to establish environmental protection obligation as equal as other

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<sup>37</sup> "Remarks by the President at the Export-Import Bank's Annual Conference", White House, March 11, 2010.



obligations in TPP clause, which become a subject in dispute settlement mechanism (United States Trade Representatives, 2015, p. 18). Washington intends showing its moral leader commitment in the region by writing trade regime with environmental protection agenda, while its ascending challenger, Beijing, shows recalcitrant behavior in committing with such issue (Economy, 2005, p. 422). On the Council on Foreign Relations Session in 2014, USTR Ambassador Michael B.G Froman mentioned that

In TPP, we're building on that. And so we'll have -- it'll be at the end of the day -- strong, and binding, enforceable labor and environmental provisions... I'll take the environment as an example. In addition to having that -- and its sort of obligations that are included in these trade agreements are to adopt and maintain certain laws, make sure that you fully enforce them, you're implementing them, that you're not derogating them in order to get a trade advantage. And all those obligations become subject to dispute settlement.<sup>38</sup>

#### **5.1.2.1 Obama Administration FTA Objectives**

As the successor of Bush administration, Obama administration continues TPP legacy from his predecessor. However, TPP becomes more weighing on geopolitical-centric policy rather than just economic-centric one by maintaining FTA deal of TPP as U.S. leadership medium to strengthen U.S. alliance network in the Asia-Pacific as the basis of countering China ascending influence. As Obama's speech in Tokyo on 14<sup>th</sup> November 2009 mentioned it that

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<sup>38</sup> "U.S. Trade Negotiations Aim to Raise Labor and Environmental Standards", Council on Foreign Relations, June 16, 2014.

Asia and the United States are not separated by this great ocean; we are bound by it. We are bound by our shared prosperity -- by the trade and commerce upon which millions of jobs and families depend...To meet these common challenges, the United States looks to strengthen old alliances and build new partnerships with the nations of this region.<sup>39</sup>

By doing so, Obama transforms the Bush's policy of 'Competitive Liberalization' into 'Rebalance to Asia'. The 'Rebalance to Asia' policy has been emphasizing more on the Asia-Pacific region than other region and more weighing on geopolitical considerations rather than economic considerations. In the same speech, Obama admitted that the United States had disengaged within a period of time from current regional integration in the Asia-Pacific. Therefore, Washington commits to getting closer to the region. Like Hilary Clinton, the then-Secretary of States emphasized later in her speech in 2010 by declaring that:

America's future is linked to the future of the Asia-Pacific region; and the future of this region depends on America. The United States has a strong interest in continuing its tradition of economic and strategic leadership, and Asia has a strong interest in the United States remaining a dynamic economic partner...<sup>40</sup>

The 'Rebalance to Asia' or later to be reaffirmed as 'Pivot to Asia' policy is being translated into several commitments. It started with formally engaging with ASEAN including participating in the East Asia Summit and leading TPP negotiation. In the context of TPP, Obama wants not only working on the U.S declining shared trade with ASEAN as the part of economic consideration but also working on its

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<sup>39</sup> "Remarks by President Barack Obama at Suntory Hall", White House, November 14, 2009.

<sup>40</sup> "Remarks on Regional Architecture in Asia: Principles and Priorities", Hillary Rodham Clinton, Secretary of States, January 12, 2010.

declining sphere of leadership influence by maintaining its status quo power against Chinese ascending power influence in the region as the part of the geopolitical reason.

TPP will bring a good economic deal as it provides elimination of 18,000 tariffs and non-tariff barriers on 'Made in America' product exports and promoting America business value chain into the region market, which at the end will elevate the shared trade number with ASEAN and increase national economic growth. In the dealing with declining sphere of leadership influence, the United States faces the challenge from China as an emerging major power leadership in the region. Therefore, TPP becomes a medium for the United States to lead in shaping TPP as the 21st-century trade agreement different from the existing trade deals and any trade agreement proposal influenced by its challenger, China, by focusing more on WTO-plus issues.

Besides pushing forward its trade agendas in TPP, the United States also works on its declining sphere of leadership influence by maintaining status quo power through setting up 'hierarchy structure' within TPP. TPP negotiation rounds structure is set up by Washington to exclude China and only include 'satisfied-countries club' or 'like-minded countries' such as Australia, Japan, and Singapore as its strategic alliance network against the emerging China influence in the region. As Barack Obama speech in 2016 that the United States needs to re-write the rules of trade to the benefit of its interests and do not let China to win and dictate the global trade rules (White House , 2016).

To avoid Chinese leadership in the regional economic integration, Washington decides not to include Beijing at the first phase of TPP negotiation agenda setting. By doing so, The United States flexible to dictate its preferred trade policy to be applied in TPP without any objections from the influential members in TPP (Du, 2015, pp.

417-418; Hamanaka, 2014, pp. 3-4). After the negotiation is concluded, then the United States finally welcomes China to join TPP, if Beijing wants to do so. Here, Washington applies ‘coercive socialization strategy’ by putting Beijing as the latecomer member into disadvantageous position (Hamanaka, 2014, pp. 1-9; Wesley, 2015, p. 487). The disadvantageous here means that the U.S. is possible for asking China to fulfill additional requirements and putting restriction towards Beijing’s trade agendas in joining TPP. As the newcomer, Beijing does not have any leverage to reject or revise any passage in TPP agreement. The target for making Beijing a latecomer could be looked back on President Obama commented in *Marketplace* in June 2015 that:

If we have 11 of the leading economies in the Asia-Pacific region who have agreed to enforceable labor standards, enforceable environmental standards, strong I.P. [internet protocol] protections... then China is going to have to at least take those international norms into account.<sup>41</sup>

The meaning of TPP for Washington has a deeper geopolitical contents. The U.S. National Security Adviser, Tom Dinilon in 2013 mentioned TPP as ‘centerpiece of U.S. economic rebalancing.’<sup>42</sup> Additionally, U.S. Secretary of Defense, Ashton Carter in 2015 also said that TPP has a vigorous strategic content as the dominant part in U.S. rebalance strategy and making TPP successful is ‘as

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<sup>41</sup> “Obama: China 'Put Out Feelers' on Joining TPP”, Victor Beattie, VOA News, <http://www.voanews.com/a/obama-china-put-out-feelers-about-joining-tpp/2806949.html> (accessed January, 2017)

<sup>42</sup> Tom Dinilon, “The United states and Asia Pacific in 2013”, March 11, 2013, <https://obamawhitehouse.archives.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisor-president-united-states-an> (accessed March 31, 2017)

important as another aircraft carrier' that would deepen U.S. alliances and accentuate U.S. commitment in the Asia – Pacific.<sup>43</sup> By doing so, the United States under Obama administration decides on making TPP negotiation successful as the basis of maintaining Washington supremacy influence in the region. There are two prominent U.S. approaches that show its commitment as a status quo regional leader, including by encouraging all of those trade agendas in TPP and by explicitly excluding China in the TPP negotiation rounds. With successfully placing its trade agendas as TPP negotiation rounds concluded in 2015 faster than China-backed up RCEP negotiation rounds. Obama administration completed TPP negotiation by concluding the process on 4th October 2015 and followed by signing the final text agreement in February 2016. This fact sends a geopolitical signal towards China, that Washington is not lag behind anymore from Beijing since it is successfully taking a leading position in the current regional economic integration.

### **5.1.2.2 Obama Administration FTA Means**

Socializing the liberal-norms in setting agendas in TPP becomes the first geopolitical means of Washington to achieve its strategic FTA agendas. The liberal-ideals norm in the context of free trade agreement generally translates into a policy that imposes the liberalization of trade market agenda by pursuing high elimination

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<sup>43</sup> Ashton Carter, “Secretary of Defense Speech: Remarks on the Next Phase of the U.S. Rebalance to the Asia-Pacific”, (McCain Institute, Arizona State University, on April 6<sup>th</sup>, 2015), retrieved from: <https://www.defense.gov/News/Speeches/Speech-View/Article/606660/remarks-on-the-next-phase-of-the-us-rebalance-to-the-asia-pacific-mccain-instit/> (accessed May 29<sup>th</sup>, 2017)

trade barriers, supporting private enterprises than the state-owned enterprises, and promotes multilateralism (Borrus & Goldstein, 1987, p. 329). Accordingly, those ideals values lead the United States focus more on fixing ‘quality trade agenda’ by reducing tariff near to zero tariffs, eliminating non-tariff barrier in sensitive trade in goods sector and imposing fair trade competition between state enterprises and private enterprises in TPP (Wilson J. D., 2014, p. 349). Aiming to achieve those liberal-ideals values here is not merely for supporting U.S. national economic growth, but it necessarily uses as strategic means to deter Chinese influence in the region.

There are four U.S. trade agendas in TPP negotiation that are embedded with Liberal-Ideals norm as a strategic means against China. Firstly, the comprehensive tariff and non-tariff trade barrier in TPP is the translation for aiming fully open market for U.S export goods and services. With pushing forward this agenda, it will make easier for Washington to freely flow ‘Made in America’ products and then compete with the overflowed ‘Made in China’ product influence in the region. Secondly, pushing forward SOEs clause in TPP as a translation of fair trade competition is hitting on the lack of Chinese commitment in the regional FTA. Since SOEs regulation is still highly controlled and regulated by the central government. Thirdly, due to the current Chinese economic development and domestic law makes China prefer lower standardization on IPR commitment, then the United States pushes forward high standard implementation of IPR commitment in TPP.

The last U.S strategic FTA agendas is by fully supporting the environmental protection to achieve sustainable economic trade growth in the region. The environmental protection clause here is not merely about spread out the ideals value, but here the United States applies it against China ascending power influence that lacks in environment sustainability commitment to be added it regional trade

agreement. Here, the application of liberal-ideals norms by Washington shows that TPP agendas designed to counter Beijing ascending influence in the trade integration approach. However, since all those four trade agendas required full market openness, the United States along with other members also faced complex negotiation to agree for those agendas. That is why TPP negotiation rounds missed the deadline completion, which for the first time set to be done by the end of 2012. However, Washington successfully shows its capabilities to lead the TPP regime to be concluded the process finally in October 2015. Geopolitically speaking, the achievement of completing TPP negotiation faster than the ongoing China-backed up RCEP negotiation sends a geopolitical message to Beijing that once again the long-standing status quo power norms, liberal-ideals norms, still serves as the champion in the region.

The second geopolitical means for achieving Washington geopolitical interests is through building up institutional linkage with Japan and ASEAN. As the ‘latecomer’ in the TPP negotiation, Japan needs consent from the 11 TPP members to join the talk agenda. In July 2012, the Secretary of State, Hillary Clinton, addressing Japan desire to join TPP by mentioning that

We also discussed the opportunity to strengthen our economic relationship, and the United States welcomes Japan’s interest in the Trans Pacific Partnership, which we think will connect economies throughout the region, making trade and investment easier, spurring exports, creating jobs. The TPP is just one element of our increased focus on the Asia Pacific, but it is important that we recognize that the Japanese-American relationship is really at the cornerstone of everything we are doing in the Asia Pacific. We are not only treaty allies; we are friends and partners with common interests and

shared values.<sup>44</sup>

As the Japan accession negotiation process begin, the U.S.-then lead negotiator in TPP, Wendy Cutler, said that the United States was more welcoming South Korea rather than Japan to join TPP, even though Washington also ‘working very hard with Japan’ on TPP accession issue (Reuters, 2013). It is understandable for the United States prefers South Korea than Japan because both countries already signed U.S. - Korea Free Trade Agreement (KORUS FTA) in 2007, while between Washington and Tokyo does not have FTA yet and only have U.S.-Japan Economic Harmonization Initiative launched in 2010. Without having an existing scheme FTA, it would be a bit challenging to get ‘the same page agreement,’ especially agreement on eliminating trade tariff barrier, which will affect the TPP completion deadline schedule.

However, if Washington keeps resisting the Japan application in joining TPP talks, it might be create some bilateral issues between Washington and Tokyo(Terada, 2012, p. 5). In the end, this kind of option will harm the United States geopolitical interests to maintain its sphere of influence in the region. When South Korea interest to join TPP did not show any progress even at the first place Washington openly welcoming Seoul intention and rather than harming the future of Washington-Tokyo strong bilateral relations. After several secrecy discussions between Japan and the United States, the United States officially gives its support to let Japan join the negotiation process on 12th April 2013 and on 23rd July 2013 at 18th TPP negotiation round Japan officially participated in TPP negotiation.

There are several considerations for Washington sides in giving approval on

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<sup>44</sup> “Remarks with Foreign Minister Koichiro Gemba by Hillary Rodham Clinton”, U.S. Department of State, July 8, 2012, <https://www.state.gov/secretary/20092013clinton/rm/2012/07/194673.htm> (accessed January 2, 2017)



Japan participation. Firstly, TPP becomes the first FTA mechanism between both countries to access each other unprecedented market access, including sensitive trade products such as Japanese beef and agriculture market and the U.S. automotive market. Secondly, Washington and Tokyo shared same FTA orientations for ‘balancing Chinese influence in the region (Song, 2015, p. 43). By collaborating under TPP framework, it will significantly send a strategic signal towards Beijing. Beijing needs to aware that its intention in challenging the status quo power might face not only the United States power but also along with the strong status quo alliances network. Thirdly, Japan’s participation in TPP negotiation plays a pivotal role in enhancing the credibility of TPP as 21st-century mega trade deal in the Asia-Pacific as Japan is the second largest economic entities after China in the region.

Fourthly, Japan participation in TPP negotiation will support Washington rule-making role in leading comprehensive trade quality agendas in TPP talks. It is because both countries share common agenda objectives for supporting WTO-Plus approach, such as intellectual property rights and focusing more on liberalizing trade in service market access (Cooper & Manyin, 2013, p. 12; Kawai & Wignaraja, 2014, p. 155). By doing so, it translates as Japan supports the United States initiation to significantly influence the trade rules and norms in the region through TPP agenda setting negotiation. Fifthly, supporting Japan inclusion will make worry China ascending economy power in the region as it will improve TPP economy size into near 40% of World Total GDP and will be affected China economy, which is predicted might lose around US\$100 billion of its annual income if TPP continues not involve China (Williams, et al., 2016, pp. 11-12).

ASEAN becomes another pivotal regional organization under the U.S. foreign policy of ‘Rebalance to Asia.’ There are only four ASEAN members join and

participate in TPP negotiation rounds, including Vietnam, Malaysia, Singapore and Brunei Darussalam. Beyond TPP framework, the United States also builds institutional linkage in trade cooperation, including the U.S.-ASEAN Summits and the U.S. & ASEAN countries business-investment meetings. This sideline trade channel between Washington and ASEAN are not only promoting TPP but also becomes a geopolitical means for the United States to maintains its remain-stay-leadership against the ascending influential power of China in the region. It is important for the United States to continue working on its trade issue with ASEAN as of the U.S. shared trade percentage from 2000 up to 2008 showing decreasing trend. Meanwhile China accelerates its trade with ASEAN and surpassed the U.S. shared trade portion since 2008. These facts imply the importance of building up institutional linkage with ASEAN to counter China ascending influence among ASEAN countries.

Vietnam as the existing TPP member also plays an importance role in strategically promoting Washington leadership in the region. The U.S.-Vietnam Comprehensive Partnership started in 2013 as the translation of the U.S. commitment in 'Rebalance to Asia' policy becomes an engagement umbrella that significantly covers the advancing bilateral relationship between Washington and Hanoi. At the beginning of the U.S.-Vietnam Comprehensive Partnership inauguration, Washington provides \$4.2 million assistance program under for 'Governance for Inclusive Growth' for support the implementation of TPP clause in achieving sustainable growth in Vietnam. As both countries concerned about the Chinese frontal development in the South China Sea Dispute, the United States has made several commitments towards Vietnam as a new friend allies in facing China ascending influence under this partnership framework as well. For instance, the lifting of the US banned on arms sales toward Vietnam and the signing of Joint Vision Statement on

Defense Relations.<sup>45</sup>

The U.S.-ASEAN Leaders Summit becomes a sideline trade channel for the United States to promote its high-quality agendas on TPP towards non-joined TPP ASEAN countries. As the result of the U.S. – ASEAN Leaders Summit in Sunnylands, California in February 2016, both parties will launch series of the U.S.-ASEAN trade workshops that becomes a medium for Washington shares more about TPP information<sup>46</sup> and encourages more ASEAN to join the pact.<sup>47</sup> The United States needs to maintain its leading position-momentum to encourage more ASEAN countries to join the regime. As mentioned before, there is still four ASEAN countries joined TPP and it is still missing two largest ASEAN economy powers, Indonesia and Thailand. By promoting a better understanding about TPP objectives and opportunities in the U.S.-ASEAN summit, it will help more ASEAN countries to join the U.S-led trade regime.

In a point of fact, the United States efforts to promote a better understanding of high-quality trade in TPP towards the non-TPP member of six ASEAN Members, Indonesia, Thailand, and the Philippines consider joining TPP. In the case of Indonesia, when Michael Froman attended the U.S.-Indonesia Investment Summit in Jakarta on October 26, 2015, he welcomes Indonesia and other countries to know more about and join TPP. Reciprocally, at the same time in different place, Indonesia president, Joko Widodo, who did official visit to Washington D.C. and met the U.S.

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<sup>45</sup> United States – Vietnam Joint Vision Statement, U.S Embassy & Consulate in Vietnam, July 7, 2015, <https://vn.usembassy.gov/20160707wh-us-vietnam-joint-vision-statement/> (accessed January 14, 2017)

<sup>46</sup> “U.S. and ASEAN Trade Ministers Strengthen Trade Ties”, United States Trade Representatives, February 2016, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/february/us-and-asean-trade-ministers#> (accessed January, 7, 2017)

<sup>47</sup> “What Did the US-ASEAN Sunnylands Summit Achieve?”, The Diplomat, <http://thediplomat.com/2016/02/what-did-the-us-asean-sunnylands-summit-achieve/> (Accessed January, 2017)

president, Barack Obama, mentioned Indonesia intention to join TPP.<sup>48</sup> Thailand has repeatedly shown its interest to join TPP since under then-Thailand's Prime Minister, Yingluck Shinawatra in November 2012. Based on joint-statement released between President Obama and Prime Minister Shinawatra in November 2012, as Thailand show its interest to join TPP and within the same occasion President Obama gave a warm welcome towards Thailand's intention. Later, on September 21, 2015, Thailand's deputy Prime Minister, Somkid Jatusripitak, continued its high interest to join TPP. Also, during the official visit of President Obama to Philippines on April 28, 2014, the United States responds Philippine consideration to join TPP as Philippine's President Benigno Aquino III mentioned on the same occasion by encouraging Philippine to seize trade opportunities that TPP offers.<sup>49</sup>

### **5.1.3 The Glimpse Future of TPP**

Even though the United States is successfully creating a new trade regime in the region, there is still question about the ratification of TPP into the U.S. domestic law. After the signing TPP agreement, there is a stake that TPP will face hardship in ratification process in each member parliament, especially the United States Congress. The U.S. Trade deals ratification process in the U.S. Congress usually comes easier to be approved when there is an adversary actor to fight against (Green & Goodman, 2015, p. 24). Two factors will make TPP becomes complicated to pass the U.S. Congress after Trump winning the US election. Firstly, there is slim chance for

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<sup>48</sup> 'President says Indonesia intends to join TPP trade deals', Reuters, October 26, 2015, <http://www.reuters.com/article/us-usa-indonesia-idUSKCN0SK2JY20151027> (accessed January 5, 2017)

<sup>49</sup> "Remarks by President Obama and President Benigno Aquino III of the Philippines in Joint Press Conference", White House, April 28, 2014, <https://www.whitehouse.gov/the-press-office/2014/04/28/remarks-president-obama-and-president-benigno-aquino-iii-philippines-joi> (accessed January 12, 2017)

Congress to pass the TPP in the lame-duck Congress.<sup>50</sup> The current and upcoming the U.S. Congress is dominated by Republican Party, which reluctant to vote pass TPP before the next elected US President officially start the term as mentioned by Mitch McConnell (a Republican a Senate Majority Leader) and Paul Ryan (a Republican and the House of Representative Speaker).<sup>51</sup> Secondly, the new elected US president, Donald J. Trump, is being vocal on against TPP due to this mega-trade deal will severely affect US jobs and urges more protectionist policy oriented (Reuters, 2016).

During the presidential transition process, Trump administration decides to turn over his predecessor foreign policy orientation in TPP by going to send notification of intent of withdrawal from TPP (The Guardian, 2016). This decision reaps various reactions. Japan as the first TPP member that ratified TPP into domestic laws<sup>52</sup> reacts by giving opinion that TPP without the presence of the United States (Reuters, 2016). Vietnam as the country that is predicted to be the one most-gained trade benefits under TPP will not push forward TPP national ratification process in its National Assembly, but still, decide to remain inside the pact (Duy, 2016; Minh, 2016). Indonesia, which mentioned interest to join TPP in 2015, ‘retreats’ from joining TPP by indicating a stressful domestic discussion process regarding costs and benefits, especially after the winning of Trump in the 2016 the U.S. election.<sup>53</sup>

Finally, President Trump signed his first executive order to withdraw the U.S

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<sup>50</sup> US Congress starts discussion session after the elected US president has been chosen, but before the elected US president officially starting his/her term. Moreover, some congress members who participate in this session might be not come back for the next Congress term (‘lame-duck members’), therefore this US Congress session is well known as ‘lame duck’ session (U.S. Senate Glossary).

<sup>51</sup> “Biden sees ‘less than even chance’ of U.S. Congress approving TPP deal”, Reuters, September 21, 2016, <http://www.reuters.com/article/us-usa-trade-biden-idUSKCN11S03W?il=0> (accessed December 3, 2016)

<sup>52</sup> On November 10, 2016, Japan’s House of Representative passed the ratification process of TPP into Japan domestic law despite waiting the U.S. parliament ratification process on TPP result after Trump administration, Nikkei Asian Review, November 10, 2016, <http://asia.nikkei.com/Politics-Economy/International-Relations/Japan-s-lower-house-ratifies-TPP-as-US-prospects-diminish> (accessed January, 5, 2017)

<sup>53</sup> “Indonesia moves away from TPP because of Trump triumph”, The Jakarta Post, November 11, 2016, <http://www.thejakartapost.com/news/2016/11/11/indonesia-moves-away-from-tpp-because-of-trump-triumph.html> (accessed January 8, 2017)

participation on TPP on 23<sup>rd</sup> January, 2017 (White House , 2017). The reason behind this withdrawal is that Trump administration has an inward looking foreign policy compared to his predecessor. Trump's inward policy strategy emphasize on domestic protection for American industry and encourage other states' market open for the U.S exports as mentioned in the President's 2017 Trade Policy Agenda (The United States Trade Representatives, 2017). As the translation of the new shifted the U.S. inward looking policy, Trump administration decided to withdraw from TPP and rather encourage for bilateral trade negotiation as mentioned in the U.S executive order on the TPP withdrawal:<sup>54</sup>

“...to create fair and economically beneficial trade deals that serve their (American) interests... Administration to deal directly with individual countries on a one-on-one (or bilateral) basis in negotiating future trade deals. Trade with other nations is, and always will be, of paramount importance to my Administration and to me, as President of the United States.

As a result, the portrait of the United States as ‘remain-stay-leadership’ in the region now is at stake as the changing the U.S. foreign policy under Trump administration. As President Obama said in his last APEC 2016 meeting in Peru, Lima that “I think not moving forward [TPP] would undermine our position across the region and our ability to shape the rules of global trade in a way that reflects our

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<sup>54</sup> “Presidential Memorandum Regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreement”, White House, January 23, 2017, <https://www.whitehouse.gov/the-press-office/2017/01/23/presidential-memorandum-regarding-withdrawal-united-states-trans-pacific> (accessed July 10, 2017)

interests and our values”.<sup>55</sup> With the final action to retreat from regional leadership in TPP, it brings geopolitical momentum for China keeps accelerating its ascending power in the region with its agendas on Asia-centered trade deal in RCEP. RCEP framework as the alternative option of TPP, sometimes it also called as TPP’s rival. RCEP becomes a leverage for China to expanding its influence, while U.S. leadership in the Asia-Pacific is getting withers under Trump administration.

## **5.2 China involvement in Asia Pacific Trade Deal: Regional Comprehensive Economic Partnership (RCEP)**

There are series of regional economic integration initiatives before RCEP officially started in November 2012 (Yoshimatsu, 2013; Yu, 2016). Firstly, China proposed ASEAN in September 2004 to work together on a feasibility study of East Asia Free Trade Area (EAFTA) based on ASEAN+3 framework including China, South Korea, and Japan. Secondly, as a respond toward China-initiated EAFTA which at that time had developed into more feasible regional economic integration in the region, Japan proposed Regional FTA counter-initiative of the Comprehensive Economic Partnership Agreement in East Asia (CEPEA) in April 2006. Different with EAFTA, CEPEA is offered to have larger number participants focusing on ASEAN+3 (Japan, China, and South Korea) +3 (India, Australia, and New Zealand). Thirdly, Asia-Pacific Economic Cooperation (APEC), as a larger regional institution in Asia Pacific than ASEAN, also examines the concept of regional economic integration in Asia-Pacific by launching the long term prospect-initiative of Free Trade Area of the Asia-Pacific (FTAAP) starts November 2006. Then, APEC leaders agreed upon

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<sup>55</sup> “Press Conference by President Obama in Lima, Peru”, White House, November 20, 2016, <https://obamawhitehouse.archives.gov/the-press-office/2016/11/20/press-conference-president-obama-lima-peru> (accessed January 24, 2017)

exploration possible pathways toward the realization of FTAAP in November 2009.

As the larger number country participants in APEC, FTAAP aims a greater coverage of regional economic integration than EAFTA and CEPEA. Therefore, APEC Leaders in 2010 supports the ongoing regional free trade agreement process, including ASEAN+3 (EAFTA), ASEAN+6 (CEPEA) and Trans-Pacific Partnership, as a pathways bring closer to realization of FTAAP.<sup>56</sup> However, due to China as the EAFTA initiator did not significantly accelerating the EAFTA process into conclusion and big gap of development stage and different economic policy preferences inside CEPEA initiative, the whole EAFTA and CEPEA initiatives are being terminated (Yoshimatsu, 2013, pp. 5-6). Then, the 14<sup>th</sup> ASEAN Economic Minister (AEM)+3 Consultations Meeting in August 2011, China proposed to Japan on conducting joint-proposal for merging EAFTA and CEPEA as an initiative to speed up the regional economic integration. Later, both countries agreed to launch three working group for liberalization on trade and investment at the 6<sup>th</sup> East Asia Summit in 2011.<sup>57</sup>

Within the same period of time, ASEAN Leaders adopted ASEAN Framework for Regional Comprehensive Economic Partnership (RCEP) in the 19<sup>th</sup> ASEAN Summit with taking into account China-Japan joint proposal working on EAFTA & CEPEA. ASEAN commitment to consolidate ASEAN Plus One FTA under RCEP continues in August 2012 by releasing the Guiding Principles and Objectives for Negotiating RCEP<sup>58</sup> and later RCEP negotiation rounds officially launched during

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<sup>56</sup> “Annex A-The Beijing Roadmap for APEC’s Contribution to the Realization of the FTAAP”, Asia-Pacific Economic Cooperation (APEC), [http://www.apec.org/meeting-papers/leaders-declarations/2014/2014\\_aelm/2014\\_aelm\\_annexa.aspx](http://www.apec.org/meeting-papers/leaders-declarations/2014/2014_aelm/2014_aelm_annexa.aspx) (accessed January 8, 2017)

<sup>57</sup> “Chairman’s Statement of the 6<sup>th</sup> East Asia Summit Bali, Indonesia, 19 November 2011, Ministry of Foreign Affairs of Japan, November 19, 2011, <http://www.mofa.go.jp/region/asia-paci/eas/pdfs/state111119.pdf> (accessed January 10, 2017)

<sup>58</sup> “Regional Comprehensive Economic Partnership”, Australia Department of Foreign Affairs and Trade, November 20, 2012, retrieved from: <http://dfat.gov.au/trade/agreements/rcep/Pages/regional-comprehensive-economic-partnership.aspx> (accessed on December 16, 2016)



21<sup>st</sup> ASEAN Summit in November 2012. In general, RCEP becomes a reconciliation merger between EAFTA and CEPEA as two-previous long standing regional FTA proposal into a larger scope FTA coverage (Wignaraja, 2014, p. 94) and aiming mutual beneficial FTA among ten ASEAN members and its six ASEAN's FTA partners (Australia, China, India, Japan, Republic of Korea, and New Zealand).

RCEP build upon the ASEAN Process by integrating ASEAN and its ASEAN+1 FTAs partners into more robust regional economic integration framework. As aiming for mutual beneficial agreement, the negotiation process of RCEP emphasizes on ASEAN Centrality value, which tends to be more flexible in accommodating the development gap between its members for meeting the shared goals with focusing more on trade in goods and physical infrastructure. Emphasizing on trade in goods and infrastructure will trigger people-to-people connectivity, which at the end helping the emergence of international production networks in the region (Das, 2013, p. 3). RCEP Members will pragmatically and gradually commit to the liberalization of trade in goods and service by ASEAN+1 FTA framework as its benchmark. As agreed on the Guiding Principles and Objectives, RCEP negotiation base on the agreement commits to eliminate tariff and non-tariff barriers to trade in goods progressively. Meanwhile, trade in service commitments will be consistent toward General Agreement on Trade in Service (GATS).<sup>59</sup>

Even though RCEP is designed for consolidating ASEAN+1 FTA framework by applying ASEAN Centrality, China becomes a prominent endorser in RCEP since the beginning. Started with China ambition for pursuing East Asia-wide FTA as counter-measure toward U.S.-led TPP, China proposed a pragmatic proposal by encouraging Japan to conduct joint proposal in combining EAFTA (ASEAN+3 FTA

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<sup>59</sup> Ibid.

framework) and CEPEA (ASEAN+6 FTA framework) in 2011.<sup>60</sup> The background of China's pragmatic proposal asking Japan to commit joint proposal because Chinese government was cautious about Japan consideration to join TPP as it would give negative impact on ongoing regional economic integration, including China's East Asia-wide FTA ambition based on regional economic consolidation in ASEAN+3 framework.<sup>61</sup> As Japan agreed on making a joint proposal with China, then ASEAN took it as a real consideration to initiate RCEP in 2012. Therefore, China perspective on viewing RCEP as a translation policy for aiming China's main objectives on countering the U.S.-inspired TPP in the region.

### **5.2.1 Chinese FTA Objectives**

The launching of the U.S.-led TPP strategically creates concerns for China as ascending dominant economic power influence in the region. Some of the Chinese scholars argued that TPP is Washington's "Soft Confrontation" strategy to "containing China's ascending power in East Asia" by "diluting and reducing China's influence in the Asia-Pacific Region." (Xiangyang (2012) & Jieman (2012) as cited by Song & Yuan, 2012, p. 109). Ma Shikun also argued that the United States-led TPP is trying to weaken China's economic influence by destabilizing the existing economic cooperation under ASEAN Plus China (ASEAN+1) and ASEAN Plus China, Japan, and South Korea (ASEAN+3).<sup>62</sup>

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<sup>60</sup> "Wen Jiabao Attends the 14th ASEAN Plus Three Summit and Delivers Speech", Ministry of Foreign Affairs of People's Republic of China, November 8, 2011, [http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/wjbdyldrhy\\_665726/t879371.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/wjbdyldrhy_665726/t879371.shtml) (accessed January 11, 2017)

<sup>61</sup> "Joining TPP could have China fallout". Asahi Shimbun. January 14, 2011. <http://www.bilaterals.org/?joining-tpp-could-have-china&lang=en> (accessed January 31, 2017).

<sup>62</sup> Ma Shikun, "Why Are the Chinese Concerned About the United States' 'Return to Asia Pacific'?", China-US Focus, Retrieved from: <http://www.chinausfocus.com/foreign-policy/why-are-the-chinese-concerned-about-the-united-states-return-to-asia-pacific> (accessed January 11, 2017)

Strategically speaking, there are two factors that the United States applies its strategy to put China in difficulty in joining TPP. Firstly, the United States creates strategic barriers that makes harder for China in joining TPP by creating ‘hierarchy structure’ that treating China as an unfavorable late-comer (Hamanaka, 2014, pp. 1-9; Wesley, 2015, p. 487). In point of fact, Washington did not engage with China into the TPP negotiation phase could be interpreted as hegemony power policy setting in FTA agenda arrangement. This kind of policy only targets to widen U.S. political leverage interests by blocking any ‘ascending dissatisfied power country’ attempt to take over its unilateral hegemony status, including China.

Secondly, TPP creates ‘high-standard trade clauses’ that are beyond the current capability of China to endure once China decides to join (Song, 2015, p. 46). For instance, the chapter on State-Owned-Enterprises (SOEs) in TPP will put China in the disadvantage position, which commits to limit states assistance and imposes the transparency and impartial regulation on foreign investments. The central government profoundly controls and supports its SOEs and the SOEs chapter in TPP will face some troubles in deregulating China domestic policy. In fact, China central government gradually commits to developing ‘mixed ownership economy’ in its national economy sector as stated by the Chinese Communist Party (CCP) commitment in the 18th Central Committee of CCP meeting (Du, 2015, pp. 429-430). However, it still needs more time to be applied in China domestic sector and not enough to use high-quality TPP clauses immediately.

Beijing needs to be careful in addressing Washington policy in TPP that is strategically directed to intrude China ascending dominant sphere of influence. In consideration of the geopolitical spectrum, China’s primary objectives are motivated by countering the U.S. rebalance sphere of influence in the region through supporting

ASEAN-initiated RCEP. Beijing applies the proliferation of its FTA commitment to counter the disruptive threat from TPP impact, which would disturb China political leverage in the ongoing regional economic integration in the East-Asia and the Asia-Pacific as a whole region. Therefore, China as the ascending power wants to maintain its political and economic leverage by advancing its FTA agendas and economic cooperation objectives against the presence of the hegemony power influence, the United States, in the region (Yoshimatsu, 2015, p. 117). Rather than engaging with Washington, Beijing prefers to give priority towards its developing country neighbors as a showcase of China ascending dominant regional power to become a reliable regional economic partner towards its developing country neighbors (Li & Hu, 2014, pp. 1-3; Song & Yuan, 2012, p. 112).

In consideration of economy spectrum, the comparative advantage resulted from China FTAs commitment, including joining RCEP, will generate economic benefits for its national economic growth and welfare due to the increasing trade in goods and market access for China's intensive labor products business as its main comparative advantage (Harrigan & Deng, 2008, p. 20). Once RCEP negotiation is concluded and successfully signed by its member, it will have higher economic benefit compared to TPP. The total contribution of RCEP members reached US\$ 22.4 trillion equivalents to 30.6% of world GDP in 2015 (CCTV English, 2016), while the total trade amounted to 28.4% of the global trade only in 2014 (Ministry Of Commerce, PRC, 2015).

The estimation of economic benefit once RCEP concluded that the elimination of tariff and non-tariff barriers would accelerate the Asia-Pacific Region by 2.1% and 1.4% in global scale, while TPP would only raise 1.2% at the region level and 0.6% in the world (Ministry of Commerce, PRC, 2014). If China successfully leads the RCEP

negotiation and brings all members to agree and conclude the negotiation, its power influence in the region would be stronger than before due to the marginal economic benefits in US-led TPP framework compared to RCEP economic benefits. In the end, the consideration of China commitment in supporting RCEP is heavily motivated by its geopolitical spectrum rather than its economy calculation.

China keeps its vigorous policy on accelerating FTAs with its major trading partners in the region by actively endorsing RCEP negotiation to anticipate the disruptive impacts of TPP. Playing a leading role in RCEP negotiation is important for Beijing in countering TPP since it shows Beijing ascending power leadership in the regional economic integration. Moreover, RCEP is also backed up by its domestic policy as a translation of Third Plenary Session of the 18th Central Committee of the Communist Party of China commitment on November 15, 2012, to “accelerating the establishment of FTA strategy based on the surroundings.” (Ministry of Commerce, PRC, 2014).<sup>63</sup> “Based on surroundings” here interprets as a Chinese FTA grand strategy to face global challenges [including TPP] by strengthening economic partnership with trade partners around China [geographical proximity speaking]. As a result, supporting and ‘leading’ RCEP negotiation become a pivotal trade agenda for Beijing to solidify the under its economic influence in the context responding Washington returns to Asia policy. As Premier Wen Jiabao stated in 7th EAS meeting on November 20, 2012, that China, as a ‘responsible power,’ fully supports RCEP based on reaching consensus among members to defines the development of regional economic integration.<sup>64</sup>

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<sup>63</sup> “Give play of China’s Important Role and Accelerate RCEP Negotiations”, Ministry of Commerce of People’s Republic of China, September 01, 2014, [http://fta.mofcom.gov.cn/article/enasean/chianaseannews/201411/18815\\_1.html](http://fta.mofcom.gov.cn/article/enasean/chianaseannews/201411/18815_1.html) (accessed November 10, 2016)

<sup>64</sup> “Premier Wen Jiabao Attends 7th East Asia Summit”, Ministry of Foreign Affairs of the People’s Republic of China, November 20, 2012,

Since Beijing is unlikely to join the high-quality TPP standards and also. There are several pragmatic opportunities for China to gain in RCEP framework. Firstly, ASEAN-initiated RCEP offers ‘less-ambitious’ FTA commitment than TPP (Wilson J. , 2015, p. 349), then China chooses to fully support RCEP since it mainly focuses on eliminating tariff and non-tariff barriers to trade in goods while not to be pretentious in trade in service agendas. This trade agendas are in line with Chinese comparative advantage, which is in intensive labor products business and still working to reform its national economy trade service sector, including SOEs domestic policy.<sup>65</sup> Therefore, weighing more focus on trade in goods rather than trade in service will suitable with China domestic economy condition. Secondly, RCEP is dominated by Chinese close neighbors, which most all of them are developing countries in Southeast Asia, this fact also in line with Chinese current FTA’s strategy in focusing towards its developing country neighbors since 2000s (Li & Hu, 2014, pp. 1-3), which to be mainly targeted on Asia and the further integration stage with Asia-Pacific region (Li, Wang, & Whalley, 2014, p. 4; Jianjun, 2015).

Thirdly, as stated in the Guidelines and Goals of RCEP negotiation document that RCEP applies flexibility in addressing the differences of state development stage, China also adopts the same belief in applying flexibility (Li, Wang, & Whalley, 2014, p. 10). By doing so, China wants to show its ‘responsible power’ leadership in leading RCEP negotiation by supporting and siding with developing countries needs in trade agenda. Fourthly, it is possible for China to become an ‘economy power nucleus’ in leading RCEP negotiation and being responsible towards its ascending power image

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[http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/pwjamoalapovcat\\_665698/t992055.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/pwjamoalapovcat_665698/t992055.shtml) (accessed January 12, 2017)

<sup>65</sup> The National Development and Reform Commission (NDRC) drafted a plan to target SOE policy reformation by imposing partial privatization plan named ‘Mixed-Ownership’ by 2020. “Report: China Announces Timeline For Reforming State-Owned Enterprises”, Yue Wang, Forbes, August 28, 2014, <http://www.forbes.com/sites/ywang/2014/08/28/report-china-announces-timeline-of-reforming-state-owned-enterprises/#1ba9d5dc7b00> (accessed January, 17, 2017)

(Kim Y. C., 2016, p. 31). RCEP becomes an arena for testing China leadership capability in uniting the differences in trade agendas from each member, which comes from different economy backgrounds and development stages. If China is successfully accelerating RCEP negotiation and successfully concluding the negotiation, China successfully carries out its geopolitical agenda by uniting the differences agendas in RCEP to counter negative impact TPP influence. Moreover, it will also become a showcase of its regional reliable, dominant power leverage in siding with the developing countries necessity compared to the United States hegemony power.

### **5.2.2 Chinese FTA Means**

There are two geopolitical means of China policy responding the successful conclusion of the U.S.-led TPP, applying norms and building institutional linkage. By doing so, China targets to achieve ASEAN and Japan voice to be sided with Chinese strong presence in leading RCEP. Firstly, by applying flexible-pragmatic norms in supporting ASEAN-led RCEP. In regard to applying flexibility practice, China together with ASEAN also eager to address another concern of filling up development economy gap among members by applying flexibility norms as stated in the 4<sup>th</sup> principles in the Guiding Principles and Objectives for Negotiating RCEP document that:

Taking into consideration the different levels of development of the participating countries, the RCEP will include appropriate forms of flexibility including provision for special and differential treatment, plus additional flexibility to the least-developed ASEAN Member States, consistent with the

existing ASEAN+1 FTAs, as applicable.<sup>66</sup>

Also the Chinese Minister of Commerce, Gao Hucheng, support this flexibility norm practice by mentioning that:

China is willing to make efforts to settle disputes and complete negotiation while cooperating with all the parties, following the principle of inclusiveness, cooperation and pragmatic, and considering the different development levels of the countries before the end of the year with great ambition and flexibility.<sup>67</sup>

Regarding aiming mutual benefit oriented as the act of being pragmatic, China and ASEAN are on the same page of concern as dominantly imposing on the progressive elimination of trade tariff in trade in goods as this sector becomes their comparative trade advantages. Also, China supports ASEAN commitment to maximizing mutual-benefited and balanced outcome in negotiating trade agendas in trade in goods, trade in services, and other areas under RCEP framework as stated in the 8th principles in the Guiding Principles and Objectives for Negotiating RCEP document. For instance, all the RCEP members agreed to focus on reducing Intellectual Property (IP)-related barriers to trade and investment with protection and enforcement IPRs commitment. However, TPP-affiliated members in RCEP like Japan, Australia, and New Zealand propose that RCEP's IP chapter should be aiming high-quality standards of IPRs enforcement at least as high as TPP IPRs clause which focusing on TRIPS Plus issues (Yu, 2016, pp. 7-9; Seth & Das, 2014). Meanwhile, China is more cautious and defensive on protection and enforcement IPRs issue (He

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<sup>66</sup> "Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership". ASEAN. 2012. <http://asean.org/storage/2012/05/RCEP-Guiding-Principles-public-copy.pdf> (accessed January 12, 2017)

<sup>67</sup> "Gao Hucheng Attended the 15th Commercial Ministerial Meeting of China-ASEAN (10+1)", Ministry of Commerce People's Republic of China, August 5, 2016, <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201608/20160801379110.shtml> (accessed January 15, 2017)



& Yang, 2015, p. 420). However, China will not straightly object toward the possibility of accepting higher quality IPRs provision by TPP-member countries in RCEP instead pragmatically behaves to agree on the proposal only if China secure greater concessions in other trade clause issues (Yu, 2016, p. 14).

Secondly, China builds up institutional linkage with ASEAN and Japan as another geopolitical means in achieving its geopolitical interests. From China economic and strategic perspective, maintaining good relations with ASEAN become its core objectives. Economically speaking, China keeps its position as ASEAN's largest trading partner since 2009, also ASEAN has become China's third largest trading partner since 2011.<sup>68</sup> Strategically speaking, ASEAN remains important for China as an arena to win strategic rivalry of great powers in the context of widening its economic and political leverage tentacles against the United States rebalance policy by sharing similarity in flexibility pragmatic norms practice. The ASEAN-China Summit becomes the necessary institutional linkage for China entwines with ASEAN. China commits to support ASEAN Centrality in the ongoing regional integration that ASEAN lead the process (including RCEP) due to both parties as both sides shared a similarity in the flexibility and pragmatic approach practice as ASEAN and China declared at the 16th ASEAN-China Summit in 2013 that:

We [ASEAN and China] acknowledged that the RCEP recognizes ASEAN Centrality in the emerging regional economic architecture and contribute to economic integration, equitable economic development, and strengthening economic cooperation among participating countries. In this regard, we agreed to actively push forward the negotiations of the RCEP for the greater

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<sup>68</sup> "Overview of ASEAN-China Dialogue Relations", ASEAN, January 18, 2016, [http://asean.org/?static\\_post=overview-asean-china-dialogue-relations#\\_ftnref1](http://asean.org/?static_post=overview-asean-china-dialogue-relations#_ftnref1) (accessed January 24, 2017)

economic integration of East Asia.<sup>69</sup>

Moreover, Premier Li Keqiang in the 19<sup>th</sup> China-ASEAN Summit again emphasized more on similarity in shared norms practices between China and ASEAN as the underlying successful China cooperation with ASEAN by mentioning that:

This is a new highlight of China-ASEAN cooperation that has worked for our mutual- benefit...Win-win cooperation is the anchor and propeller of our relations... China takes ASEAN as a significant force for regional peace and stability, regional integration and also for multi-polarity in the world. China will continue to give priority to ASEAN in its neighborhood diplomacy. China will continue to firmly support ASEAN's community building, ASEAN's centrality in regional cooperation as well as ASEAN playing a greater role in international and regional affairs.<sup>70</sup>

Summing up, China engages with ASEAN plays crucial means as for portraying its reliable ascendance leadership in the region by sharing similar norms practice under ASEAN Centrality in RCEP negotiation table (Kim M. H., 2012, pp. 122-124).

As already explained before, the assumption of working together with Japan under several regional institutions will make easier for China to achieve its realist objectives supporting Chinese ascending power influence in leading RCEP. However, China and Japan institutional linkage are worrisome, which is different compared to the stable China-ASEAN institutional linkage. There are two institutional linkages

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<sup>69</sup> "Chairman's Statement of the 16<sup>th</sup> ASEAN-China Summit", ASEAN, October 9, 2013, <http://asean.org/wp-content/uploads/images/archive/23rdASEANSummit/chairmans%20statementfor%20the%2016th%20asean-china%20summit%20-%20final%203.pdf> (accessed January 24, 2017)

<sup>70</sup> "Remarks at the 19th China-ASEAN Summit to Commemorate the 25th Anniversary of China-ASEAN Dialogue Relations", The State Council of The People's Republic of China, September 7, 2016, [http://english.gov.cn/premier/speeches/2016/09/09/content\\_281475437552250.htm](http://english.gov.cn/premier/speeches/2016/09/09/content_281475437552250.htm) (accessed January 24, 2017)

between Beijing and Tokyo in pushing forward RCEP negotiation. Firstly, China cooperates together with Japan on RCEP initiation by proposing Japan to agree on making joint proposal combining EAFTA and CEPEA as basic consideration of the establishment of RCEP in 2011. Later on, China and Japan together become the two strongest major power countries that influence the RCEP negotiation process. However, China and Japan have a different approach on how to move forward RCEP trade agendas based on mutual-benefited and equal outcomes, especially in discussing the draft proposal on IP chapter.

Besides working together in RCEP, Beijing also engages with Tokyo under China-Japan-Korea trilateral FTA (CJK FTA). Chinese Premier Zhu Rongjin is the one that initiated CJK FTA negotiation in 2002.<sup>71</sup> However, Beijing did not show serious attention in intensifying formal trade linkages with its Northeast Asia countries under CJK FTA framework and also Japanese Prime Minister Junichiro Koizumi did not support China's proposal at the beginning (Yoshimatsu, 2015, p. 106). The year of 2011 and 2012 becomes China crucial time to accelerate its FTA commitment focusing in East Asia. Starting with Chinese Premier Wen Jiabao commitment on the 3<sup>rd</sup> Trilateral Business Meeting as he stated that "We (China-Japan-ROK) should further deepen trilateral investment cooperation. China is ready to do its best and work with Japan and the ROK for concluding the negotiations before the end of the year".<sup>72</sup> As China's renewal commitment in accelerating CJK FTA, all the leader members signed the trilateral investment agreement as the first legal basic document of CJK FTA framework on May 2012, and the negotiation itself officially

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<sup>71</sup> "A milestone & new starting point for China, Japan, ROK". Xinhua. October 11, 2009. [http://news.xinhuanet.com/english/2009-10/11/content\\_12209114.htm](http://news.xinhuanet.com/english/2009-10/11/content_12209114.htm) (accessed February 1, 2017)

<sup>72</sup> "Remarks by H.E. Wen Jiabao Premier of the State Council of the People's Republic of China At the Lunch Meeting of the Third Trilateral Business Summit". Ministry of Foreign Affairs of the People's Republic of China. May 21, 2011. [http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/wenzonglichuxizhongrihanhuiyi\\_665756/t825297.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/wenzonglichuxizhongrihanhuiyi_665756/t825297.shtml) (accessed February 1, 2017)

launched at the same time with the establishment of RCEP in November 2012.

As ASEAN has bilateral FTA with Beijing, Tokyo, and Seoul, CJK FTA framework assumed bring an easier consolidation path toward a harmonized single East-Asian FTA, including RCEP (Madhur, 2013, pp. 380-381). However, the engagement between Beijing and Tokyo in CJK FTA talks did not go smoothly due to high-tension in the political and diplomatic issue among the members. Some of the disruptive diplomatic events that interfere CJK FTA negotiation process are Japan Prime Minister, Shinzo Abe visit to Yasukuni Shrine in 2013 and the collaboration between China and Korea's government in the opening of Memorial Honoring Korean Independence Activist Anh Jeung Geun, who assigned Hirobumi Ito, in Harbin, China (Tiezzi , 2014). The lack of political will and trust among the members to give economic concessions on CJK FTA round table makes this negotiation is stagnant.

Overall, China-Japan institutional linkages in those regional institutions does not work as significant as China-ASEAN linkages to support Chinese leadership objective in RCEP. It because China and Japan has been involved in long-standing political and historical frictions that disturb current cooperation. Another reason is also because Japan has different agendas especially in IPRs context that against China approach in conducting RCEP negotiation. All of those issues becomes the disruptive factors dealing with China – Japan institutional linkage.

### **5.2.3 The Glimpse Future of RCEP**

Since RCEP is aiming less ambitious trade provision compared to TPP, then the negotiation should be concluded faster than TPP. However, RCEP negotiation

repeatedly missed the conclusion deadline. Meanwhile, the United States successfully leading TPP negotiation into conclusion faster than RCEP negotiation by the end of 2015. The possible answer of the slow progress of RCEP is because Chinese flexibility-pragmatic norm approach in uniting the differences trade in goods and services agenda on RCEP negotiation table seems not working properly. There are two events along RCEP negotiation process that show inefficiency of Chinese flexibility-pragmatic practice. Firstly, there is disagreement on trade in goods tariff on the classification commitment proposal from each member that China could not bridge this issue. For instance, India is trying to impose 'deviations' clause in regards to the three-tier structure in RCEP by offering elimination tariff for 42.5% towards China, Australia, and New Zealand's export goods. China sees India's commitment to reduce tariff with China is quite small compared to India's commitment towards South Korea and Japan, which India already had FTA, with 65% tariff elimination (Chakraborty , 2016).

Secondly, the different perspective for the underlying reference commitment in trade in service between TRIPS and TRIP Plus standard provision. The dual-membership countries (member in TPP and RCEP at the same time) like Japan, Malaysia, Australia, New Zealand, and Singapore prefer to apply TRIP Plus provision in RCEP's IPR Chapter. However, China itself is willing only on putting TRIPS minimum standards in RCEP's IPR clauses. Beijing still not adequately addresses these two issues by applying its flexibility-pragmatic approach.

All of the differences in trade agenda issues should be addressed properly by Beijing because it becomes the crucial point for China as an ascending reliable, dominant power to push forward the conclusion of RCEP negotiation round. Added up with the wither future of TPP under Trump administration, China should use this

momentum to make it easier in accelerating RCEP negotiation deal into a final conclusion.

### **5.3 Conclusion**

Based on the finding and discussion about Washington and Beijing leadership approach in TPP and RCEP in the context of their rivalry in the Asia – Pacific, I provide the answer to the first research question that the United States and China have difference objectives in these two mega trade deals. There are two objectives that Washington wants to achieve in leading TPP. Firstly, The United States joined the TPP under Bush administration was aiming for strengthening economic ties with Asia Pacific to working on its declining shared-trade portion with ASEAN countries as China's shared trade with ASEAN was increasingly up. However, starting from Obama administration, TPP brings up a salient geopolitical rivalry between Washington and Beijing. Obama wants not only working on the declining shared trade with ASEAN as the part of economic consideration but also working on its declining sphere of leadership influence by maintaining its status quo power against the ascending power, China, in the region as the part of geopolitical reason. Meanwhile, Firstly, China main objective is re-countering US rebalance policy in leading TPP negotiation by leading RCEP negotiation and excluding the US presence in RCEP. Secondly, China wants to protect its national economic growth from any harmful regional trade regime rules that are not in line with Chinese economic characters. By leading RCEP into conclusion, China economic leverage could be more influential in the term of RCEP's economic impacts compared to the U.S.-led TPP economic impacts.

Concerning answering the second research question, the United States and

China apply two types of means to achieve its objectives. Firstly, utilizing the different norm practice. The United States uses its liberal-ideals norm and China exercises its flexible-pragmatic norm on conducting their FTA agendas in TPP and RCEP. Seen from the practice of norm application, China flexibility norm approach in uniting the pragmatic differences trade in goods and services agenda on RCEP negotiation table seems decently not working compared to the United States liberal ideal norm practice that was successfully concluding the high-quality FTA commitment in TPP. Secondly, Washington and Beijing takes the same approach in building institutional linkage with ASEAN and Japan. Japan and ASEAN 'voluntary' joined TPP and later working together with the United States to conclude and promote TPP in the region. Meanwhile, China is eagerly pushing forward cooperation with ASEAN and Japan since the RCEP initiation process and then leading the negotiation process to conclude it.

## **Chapter 6 Conclusion**

### **6. Introduction**

The Sino-American relations interaction has been one of the topics discussed in the Asia-Pacific international relations literature. From the existing literature, several scholars argued that Washington and Beijing relations colors with the high degree of strategic rivalry and the small degree of cooperation. The profound distrust of each other intentions, lack of good will from both government, and having much more of unfavorable interests than the same shared interests are several reasons behind Sino-American strategic rivalry. Washington's policies towards Beijing show hedging strategy to deter the rising of Chinese influence under uncertainty of China long-term intentions by maximizing its diplomatic assets, economic power, and military capability in the Asia-Pacific. Meanwhile, there are several of Chinese strategic options towards the dominant power of the United States. Firstly, using its rising power to seek peaceful international environment and peaceful living co-existence with the United States for the sake of its national development. Secondly, using its accelerated economic power influence for strategic leverage, as China has high economic interdependence with the United States, in controlling Washington if Washington's actions put disadvantages toward Chinese interests.

This thesis concerns to look deeper Washington and Beijing rivalry in the region under the context of the development and trade sector. For development rivalry, the Sino-American rivalry in the Mekong Development becomes the chosen study case in this thesis. It is because the least developed countries in the Mekong sub-region had not been taken into account in regional affairs due to their domestic political and economic struggle. However, after China and the United States has been



actively engaged with this sub-region, the Mekong sub-region becomes one of the prominent areas for the strategic rivalry between the United States and China. The Asia-Pacific becomes one of the leading regions in forming regional economic integration regime by proliferating free trade agreements. Then, Washington and Beijing also has been actively involving in developing regional trade regime by excluding each other power presence in the TPP and RCEP negotiation as the translation of their strategic rivalry interaction for establishing regional free trade regime.

Concerning to analyze Sino-American rivalry interaction in the region, this thesis tries to seek answer for two research questions on how have the United States and China characterized their rivalry in the Asia-Pacific? Then, how have the United States and China sought to attain greater influence in the Asia-Pacific? Furthermore, there are two main hypotheses of this thesis in addressing the United States and China characterizing their rivalry and their means to achieve their rivalry objective in the region. Firstly, Washington and Beijing rivalry in the Asia-Pacific could adequately describe through the lens of the struggle for the status of power influence. Washington as the status quo power maintains its sphere of geopolitical influence and does not let any rising major power take over its domination situation in the region. Meanwhile, Beijing as the ascending power keeps accelerating its sphere of geopolitical influence that simultaneously challenges the status quo power in some extent. Secondly, Washington and Beijing apply a different type of norms as their first means to attain their rivalry objective. The United States uses liberal-ideals norms. Meanwhile, China refers flexible-pragmatic norms as a tool to achieve its goal in the region. Also, Washington and Beijing are mutually forming the institutional linkage

with Japan and ASEAN as their other means in pursuance of their rivalry objective in the region.

The summary of all empirical findings concerning to those two hypotheses will examine in this last chapter as the conclusion of this thesis. Starting with the objectives overview of the United States and China in both study cases and then continue with the summary of means application by both states in both cases. In the end, this chapter will address the future research gaps that the future research might have chances to fill up those gaps.

## **6.2 The Objectives of Sino-American Strategic Rivalry in the Asia – Pacific**

The translation of Sino-American objective rivalry in the Asia-Pacific through their involvement in the Mekong development, as suggested in this thesis' hypothesis, is for competing for getting a better sphere of power influence in the Mekong sub – region. It is rational for Washington, which had strategic rivalry against Communist influence during Cold War, wants to maintain its existence of a sphere of geopolitical influence against any rising great power in the Mekong sub-region. Then, Beijing as the ascending power keeps accelerating its scope of geopolitical influence that simultaneously challenges the status quo power to some extent. Beijing as a rising great power in the Asian hemisphere keeps accelerating their powerful influence in the Mekong sub-region. At some point, Chinese involvement is getting salient and aggressive. Hence, the accelerated Chinese power influence to some extent makes worried Washington regarding Chinese truly intention for being revisionist in its active involvement in the Mekong development. Therefore, Washington and Beijing are bounded for a strategic rivalry for maintaining and changing the power polarity in the Asia-Pacific.

However, the empirical findings in this thesis show a slightly discern from the Sino-American rivalry objective related hypothesis. In details of overall Washington and China's goals in the Mekong development from the 1990s until after 2009, Both countries have other objectives besides having a strategic goal against each other power influence capability. For Washington's Mekong Development involvement case before 2009 and after 2009 showed different objective goal. Before 2009 era, Washington did not have any strategic objective regarding Chinese power in the region. Since during that time, the United States mainly concerned about the rising Communist influence and focused on the revitalization of bilateral diplomatic in the Mekong sub-region. Only after 2009 era, the United States highly concerns about Chinese movements in the Mekong development and as a result launched Lower Mekong Initiative as a strategic instrument policy against the salient Chinese power influence. From Washington's perspective, the rising power of Chinese influence in the Mekong Development is getting remarkable and aggressive after 2009 as China aggressively tries to control the Mekong countries' foreign policy to be sided with Chinese preference by using Chinese massive development project aid schemes.

Similar Washington's involvement in the Mekong development, China first objective being involved in the Mekong sub-region was not related to the United States power status in the region. China primary purpose for being engaged with the Mekong countries before 2009 has been for accelerating its national economic growth and seeking alternative energy supply through making the connection between its southern rural areas with the Mekong countries. However, China saliently starts to have a strategic objective in its Mekong development after 2009. During this period, China also showed more aggressive development policy to strategically control the Mekong countries to achieve its expansion of territorial interest in the South China

Sea using Chinese massive development aids influence. This kind of Chinese influence gesture of strategically using the Mekong development aids for achieving its aggressive territorial expansion creates concerns for Washington to balancing against Beijing by launching its strategic policy deterring Chinese power influence.

In general, Sino-American strategic rivalry objective basically proven as mentioned in the thesis hypothesis as both states showed delivering a strategic policy of reaction and counter-reaction regarding seeking better power influence in the Mekong development only after 2009. However, the empirical finding of this thesis also found a slight divergence of the U.S. and China objectives in their beginning phase of their Mekong development's involvement. Their first goal in engaging with the Mekong countries has nothing to do with each other power status in the sub-region. It happened because Washington did not count China as a threatening rising power state during the U.S. involvement in the Mekong sub-region yet. The spread of the Communist influence and Washington geopolitical agendas outside the Mekong sub-region becomes an important focus for Washington than the Chinese presence in the Mekong sub-region. Meanwhile, China's beginning involvement objective was found for supporting its national economic development growth not yet related to challenging the supremacy of Washington power status and interests in the region to some extent. It happened because China back then was too weak to become revisionist rising power state and its national economic development growth is a bigger issue for China to overcome in the first place than contesting the U.S. power presence. The continuity of Chinese massive development aids and projects towards the Mekong countries put China as a major great power presence in the sub – region.

The growing Chinese power influence in the Mekong creates shifting the geopolitical perception of Washington towards Beijing intention in the region,

especially after 2009. As the ascending power, China showed its dissatisfaction towards the current international order, but being careful not to directly against the United States-led international order by creating alternative development initiative (LMI) and financial development source (AIIB). Moreover, Chinese power control after 2009 is getting salient and stronger in controlling the Mekong countries in ASEAN discussion meetings. The kind of assertive power influence from China creates a high concern for Washington, which later decided to strategically returns and balances against Chinese power influence. As a result, the struggle for better power influence in the Sino-American strategic rivalry only has proven to be shown in the following phase of their development in the Mekong Development specifically after 2009.

The translation of Sino-American objective rivalry in the Asia-Pacific through their participation in the making of regional FTA, as suggested in this thesis' hypothesis, is for competing for getting a better sphere of power influence in the Mekong sub-region. Besides making a comeback in the Mekong sub-region, Washington also wants to maintain its supremacy power status in the Asia-Pacific region through leading the regional trade negotiation to deter the prominent rising Chinese trade power influence in the region. Meanwhile, Beijing also keeps showing its regional leadership power in controlling regional trade agendas. At the same times, Chinese regional leadership in trade challenges the status quo of the United States in the region. Hence, Washington and Beijing are involved in the regional strategic rivalry for maintaining and changing the power polarity in the Asia-Pacific.

The empirical findings of Sino-American rivalry in leading RCEP and TPP showed in general similarity with the thesis objective hypothesis. However, there is also a slight different in the U.S. and Chinese strategic objectives based in the

empirical finding discussion. The U.S. objective did not touch upon rivalry issues against the rising Chinese power influence in the region in the beginning of joining TPP under Bush administration. It was for working on the U.S. declining shared-trade portion with ASEAN, even though Washington realized that at the same time Chinese shared-trade portion with ASEAN is getting increased. Only after 2009 along with the changing of the U.S. leadership administration under Barrack Obama, the United States focuses on not only working on the declining shared-trade portion but also working on its declining sphere of leadership influence responding Chinese ascending high influence in leading regional trade integration.

Meanwhile, the Chinese objective involving in the RCEP is primarily to respond the U.S.' Chinese seclusion policy during TPP negotiation process. As a result, China leads RCEP negotiation along with ASEAN to counter-balance the U.S. rebalance policy in TPP. Besides, do counter balancing action against the U.S. power presence return policy in the region, China also has domestic-concerned objective in joining RCEP. China is still a growing market and needs protection for its national economic growth. Hence, China also aims for protecting its national economic development from any harmful regional trade regime rules that are not compatible with the current Chinese economic characters.

The United States and China strategic rivalry in the case study of leading TPP and RCEP are showing more salient rivalry objective against each other power influence. Even though, there was a slight objective distortion regarding each national trade economic growth conditions. This minor objective difference for concerning national economic interest happened as a rational reflection of any state behavior to be concerned about national economic protection in engaging in any FTA deals. The minor objective differences in Sino-American strategic rivalry in leading TPP and

RCEP does not necessarily influence the existence competition for exerting power influence objective against each other in the region. The summary of the empirical findings of both study cases of Sino-American strategic rivalry can be found in Table 6.1.

**Table 6.1 Empirical Findings of the United States & China Objectives**

<b>Objectives</b>	<b>The U.S.</b>	<b>China</b>
<b>Development</b>	<ol style="list-style-type: none"> <li>1. Preventing the region from communist influence &amp; focusing getting support for the U.S. geopolitical agenda in other regions.</li> <li>2. Deterring the stronger Chinese influence in Mekong sub-region.</li> </ol>	<ol style="list-style-type: none"> <li>1. Accelerating its national economic growth, especially integration its southern rural province and securing energy resource supply.</li> <li>2. Accelerating power influence as the ascending power, which simultaneously challenges the return of United States interest in the Mekong.</li> </ol>
<b>Trade</b>	<ol style="list-style-type: none"> <li>1. Working on its declining shared-trade portion with ASEAN</li> <li>2. Not only working on the declining shared-trade portion but also working on its declining sphere of leadership influence responding Chinese influence</li> </ol>	<ol style="list-style-type: none"> <li>1. The main objective is re-countering the U.S. rebalance policy in regional trade integration as the answer of the return status quo power presence</li> <li>2. Protecting domestic economy from harmful regional trade regime rules</li> </ol>

**Source: Author, 2017**

### **6.3 The Application of Norms as Strategic Means in Sino – America Strategic Rivalry**

As the way to achieve strategic rivalry objective needs strategic means, the hypothesis of this thesis suggested that Washington and Beijing apply particular norms as their strategic tools. The United States uses liberal-ideals norms, while China refers to flexible-pragmatic norms as their strategic tool to achieve their strategic goal in the region. The hypothesis of the U.S.’ liberal-ideals norms

application proven to be used in achieving the U.S. strategic objective in the Mekong development. Even from the beginning of the U.S. involvement goal in the Mekong sub-region that did not touch upon any rivalry against Chinese power influence, the application of liberal-ideals norm assured in using by Washington to achieve its objective of preventing Communist influence and getting closer with the region post-Vietnam War. The using of liberal-ideals norms becomes prominent after 2009 as strategic means against Chinese power influence. The U.S. norms such as sustainable development commitment are strategically aiming against the lack of Chinese commitment in environment-friendly practice in the Mekong development. Even though there is distinguish evidence of Washington applying liberal-ideals norms, the significance of the norms itself shows slow direct influence towards the Mekong countries. The reason behind this fact is due to the Mekong countries need more practical norm practices, while the U.S' liberal-ideals norm is impractical for them. Therefore, the U.S. liberal-ideals norms are not well-received in the Mekong sub – region.

Regarding the empirical finding of assessing the using norms in the context of regional trade deals, the United States has been apparently applying liberal-ideals norm practices in pushing forward its trade agendas during TPP negotiation process as suggested in the hypothesis. The application of liberal-ideals norms in the TPP trade agendas, such as SMEs and IPEs, vividly aims for halting China power presence possibility to join TPP to maintain its still supremacy economic power status in the Asia-Pacific. As the TPP negotiation was firstly and successful in conclusion the process than RCEP, it shows that Washington necessarily maintains its economic supremacy power influence in the region by making a new and high-quality regional trade regime.



The hypothesis of Chinese flexible-pragmatic norms application has been also vividly applied by China for achieving its strategic objective in the Mekong development. Similar with Washington norm application empirical findings, China is proven to apply flexible-pragmatic norm practices since the beginning engagement phase with the Mekong sub-region started in the 1990s. Along with the longer time and stronger of China power presence in the Mekong Development, it puts China to apparently applying flexible-pragmatic norm in controlling the Mekong countries political position to be sided with Chinese political stance in the regional institution (ASEAN) regarding Chinese aggressive territorial dispute issue. Compared to Washington's liberal-ideals norm practice, Chinese flexible-pragmatic brings more tangible economic impacts that are needed by the Mekong countries. Therefore, Chinese application norms successfully help Beijing to achieve its strategic objective against the U.S. rebalance policy purpose in the sub-region.

Meanwhile, China has also been proven to apply flexible-pragmatic norm since the establishment of RCEP negotiation as suggested in the hypothesis. Since the primary objective of Chinese involvement in the RCEP is counter-balancing power influence of the United States in leading a new high-quality regional trade regime through TPP, Beijing obviously applies flexible-pragmatic norms agenda in leading RCEP. One of the examples of Chinese application norms during RCEP negotiation process is by pushing forward gradual tariff and non-tariff elimination based on the flexibility acknowledgment of member national development gap. Different with the satisfactory significance strategic norm application to achieve Chinese objective in the Mekong development, here Chinese flexible-pragmatic norms in leading RCEP seems not working as expected to counter US rebalancing policy in the term of forming regional economic integration. It is because Chinese norms practices in

RCEP could not address well various stalemate issues during the RCEP negotiation against the other influential members, including Japan and India. The summary of empirical finds of Sino-America strategic rivalry means the application can be read in Table 6.2 below.

**Table 6.2 Empirical Findings of the United States and China’s 1<sup>st</sup> means**

<b>1<sup>st</sup> Meas</b>	<b>The U.S.</b>	<b>China</b>
<b>Applying Norms in Development</b>	Washington's liberal-ideals norm approach brings slower direct influence impact to the Mekong countries since the norm was not well-received by the less powerful states in Mekong sub-region.	Chinese flexible-pragmatic brings more direct tangible economic results & significantly influence the Mekong countries since Chinese norm practices are in line with the Mekong countries needs.
<b>Applying Norms in trade</b>	The liberal-ideal norms practice that has been pushed by Washington successfully implemented in the completing TPP negotiation as the prominent regional trade regime.	Chinese flexible-pragmatic norm approach seems not working as expected to win over against the U.S. rebalance strategy since RCEP still under negotiation with various stalemate issue.

**Source: Author, 2017**

#### **6.4 The Application of Institutional Linkage as Strategic Means in Sino-American Strategic Rivalry**

The other second strategic means for the United States and China to achieve their strategic rivalry objectives is by using institutional linkage. As suggested in the thesis hypothesis, Washington and Beijing both engage with ASEAN and Japan as a diplomatic means to smooth their way to achieving their rivalry objective. The

empirical findings of institutional linkage both in the Mekong development and regional trade deals of TPP-RCEP evidently showed that Washington and Beijing build institutional linkage with ASEAN and Japan.

The United States has proven to have institutional linkage with ASEAN and Japan in the Mekong Development. However, during the beginning phase of U.S engagement with the Mekong sub-region, Washington only developed indirect linkage with ASEAN members through the Mekong River Committee and with Japan through ADF. It is slightly different with the hypothesis due to during that time the United States did not strategically consider ASEAN and Japan as important entities in helping U.S. goals for deterring Communist influence and reviving bilateral relations with the Mekong countries. Only after 2009, Washington sees ASEAN and Japan as the influential entity that has significant contribution in the Mekong Development. As a result, the following the U.S involvement started in 2009 actively builds institutional linkage with ASEAN and Japan for balancing Chinese power presence in the Mekong sub-region. The United States works together with ASEAN and Japan under the same institution of the U.S.-led Lower Mekong Initiative framework. Washington intentionally asked doing partnership together with ASEAN for the purpose of balancing China influence under LMI and with Japan under Friends of Lower Mekong framework. However, the U.S. institutional linkage has not yet brought significant balancing counter against Chinese influence in the Mekong; partly it might because LMI just was begun.

In the context of building institutional linkage in regional trade deals, the United States and China proven to do institutional linkage with Japan and ASEAN during the negotiation process. However, the U.S. institutional linkage with ASEAN and Japan does not originally start with the U.S. initiation to work with both parties.

The United States did not formally ask Japan and ASEAN to work with Washington in supporting the U.S. active presence in leading TPP negotiation. In spite of lack initiation to ask Japan and ASEAN at the first place, Washington's institutional linkage successfully helps to attain US objectives by firstly concluding TPP negotiation than Chinese leadership in RCEP negotiation.

In the context of the Mekong development, China also makes institutional linkage with ASEAN through doing cooperation under GMS, AMBDC, and LMC framework. From the empirical findings, it can be concluded that all of those institutional linkage structures with ASEAN brings significance helps for Beijing to achieve its objectives. It contributes to achieving both Chinese objective goals, firstly in accelerating its national economic growth including securing energy resource supply, and secondly in balancing the U.S. rebalance power presence in the sub-region especially with the establishment of LMI in 2014. Meanwhile, China and Japan work together discussing the Mekong development progress under Japan-China Policy Dialogue on Mekong Development. Different from China-ASEAN institutional linkage, China-Japan institutional link is weaker and faces problematic issues. This fact did not necessarily give concrete support for Beijing to achieve its objectives in the Mekong development. The reason behind this fact relies upon the diplomatic relations that have long been problematic between Beijing and Tokyo.

Meanwhile, China intentionally asked to work together with ASEAN and Japan since RCEP initiation and negotiation process. Even though Beijing already asked for cooperation with the influential members in the RCEP, but it does not bring a horizontal direction to conclude the negotiation process itself. As already mentioned before, the Chinese leadership is one step left behind from the U.S. leadership in TPP. The reason behind this fact is because firstly even though China builds linkage with

Japan, but Japan has different trade agendas that against with China trade agendas. Japan wants more comprehensive IPEs implementation programs, while China wants more progressive approach based on national development conditions. Secondly, there is another influential member, India, that China did not yet build significance linkage with. As a result, India apparently brings different approach in reviewing tariff elimination agendas against Chinese preference during the negotiation process. All of these reasons bring stalemate in concluding RCEP negotiation. The summary of the institutional linkage application by Washington and Beijing could be read in Table 6.3.

**Table 6.3 Empirical Findings of the United States and China 2<sup>nd</sup> means**

<b>2<sup>nd</sup> Means</b>	<b>The U.S.</b>	<b>China</b>
<b>Institutional Linkage in Development</b>	<p>The U.S. has been proven using ASEAN and Japan as institutional linkage. As the US intentionally asked to do cooperation with ASEAN and Japan in countering China influence in through establishment of LMI and Friends of Lower Mekong.</p> <p>However, US institutional linkage doesn't yet bring significant winning against countering Chinese influence in the Mekong since LMI just begun.</p>	<p>China has been proven using ASEAN &amp; Japan as the institutional linkage means through participating in GMS, AMBDC, LMC, and Japan – China Policy Dialogue on Mekong Development.</p> <p>However, Chinese institutional linkage with ASEAN has a significant role in helping China to achieve its objectives compared to Chinese institutional linkage with Japan.</p>
<b>Institutional Linkage in trade</b>	<p>The U.S. has been proven using ASEAN and Japan as institutional linkage in leading TPP.</p> <p>Even TPP already concluded,</p>	<p>China has been proven using ASEAN and Japan as institutional linkage in leading RCEP.</p> <p>Different with the U.S., China has been eagerly pushing forward</p>

	<p>however at the first place Washington did not intentionally ask Japan and ASEAN to join TPP; instead, Japan and ASEAN ‘voluntary’ joined and later worked together to conclude and promote TPP in the region</p>	<p>cooperation with ASEAN and Japan since the RCEP initiation process and then conducting the negotiation process together.</p>
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**Source: Author, 2017**

#### **6.4 Research Gaps for the Reference of Future Research**

Regarding future research, there are several chances to continue the studies in the United States and China relations topic. Firstly, there are only two independent variables in this thesis include the United States and China objectives and means in responding Sino – American rivalry. Then, the empirical findings related to US and China goals found that there are some domestic related issues, then it will be better for the future research could add one more independent variables. The additional independent variable could be from domestic factors, such as domestic decision policy making, national popular sentiments and domestic government political system. For instance, this thesis did not appropriately view the reason of Sino-American rivalry from the perspective of the differences government political system. The United States adheres democracy as its domestic political system. Meanwhile, China follows one party centralized political system, which is less democratic. From liberal perspective, democratic states tend to have a conflict with non-democratic states, therefore the future research might have a chance to do research with making differentiation about the domestic government type based on the democratic-peace

concept. All those domestic factors might have a significant contribution in shaping Sino-America strategic rivalry.

Secondly, adding political leadership style as another additional independent variable also becomes the opportunity for the future IR scholars to conduct states competition relations. The thesis empirical findings showed that the changing leadership orientations bring more salient rivalry nuance in the Sino-American relations. However, this thesis discussion did not touch upon in depth about the contribution of political leadership orientation style. Thirdly, this thesis only touches upon the Sino-American rivalry relations in the field of development and trade. Hence, the future research could address other sectors in addressing Sino-American relations interaction, such as energy sectors. By discussing great power interactions between Washington and Beijing in the context of energy resources, there might be a chance to look at the US-China interaction from a different point of view that will lead to more cooperation interaction rather than strategic rivalry interaction.

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