

EU3D

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Differentiated regionalism and China's global agenda: How do resilience and strategic autonomy fit in? EU, ASEAN, Mercosur

Cecile Pelaudeix

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Preface

The EU has expanded in depth and breadth across a range of member states with greatly different makeups, making the European integration process more differentiated. *EU Differentiation, Dominance and Democracy* (EU3D) is a research project that specifies the conditions under which differentiation is politically acceptable, institutionally sustainable, and democratically legitimate; and singles out those forms of differentiation that engender dominance.

EU3D brings together around 50 researchers in 10 European countries and is coordinated by ARENA Centre for European Studies at the University of Oslo. The project is funded by the European Union's Horizon 2020 research and innovation programme, Societal Challenges 6: Europe in a changing world – Inclusive, innovative and reflective societies (2019-2023).

The present report is part of the project's work on EU-external differentiation (work package 3). The report focuses on differentiation in three regional organizations, the EU, Mercosur and ASEAN. The author concludes that these organisations make up three models of differentiated regionalism. (1) an expanding centralized differentiated regionalism, exemplified by the EU which strengthens integration and its external partnerships with a normative agenda. (2) A low institutionalised and constrained regionalism exists in the case of ASEAN which only leads to a medium resilience and the absence of strategic autonomy since it situates ASEAN in a situation of deep dependence on external cooperation with China and on great and middle size powers. (3) A functionally and geographically limited regionalism coexisting with multiple (overlapping) ROs in the case of Mercosur which strives to strengthen resilience but has no clear agenda regarding China save for member states.

John Erik Fossum
EU3D Scientific Coordinator

Executive summary

This research has compared the responses of three differentiated organisations: the EU, ASEAN and Mercosur, with respect to their specific merits in relation to resilience and strategic autonomy vis-à-vis Chinese influence. It shows that the three ROs have followed very distinct paths in terms of types of differentiation and external cooperation. *Vertical differentiation* is only used by the EU which makes a significant use of supranationalism. ASEAN and Mercosur are not constraining China's influence, even in strategic sectors. *Internal differentiation* is seldom used by the three ROs with the notable exception of the EU in relation to PESCO. *External cooperation* is more extensively used by the EU and ASEAN than regional instruments. ASEAN is significantly dependent on external cooperation in particular on cooperation with China. The EU-Mercosur agreement remains the most relevant agreement for Mercosur to maintain some autonomy vis-à-vis China's influence. One significant constraint in the EU's resilience vis-à-vis China is the complacent position that ROs can have towards Russia, whereby China is siding with Russia in the war in Europe.

Three models of differentiated regionalism emerge.

(1) First, we found an *expanding centralized differentiated regionalism*, exemplified by the EU which strengthens integration and its external partnerships with a normative agenda. The European Political Community is an interesting development in that regard, and constitutes yet another form of differentiation, something along the lines of a 'co-differentiation project'.

(2) A *lightly institutionalised and constrained regionalism* which applies to ASEAN which only leads to a moderate degree of resilience and the absence of strategic autonomy since it situates ASEAN in a deep dependence on external cooperation with China and on great and middle size powers.

(3) A *functionally and geographically limited regionalism coexisting with multiple (overlapping) ROs* which applies to Mercosur which strives to strengthen resilience but has no clear agenda regarding China.

Differentiation may therefore be a powerful mechanism to manage heterogeneity in the context of Chinese global agenda, in complementary with external cooperation, but it cannot be effective without a deepening of integration. This does not imply adopting an EU model of regionalism, but this may equate to 'uploading more of state prerogatives: policy instruments, institutional and constitutional arrangements from the state to the regional level' (Fossum 2019). One risk of not doing so is that the RO is progressively controlled or taken over by China's own cooperation mechanisms, bypassed either by China, by external partners (favouring a more effective minilateralism) or even by member states of the RO which may favour regional cooperation mechanisms whose agendas look attractive and requirements less demanding.

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List of abbreviations and acronyms

ADMM	ASEAN Defence Ministers' Meeting
ADDM+	ASEAN Defence Ministers' Meeting Plus
AIBB	Asian Infrastructure Investment Bank
ALADI	Asociación Latinoamericana de Integración (Latin American Integration Association)
AOIP	ASEAN Outlook on the Indo-Pacific
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN, Japan, South Korea, China
AUKUS	Australia, UK, US trilateral defense pact
BRI	Belt and Road Initiative
CAI	Comprehensive Agreement on Investment
CCP	Chinese Communist Party
CELAC	Community of Latin American and Caribbean States
CFSP	Common Foreign and Security Policy
CLMV	Cambodia, Laos, Myanmar, Vietnam
CMIM	Chiang Mai Initiative Multilateralisation
DG	Directorate General (European Commission)
DG DEFIS	Directorate General for Defence Industry and Space
EEA	European Economic Area
EAS	East Asia Summit
EC	European Commission/European Communities
ECC	European Economic Community
ECJ	European Court of Justice
EEC	European Economic Community
EDIP	European Defence Investment Programme
EDTIB	European Defence Technological Base
EDIRPA	European defence industry Reinforcement through common Procurement Act
ECOWAS	Economic Community of West African States
EEAS	European External Action Service
EEZ	Economic Exclusive Zone
EFTA	European Free Trade Association
ENP	European Neighborhood Policy
EU	European Union

Differentiated regionalism and China's global agenda

FDI	Foreign Direct Investment
FOCEM	Fondo para la Convergencia Estructural del Mercosur (Mercosur Structural Convergence Fund)
GDP	Gross Domestic Product
IAI	Initiative for ASEAN Integration
IPA	Instrument for Pre-Accession
LMC	Lancang-Mekong Cooperation
Mercosur	Mercado Común del Sur (Common Southern Market)
MS	Member State
NATO	North Atlantic Treaty Organization
PLA	People's Liberation Army
PRC	People's Republic of China
RCEP	Regional Comprehensive Economic Partnership Agreement
RO	Regional organisation
TAC	Treaty of Amity and Cooperation
TTC	Trade and Technology Council
Unasur	Union of South American Nations (Unión de naciones suramericanas)
UNCLOS	United Nations Convention on the Law of the Sea
WTO	World Trade Organization

INTRODUCTION

The rise of the People's Republic of China (PRC) coupled with its ambition to reform global governance and global security and its illiberal character constitute major challenges for states but also regional organisations (ROs), the resilience of which, when compared to a state, is more precarious. ROs present vulnerabilities that arise from their internal diversity, the 'incomplete uploading of policy instruments, institutional and constitutional arrangements from the state to the EU level' (Fossum 2019), the legitimacy requirement they face, their drawn-out decision processes, their lack of own resources¹ and redistributive policies, inter-state police force or army. China establishes relationships not only with states but also with ROs such as the EU, ASEAN, Mercosur, the Community of Latin American and Caribbean States (CELAC) or the African Union.

This report provides answers to the question as to how and why differentiated organisations strengthen or are not able to strengthen their resilience and strategic autonomy vis-à-vis the influence of China, and how differentiation plays out in that process. To do so, the book engages in a qualitative approach that compares the institutional responses of the EU, ASEAN and Mercosur, three of the most integrated regional organisations. The study relies on three complementary hypotheses (H1 internal, H2 and H3 external) to explain how ROs strengthen or are not able to strengthen their resilience vis-à-vis the influence of an external hegemon. While the internal hypothesis (H1) refers to institutional differentiation including balancing, H2 and H3 further build on strategic

¹ The EU budget equals just over 1 per cent of the European Union's national wealth – in comparison, national budgets across the EU are equal to, on average, about 47 per cent of Member States' national wealth. (European Commission 2020b).

options relating to balancing, bandwagoning and hedging. They are not exclusive and can be used in combination.

Resilience is defined as 'the ability of states and societies to reform, thus withstanding and recovering from internal and external crises' (EEAS 2019, 23). Strategic autonomy applies to both the security and economic sectors. It captures the capacity to act *autonomously* in cooperation with like-minded partners (Tocci 2021; Järvenpää, Major, and Sakkov 2019; Hwee 2017; Jose 2022; Anghel et al. 2020; Fiott 2018).

China's global ambition

The economic and strategic rise of China has arguably been the most significant global phenomenon of the past four decades (Chatterji 2021, 2). The rise of China is considered to be 'the singular unfolding phenomenon with deep implications for the global economy' (Tong 2021, 1). According to some analysts, China is 'neither a revisionist nor a status quo power; rather Beijing has engaged in a selective contestation of the primary institutions of the US led rules-based order in East Asia' (Dian and Meijer 2020). At the same time, China's declared aim to reform global governance combined with its authoritarian regime under Xi Jinping and its rejection of the 2016 South China Sea Arbitration Award (Permanent Court of Arbitration 2016), render the benefits of economic interdependence and institutional cooperation under international law problematic. The building of a mankind that is a 'community of common destiny' – a phrase that was included in the preamble to the Constitution of China when the Constitution was amended in 2018 – constitutes a part of its long-term strategy: to maintain a peaceful 'period of strategic opportunity' in the first two to three decades of the 21st century in order to further develop itself (Zhang 2018, 196), but also to 'lead the reform of the global governance system' (XinhuaNet 2021) and to 'build a new type of international relations and a human community with a shared future' (Xi 2021).² While China pursues its global ambition, however it remains careful to ensure its supremacy at the regional level, as Beijing considers that its 'reputation for power' must be established in Asia in the first instance (Khong 2019, 119–20). In turn, this imperative informs Chinese

² The phrase 'community of destiny' was first used to describe the relationship between China and Taiwan in 2007, and was expanded by Xi to apply to ASEAN in 2014, before being applied to the whole world (He 2017, 10).

foreign policy which strives to isolate Taiwan in the international stage with an increasingly assertive campaign (Long and Urdinez 2021, 3).

To achieve its global agenda, China exercises a form of protean power that can be described as incorporating three axes – to borrow from Barnett and Duvall's analytical framework – compulsory, institutional and ideational powers (Barnett and Duvall 2005). Compulsory power refers to economic and military power as well as cyber attacks. The deployment of the Belt and Road Initiative (BRI), launched in Astana and then Jakarta in 2013, is a state-owned investment fund of the Chinese government which fosters increased investment and includes a space policy (Sarma 2019). The launching of the BRIS was backed by the launch of the Asian Infrastructure Investment Bank (AIIB) and by an emerging China-centred global network of financial infrastructures (Petry 2023)³. A new instrument was launched in 2023, the Global Development Initiative. The initiative seems to be a substitute for the BRI which has been tarnished over the past five years by accusations of debt traps (see chapter 7), colonialism, environmental problems and poor standards. Chinese interests also relate to security: in 2023, China released its Global Security Initiative which displays China's ambitions to be a leader in global governance and security architecture (Ministry of Foreign Affairs of the People's Republic of China 2023).⁴ The Global Security Initiative aims, according to the previous Chinese Foreign Minister, Wang Yi, to "contribute Chinese wisdom to make up for the human peace deficit' and to 'provide Chinese solution to cope with international security challenge.'" (Rajagopalan 2022). From a defence perspective, China has massively strengthened its military might: it has increased its military budget sixfold in twenty years (Nan and Fei 2021). China was the world's second biggest arms seller in 2021, with the US in first and the UK and France in third and fourth respectively (SIPRI 2022). Seven Chinese companies featured in the top 20 arms-producing and military services companies in the world in 2021 (SIPRI 2022). China is also considered to

³ In some ASEAN member states, China also extends its influence via a tangle of links at several levels, from central to local level, from provincial authorities to more specialised sectoral players (local authorities, professional organisations) (De Tréglodé 2018, 27–28), a strategy which is also being applied in Europe (XinhuaNet 2021).

⁴ The Global Security Initiative was unveiled by Xi Jinping at the Boao Forum for Asia in April 2022

be one of the four most hostile nation-states in terms of offensive cyber operations, along with Russia, North Korea, and Iran (Dorfman and Deppisch 2019). The 2022 NATO strategic concept considers that China 'employs a broad range of political, economic and military tools to increase its global footprint and project power, while remaining opaque about its strategy, intentions and military build-up' and that its 'malicious hybrid and cyber operations and its confrontational rhetoric and disinformation target Allies and harm Alliance security' (NATO 2022). Institutional power includes the creation of alternative institutions which complement, compete with or aim to replace existing financial and governance institutions (for example, the creation in 2016 of the Asian Infrastructure Investment Bank (AIIB) as an alternative to the Asian Development Bank and to the World Bank (Chatterji 2021, 8)). Ideational power is exercised through the establishment of think tanks, support for education, via inter alia the Confucius centres (Seaman 2020; Charon and Jeangène Vilmère 2021)(Karásková 2020, 57–58)(Gattolin 2021, 2) but also disinformation campaigns. These types of power are combined in the exercise of Chinese influence in order to nurture economic and strategic interests.

Before Xi Jinping's era, the future of China and its involvement on the global stage could still be deemed uncertain. Scholars were weighing whether China would emerge as a responsible great power, or 'blunder into a disastrous bid for hegemony' (Kirshner 2012). Today, the magnitude of Chinese influence on economic and security affairs, and the interdependence on which it relies pose crucial questions for many states and regional organisations alike in terms of their potential resilience and strategic autonomy.

This report answers to the question as to how and why differentiated organisations strengthen or are not able to strengthen their resilience and strategic autonomy vis-à-vis the influence of China, and how differentiation plays out in that process. In order to do so, the report adopts a qualitative approach and compares the institutional responses of the EU, ASEAN and Mercosur, three of the most integrated regional organisations.

The EU, ASEAN and Mercosur are all impacted by China's global agenda according to similar patterns of influence⁵. Understanding the mechanisms through which ROs adapt to this new geopolitical reality is therefore of the utmost importance. The focus of this research is limited to two policies of major relevance when it comes to resilience and strategic autonomy: trade and security. More specifically, it examines ROs' institutional responses to the development of FDI in strategic infrastructure, to infringement on territorial sovereignty, limitations to freedom of navigation, arms diplomacy and cyberthreats (see Table 3).

The risks of deep economic interdependence with China starkly came to light in the EU during the Covid-19 crisis, and are also present in ASEAN where interactions and interdependence in relation to China have become stronger over the past few years (Azis 2018, 9). The participation of member states in the BRI is one indicator of this influence (see Graph 1). Furthermore, the tension between the US and China leading to the risk of decoupling has only amplified concerns about an increasingly powerful China (Evelyn Goh 2020; Mahbubani 2023). For some, the development of the BRI clearly threatens ASEAN's alleged centrality (Acharya 2017, 279). FDI is one key instrument of the BRI. As was highlighted by the OECD, Foreign direct investment (FDI) is widely considered to be beneficial for host and home economies and for the enterprises that make investments. However, FDI can sometimes pose risks, including potential threats to the vital security interests of the countries hosting such investments (OECD 2020b). Chinese FDI provide investors with the means to monitor and control activities in strategic infrastructure and technologies, expose the countries to the risks of indebtedness and to the risk that there will be a shift from economic vulnerability to political leverage which can drive political loyalty away from the RO (Meunier 2019).

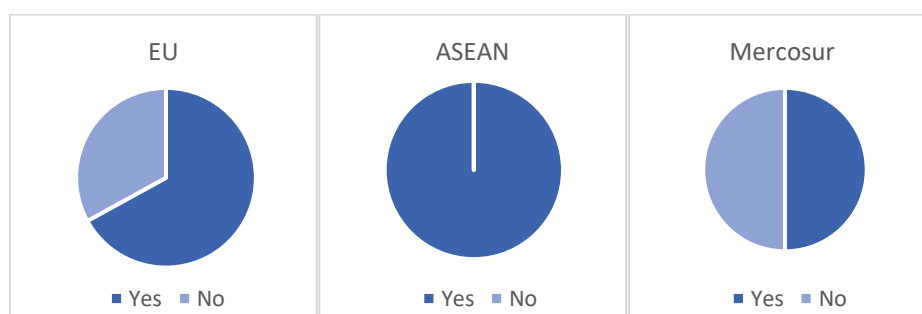
EU	ASEAN	Mercosur	China
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⁵ If the development of the Belt and Road Initiative has increased China's influence in Southeast Asia, however scholars propose various interpretations of the future of this influence and of the commitment of China to build a 'closer China-ASEAN Community of Shared Destiny'. Gong in particular deems unlikely that dominance will reach the stage of a 'Sinocentric order in the region' (Gong 2019, 635). He explains this prognosis by three factors: (a) the responses of ASEAN and its member states toward the BRI, (b) the effects of alternative infrastructure initiatives proposed by other major powers in Southeast Asia, and (c) China's questionable ability to deliver its BRI promises (Gong 2019, 635).

		Exports	Imports	
China 16,2 %	China 19,42%	China 32,5 %	China 27,4 %	ASEAN 15 %
US 14,7 %	US 11,61 %	EU 13,8%	EU 20,8 %	EU
ASEAN	EU 8.52%	US 11,3%	US 19,9 %	US

Table 1. Top 3 Trading partners in goods of EU, ASEAN, Mercosur and China in 2020

Sources: European Parliament Factsheets – ASEAN statistical yearbook 2021 - OECD



Graph 1. Participation of member states in the BRI. As of October 2022

China's claims of 'historic', sovereign rights and jurisdiction with respect to certain maritime areas of the South China Sea continue to cause consternation in Southeast Asia, as, according to the United Nations Convention on the Law Of the Sea (UNCLOS), they contravene the rights of five ASEAN member states. The 2016 award of the Arbitral Tribunal in the case *Republic of the Philippines v. People's Republic of China* found inter alia that China had violated the Philippines' sovereign rights in terms of its economic zone. It has also been reported that China has illegally employed extraterritorial police forces in the EU and Mercosur (Safeguard Defenders 2022), however such interference is not covered in this study due to space constraints.

The limitations on freedom of navigation are a matter of concern in the South China Sea for both ASEAN (ASEAN 2020) and the EU (Borrell 2022) (not to mention the US) since the islands of which China claims sovereignty were originally submerged reefs and later evolved into artificial islands, and as such cannot generate a 12 nautical mile territorial sea. Most of the disputes center on navigation rights around features located in the Paracel and Spratly island groups. Regarding the Taiwan Strait, which China considers as territorial waters, ASEAN has called for

maximum restraint to avoid 'serious confrontation' among major powers (Brunnstrom 2022). The EU states its 'clear interest in the preservation of peace and the status quo in the Taiwan Strait' (Borrell 2022) which is the primary route for ships travelling from China, Japan, South Korea and Taiwan towards Europe.

By Chinese arms diplomacy we mean the influence that China is able to exert over a state through arms trading (see Annex). For Beijing, armaments cooperation is an instrument of foreign policy and influence to create strategic dependencies in areas considered to be of priority to its interests (Boisseau du Rocher 2018, 106). Strategic dependence can arise from technological dependence on maintenance, repair, and overhaul (MRO) capability, from economic dependence, related to the terms of the trade agreement (loan conditions, swap deal in exchange for natural resources,⁶ and from the risk of a political alignment expected from Beijing (Boisseau du Rocher 2018, 111). Furthermore vulnerability can also arise from a lower degree of interoperability with the armaments provided to the ROs' member states by other partners (Faiz 2023; Parameswaran 2019).⁷

Cyber attacks represent another type of compulsory power that China uses to undermine the interests of the three ROs, inter alia by means of its global technological network⁸. China is now considered to be one of the four most hostile nation-states in terms of offensive cyber operations, along with Russia, North Korea, and Iran (Dorfman and Deppisch 2019). According to the ANSSI, nearly half of its cyber defence operations in 2022 involved operating methods associated with open source in China (ANSSI 2023). Cyberattacks include different types of activities: cyberespionage, ransomware, the disruption of digital connection (targeting the functioning of critical infrastructure), and disinformation which refers to the narrative or cognitive dimension of communication. Cyberespionage includes the collection of information related to the military, to economy and trade, and technological data. In China, cyberespionage is essentially conducted by two structures: the People's

⁶ 'On peut tout échanger contre nos chars d'assaut. On prend tout : pétrole, minerais, caoutchouc. Dans la région, le caoutchouc ça marche bien' (de Conink 2017).

⁷ Interview, EU member state, July 2023.

⁸ For an analysis of risks related to Huawei 5G, see (Kaska, Beckvard, and Minárik 2019)

Liberation Army Strategic Support Force created in 2015 and the Ministry of State Security, which is the equivalent to the CIA, created in 1983, and which has considerably invested in the cyber already in the 1990s to compensate the lack of human capacity to operate in foreign countries (Charon 2023). Independent hackers have been acquiring a cyber expertise in a quasi autonomous way since as far back as the 1990s and have been recuperated by the Ministry of State Security and the private sector.

China seeks to appropriate foreign know-how, technologies and research and development results. This interference can take the form of espionage, information manipulation or economic predation. The EU strategic compass explicitly refers to China's cyber attacks (Council of the European Union 2022) as well as the EU-NATO declaration (European Union and NATO 2023), and member states such as France⁹ as well as the Czech and Slovak Republics have signalled concern over cyber attacks from China, the degree of danger of which is frequently compared to Russian actions.¹⁰ Cyber threats in Southeast Asia have been increasing for at least the last decade as the result of the rise in connectivity accelerated by Covid-19, a greater use of advanced technologies, and the growing status of the region as a cyber-espionage target due to its rising geopolitical significance (Kai Lin 2023, 3). The South China Sea disputes have long been the rationale behind cyber attacks originating from China against ASEAN member states (Manantan 2019). In Latin America, while cyber attacks from China are reported, the majority of attacks seem to target financial institutions (Handler 2021).

Other types of influence employed by China but not analysed in this study involve soft power as exemplified by the Confucius institutes which

⁹ According to the French National Agency for the Security of Information Systems (Agence nationale de la sécurité des systèmes d'information or ANSSI), nearly half of its cyber defence operations in 2022 involved operating methods associated with open source in China. These repeated intrusions demonstrate for the ANSSI a sustained desire to penetrate the networks of strategic French entities (ANSSI 2023).

¹⁰ 'According to the Slovak Military Intelligence, Chinese agents are trying to infiltrate the Ministry of Defence to gain access to classified information. They are also active in industrial espionage, copying selected products and later producing them under their own brand name. **China** has been on the SIS's radar as an emerging power with global ambitions, including efforts to influence political developments in Europe and undermine the Euro-Atlantic security structures (SIS 2021).

have caused controversy¹¹ (Seaman 2020; Charon and Jeangène Vilmère 2021) (Karásková 2020, 57–58), (Gattolin 2021, 2) as well as the growing influence of the PRC on the higher education and research sectors (Gattolin 2021; Pelaudeix 2023): such influence can be detrimental to academic freedom or result in the leaking of sensitive information, as was the case with a Heidelberg University laboratory, where EU funded research ended up providing important data for China's quantum military strategy (Petersmann and Felden 2023).

ROs policy areas affected by Chinese foreign policy		EU	ASEAN	Mercosur
Trade	FDI in strategic infrastructure	xx	x	x
Security	Infringement on-territorial sovereignty	x	xxx	x
	Freedom of navigation	xx	xx	
	Arms diplomacy	x	x	x
	Cyberattacks	x	x	x

Table 2. Macro indicators of Chinese influence in the EU, ASEAN and Mercosur

Confronted to these diverse types of influence, how do ROs adapt? How can ROs respond to such a protean power?

Differentiated regionalism

In contrast to unitary states, ROs are by definition differentiated organisations, which means that their polity shows variation in integration across both policies (vertical differentiation) and countries (horizontal differentiation) (Leuffen, Rittberger, and Schimmelfennig

¹¹ Confucius institutes have recently seen a rapid rise in the Central and Eastern Europe countries, from 3 in the Balkans in 2006 to 18 in 2019 (Karásková 2020, 57–58), and 17 have been created in France alone (Gattolin 2021, 2). In Southeast Asia, as of the beginning of 2017, China had set up 31 Confucius Institutes as well as four Chinese Cultural Centres in Thailand, Singapore, Laos, and Cambodia. (Parameswaran 2016). In Mercosur countries, 11 Confucius centers are present in Brazil, 3 in Argentina and one in Uruguay which was inaugurated in 2018 (Dig Mandarin 2023).

2022, 1). Differentiation is a concept used to analyse political systems, be they states, ROs or federations... As a policy tool, it is used (1) to reconcile heterogeneity inside an RO that is composed of diverse member states, (2) reach the RO's goals and (3) avoid centrifugal forces. Although developed in the context of the European Union, differentiated integration is by no means unique to the EU (Hooghe and Marks 2023) and the concept has been applied to other regional organisations or institutions such as ASEAN, Mercosur, ECOWAS, APEC, and NAFTA (Su 2007; Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020; Leuffen 2013). The way in which a regional organisation – and other types of political systems – shapes its institutional dimensions determines a specific type of 'differentiation configuration' (Fossum 2021) which can be conducive to resilience or to vulnerability.

As will be explained in more detail in chapter 1, the concept has a long history and many typologies began to emerge in the 1990s from the tripartite typology distinguishing between 'multi-speed', 'variable geometry' and 'Europe à la carte' differentiation (Stubb 1996) to the "multi-speed", "multi-tier" and "multimenu" differentiation proposed in 2020 (Schimmelfennig and Winzen 2020b). Scholars have afforded differentiated integration a great deal of attention in the wake of Brexit (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Fossum 2019; Holzinger and Tosun 2019; Schimmelfennig 2020) and in the context of the reflection on the future of the EU. The single term 'differentiation' is today frequently used as a synecdoche. Differentiation manifests itself in primary and secondary law; in institutional structures and constitutional arrangements; and in the use and scope of application of various types of policy instruments (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Holzinger and Tosun 2019; Schimmelfennig 2020). The concept has analytical merits in terms of its capacity to assess the institutional responses of ROs to the influence of an external hegemon. The literature on how differentiation affects efficiency is growing and allows hypotheses to be inferred about the relation between differentiation and resilience (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022). (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022; Kölliker 2001)

Comparing the responses of ROs to Chinese influence is particularly valuable in four respects. First, from the perspective of regional studies, the external dimension has long been understudied. Indeed, although new regionalists emphasise the need to pay attention to actors, procedures, norms and cognitive frameworks, it is, as noted by Saurugger, equally important to look at the influence of external or global systemic factors on these phenomena: 'In-depth studies of regionalization [...] must offer both an endogenous and exogenous perspective and, in so doing, comply with the important framework developed by Peter Gourevich in his 'Second Image Reversed', which shows the influence of policies led at global level on the domestic policies of states (Gourevich 2002, 1978; also Jacoby and Meunier 2010; Diez and Whitman 2002; Warleigh-Lack 2006a)' (Saurugger 2014, 242). Second, from a methodological perspective, regional comparison has an advantage over the single country case study. (1) The EU has often in the past been considered as a yardstick for evaluating regionalism: it helps us to guard against the twin dangers of what Rose (1991) has labelled false uniqueness and false universalism (Halperin and Heath 2020, 232) (see chapter 2). (2) The second reason for comparing the responses of ROs to Chinese influence is the opportunity it affords to contribute to the growing amount of literature on comparative regionalism (Börzel and Risse 2016) which highlights the common stress factor among the selected ROs, the rise of China. While case studies on specific countries or areas such as West Africa (Bayes 2020) are making progress, the academic literature has only marginally gauged the impact of China on regional organisations¹² let alone on a comparative perspective. This research thus contributes to the emerging reflection on comparative regionalism (Saurugger and Terpan 2016; Nolte and Weiffen 2021) and extends this reflection to the influence of China. Third (3), it is worth noting that the context in which regionalism is unfolding has changed in recent years: the EU exhibits resilience following the Covid-19 crisis and despite the ongoing conflict in Ukraine (Ladi and Tsarouhas 2020; Haroche 2020), and the election of President Lula da Silva da Silva may create opportunities for regionalism to be revived in Latin America (ref). Comparing regionalism in this

¹² The study does not address the issue of 'regionalisation', nor the importance of 'regional security complexes' (Buzan and Wæver 2003) in understanding the international system.

changing context may shed a different light on the state of regionalism today.¹³

The analysis considers ROs which are similar in their functional scope – their authority over more than one issue – and therefore polities that are task-specific (a free trade area like NAFTA, or the Pacific Alliance), or only on security (NATO), are excluded. The institutional similarity between the EU, ASEAN and Mercosur (their legal status, multi-purpose scope, decision-making bodies) makes it easier for them to be compared, yet the focus of our analysis is precisely the differences in their institutional design which help explain resilience against Chinese influence. It enables us to shed light on and examine different institutional responses to the challenge of the growing influence of China.

To be sure, all three ROs state that they aim to strengthen ‘integration’, as explicitly mentioned in their respective treaties (Treaty on European Union: preamble, articles 20 and 21 (European Union 2020); ASEAN Charter: preamble, articles 1,2,10) (ASEAN Secretariat 2007); Treaty of Asunción (preamble and articles 1, 8, 20 and annexes) (Mercosur 1957). However, whilst integration in the EU was conceived as a gradual transfer of sovereignty from the national to the community level, such a goal was never at play in Mercosur or in ASEAN. Mercosur was intentionally created and has been maintained as an intergovernmental entity (Malamud 2003, 66). The EU embraces the principle of supranationalism, which is reflected in the establishment of specific institutions (the EU Parliament, the Commission, the ECJ, and the High Representative/Vice-President). There are also differences between the legal systems of the three ROs: decisions arise from community law (in the EU), from an international law scheme in Mercosur, and from a distinctive rule of law

¹³ The concept of crisis is not applied to this research which encompasses the heterogenous contexts of three ROs and two policy areas. The concept of ‘crisis’ refers to a situation which: ‘(1) threatens the highest priority goals of the decision-making unit, (2) restricts the amount of time available to respond before the decision is taken, (3) surprises the members of the decision-making unit by its occurrence (Hermann 1969). The influence of China is better understood in the present research as a ‘stress factor’ in the sense given by Weiffen ‘to denote challenges that, taken individually, present a policy problem, but do not automatically trigger a crisis of regionalism’ (Weiffen 2021, 21). It is not the purpose of the book to determine whether the stressful situations generated by China’s global agenda, which are analysed in this report, constitute crisis situations.

practice resulting from the interaction between global and national processes in ASEAN (Deinla 2017, 46). The considerable differences in the parliamentary systems between the EU, ASEAN and Mercosur are outlined in Table 3. The research acknowledges these different approaches to integration and does not exclude it from the analysis (see chapter 1). The uniqueness of the EU as the RO which has brought about supranationalism and the necessity to avoid eurocentrism has led some comparative studies to exclude the consideration of variation in integration in their analytical framework but ultimately, the lack of a supranational institution re-emerges in the conclusions of such studies as an impediment to the resilience of the ROs (Venturi, Gaens, and Ayuso 2020, 8; Nolte and Weiffen 2021, 7).

The three ROs are analysed as independent cases: existing diffusion and inter-regionalism between the three ROs does not mean that there is a bias, since the analysis specifically focuses on the differences between the institutional features of the ROs (see chapter 2). ASEAN was established in 1967 and is made up of 10 countries (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Laos, the Philippines, Singapore, Thailand and Vietnam). Mercosur was created in 1991 and includes 5 countries (Brazil, Argentina, Paraguay, Uruguay and Venezuela) – but Venezuela was suspended in 2016 and is consequently not incorporated in the analysis. Timor-Leste was admitted ‘in-principle’ as the 11th member state of ASEAN in 2022 (ASEAN 2022).¹⁴ The EU, which was established in 1957 is made up of 27 countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden) – the UK withdrew in 2020.

China's evolving relations with the EU, ASEAN and Mercosur

¹⁴ In May 2023, Timor-Leste attended for the first time the ASEAN Summit as an observer.

Although Chinese foreign policy under Xi Jinping's presidency follows similar patterns in the three ROs under scrutiny, the interests of the PRC in these regions started with a strong political agenda in South America (to counter the support of Taiwan, and in ASEAN to support communism), and with an economic and technological agenda in the EU.

ASEAN

The establishment of ASEAN in 1967 was initially seen by China as a negative development as it feared it would result in the 'encirclement of China' (Milner 2011, 111). 'The People's Daily, the official newspaper of the Central Committee of the Chinese Communist Party (CCP), called the organisation an 'out-and-out counterrevolutionary alliance against China, Communism, and the people', and declared it to be 'another instrument for US imperialism and Soviet modern revisionists' (Jorgensen-Dahl 1982, 120; Tarling 2006, 138). China supported local communist insurgencies in the hope of exporting communism to the ASEAN member states and appealed to the ethnic Chinese population in ASEAN to support the PRC (Koh 2018). The relationship between China and ASEAN changed as the result of the accession to power of two Chinese leaders, Deng Xiaoping and Zhu Rongji: for 30 years, from 1978 to 2008, China pursued a policy of good neighbourliness towards ASEAN (Koh 2018). ASEAN-China Dialogue Relations commenced in 1991 when the Foreign Minister of China attended the opening session of the 24th ASEAN Ministerial Meeting: China was accorded full Dialogue Partner status in 1996 in Jakarta, Indonesia (ASEAN Secretariat 2020a). Free trade agreements were signed in 2001 and 2003, and the relationship was elevated to a 'strategic partnership' in 2018.

Under Xi's presidency, the relationship with ASEAN has intensified and ASEAN's dependency on China has deepened, ASEAN's trade deficit with China has almost multiplied tenfold in nine years: it increased from USD 10.4 billion in 2010 to USD 102.9 billion in 2019 (ASEAN Secretariat 2020a; Noor 2020, 109), while the South China Sea disputes have intensified and a fifth country, Indonesia, now has issues with China in the SCS (Anwar 2022, 3; Giese 2021, 94). Military cooperation between China and ASEAN MS is also increasing (Boisseau du Rocher 2018).

The EU

China established formal diplomatic ties with the RO in 1975, and trade relations have since developed fast. In 1985 an Agreement on Trade and Economic Cooperation was reached, and the EU supported the accession of China to the World Trade Organization in 2001. The first agreement on Trade and Economic Cooperation was signed between the EU and China in 1985. The relationship reached the level of a strategic agenda in 2013 (EU-China 2020 Strategic Agenda for Cooperation) in relation to four issues: Peace and security, Prosperity, sustainable development, and People-to-people exchanges.

The BRI and the associated foreign direct investments have provided a major channel of influence in the EU in recent years ([Garlick 2020](#); [Meunier 2019](#); [Budeanu 2018](#); [Pelaudeix 2021](#)) to which political, institutional and, more recently normative agendas have been added ([Ekman 2021](#); [Charon and Jeangène Vilmer 2021](#); [Jakimów 2019](#)) ([Ekman 2021](#); [Charon and Jeangène Vilmer 2021](#); [Jakimów 2019](#); [He 2017](#); [Pelaudeix 2023](#)). FDI have developed in strategic sectors (in particular dual use technology, ports, airports, ...) and extended its influence in the Central and Eastern European Countries. China has increased its presence and influence in the Indo-Pacific region ([Pejsova 2018](#)) which the EU considers to be of 'great political, economic and geostrategic importance', but also in the Arctic region having recently established a partnership with Russia with regard to their coastguards ([Nilsen 2023](#)).

Mercosur

In Mercosur, as early as the 1950s, China was carrying out 'people-to-people diplomacy' ([Xu 2006](#)) of a political-ideological nature, as most Latin American countries were maintaining relations with the Taiwanese authorities. In the 1970s China supported national democratic movements in the region, and advocated the importance of the 'One China' policy ([Turner 2019, 189](#)). These ties were deepened in 1980 and 1990, although China prioritised relations with the largest Latin American countries (Brazil, Mexico and Argentina), considering them 'politically more moderate and economically more developed' ([Turner 2019, 189](#)). Economic relations intensified in the 2000s.

For some years China has positioned itself as the main trader with Mercosur countries. China has already replaced the U.S. as the dominant trading partner amongst all Mercosur members as trade with China has

increased at a much higher rate than with the United States (Amorim and Ferreira-Pereira 2021, 8). In recent years, Mercosur has seen a sudden spike in Chinese FDI (Avendano et al. 2017). China is interested in the region's natural resources, and the region seeks to export consumer and industrial products. However the majority of Mercosur members have had a trade deficit with China in recent years (Hashmi 2016, 163). Mercosur's balance is only positive thanks to Brazil (Mercosur statistics, 2021). China officially supported strengthening military ties with Latin America (and the Caribbean and South Pacific) in its 2019 National Defence White Paper. (State Council Information Office China 2019).

While cooperation between ROs and China, or between RO member states and China can potentially bring benefits, there is a sense of a shift in how China's intentions are perceived and an appreciation of the consequences of a growing interdependence with China. The relationship with ASEAN 'has transformed from amity to uncertainty' (Koh 2018). The EU now considers China to be a partner in terms of cooperation and negotiation, an economic competitor and a systemic rival (European Commission and High Representative of the Union for Foreign Affairs and Security Policy 2019: 1). In Mercosur, some analysts deem that it is time to unmask the relationship established with China, stripping it of the title of 'South-South Cooperation' (Turner 2019, 190).

Therefore, how do the three ROs respond to this influence and why? What decisions are taken, what are the objectives of these decisions, and which institutional instruments are designed? More specifically and most importantly, how does differentiated integration play out in the process: is it a significant feature of ROs' responses, and is it conducive to resilience and strategic autonomy or to vulnerability?

Resilience and strategic autonomy

Resilience and strategic autonomy which are universal concepts and not specific to any region, are increasingly used not only by policy-makers but they are also finding their way in the academic literature in the context of challenges faced by ROs (Anghel et al. 2020; Fiott 2018; Tocci 2021; Jose 2022; Tan 2017; Ba 2017; Gómez-Mera 2013; Mueller 2019). (Ba 2017; Anghel et al. 2020; Bernal-Meza 2016; Fiott 2018; Tocci 2021; Jose 2022; Tan 2017; Gómez-Mera 2013; Mueller 2019). The concept of resilience, and to an even greater degree the concept of strategic autonomy are recently

being intensively discussed in political debates and in the academic community, as reflected in chapter 1. These debates do not only concern Europe. In Latin America, and in relation to the influence of the US, the concepts of hegemony and autonomy have received a great deal of attention (Bernal-Meza 2016).¹⁵ As far as ASEAN and Mercosur are concerned, the phrase of strategic autonomy is used by some individual MS but not by the ROs as a grouping. As one of the interviewees explains with regard to Southeast Asia: 'People call it independent and active foreign policy in Indonesia, in the past it's used to be called non alignment, scholars called it hedging but the essence of having your own independent course of action and the ability to formulate that process free from external interference is pervasive in all of Southeast Asia which are effectively post-colonial states except for Thailand.'

Although the relation with China can be diversely appreciated among the institutions of the three regional organisations under scrutiny along a spectrum ranging from a South-South cooperation partner to a state whose government threatens democracy and strategic autonomy, there is a clear sense of a growing vulnerability over the last decade which is reflected in their official documents. In 2020 the Council of the EU in the wake of the Covid-19 crisis and the realisation of the risks of economic interdependence with China stated its ambition to 'strengthen resilience' and to develop a 'strategic autonomy' ('Achieving strategic autonomy while preserving an open economy is a key objective of the Union') (European Council 2020, 1). ASEAN – the purpose of which is to 'enhance resilience in the political security, economic, and socio-cultural domains' (article 1 of the ASEAN Charter) – specified in 2015 that its purported 'centrality' 'should ensure ASEAN remains relevant' in a 'rapidly changing geostrategic landscape' (ASEAN Secretariat 2007). Centrality in ASEAN is associated with 'the driving force in its relations and cooperation with its external partners in a regional architecture that is open, transparent and inclusive' (article 1 of the ASEAN Charter). This new landscape, according to Ong Keng Yong, former ASEAN Secretary-General, refers to 'the rise of China and the implications for power

¹⁵ With regard to autonomy, Latin American researchers refer to 'a foreign policy free from the constraints imposed by powerful countries (Cepaluni and Vigevani 2012, 1; Amorim and Ferreira-Pereira 2021, 1). More generally, the concept of autonomy has a long lineage especially from the 1970's onwards (Nordlinger 1982; Evans, Rueschemeyer, and Skocpol 1985).

relations' (Ong 2016, 15). The Council of the Common Market of Mercosur made a general statement in 2022 in which it declared itself willing to 'ensure the region's leading role in the international arena in the face of the growing challenges posed by the current global agenda' and in that regard 'commits to strengthen the bloc with instruments that contribute to its consolidation' (Consejo del Mercado Común 2022).¹⁶

In this report, resilience is defined as 'the capacity to adapt, respond, react, and bounce back in the aftermath of shocks and crises' (Tocci 2019).¹⁷ This means that an RO is considered resilient to stress factors if it engages in institutional responses which theoretically have the capacity to lead to a recovery. Strategic autonomy applies to both the security and economic sectors. It is defined as the 'capacity to act autonomously with like-minded partners (Tocci 2021; Järvenpää, Major, and Sakkov 2019; Hwee 2017; Jose 2022; Anghel et al. 2020; Fiott 2018)'.¹⁸ The mention of the presence of partners in the process of building strategic autonomy is essential – it refers in particular to the US – as the concept of strategic autonomy understood as the manifestation of pure autonomy has been contested on the grounds that it is not a realistic goal for the EU, let alone for other ROs. An RO is thus considered to be capable of achieving strategic autonomy if, when confronted with a challenge, it engages in institutional responses which theoretically have the capacity to lead to such strategic autonomy. The relation with the concept of 'centrality' widely used by ASEAN policy-makers is analysed in the study (Acharya 2017; Anwar 2019; Laksmana 2021). The concept of 'like-minded partners' is used in the academic literature and by the EU in its Indo-Pacific strategy to refer to partners which share common values such as human rights and democracy.¹⁹ It is applied to all three ROs on the basis of the assumption that autonomy presupposes democracy. The external pressure can be seen as a challenge to the autonomy of non-democratic states, as it imposes

¹⁶ Author's translation.

¹⁷ The EEAS defines resilience as the 'ability of states and societies to reform, thus withstanding and recovering from internal and external crises' (EEAS 2019, 23).

¹⁸ The European Council proposes its own definition in the European Council Conclusions 14 November 2016 (European Council 2016a). See also (European Council 2016b).

From a defense perspective, Frederic Mauro defines strategic autonomy as the *product* of political will, ability to make decisions, and a capacity of actions (Mauro 2021).

¹⁹ See also (Rieck 2022).

certain conditions or expectations on their internal governance. Autonomy, not to mention strategic autonomy, can hardly be achieved in the context of relations of dominance with an illiberal external hegemon (see chapter 1).

Hypotheses

There is no existing theory that explains the relation between differentiation and resilience in relation to the influence of an external power. Hence in the absence of a mid-range theory about differentiation, the comparative approach relies on several theoretical propositions. To add to the complexity however, few academic studies have endeavoured to account for how and why different integration schemes react differently to exogenous challenges. Börzel notes in the *Oxford Handbook of Comparative Regionalism* that there have yet been few attempts to compare the similarities and differences of regions (Börzel and Risse 2016, 32). Since the publication of this handbook, Weiffen and Nolte have identified stress factors that ROs are facing and which might lead to either disintegration or resilience (Weiffen 2021). However they do not examine the institutional responses of ROs. The volume *Crisis and Institutional Change in Regional Integration* addresses the issue of the resilience of ROs from the vantage point of the economic and financial crisis (Saurugger and Terpan 2016). However, similarly, the focus is not on the institutional responses per se but on the drivers that trigger responses, which are analysed as originating from three factors and their interactions: power relations between member states, institutional density, and civil society organisations.

The present research extends the reflection on the adaptation to external stress by analysing the external pressure induced by a specific actor, China. This focus hence situates the research at the intersection of regional studies and international relations. Deriving from international relations theories, the concepts of balancing, hedging and bandwagoning are used in the context of the English School theory (Bull 1995) and are applied here to assess the range of options available to ROs.

The first hypothesis, which amounts to a balancing strategy, posits that an RO can strengthen its resilience as a differentiated system, by reinforcing integration and making use of its differentiated

characteristics. This hypothesis might sound obvious in the European context but it is not widely spread as the diversity of forms taken by regionalism shows. The first hypothesis borrows from integration theories, and analyses how vertical, internal and external differentiation are used by the three ROs. As will be explained in chapter 2, one of the challenges of comparative regionalism is not to construe the EU as a benchmark and to decentre Europe as the main reference point (Balogun 2021; Börzel and Risse 2019). However integration needs to be accounted for as well. As Acharya puts it: “A non-EU-centric perspective does not mean the EU’s record should be ignored” (Acharya 2016, 299). The level of integration is therefore taken into consideration: vertical differentiation refers to the fact that the level of vertical integration varies among policies. Some policies remain exclusively within the purview of the states, whereas others are in the domain of EU supranational policy-making (Leuffen, Rittberger, and Schimmelfennig 2022, 9). Internal differentiation refers to the application of non-harmonised rules to certain member states, while external differentiation is here defined as the process through which a third country either adopts an RO’s law or aligns with the RO’s law. Based on a broad understanding of legal validity suggested by Pedreschi and Scott (2020), a clear distinction is made in this report between external differentiation and external cooperation, which was not previously highlighted in the literature on comparative differentiation (Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020).

The second hypothesis (H2), which characterises a situation whereby balancing and hedging take place, assumes that ROs cooperate with external partners that are influential in the region, as a means of tightening their resilience. External cooperation consists of a formalised mechanism through which the governments of Member States of ROs and a third state agree to find solutions to common problems without requiring the third country to adopt an RO law or to align with its law. The third hypothesis (H3) suggests that ROs engaging in bandwagoning to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation mechanism is based on the norms of the hegemon, a situation which can jeopardize resilience and does not allow for strategic autonomy.

The three hypotheses consist of three options which can be used in combination: it is assumed that the internal hypothesis provides the greatest leeway for autonomy, while the third option may lead to

resilience but, on issues of strategic relevance, will not allow for autonomy. The effects of background factors (control variables) are shown in the interpretation of the results (see chapter 2).

Method

The research adopts a mixed research method. While mainly based on qualitative comparative methods, quantitative data is used to assess the ROs' vulnerabilities with regard to their internal economic cohesion, and their economic relations with China: GDP dispersion, Gini index, evolution of FDI. Data stems from institutional documents, speeches, semi-structured interviews, academic literature, and statistics. Semi-structured interviews were conducted with key informants and actors selected on the basis of their expertise in relation to key research issues, most notably ROs and government representatives and high-level officials. Interview data was triangulated with other sources: institutional sources, literature, and data from other interviews. The ROs are considered to be unitary actors in terms of policy-making, but the analysis accounts for the economic and political heterogeneity of Member States when necessary. Indicators for the measurements of differentiation and the theoretical and empirical assessment of resilience and strategic autonomy are presented in chapter 2.

The time frame of the database is from 2013 to 2023. It starts with the launch of the Chinese Belt and Road Initiative and ends in 2023 with a consideration of the most recent policy developments which shed light on the policy adaptation of the three ROs. Where relevant, reference is made to instruments established before 2013, especially when no further recent instruments have been put in place. The study also considers how China during the timeframe of the study changes its policies potentially generating institutional adaptation of the ROs.

Plan of the report

Following the introduction, the remainder of the manuscript consists of three main parts that encompass seven chapters. Part I develops the

theoretical framework in Chapter 1, situating the research at the intersection of international relations and regional studies. Chapter 2 presents the method. Part II, Chapters 3–5, analyses the first option available to ROs which is strengthening differentiation. It analyses how vertical, internal and external differentiation play out in regional resilience and strategic autonomy. Part III analyses the implications in terms of resilience and strategic autonomy of the two external cooperation options: chapter 6 focuses on strategic partnerships with external powers that are influential in the regions while chapter 7 is dedicated to the partnerships established exclusively with China. The conclusion draws lessons from a comparison of the specific ways in which the three options are combined by the EU, ASEAN and Mercosur and their implications in terms of resilience and strategic autonomy and elaborates on three models of differentiated regionalism.

Part 1

DIFFERENTIATION AND CHINESE GLOBAL AGENDA: THEORY & METHOD

Chapter 1

Theorising the relation between differentiation and resilience

Comparing how differentiated organisations strengthen or weaken their resilience or strategic autonomy against the influence of China brings about a theoretical challenge which first requires clarification of the contribution of theories on differentiation to the research and second requires an examination of how international relations and regional studies can be mobilised. This is the focus of the first section of this chapter which specifies the analytical framework, composed of three differentiation dimensions (vertical, internal and external) and the external cooperation dimension. The second section presents the theoretical justification for the two sets of hypotheses: internal (H1) which consists of strengthening the institutional design of the regional organisation through differentiation mechanisms, and external (H2) and (H3) which consists of developing external partnerships to reinforce resilience and strategic autonomy. The three hypotheses refer to three strategic options which relate to the concepts of balancing (with regard to a stronger RO), and bandwagoning and hedging (which relate to external partnerships).

Defining differentiation from a comparative perspective

Differentiation and its typologies

Differentiation refers to the variation in integration across both policies (vertical differentiation) and countries (horizontal differentiation) (Leuffen, Rittberger, and Schimmelfennig 2022, 1). As a policy tool, differentiation is used to reconcile heterogeneity inside an RO composed of diverse member states, as well as a response to enlargements, various forms of crises, and various forms of opposition to integration (Fossum 2019, 8). The way in which a regional organisation shapes its institutional dimensions determines a specific type of 'differentiation configuration' (Fossum 2021) which can be conducive to resilience or to vulnerability. Although it developed in the context of the European Union, differentiation is by no means unique to the EU (Hooghe and Marks 2023) and the concept has been applied to other regional organisations or institutions such as ASEAN, Mercosur, ECOWAS, APEC and NAFTA (Su 2007; Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020; Leuffen 2013).

Differentiation – often used as a synecdoche for differentiated integration but also as a means of avoiding the dimension of integration associated with supranational EU policies – has received a great deal of attention from scholars in the wake of Brexit (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Fossum 2019; Holzinger and Tosun 2019; Schimmelfennig 2020) and reflection on what the EU will look like in the future. Differentiation manifests itself in primary and secondary law; in institutional structures and constitutional arrangements; and in the use and scope of application of various types of policy instruments (Leuffen, Rittberger, and Schimmelfennig 2022; Leruth, Gänzle, and Trondal 2022; Holzinger and Tosun 2019; Schimmelfennig 2020). The second approach to differentiation, which Fossum refers to as the 'classical definition of differentiation' relies on a broader understanding of the term and encompasses four main dimensions of a political system: lawmaking, functional competences, territorial differentiation and citizen's access to the political system (Fossum 2019, 12–13).

This scholarship is interested in the theory of democratic differentiation and questions the relationship between dominance, 'which subverts democracy' (Fossum 2019, 3) and differentiation along these four

dimensions (Fossum 2019, 20; Bátorá and Fossum 2023). The two approaches stem from different epistemological standpoints but provide complementary knowledge about ROs.

The concept of differentiated integration has a long history and many typologies were already emerging in the 1990s (Stubb 1996). The first typologies described differentiation as constituting exceptions to common EU rules; multi-speed, variable geometry and 'à la carte' (Stubb 1996). Typologies also include distinctions between de jure and de facto differentiation (the latter defined as non-compliance and leeway in terms of how policies are incorporated into national law), geographical relevance (concentric circles), policy relevance (à la carte) - while variable geometry refers to new policy areas -, duration (permanent/temporary). At the time of the writing of this report, the most recent typology was proposed in 2020 and distinguishes "multi-speed", "multi-tier" and "multimenu" differentiation (Schimmelfennig and Winzen 2020b):

'Multispeed differentiation is differentiation by time. Here, differentiation is a transitional, temporary phenomenon, converging toward uniformity in a reasonable period. Multitier differentiation is differentiation across space. It durably distinguishes groups of states by their level of differentiation. Whereas the "core Europe" group is integrated uniformly (with only a few or minor opt outs or exemptions), the extent of differentiation increases as we move from the core toward the peripheral circles of states. Finally, multi-menu differentiation is differentiation structured by policies. In this mode, the depth of integration within each policy or policy area is roughly uniform. The participating states vary, however, from policy to policy. States "pick and choose" from the "menu" of policies, and each state puts together its own set of "courses". There is no general convergence toward uniformity, nor is there a stable core of uniformly integrated member states. This is "Europe à la carte" in Stubb's typology (1996: 288) (Schimmelfennig, Leuffen, and De Vries 2023, 6).

The literature focuses to a large extent on the how and why of differentiation, on mapping and measuring the phenomenon rather than its effects or consequences. (Holzinger and Schimmelfennig 2012, 303;

Burk and Leuffen 2019, 1397). There is still a scarcity of literature on the *consequences* of differentiated integration, but this literature is growing (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022). In particular, an interesting development with regard to this research is the elaboration of the notion of vulnerability (Fossum 2019; Fossum, Garcia Quesada, and Zgaga 2020; Bátorá and Fossum 2023). This explanation is from an EU perspective but it has the potential to be applied to other ROs. Fossum explains how the EU member states have programmed the EU by 'uploading' ideologies, policy instruments and policy styles, or institutional and constitutional arrangements. He notes however that this 'uploading' is incomplete and that this generates vulnerability: member states have imposed numerous constraints on the EU, which has meant that the EU's fiscal sources and resources have been significantly limited (Fossum 2019, 12–13). The literature on differentiation points to other ways in which the EU is vulnerable in a world that is turning towards power politics: it is vulnerable to power politics as the EU has very few of its own EU-level capabilities in the areas that count most in power politics, those of core state powers; it is vulnerable to pressure, again due to its own weakness or lack of power; it is vulnerable when the regional institutions are very dependent on agreement amongst member states: 'This makes effective EU action highly dependent on agreement among the member states. When member states are deeply divided on an issue, the EU is unlikely to take decisive action'; finally, the EU's high level of permeability makes it vulnerable in that it is more difficult for the EU to isolate itself from negative internal/external dynamics. The authors specify that 'Internal tensions and divisions will render external coordination and effective external action difficult; external pressures and conflicting dynamics will have internal centrifugal effects' (Fossum, Garcia Quesada, and Zgaga 2020, 18). This framework applies to ASEAN and Mercosur which, as ROs, face the same vulnerabilities deriving from heterogeneity and the incomplete uploading of states competences and capabilities.

The concept of differentiation presents analytical merit in terms of an assessment of the institutional capacity of ROs to enhance resilience and strategic autonomy vis-à-vis the influence of China. Its operationalisation in the context of this research is explained in the following section. The present research relies on the typology which distinguishes vertical, internal and external differentiation (Leuffen, Rittberger, and Schimmelfennig 2022) and extends it beyond the EU to other ROs.

Leuffen, Rittberger, and Schimmelfennig define *vertical differentiation* as the variation in the centralisation of policy making (or integration), *internal differentiation* as the non-uniform application of RO rules concerning primary or secondary law to member states, and *external differentiation* as the application of RO rules concerning primary or secondary law to non-member states. This typology offers the most fruitful insight for a comparative approach of the resilience mechanisms of the EU, ASEAN, and Mercosur in the face of an external hegemon as is now explained. However, conceptual precautions are advised in a comparative context. Differentiation means (1) the variation in the centralisation of policy making (*vertical differentiation*), (2) the non-uniform application of RO rules concerning primary or secondary law to member states (*internal differentiation*), and (3) the application of RO rules concerning primary or secondary law to non-member states (*external differentiation*). (Leuffen, Rittberger, and Schimmelfennig 2022). Drawing on Pedreschi and Scott (2020), external differentiation is the process through which a third country either adopts an RO's law or aligns its law with the RO's primary or secondary law, while *external cooperation* is a formalised mechanism through which an RO or the governments of its Member States and a third state agree to find solutions to common problems without requiring the third country to adopt an RO law or to align with its law.

Differentiation and comparative regionalism

Studying differentiation in the context of comparative regionalism requires not only a specification of how integration is dealt with (and how vertical differentiation is defined) but also an explanation of how external differentiation is defined, and how it differs from external cooperation. Both aspects are inextricably linked to integration and there is no way of avoiding dealing with the question of integration as long as differentiation is in play, but also more generally if the EU is included in a comparative approach.

Vertical differentiation

Conceptualising and investigating diverse forms of regionalism should no longer be judged in terms of how well regional organisations achieve EU-style integration (Acharya 2014, 9), and this entails a careful choice of concepts and hypotheses. If regionalism itself is a universal phenomenon rather than a European formula – an empirical phenomenon which existed long before the beginning of European integration in the 1950s –

(Acharya 2012), the concept of regional integration, however, does not travel very well to different worlds (Acharya 2012, 5). Integration is defined as pooling (majority decisions) and/or delegation of authority to a third body. Pooling ‘involves a transfer of authority so that member states collectively participate in, but do not individually control, decision-making’. Delegation, by contrast, denotes ‘a conditional grant of authority from a principal to an agent that empowers the latter to act on behalf of the former’ (Hawkins et al., 2006, 7) (Lenz and Marks 2016, 514). By supranationalism, we mean institutions which do not only depend on the MS, but also the mode of governance of cooperation mechanisms and policies in which the Commission plays a significant role. Drawing from Telò and Weyembergh’s definition (Telò and Weyembergh 2020, 6), supranationalism is defined here as (1) supranational institutions that are independent from the MS (such as the European Commission and its DGs, the CJEU and the European Central Bank) and (2) the supranational method of governance used by intergovernmental institutions, which depend on / are composed of MSs or their representatives, such as the EU Council when deciding by QMV), but also agencies, cooperation instruments (PESCO) and policies (e.g., the FDI screening regulation) and specific mechanisms such as the EDF when the Commission plays a specific role in their governance and implementation.

The three ROs are founded on a treaty. The EU and Mercosur were established in 1957 and in 1991 respectively by the Rome Treaty and the Treaty of Asunción, while the ASEAN Charter was established relatively recently, in 2007, 40 years after ASEAN was established, in 1967 (see

	EU	ASEAN	Mercosur
Main characteristics			
CREATION	European Coal and Steel Community CSC Paris Treaty 1951 EEC Rome Treaty 1957	Bangkok Declaration 1967	Treaty of Asunción 1991
TYPE OF RO	Supranational	Intergovernmental	Intergovernmental and interpresidential
CHARTER, LEGAL PERSONALITY	The EEC since 1957 (Rome Treaty) The EU in 2007 (Lisbon Treaty)	Since 2007 (ASEAN Charter)	Since 1994 (Protocol of Ouro Preto)
EXTERNAL REPRESENTATION	High Representative for Foreign Affairs and Security Policy/Vice-President of the Commission (HRVP)	Secretary General	None (High Representative General of Mercosur 2010-2017)
Source of law – Decision making			

Differentiated regionalism and China's global agenda

SUPRA-NATIONAL	Ordinary legislative procedure (community method)	Regulations Apply automatically to all MS Binding Directives Objectives to be achieved Binding Decisions Apply to some states - Binding Recommendations No binding force Opinions - No binding force	No		No	
	Parliament – Council <u>Parliament</u> Co-decision Simple majority <u>Council</u> Co-decision Qualified majority <u>Commission</u> Initiative and implementation. (Plus: Adoption of implementing acts and delegated acts)		No		No	
INTERGOVERNMENTAL	Special legislative procedures		Normal procedure		Normal procedure	
	Council of the EU By consent or as a result of consultation with the Parliament Common Foreign Security Policy Almost always decided unanimous voting	Decisions	ASEAN summit	Charters Agreements Protocols Memorandum Instrument of extension Conventions Consensus One exception: economic agreements ('Asean minus X' formula).	Council of the Common Market	Decisions (Binding) Recommendations (Non binding) Consensus
			Common Market Group		Resolutions (Binding) Consensus	
			Trade commission		Directives (Binding) Consensus	
SPECIFIC COOPERATION MECHANISM	Enhanced cooperation (Treaty based) <u>In defence matters:</u> PESCO. Legally binding commitments EDA Certain missions	–	–	–	–	
COORDINATION	Open Method of Coordination	–	–	–	–	
PRESIDENTIAL	No	No	President	Decrees		
Parliaments						
	EU Parliament Directly Elected MP 705 members (446 million hbts)	No, but there is an Inter-Parliamentary assembly Article (AIPA), consultative Only national delegations 15 members (647 million hbts)	Yes, but has a consultative role Created 2005 No direct election. No proportional representation 184 members (295 million hbts)			
PARLIAMENT POWERS	Legislative (Co-decision) / Budgetary /Supervisory Political impetus: Resolutions	Consultative and Recommendary	Consultative and Recommendary Declarations / Recommendations / Reports			
Dispute settlement - Enforcement						
COURT	ECJ Sanctions from the ECJ (except for CFSP: Intergovernmental)	Provision for a High Council (in the TAC) Protocol for Enhanced Dispute Settlement Mechanism	Arbitration tribunals Permanent review tribunal 2002 Protocol de Olivos para la solución de controversias en el Mercosur			

		Dispute resolution mechanisms in economic agreements	
SUSPENSION EXCLUSION	- 2007: Article 7 of the Treaty of Lisbon: certain rights can be suspended if there is 'a clear risk' that a member state is breaching the EU's fundamental values, including freedom, democracy, equality, and the rule of law.	2008: the ASEAN Charter adds that MS shall adhere to 'the principles of democracy, the rule of law and good governance, respect for and protection of human rights and fundamental freedoms'.	1998: The Ushuaia Protocol on Democratic Commitment provides for the 'Democratic clause': the suspension of a member in the event of non-respect of the rules of democracy.

Table 3). All three ROs aim to strengthen 'integration', as explicitly mentioned in their respective treaties (Treaty on European Union: preamble, articles 20 and 21(European Union 2020); ASEAN Charter: preamble, articles 1,2,10)(ASEAN Secretariat 2007) ; Treaty of Asunción (preamble and articles 1, 8, 20 and annexes) (Mercosur 1957). The ASEAN legislation uses the term 'Charter' to designate the founding treaty of ASEAN, as well as another instrument: the 2022 Charter of the ASEAN University Network (which replaced the 1995 Charter). However, whilst integration in the EU was conceived as a gradual pooling and sharing of sovereignty from the national to the community level (Keohane 2002), this was never the objective in Mercosur or in ASEAN and their institutional features remain strongly intergovernmental with little delegation of authority granted to their secretariat, and decision-making is based on consensus. The EU combines supranational and intergovernmental institutions, which is reflected in the establishment of specific institutions (the EU Parliament, the Commission, the ECJ, and the High Representative/Vice-President) which have an ordinary legislative procedure which is a co-decision procedure (the 'Community method', which involves the Parliament, the Council and the Commission). The EU also makes use of a special legislative procedure based on intergovernmental decision-making. By contrast the decision-making procedure in ASEAN and Mercosur is only based on intergovernmentalism. Decisions in ASEAN are made by the ASEAN summit exclusively, which is made up of the heads of government of each Member State. The ASEAN summit sets the political agenda and formalises the agreements established by the Member States. Decisions in Mercosur are made by the Council of the Common Market, which is the highest-level body within Mercosur. The Council is made up of the Ministers for Foreign Affairs and the Ministers of the Economy (or the equivalent) of Member Countries. There are major differences in terms of the degree of power that is conferred to the parliaments and their representativity is strikingly diverse (see Graph 2).

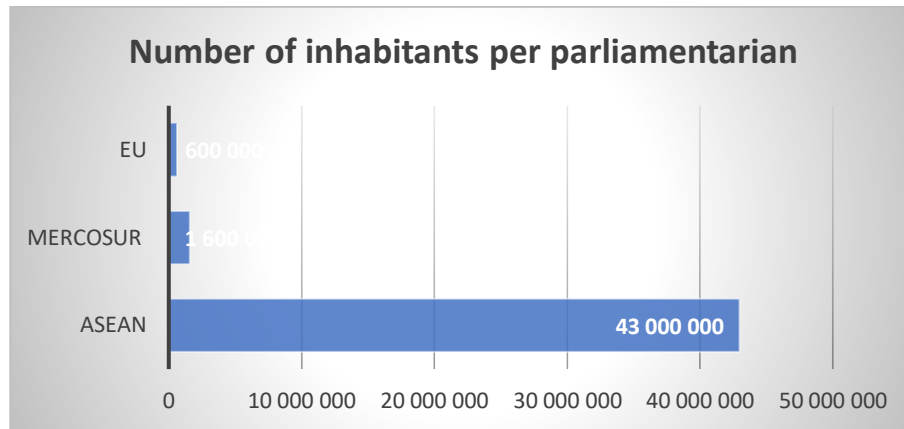
Furthermore, Mercosur's secretariat is an administrative and technical body with no political authority, which bears no resemblance with the European Commission. Mercosur's Permanent Review Tribunal is not a supreme judicial authority but an optional appeals panel. 'Since its establishment in 2005, it has issued six arbitration rulings, three consultative opinions, and seven resolutions either clarifying previous consultative opinions or declining to provide one. In short, the tribunal has produced sixteen juridical decisions in as many years' (Malamud 2022, 14).

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	Special legislative procedures	Normal procedure	Normal procedure	

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INTERGOVERNMENTAL	Council of the EU	Decisions	ASEAN summit	Charters Agreements Protocols Memorandum Instrument of extension Conventions Consensus One exception: economic agreements ('Asean minus X' formula).	Council of the Common Market	Decisions (Binding) Recommendations (Non binding) Consensus
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SUSPENSION EXCLUSION	- 2007: Article 7 of the Treaty of Lisbon: certain rights can be suspended if there is 'a clear risk' that a member state is breaching the EU's fundamental values, including freedom, democracy, equality, and the rule of law.		2008: the ASEAN Charter adds that MS shall adhere to 'the principles of democracy, the rule of law and good governance, respect for and protection of human rights and fundamental freedoms'.		1998: The Ushuaia Protocol on Democratic Commitment provides for the 'Democratic clause': the suspension of a member in the event of non-respect of the rules of democracy.	

Table 3. General overview of the main institutional features of the EU, ASEAN and Mercosur. Source: author's own compilation



Graph 2. Parliamentary representativity in the EU, ASEAN and Mercosur

Börzel considers that ‘integration theories’ apply mainly to EU regionalism while ‘cooperation theories’ should be applied to regionalism outside Europe (Börzel 2016, 49). Acharya similarly considers that comparative regional integration is no longer relevant and should be replaced by comparative regionalism. Yet at the same time, he observes that it is not scientifically acceptable to ignore the EU case in comparative regionalism based on the risk of Eurocentrism in academic research: “a non-EU-centric perspective does not mean the EU’s record should be ignored” (Acharya 2016, 299).

In search of an overarching concept, some researchers opt for the concept of governance in order to eschew the distinction between cooperation and integration which is often marked by ethnocentrism (Nolte 2016; Nolte and Weiffen 2021). However, the concept of governance is extensive and does not offer the same degree of analytical merit for the purpose of this specific research on institutional adaptation (differentiation) as the independent variable.²⁰ Furthermore, excluding integration in the analytical framework of

²⁰ The concept of differentiated governance has been forged and developed to account for the varied participation of EU member states, sub-state entities and third-country actors in the panoply of EU policy-making institutions, such as regulatory agencies and transgovernmental networks (Lavenex and Križić 2019).

a comparative approach that includes the EU does not guarantee that the problem will be solved: ultimately, the lack of supranational institution re-emerges in the conclusions of such studies as an impediment to the resilience of the ROs (Venturi, Gaens, and Ayuso 2020, 8; Nolte and Weiffen 2021, 7).

In the context of regional comparison, Su (2007 and Warleigh-Lack (2015) proposed a typology of differentiation inspired by Stubb's tripartite model that distinguishes multi-speed, variable geometry and 'à la carte' differentiation (Stubb 1996), a typology also recently applied also to ECOWAS (Venturi, Gaens, and Ayuso 2020).

Model of differentiation	Main cause of differentiation	Vision of integration
Multi-speed	Short-term inability to implement policy	Policy regimes with temporarily varying membership; laggards commit to catch up over time
Concentric circles (variable geometry)	Long-term inability to implement policy	Various tiers of member states organised around a 'hard core'
<i>À la carte</i>	Choice not to participate, regardless of implementation capacity	Policy regimes with different memberships coexist, with no 'hard core'

Table 4. Warleigh-Lack's typology of differentiated integration (2015)

The limitations of the tripartite typology in the European context have been underlined by Schimmelfennig and Winzen who argue that the blurred distinction between variable geometry (variation across countries) and à la carte (variation across policies) differentiation acts as an obstacle to the use of the typology: 'Rather, differentiated integration in the EU varies significantly across both countries and policies' (Schimmelfennig and Winzen 2020a). More to the point, the definition of 'hard core' is not explicit

and it is therefore difficult to apply the typology in a non-EU context. The objective of Warleigh-Lack's study was to show that differentiation is not a specific feature of the EU, and that it is not a 'pathological' pattern of an 'integration gone wrong' either. He pointed in particular to several instances of internal differentiation in ASEAN. Venturi et al. also conclude their analysis by recommending that differentiation should be seen as a 'normal' feature of regional organisations (Venturi, Gaens, and Ayuso 2020, 16). However, (1) this typology does not account for the variation in integration – which does not differentiate between cooperation and integration and (2), as will be seen further, neither does it allow for a distinction between external differentiation and external cooperation.

This research takes the view that not only must integration be taken into consideration in a comparative approach between the EU and other ROs but also that this consideration can be of heuristic value: the consequences of its presence or absence in specific policies can be precisely analysed in terms of its relationship to resilience and strategic autonomy. Indeed, the research question does not aim to assess the variation in the design of ROs compared to a supposedly more advanced model of integration, and neither does it aim to compare the efficacy of institutions in terms of their own objectives as regards cooperation; the research instead assesses whether and to what extent differentiation increases or decreases an RO's resilience against a similar challenge, the expanding influence of China and its declared global ambition in terms of governance. It is therefore not a question of attributing a value to an institutional system *per se*, but of comparing the respective merits of several regional institutions that are confronted by a similar situation. Hence, the answer to the challenges posed by comparative regionalism (including ethnocentrism) is two-fold. First, it resides in the design of the research question itself which looks at the responses of the three ROs to the same challenge; and second, it resides in using the concept of differentiation which is applicable to all political systems and adapting it for comparative purposes.

Internal differentiation

Internal differentiation refers to the application of non-harmonised rules to some member states (see Table 6). Some of the instruments analysed are not internally differentiated: neither the EU Foreign Direct Investment (FDI) screening regulation of the EU nor the 2000 Decision n° 32/00 on the relaunch of Mercosur which binds states to jointly negotiate agreements of a commercial nature with third countries. Instruments that display features of internal differentiation include PESCO for the EU, the ASEAN Comprehensive Investment agreement, the Initiative for ASEAN Integration (IAI), and FOCEM for Mercosur. This research considers regional funds, which aim to reduce disparities in development, to be instruments of a differentiated nature. FOCEM emanates from the Common Market Council and intends inter alia to 'reduce asymmetries - in particular of the less developed countries and regions' (Consejo Del Mercado Común 2004). The Initiative for ASEAN Integration (IAI), which aims to reduce the development gap between member states, has been a differentiated instrument since at least as far back as the IAI's Work Plan III in 2016, and continued with the Work Plan IV in 2021. These two Work Plans do not refer to the Charter, but in both declarations establishing the Work plans, the parties (ASEAN member states) agree that the Work Plan constitutes an integral part of the latest roadmap of ASEAN 'ASEAN 2025: Forging Ahead Together (2015)', the latest roadmap of ASEAN (ASEAN Secretariat 2015). And the Kuala Lumpur Declaration that established the 'ASEAN 2025: Forging Ahead Together' roadmap does refer to the Charter in its article 5.²¹ The IAI is specifically designed to support the less developed countries, referred to in ASEAN documents as the CLMV countries (Cambodia, Laos, Myanmar and Vietnam). The 2001 Ha Noi Declaration on narrowing the development gap reads in Article 3: 'We shall devote special efforts and resources to promoting the development of the newer Member Countries of ASEAN (Cambodia, Laos, Myanmar, and Viet Nam or CLMV) with priority

²¹ The heads of State/Government of ASEAN member states 'RESOLVE that ASEAN Member States as well as ASEAN Organs and Bodies shall implement the ASEAN 2025: Forging Ahead Together, in a timely and effective manner, in accordance with the purposes and principles of the ASEAN Charter' (ASEAN Secretariat 2015).

given to infrastructure, human resource development, and information and communication technology' (ASEAN member states 2001). In a specific policy sector, internal and external differentiation may occur simultaneously: this is the case with PESCO which is differentiated both internally and externally.

External differentiation

While internal differentiation did not bring up complex questions around how it should be defined, external differentiation happened to be trickier. The hypotheses of this research rely on the idea that regional integration mechanisms can be supported by external cooperation to reinforce resilience and strategic autonomy. However, looking into external cooperation instruments that bind an RO to an external power, the question soon arose as to what distinguishes external differentiation from external cooperation. Differentiation in ASEAN for example is generally described as characterised by two formulas: Minus X and Plus X. The former equals internal differentiation e.g., ASEAN minus 4 countries (the less developed countries), and the latter equals external differentiation, e.g., ASEAN+3 countries (powerful countries in the region: Japan, South Korea and China). The existing literature is not explicit on the distinction between external differentiation and external cooperation. Listing the cooperation agreements with South Asian partners led the researcher to wonder what makes them distinct from the agreements which were thus far labelled as a differentiated mechanism, e.g., why would ASEAN+3 be considered a differentiated instrument rather than a mere external cooperation instrument? On what basis can we say that the ASEAN Regional Forum (ARF), despite its name, is an externally differentiated instrument?

This distinction matters because in an analysis of the capacity of the institutional features of ROs to manage Chinese influence and ensure resilience if not strategic autonomy, it is crucial to analyse what in the regional organisations' features represents their own internal mechanism, and what represents external cooperation which can in some cases help increase resilience but also hamper strategic autonomy if this cooperation entails a dependence that creates negative externalities. The distinction

between external differentiation and external cooperation, paramount in this research, requires a strong understanding of legal matters, as well as a clarification of the political characteristics of differentiation. Based on a broad understanding of legal validity suggested by Pedreschi and Scott (2020), a clear distinction is thus made between external differentiation and external cooperation, that was not previously recognised in the literature on comparative differentiation. External differentiation is defined as ‘the process through which a third country either adopts EU law or aligns its law with the EU acquis’ (Pedreschi and Scott 2020, 5). Pedreschi and Scott propose that external differentiation can be achieved as a result of unilateral instruments as well as through the conclusion of international agreements. They further specify that external differentiation ‘arises on the one hand when an international agreement entered into by the EU requires one or more third countries to adopt EU law or to achieve a specified degree of alignment between third country and EU law. It also arises when a unilateral EU act makes the granting of an advantage conditional on legal alignment and/or on ‘foreign conduct’ complying with EU law (Pedreschi and Scott 2020, 63). Transposing this definition to a context extending beyond the EU, external differentiation is defined as the application of an RO’s rules concerning primary or secondary law to non-member states.

	MEMBER STATES		ASSOCIATED STATES	THIRD STATES		
	RO's law				Not requiring adoption of / alignment with RO's law	
	Vertical differentiation supranational/intergovernmental				External cooperation Informal / Treaty based	
	Internal differentiation		External differentiation			
Differentiation of RO instruments	No internal differentiation	Internal differentiation	External differentiation (Conditional rules apply)	External differentiation (Conditional rules apply)		
Regional Cooperation					Includes special treatment for MS	Does not include special treatment for MS

Table 5. Analytical framework establishing the relation between differentiation and regional cooperation. Source: author's own elaboration based on the definition of external differentiation given by Pedreschi and Scott (2020).

The EU, ASEAN and Mercosur have developed distinct relations with third states, all of which are in their close neighborhood, except for Russia, a Dialogue Partner of ASEAN which is geographically distant from ASEAN. These states have received different denominations and their relations with the RO are governed by specific rules (see Table 6. Rules governing the relations between an RO and third states). The EU is the RO with the widest range of categories of third states, of which the rules governing the relation with the RO are the most constraining. External states to the EU that have a specific status include associated states, partner countries, candidate countries, neighborhood countries and third states. Clear and binding rules in terms of values and policy alignment with the EU apply to these states. Preamble (6) of the Instrument for Pre-Accession (IPA) III reads: 'The enlargement process is built on established criteria and fair and rigorous conditionality'. ASEAN has Dialogue partners and Sectoral partners as well as candidate countries. No specific rules are provided in the Charter or subsequent documents for these states except for minimal rules for candidate countries. Mercosur distinguishes between associated countries, and candidate countries, both of which are subject to the democratic clause.

Further specification is needed as to the distinction between third states and associated states, a distinction which is present in the EU legislation and can vary depending on the legislation. Norway is considered to be an associated country (in relation to the European Defence Fund), or a third state (in relation to PESCO). The notion of third states is used in Council decision 2017/2315 on PESCO (article 9, Participation of third states in individual projects): 'Third States may exceptionally be invited by project participants, in accordance with general arrangements to be decided in due time by the Council in accordance with Article 46(6) TEU'. The Decision does not refer to the category of 'associated states.' Participants are Member States and third states. Hence, Norway is considered a third state in the context of PESCO. By contrast, Regulation (EU) 2021/697 on the European Defence Fund, which is of relevance to EEA, refers to the concept of associated country, and non-associated third country. Article 5, on Associated countries, establishes that 'The Fund shall be open to the participation of

members of the European Free Trade Association which are members of the EEA, in accordance with the conditions laid down in the Agreement on the European Economic Area (associated countries)'. In the context of the European Defence Fund, Norway is therefore an associated country. Only the EU has instruments that are externally differentiated in the policies under scrutiny.

Therefore, in the absence of a requirement in the terms of the agreement that a third country either adopts an RO's law or aligns with the RO's law, the association with third parties is a matter of external *cooperation*. This is the case with the above-mentioned IAI, of which the external dimension consists of the participation of external states (the Dialogue partners). These countries are not legally bound by the instrument which is a Declaration, nor are they bound by their status as Dialogue partners since this does not entail any obligation. The IAI is therefore internally differentiated but also has an external cooperation dimension. While the Minus-X formula involves internal differentiation, actually the Plus-X formula involves external cooperation. Table 5 synthesises the theoretical relation between differentiation and regional cooperation.

	EU	ASEAN	Mercosur
Associated states	EEA and EFTA states (Norway, Iceland, Lichtenstein, Switzerland) Based on the EFTA Convention and the Agreement on the European Economic Area	-	Bolivia, Chile, Colombia, Ecuador, Peru Surinam, Guyana,
	EFTA Convention. Established in 1960. 2021 Consolidated version. Agreement on the European Economic Area (EEA) 1994 The Community acquis applies to the areas covered by the agreements		Democratic clause: It is mandatory to adhere to the Protocol of Ushuaia on Democratic Commitment in MERCOSUR, be a member of ALADI and have an FTA with Mercosur or fulfil the conditions of art. 25 of the Treaty of Montevideo establishing ALADI in 1980.
Partner country	'Partner country' means a country or territory that may benefit from Union support under the Instrument pursuant to Article 4. (Recital 14, Preamble of 2021 Regulation on Global Europe, art. 4. Conditionalities apply (Article 8)	-	-
	Regulation (EU) 2021/947 Global Europe Specific rules apply		
Dialogue partners	-	Dialogue partners: Australia, Canada, China, the EU, India, Japan, New	-

Sectoral partners		Zealand, South Korea, Russia and the United States	
		Art.44 (1) of the ASEAN Charter. The ASEAN Foreign Ministers Meeting may confer on an external party the formal status of Dialogue Partner, Development Partner, Special Observer, Guest, or other status that may be established henceforth. No rules specified in the Charter	
Candidate countries	Albania, Moldova, the Republic of North Macedonia, Montenegro, Serbia, Turkey and Ukraine	Timor-Leste (agreement in principle in 2022 to admit it as a MS)	Bolivia
	Accession criteria (Copenhagen criteria): Art. 6(1) and Article 49 of the Treaty on European Union. Specific rules apply Pre-accession assistance criteria: (Regulation (EU) 2021/1529 establishing the Instrument for Pre-Accession Assistance (IPA III)). Specific rules apply	Basic rules specified in Art.6 of the Charter	Democratic clause Art. 20 Asuncion Treaty. The Treaty of Asuncion is open to new additions from other States Parties of the Latin American Integration Association (ALADI), that adhere to the Protocol of Ushuaia on Democratic Commitment in MERCOSUR
Neighbourhood countries	16 of the EU's closest Eastern and Southern Neighbours. Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia, Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Russia	-	-
	European Neighbourhood Policy. Association agreements. Specific rules apply		
Third countries	Depending on the legislation: non-EU MS or non-associated MS	-	-

Table 6. Rules governing the relations between an RO and third states

Source: author's own compilation External cooperation: balancing, hedging, bandwagoning

The broad understanding of legal validity suggested by Pedreschi and Scott (2020) also allows for a clear distinction to be made between external differentiation and external cooperation. External cooperation is defined here as a formalised mechanism through which an RO or the governments of its Member States and a third state agree to find solutions to common problems without requiring the third country to adopt an RO law or to align with its law. While often viewed as an instance of external differentiation, portrayed in the ASEAN case as 'concentric circles' (Warleigh-Lack 2015; Venturi, Gaens, and Ayuso 2020), the Plus X mechanism of ASEAN belongs in this category. This is also the case for the ASEAN+3 forum (Japan, China and South Korea), and for the instruments that emanate from ASEAN+3

(such as the Chiang Mai Initiative Multilateralization) which are often considered to be instances of differentiation.

External cooperation refers to strategic partnerships and regional fora. Partnerships are a type of bilateral relations inherently related to security issues (Renard 2016, 33) which are increasingly used and tend to replace alliances which are regarded as static and rigid (Tyushka and Czechowska 2019, 8–9). Strategic partnerships are not necessarily formed solely based on friendly relations or among friendly powers, nor do they automatically transform rival powers into allies (Tyushka and Czechowska 2019, 14). However, there seems to be an evolution in recent years in the importance given to strategic partnerships. In France, it is considered that while partnerships were usually ‘signed on the occasion of a visit and based on principles to create unity and coordination; ‘by reason of the extension of conflictuality and considering the needs of everyone to build its own strategy to defend its interests, partnerships need to be ‘transactional’, that is to say, that they should answer the needs of everyone.’²² Partnerships are therefore established in a more frequent way, but a greater attention can be given to their relevance for all partners in a context of a greater international tension.

A forum refers to a platform or venue where states and other international actors come together to discuss and address global issues. It provides a space for diplomatic interaction and negotiation, allowing states to express their interests, exchange ideas, and seek common ground on various matters. Fora can take different forms, ranging from informal gatherings to formal institutions with established structures and procedures. They can be bilateral (involving two states), multilateral (involving multiple states), or global in nature. The purpose of a forum can vary, from addressing specific regional concerns to tackling broader global challenges. In international relations theory, fora are often seen as important mechanisms for managing international relations, promoting cooperation, and resolving conflicts

²² Ifri Conference, held under Chatham House Rules, Paris, 20 June 2023. ‘Quelle stratégie de défense pour la France face au durcissement de la conflictualité ?’

peacefully. They serve as platforms for diplomacy, enabling states to engage in dialogue, build relationships, and pursue collective solutions to shared problems.

In international relations theory, balancing and hedging are two strategies that states use to manage their relationships with other states (J. D. Ciorciari and Haacke 2019). While both strategies aim to maintain security and protect national interests, they differ in their approaches and objectives. Balancing relates to the situation of countering the power of a dominant state or the creation of a coalition through alliances or internal military build-up, while hedging emphasises maintaining flexible and diversified relationships to manage risks and maximize opportunities in an uncertain world.

In this research, the internal dimension of the traditional definition of balancing is extended to include the institutional dimension: in this research, balancing does not only relate to a military buildup, but it also consists in strengthening the institutional set-up of the RO. This extension of the meaning of the concept of balancing allows us to realize a connection between an international relations approach and a regional organization's one. Balancing therefore refers (1) to the strengthening of the ROs institutional responses (analyzed in part 1 through the lens of differentiation), and (2) to the establishment of international cooperation with strategic partnerships and regional fora with like-minded partners (see table **Error! Reference source not found.****Error! Reference source not found.**

ROs can establish regional fora in which they retain a specific status and exercise different types of power: it can be a leadership power (which means for example that the RO sets the agenda), and/or a convening power (which implies that the RO has a neutral position and endeavours to broke compromises. Particularly used in South-East Asia, and leading to forging the concept of 'ASEAN-led regionalism' with for example the ARF or the East Asia Summit, such RO-led forum is also developed in Europe as well, as evidenced by the launching of the European Political Community. Indeed, the EU was instrumental in putting in place the European Political community, a platform for political coordination between European countries across the continent: the proposal for the creation of this forum was

presented by French President Emmanuel Macron on 9 May 2022 at the European Parliament on the occasion of the conclusion of the Conference on the Future of Europe, and the letter to the first meeting was sent by Charles Michel, President of the European Council.

An RO-led forum is based on a low level of formalism, and although it is referred to in ASEAN as the ASEAN+ mechanism, it does not equate to external differentiation. To participate in an ASEAN-led forum (also referred to as ASEAN-led regionalism) requires third states to recognise ASEAN's 'driving force' or 'centrality'. However, 'centrality' is defined in very loose way: in ASEAN it is associated with 'the driving force in its relations and cooperation with its external partners in a regional architecture that is open, transparent and inclusive' (article 1 of the ASEAN Charter). The concept of 'centrality' is the focus of academic attention (Tan 2017; Mueller 2019; Acharya 2017), but it cannot be used as a criterion for determining whether or not an instrument is externally differentiated: without legal force, the concept of 'centrality' has a political rather than a legal nature. The European Political Community has neither a sufficient legal basis to be considered as pertaining to external differentiation mechanism. However, the specific features of the EPC are discussed in chapter 6.

The Master Plan on Connectivity 2025 is an ASEAN instrument. Its *external* dimension involves external cooperation. External partners are indeed associated (as providers of external capital) but they are not constrained in any way by the ASEAN Charter nor by the Master Plan. The Preamble of the 2016 Vientiane Declaration on the Adoption of the 'Master Plan on ASEAN Connectivity 2025' simply expresses appreciation for the support shown by the Dialogue Partners and external parties for the Master Plan on ASEAN Connectivity 2025 and their readiness to partner with ASEAN in the implementation of the Master Plan (ASEAN Secretariat 2016, 3). Their association with the Master Plan on Connectivity 2025 therefore somewhat equates to a cooperation mechanism.

Other instruments that fall within the category of regional cooperation include the ASEAN+3 – which is a forum that emerged as a consequence of the Asian Financial Crisis of 1997, and since then has extended its scope of

cooperation from a financial safety net to a platform that covers a wide range of areas²³ —, the ASEAN Defence Ministers' Meeting Plus or ADMM+, which is also a forum: its Concept paper of 2009 states that members shall be fully fledged Dialogue Partners of ASEAN; have significant interactions and relations with the ASEAN defence establishment; and shall have the opportunity to work with the ADMM to build capacity as a means of enhancing regional security in a substantive way in order to promote capacity-building in the region in the fields of defence and security. As for the East Asia Summit, which is also a forum, the 2005 Declaration provides that 'participation will be based on the criteria for participation established by ASEAN'.

Operationalizing the hypotheses

The previous section justifies the use of the concept of differentiation in the comparative approach and clarifies the analytical framework used in the research. The literature focuses to a major extent on the how and why of differentiation, and on mapping and measuring the phenomenon rather than on its effects or consequences. (Holzinger and Schimmelfennig 2012, 303; Burk and Leuffen 2019, 1397). There is still a scarcity of the literature on the *consequences* of differentiated integration, but the literature on the efficiency of differentiation is growing, often drawing on Kölliker's theory of the impact of differentiation on integration and unity among EU member states, based on theories around collective action, and in particular theories

²³ 'The ASEAN Plus Three (APT) cooperation process began in December 1997 with the convening of an Informal Summit among the Leaders of ASEAN and China, Japan and the ROK beside the 2nd ASEAN Informal Summit in Malaysia. The APT Summit was institutionalised in 1999 when the Leaders issued a Joint Statement on East Asia Cooperation at the 3rd APT Summit in Manila. The Joint Statement for the first time determined the main objectives, principles and future direction of cooperation between APT countries. In the Joint Statement, the APT Leaders resolved to strengthen and deepen East Asia cooperation at various levels and in various areas, particularly in economic and social, political and other fields' (ASEAN Secretariat 2022a).

concerning public goods (Kölliker 2001). This scholarship allows hypotheses to be inferred about the relation between differentiation and resilience (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022). Schimmelfennig and Winzen focus on the impact of differentiation on multilevel EU decision making and policy implementation, and non-institutional international outcomes, such as inequality among the member states, and domestic outcomes, such as the politicization of EU issues. This section presents the hypotheses that guide the research and explains the relations between the independent variables (differentiation (H1) and external cooperation (H2 and 3)) and the dependent variable (resilience and strategic autonomy).

	VERTICAL DIFFERENTIATION (H1a)	INTERNAL DIFFERENTIATION (H1b)	EXTERNAL DIFFERENTIATION (H1c)	EXTERNAL COOPERATION (H2 and H3)
Positive (RO resilient)	<p>H1a When it extends the repertoire of overarching governance (intergovernmental + supranationalism)</p> <p>Furthermore, vertical integration (supranationalism) facilitates unity: e.g., FDI Screening regulation, EDF</p>	<p>H1b 1 When preferable to stagnation (status quo): e.g., defence and security policy</p> <p>When relates to excludable goods – goods to which MS cannot benefit from, if not part of the policy: e.g., defence and security policy</p> <p>H1b 2 When strengthens the RO's cohesion by diminishing economic disparities: e.g., cohesion policies</p>	<p>H1c When extends the protective rules of the RO to third countries (broader unified cooperation)</p>	<p>H2 When establishes cooperation with like-minded partners on strategic issues</p>
Negative (RO not resilient)	-	<p>H1b 3 When DI creates disunity: e.g., the protective effect of an instrument on the functioning of the whole RO is more fragile: e.g., the FDI screening regulation</p>		<p>H3 When creates dependence on an external hegemon on strategic issues</p>

Table 7. Definition of the hypotheses

Theories provide guidelines as to which variables are 'key variables' (Blatter and Haverland 2012, 54). In the absence of a mid-range theory about differentiation, and resilience, the comparative approach relies on several theoretical propositions. Hypotheses are also substantiated by scholarship

on differentiation, as well as prior knowledge (Blatter and Haverland 2012, 50–52). A mixture of deductive, inductive and abductive reasoning was used to form the hypotheses. The preliminary steps of the research consisted of going back and forth between an inductive approach (which establishes a relation between differentiation and resilience and infers a rule) and an abductive approach (which starts from a result or outcome – the absence of resilience or features of dominance – and infers a rule involving a causal relation to differentiation which explains the case).

The relation between institutional adaptation (differentiation and external cooperation) and resilience is analysed in terms of its effectiveness which means the degree to which an institution is able to solve the problems that led to its creation (Young 2014; Underdal 2002; Gutner and Thompson 2010). Effectiveness is therefore assessed in relative terms in comparison to an initial situation (an improvement, a worsening or no change in a situation) - as opposed to absolute terms (in reference to an ideal situation) (Lavenex and Križić 2019). This research assesses effectiveness in relation to changes in the institutional design of the EU, ASEAN and Mercosur since the launch of the BRI in 2013. As will be developed in chapter 2 dedicated to the method, the analysis considers policy-making, implementation and problem-solving. The relation between differentiation and legitimacy is an aspect that has received an increasing degree of attention in the literature but its consideration goes beyond the scope of this research²⁴ (Schimmelfennig, Leuffen, and De Vries 2023; Lavenex and Križić 2019; Siddi, Karjalainen, and Jokela 2022).

Strengthening differentiation (H1)

The first set of hypotheses (H1) relates to internal variables of the institutional design. It assumes that the level of differentiation has an influence on resilience and strategic autonomy. In the absence of a mid-range theory about differentiation, this hypothesis is disaggregated into three sub-

²⁴ If effectiveness is achieved as a result of political pressure from a restricted group of larger member states, it can have an inverse effect on legitimacy because it may create the impression of hegemonic coercion among the political establishment and the citizens of other members (Lavenex and Križić 2019, 20; Siddi, Karjalainen, and Jokela 2022, 109).

hypotheses and it relies on theoretical contributions from European integration, and international relations to explain the relation between vertical, internal and external differentiation in the resilience and strategic autonomy of ROs.

(H1a) Vertical differentiation

'Vertical integration is the transfer of policy-making competences from the national to the European level and, at the European level, from intergovernmental coordination and cooperation to supranational centralization.' (Leuffen, Rittberger, and Schimmelfennig 2022, 9). *Vertical differentiation* qualifies the variation in centralisation of policy making (or integration). (H1a) assumes that vertical differentiation affords an RO more flexibility to deal with a variety of issues that it may experience in terms of the influence of an external hegemon. As Hooghe and Marks show, a 'key virtue of differentiation is that by breaking open the concept of sovereignty, differentiation extends the repertoire of overarching governance' (Hooghe and Marks 2023, 226). To be more specific, this hypothesis also assumes that the higher the degree of integration, the higher the degree of resilience and strategic autonomy. This hypothesis aims to assess whether, amidst the pressure exerted by an external hegemon, ROs are better equipped if they have integrated mechanisms in the form of pooling and delegation of authority. The objective of the research is not to assess the likelihood of an RO moving towards supranationalism or intergovernmentalism. It is firstly to map the institutional characteristics of ROs in terms of differentiation and secondly to elaborate on their theoretical contribution to the resilience vis-à-vis the influence of China.

This hypothesis is consistent with supranationalism. New supranationalism focuses on agents' ideas and institutional entrepreneurship to make European integration work better, whether or not this serves their specific power and interests (Schmidt 2016, 11). Supranationalism can be viewed as representing unity in EU decision-making and policy implementation (Cremona 2020). More specifically, the delegation of power to an independent authority might constitute an assurance of neutral decision-making and it enables the avoidance of an external power having direct

influence on a member state. A majority vote can also prevent a MS vetoing a decision aimed at protecting the RO. This hypothesis relies on the assumption that an integrated policy gives more leeway to an RO to manage its interaction with an external power. A low level of integration in trade, defence and security policies increases the influence of an external power and can hamper an RO's resilience and strategic autonomy. As far back as 2005, Meunier in her book *L'Union fait la force: L'Europe dans les négociations commerciales internationales*, started with the observation that despite its theoretical and practical relevance, no one had ever asked what the consequences of the transfer of sovereignty were. She tested the widespread idea that internal unity generates external power and reached the conclusion that the capacity of the EU to impose its own priorities concerning key issues on the international economy depends to a large extent on its institutional characteristics (Meunier 2005, 35).

Meunier specifies that the sole fact of belonging to the EU transforms the chances of a State to shape the external world: 'That small states may have a disproportionate influence on international affairs because of the EU's institutional structure should be a matter of serious concern as the EU has recently expanded and is taking new initiatives in foreign affairs.'²⁵ (Meunier 2005, 35). The upside of supranationalism as described by Meunier – which consists of majority voting in the context of external negotiations – can also be applied, by extension, to a situation whereby the Council is required to make decisions using the same majority rule about legislative instruments aimed at protecting the EU from an external influence – e.g., the FDI Regulation. Supranationalism offers the possibility of 'standing in unity'.

In the wake of the series of crises that the EU has recently faced, the academic literature has recognised the importance of intergovernmentalism in explaining which institutions were the most instrumental in decision-making, an evolution which has given rise to a theoretical refinement in

²⁵ Our translation. Original text: 'Que de petits États puissent avoir une influence disproportionnée sur les affaires internationales du fait de la structure institutionnelle de l'UE devrait faire l'objet d'une sérieuse attention puisque l'UE s'est récemment élargie et prend de nouvelles initiatives en matière étrangère.'

which more and more subtypes have been introduced (Smeets and Beach 2020, 2).²⁶ Noting the emergence of a 'so-called "new intergovernmentalism," Schmidt argues that member states have retaken control, but not due to the pursuit of power, rather to reach 'consensus seeking deliberation and the creation of de novo regulatory bodies' . advocates using the analytical concept of 'intergovernmental union' to describe the institutional features mobilised to manage the euro crisis (Fabbrini 2016, 591). Smeets and Beach introduce a distinction in the definition of what exactly is intergovernmental, whether it is the legal shape, the process or the outcome. They come to the conclusion that considering the latter (the outcome defined as the 'dominance of member states vis-à-vis the European institutions in shaping the substance of the agreements'), very few cases of crisis resolution can be labelled as intergovernmental (Smeets and Beach 2020, 3). The literature on intergovernmentalism and its sub-types generally argues in favour of the argument of the efficiency of the prevailing intergovernmental decision-making in the management of the euro crisis: the need to make quick decisions in order to respond to market speculations or unexpected events (Fabbrini 2016, 594). Externalities such as the lack of democratic checks are highlighted as well as the dissatisfaction amongst the public in peripheral member states (Schmidt 2016; Crum 2013; Buti and Fabbrini 2023). Yet even during the eurocrisis, 'new supranationalism demonstrates equally persuasively that supranational technical actors have gained new competences that enable them to achieve their goals in new ways – whether they sit in the Commission or in de novo bodies' (Schmidt 2016, 13).

This proposition that supranationalism is as suitable response in a situation whereby an external hegemon is backed up by recent research on the institutional response to the Covid crisis. The EU response to the Covid crisis happened to be very different from that of the sovereign debt crisis and represents a substantial break. The term 'unconstrained

²⁶ 'Next to (old and 'new') 'liberal intergovernmentalism' (LI), we now find 'new intergovernmentalism' (NI), 'deliberative intergovernmentalism', 'intergovernmental union', and even 'supranationalist intergovernmentalism' (Bickerton et al. 2015; Fabbrini 2016; Moravcsik 1999, 2018; Puetter 2014; Schimmelfennig, 2018; Schmidt, 2018)' (Smeets and Beach 2020, 3).

intergovernmentalism' has been used for the former and 'constrained supranationalism' for the latter (Buti and Fabbrini 2023, 677). The new kind of policy governance witnessed during the Covid crisis was facilitated by the fact that there was consensus over the origins and repercussions of the crisis as well as over how the Euro area crisis was handled (Buti 2020) (Ladi and Tsarouhas 2020, 1050). When comparing the responses to the two crises it is fair to note that the ESM (European Stability Mechanism) is a permanent institution, while the RRF (Recovery and Resilience facility) is a temporary institution (it is due to operate until the end of 2026) (Buti and Fabbrini 2023, 677). However, whereas caution is advised when one considers the 'close sequence of the Euro area and pandemic crises' (Ladi and Tsarouhas 2020, 1053), there are indications that future policy development could be more structural than merely conjunctural, and may at least have some durability. First, lessons were learned from the Euro crisis: a deep policy learning (a 'double-loop learning') was facilitated by the proximity in time between the two crises (Ladi and Tsarouhas 2020, 1045) which led to a new approach to policy-making that implied a modification of norms, policies and objectives, such as the bold joint debt issuance. Second, the 'Community method' was used, suggesting that in a time of crisis it is still possible to engage supranational institutions in discussion in order to make timely decisions: 'The Council asked the Commission to develop a recovery plan, which then led to the incorporation of the NGEU to the multiannual budget (European Commission, 2020b). As a result and given the need for the European Parliament to consent the budget, all major institutions are genuine stakeholders in the EU's policy response (Ladi and Tsarouhas 2020, 1050).²⁷ Third, changes observed in other policies also testify to a move towards supranationalism. Scholars have emphasised the suitability of the new supranationalism approach in defence policy-making, pointing to the case of the European Defence Fund which aims to finance transnational defence research and development through the European Union (EU) budget

²⁷ Buti and Fabbrini have elaborated on the conditions under which the NextGeneration EU might go beyond a 'one-off' experience, representing a paradigm shift in European economic governance in the context of an exogenous crisis (Buti and Fibrine 2023).

(Haroche 2020): the EDF, which came as a surprise to member states contradicts the idea that the EU's main initiatives come from intergovernmental deliberation and that supranational institutions are reluctant to promote integration. 'It represents an unambiguously supranational initiative in an area that was supposed to be the exclusive domain of the intergovernmental method' (Haroche 2020, 2). This policy change could usher in further changes. Haroche puts forward three arguments, which rely on different types of spillover: 'First, the Commission displayed an increasingly political cultivated spillover by its promotion of the EDF. Second, the EDF illustrates a new type of offensive functional spillover from the economy to defence. Third, the implementation of the EDF has launched a bureaucratic spillover that could lead to further initiatives' (Haroche 2020, 1). The establishment of DG DEFIS, the Directorate General for Defence Industry and Space, which aims to develop a competitive and innovative European Defence Technological Base (EDTIB) can be considered as such a further initiative, and gives additional weight to an increased and potentially sustained use of supranationalism under similar conditions.

(H1b) Internal differentiation: 3 sub-hypotheses

Internal differentiation refers to the application of non-harmonised rules to certain member states. There are far fewer studies on horizontal differentiation (internal and external) than on vertical differentiation (Leuffen, Rittberger, and Schimmelfennig 2022, 7).

H1b postulates that internal differentiation is conducive to resilience in relation to external stress when it brings about the most unified response possible. The hypothesis on internal differentiation is subdivided into three propositions.

H1b 1 - First, internal differentiation has a positive impact on resilience if it prevents the RO from stagnating in relation to a crucial policy that aims to address external challenges. Schimmelfennig and Winzen specify that 'Whereas uniform integration is often more effective than DI because member states that opt out would otherwise have contributed to the collective goods the EU produces, increased economies of scale, and reduced policy externalities between insiders and outsiders -, DI is typically

preferable to the status quo of no (further) integration, which constitutes the normal reversion point in EU-level negotiations.’ (Schimmelfennig, Leuffen, and De Vries 2023, 10). In addition, internal differentiation has a positive impact on resilience if the policy relates to excludable goods (Kölliker 2001): Member states have an incentive to join the common policy at a later stage. This was the case with security and defence policy which Denmark and Malta opted out of, until Denmark cancelled its opt-out in 2022 after a referendum in the country. The theoretically positive impact of internal differentiation in security and defence policy is backed up by empirical results (Biscop 2020; Blockmans and Crosson 2019).

H1b 2 - Second, internal differentiation has a positive impact on resilience if it strengthens the cohesion of the RO, something that is essential to protect it from the attempts of external powers to sow division. Indeed, one aspect of ROs’ vulnerabilities lies in their economic heterogeneity. As far as this research is concerned, instruments which grant the least developed member states access to cohesion funds are considered instruments that are internally differentiated that have a positive impact in terms of resilience.

Finally, H1b-3 internal differentiation has a negative impact on resilience when it makes the protective effect of an instrument on the functioning of the whole RO more fragile. Conversely, resilience increases when differentiation is not present. Flexibility generally allows heterogeneity to be managed, however when it comes to resilience and strategic autonomy, the unity of an RO would appear to be the optimum consideration to counter the influence of an external hegemon. Differentiation which has an exemptive feature would allow loopholes to appear in the regulatory framework and fragments the regional order. This hypothesis is based on the principle that a non-uniform territorial application of law is detrimental to an external threat. It applies for example to instruments that protect states from the risks posed by foreign direct investments which are most efficient if applied to all member states.

(H1c) External differentiation

External differentiation is defined as the application of RO rules concerning primary or secondary law to non-member states. (H1c) posits that external

differentiation results in RO's protective rules being extended to neighbouring countries, which has a positive effect on resilience and strategic autonomy as it provides the opportunity for broader unified cooperation in relation to an external power in both policies under scrutiny: trade and security. External differentiation increases the number of parties through the enlargement of the geographical scope of cooperation. External differentiation in the context of the EU is often envisaged in terms of its relation to integration, i.e., considering external differentiation as a step towards integration (Schimmelfennig and Winzen 2020a). This research adopts a different perspective in the sense that it does not see external differentiation in a teleological way. Rather, it asks whether or not differentiation has a positive impact on resilience, and this depends on the effectiveness with which external differentiation is put in place with reliable partners, and the degree to which these partners adhere to the RO's rules concerning primary or secondary law.

This research does not consider the aspects of legitimacy which can be at play in a situation involving power asymmetry between an RO and a third country, which could hamper the benefits of external differentiation. The effects of dominance, legitimacy, and distributive justice, are increasingly being analysed in the literature that focuses on the EU, in particular in the context of the EU3D research project²⁸ (Fossum 2022; Bátorá and Fossum 2023; Lord 2021; Anagnostou 2022; Gora and Zubek 2021; Czerska-Shaw et al. 2022). The aspects of legitimacy which are considered in this research are those which are induced by the activity of the external power - in this instance China - in its attempts to de-legitimize an RO as a reliable partner for the RO's associated partners. This situation constitutes another argument in support of the benefits of external differentiation as regard resilience vis-à-vis the influence of an external hegemon, since external differentiation is

²⁸ The EU3D research project (Differentiation, Dominance, Democracy) investigates what are the democratic potentials and the dominance pitfalls of differentiation in today's EU, under the Research and Innovation Programme grant agreement number 822419. <https://www.eu3d.uio.no/>

designed to ensure that essential rules preserving the resilience of the RO are respected by the third state.

External cooperation (H2 and H3)

External cooperation is defined as a formalised mechanism through which an RO or the governments of its Member States and a third state agree to find solutions to common problems without requiring the third country to adopt an RO law or to align with its law. Two hypotheses are related to external cooperation. They propose that ROs develop external partnerships to complement and reinforce regionalism in strengthening resilience and strategic autonomy against the influence of China. The second hypothesis (H2), which characterises a situation where hedging is taking place, assumes that ROs cooperate with external partners that are influential in the region in order to tighten their resilience and strategic autonomy, in particular through strategic partnerships which are used increasingly and signal the emergence of new forms of 'security governance' (Tyushka and Czechowska 2019). The third hypothesis (H3) The third hypothesis (H3) suggests that ROs engaging in bandwagoning to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation mechanism is based on the norms of the hegemon, a situation which can jeopardize resilience and does not allow for strategic autonomy as it increases interdependence. Indeed, strategic autonomy is defined as the capacity to act autonomously with like-minded partners and all three ROs are in principle committed to supporting democracy as specified in their founding treaties.²⁹ The three hypotheses H1, H2 and H3 consist of three options which can be used in combination: it is assumed that the internal hypothesis provides the greatest leeway for autonomy, while the third hypothesis may lead to economic and security resilience but this resilience is made at the expense of autonomy.

According to the way in which it is commonly defined, balancing refers to a political alliance designed to counterbalance a hegemonic or dominant

²⁹ Art.1 (7) of the ASEAN Charter states the purpose of ASEAN to 'strengthen democracy, enhance good governance and the rule of law, and to promote and protect human rights and fundamental freedoms, with due regard to the rights and responsibilities of the Member States of ASEAN.'

power: this option corresponds to H1, strengthening differentiation; bandwagoning refers to the alignment with the source of danger, i.e., joining the hegemon, in this instance China (H3); hedging is a concept that is used increasingly in international relations (J. D. Ciorciari and Haacke 2019; Koga 2018; Soong 2021). It is generally introduced as an alternative to 'balancing' and 'bandwagoning' (the hedging option corresponds to H2) or it can also refer to a combination of balancing and bandwagoning, allowing the RO to maintain strategic ambiguity in its external relations (Evelyn Goh 2005, 2).³⁰ Hedging corresponds to a security strategy adopted by small states or middle powers, often when they seek to navigate triangular relations with China and the United States (e.g., Goh, 2005; Roy, 2005; Tessman, 2012). In this research, a hedging behaviour is defined as the multiplication of cooperation agreement in trade or security with several states – to avoid an hegemon to exercise dominance.

These hypotheses rely on the English School for two reasons. The first reason for this theoretical grounding is the recognition by the English School that power politics exist in an anarchical international system but that institutions also matter (Murray 2013), a postulate which is also consistent with liberal institutionalism (Russett 2016). Contrary to realism, which conceives of balancing as either an internal or external strengthening of defence capability against a threatening power, balancing, but also hedging and bandwagoning do not exclusively in the present approach refer to military power but they also refer to the institutional capacities of establishing strategic partnerships. A second difference with the realist approach is that this conceptual framework is conceived as a dynamic process whereby the three hypotheses are not necessarily exclusive but complementary. Realist approaches have proposed various definitions for the three concepts of balancing, hedging and bandwagoning, but have envisaged them as exclusive strategies (Waltz 1979; Walt 1998). By contrast, recent approaches use these concepts to characterise options that states, and in particular small states use in combination to interact with great powers. In the context of the English

³⁰ 'Thus far, the hedging literature also has not problematized – let alone resolved – the conceptual tension that stems from defining hedging with reference to balancing and/or bandwagoning, as many scholars do' (J. D. Ciorciari and Haacke 2019, 369).

School, scholars have shown that in Asia regional powers have sought to channel the trajectory of China's rise within this hegemonic order through a mixture of resistance and accommodation (Dian and Meijer 2020, 1).

The second reason for choosing the English School as a theoretical framework has a more explanatory value than the assessment of the range of options available to an RO within the international system. It explains the differentiated impacts on resilience and strategic autonomy of the three hypotheses with the role of the prevailing norms at play in each option. The focus on norms which are at the foundation of an international or regional society according to the English School allows sense to be made of the challenges faced by the three ROs in opting for H1, H2 or H3 and their possible combinations.

The English School, norms and resilience

A core assumption of the English School is that the domain of international politics is an anarchical society characterised by 'a dialectic between the fragmenting logic of anarchy and the integrating logic of international society (Bull 1966, 2002)' (Dian and Meijer 2020, 8). The international society is made up of rules that govern interactions among states in which 'shared norms, rules, and expectations constitute, regulate, and make predictable international life' (Dian and Meijer 2020, 8). International institutions give rise to cooperation and can also be a tool for encouraging states to comply with the norms, rules, and behavioural expectations of international society (Youde 2018, 33). The English School distinguishes between primary and secondary institutions - institutions which are not solely intergovernmental organisations or legal frameworks, but also habits and practices that exist to realise common goals (Bull 1995).

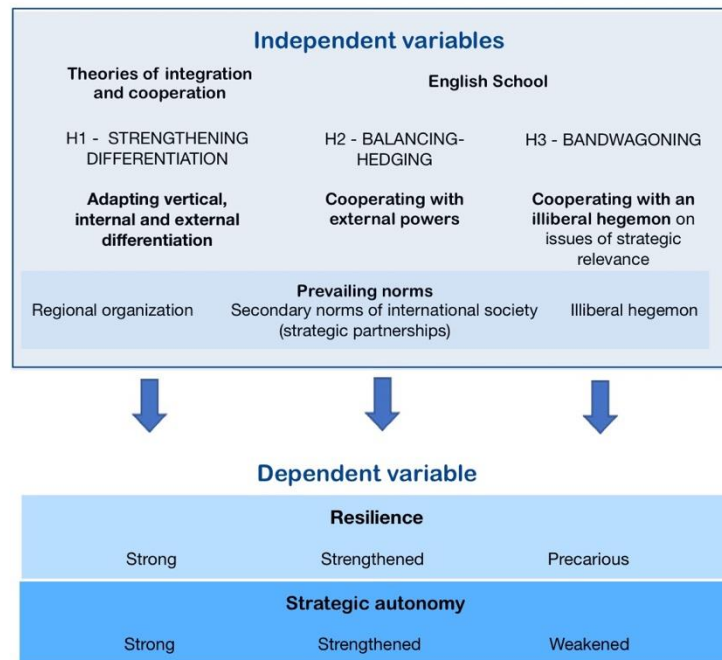


Figure 1. Theoretical framework of the relation between differentiation and resilience and strategic autonomy of ROs in relation to an external hegemon

Primary institutions define who the relevant actors are and the relationships between them. Buzan defines them as ‘durable and recognized patterns of shared practices rooted in values commonly held by members of interstate societies, and embodying a mix of norms, rules, and principles’ (Buzan 2004, 181). Bull identifies five primary institutions within an international society – diplomacy, international law, balance of power, war, and great power management.’ (Bull 1995, 71). The list of primary institutions is by no means definitive (Younde 34) and it changes over times. Secondary institutions refer to the organisational manifestation of the rules of primary institutions (Buzan 2014, 17; Spandler 2015). Concretely, they are defined as regimes and intergovernmental organisations (Buzan and Schouenborg 2018, 8) and include organisations such as the UN, the International Court of Justice, the WTO, and NATO, ROs, but also ‘alliance treaties, defence arrangements (e.g. strategic partnerships) and multilateral regional security institutions – such as, in East Asia, the ASEAN Defence Ministers’ Meeting’

(Dian and Meijer 2020). The English School has so far paid far less attention to secondary institutions (Youde 2018, 35) and the same applies to regional institutions (Buzan and Schouenborg 2018, 31–32).

Regional orders are constitutive elements of the international order and they are considered to be secondary institutions (Buzan and Schouenborg 2018). The EU and ASEAN constitute one of these, and 'to the extent that there is a distinctive regional international society in Latin America, the same may apply' (Buzan and Schouenborg 2018, 38). Security partnerships are given a particular attention; in contrast to alliances, which are regarded as static and rigid and which they tend to replace (Tyushka and Czechowska 2019, 8–9), they are considered to be a secondary institution (Evelyn Goh 2020). The concept of strategic partnership is inherently related to security issues (Renard 2016, 33), at the operational level, however, the partners do not always behave in a particularly strategic way (Renard 2016, 31). Tyushka et al. also emphasise that 'strategic partnerships are neither bound to emerge from friendly relations or among friendly powers, nor are they bound to necessarily turn rivalling powers into allies (Tyushka and Czechowska 2019, 14). The labelling of the partnership may also vary. This is especially the case with China which, due to political sensitivity might be unwilling to make 'multiple hierarchies of 'strategic', 'comprehensive', 'constructive', 'privileged', 'development' and other partnerships broadly visible (Bang, 2017; Oviedo, 2006)' (Tyushka and Czechowska 2019, 10).

Relying on the primary/secondary institutions framework of the English school allows sense to be made of the three hypotheses within a comprehensive framework (see **Error! Reference source not found.**). Indeed, when an RO mainly relies on strengthening its institutional differentiation to ensure its resilience in the face of an external threat (H1, balancing through strengthening differentiation), the prevailing norms to which it is subject to are the norms of the regional organisation – considering that primary institutions also apply. When an RO engages in cooperation with an external power (H2, hedging), the norms it is subject to in this particular situation encompass the norms of the international society and the norms of secondary institutions, selected or forged by the two partners.

Finally, when an RO cooperates with China to avoid the negative consequences of its rise in power and influence or to benefit from the cooperation regardless of the political or social implications (H3, bandwagoning), the RO therefore becomes much more likely to subject itself to the norms established by the illiberal hegemon as the result of power relations. An asymmetry of power between an RO and China will render the maintenance of autonomy all the more precarious.

Hypotheses 2 and 3 are backed up by the literature which draws from the English School and more specifically addresses the East Asia' security order (Capie 2020; Evelyn Goh 2020).

Hypotheses			
	H1	H2	H3
	RO is resilient BALANCING (STRENGTHENING DIFFERENTIATION)	RO engages in partnerships with external power BALANCING-HEDGING	RO engages in partnerships with illiberal hegemon BANDWAGONING
Prevailing norms			
Primary institutions (not all operate globally)	International society norms <i>Sovereignty, diplomacy, international law, human rights, democracy...</i>		Illiberal hegemon norms <i>Partial acceptance of primary institutions</i>
Secondary institutions (some applying at the regional level)	RO's norms <i>Supposedly in line with international society norms (potential contradicts the practice of certain member states)</i> Institutions RO	Partners norms <i>Supposedly shared norms, and in line with international society norms</i> Institutions Strategic partnerships with like-minded states	Illiberal hegemon norms <i>High risk of hegemon's imposition of own secondary institutions and norms</i> Institutions Strategic partnerships between ROs and illiberal hegemon

Table 8. Relation between the hypotheses and the prevailing norms of primary and secondary institutions

Chapter 2

Analysing ROs' resilience and strategic autonomy vis-à-vis China's influence: method

If the time for comparative regionalism has come (Acharya 2012), it nevertheless represents a daunting challenge. This chapter presents the method used in the research to analyse how differentiated organisations strengthen or are not able to strengthen their resilience vis-à-vis the influence of China in two policy areas: trade (investments) and security, and how differentiation plays out in that process. One of the challenges is how to overcome the consequences of avoiding the longstanding view that EU supranationalism is the yardstick against which any form of regionalism would have to be compared to. It is now a commonly held view that comparative regionalism should not construe the EU as a benchmark and should instead decentre Europe as the main reference point (Balogun 2021; Börzel and Risse 2019). However, this necessary point of departure should not entail that the singularity of the EU should be discarded, and that the supranational dimension of EU policies is excluded from the analysis. As Acharya puts it: “A non-EU-centric perspective does not mean the EU’s

record should be ignored” (Acharya 2016, 299).³¹ Therefore vertical integration (the centralisation of decision-making or pooling (majority decisions) and/or the delegation of authority to a third body) is accounted for in the research, and vertical differentiation is measured accordingly. As explained in chapter 1, it is theoretically and empirically possible to assume that integration might constitute an added value in the context of the influence of an external power.

A second challenge is the n=1 of European integration studies that new regionalism has tried to get around (Saurugger 2014, 226). It refers to the problem of whether the European integration process is unique or whether it can be compared to other regional integration processes. From a methodological perspective, this challenge is distinct from that of Eurocentrism which has a normative dimension. The n=1 problem has a more methodological aspect and poses the question as to whether the comparison criteria are relevant. The present research starts from the assumption, based on similar features among the three ROs under consideration (their legal basis, decision-making bodies, and multi-purpose goal) that a comparison of several ROs including the EU is possible; however, the research also extends and enriches the comparison beyond mere differentiation and takes into consideration external partnerships established by the ROs. The scope of comparison is thus extended from a strict regional integration scope - from differentiation alone - to a more comprehensive understanding of differentiated regionalism in the international system. In other words, comparing ROs in this research is deemed possible and heuristic but integration and intergovernmental cooperation is not the only explanatory variable.

³¹ Acharya lists five crucial questions that should be addressed when one engages in comparative regionalism, which encompass: (1) theories and concepts; (2) reasoning approaches (induction/deduction) while general theoretical propositions and hypotheses tend to derive from the EU experience); (3) performance criteria (4) a fundamental question (efficacy of institutions or ‘why do they matter’)? (5) conceptualisation of the relative autonomy of regions? Are they the mere reflections on the global distribution of power, or are they building blocks, sites of resistance, or both? (Acharya 2012, 13-14).

Structuring comparison (research design)

The research adopts a qualitative research design. The relation under scrutiny is that between institutional adaptation on the one hand, and resilience and strategic autonomy on the other. It is assumed that regional integration and external partnerships can have an impact on resilience and strategic autonomy, but that other factors, background factors, might play out.³² The research follows three steps. The first step involves hypothesis 1 and consists of identifying the occurrences of differentiation in policies related to investments and security which are of relevance when it comes to resilience against Chinese influence on the EU, ASEAN and Mercosur. This step maps differentiation in terms of its vertical and horizontal dimensions (internal and external) and presents the results in a database displayed in an Excel spreadsheet. As explained in chapter 1, this step requires the existing analytical framework to be refined in order for a clear distinction to be made between external differentiation and external cooperation. The first objective of the research therefore consists of refining the analytical framework on differentiation, mapping differentiation among the three ROs, analysing the potential contribution of differentiation to resilience and strategic autonomy in each RO and examining the variation in use among the three ROs.

The second step, dedicated to hypothesis 2, follows a similar process but focuses on partnerships established by ROs. The research maps the

³² The methods of difference and agreement depend on the elimination of different variables except for one. In the method of difference all independent variables are similar except for one, which has the explanatory power. In the method of agreement, selected cases differ in all but one independent variable which has the explanatory power. These methods cannot be applied to the selected cases of the present research as the EU, ASEAN and Mercosur's institutional characteristics – their differentiation which is the object of the investigation –, do not unfold in such symmetric patterns. Recent academic research on comparison shows that in political theory, there is a tradition of systematic but uncontrolled comparison, both in the classics and the cutting edges of modern political science (Simmons and Smith 2021, 6).

partnerships between ROs and major powers that are influential in the region in relation to investments and security, and assesses their potential contribution to resilience and strategic autonomy before analysing the variation in use among the three ROs. The third step analyses how and why the ROs combines the three options in a specific way and assesses the efficiency of the institutional design and external cooperation options.

Why compare?

The choice of a comparative research design is informed by the research question which examines how differentiation plays out in the options that ROs establish to strengthen their resilience and strategic autonomy vis-à-vis China. While scholarship on differentiation in the EU is now extensive, the knowledge of differentiation in other ROs remains limited. Furthermore, as no theory exists that makes sense of the relation between the two variables (see chapter 1), a comparative approach is of great relevance as it allows new theory or hypotheses to be developed.³³ It enables the various institutional responses to the challenge of the growing influence of China to be highlighted and examined. Indeed, important questions arise: do variations in institutional design lead to different outcomes in terms of resilience and strategic autonomy? What are the key variables that explain the outcome? The alternative to a comparative research design would be to focus on one RO, but this is an option that would limit the heuristic value of the research. Examining the EU, ASEAN or Mercosur in isolation will not lead to an understanding of the respective merits of each institutional design in a similar context.

Comparison has another advantage over the single country case study, especially when the EU is involved: it helps to guard against the twin

³³ Comparative methods can be used in three main ways: (i) to apply existing theory to new cases; (ii) to develop new theory or hypotheses; and (iii) to test theory (Halperin and Heath 2020, 232).

dangers of what Rose (1991) labelled false uniqueness and false universalism (Halperin and Heath 2020, 232):

'False uniqueness emphasises the specificity of the case, entirely ignoring the general social forces at work, and does not move beyond 'thick description'. Problems to do with false uniqueness can sometimes be found in area studies, where researchers emphasise how unique – or exceptional – their chosen country of analysis is, and seal themselves off from wider engagement with what is being written about in other countries. By contrast, false universalism assumes that the theory tested in one country/context will be equally applicable to other countries.'

The only way one can ever establish uniqueness or universalism is through comparison (Halperin and Heath 2020, 233). Finally, comparative approaches in small-N studies allow to carry out an in-depth analysis and at the same time, because of the wider empirical scope, provide greater scope for contextualisation. In particular, this research shows that comparing the resilience of ROs against China should not only be tackled from a regional institutional perspective, but that the wider network of international cooperation that an RO establishes is also an important variable to consider in the study of resilience and strategic autonomy.

Principles of case selection

Three ROs are considered for the sake of the homogeneity of the study, the comparability of the cases (Rihoux and Ragin 2009, 20), and in order to carry out an in-depth analysis.

The selection of the ROs is based on the independent variable concerning how they differ in terms of institutional differentiation. Therefore, as cases must run sufficiently parallel to each other and be comparable in relation to certain specific dimensions (Rihoux and Ragin 2009, 20), the analysis focuses on ROs that are generally similar in terms of their functional scope of the ROs, their legal status, and the decision-making bodies. The functional scope of the three ROs has to be more than task-specific, since the study

investigates two policies which are of major relevance when examining resilience and strategic autonomy: trade and security. More specific reasoning for the choice of policies in relation to Chinese influence is exposed in the section on policies. In addition, the EU, ASEAN and Mercosur have similar institutional designs which includes their legal personality and the presence of decision-making bodies (See Table 3). The differences in their institutional designs concern their makeup in terms of vertical internal and external differentiation. These dimensions are defined and operationalised in section 2 of this chapter.

Macro-Institutional features	EU	ASEAN	Mercosur
Similarities			
Legal status: legal personality (including the possibility of entering into international agreements)	Yes	Yes	Yes
Multi-purpose (Trade and security)	Yes	Yes	Only security Not defence
Decision-making bodies	Yes	Yes	Yes

Table 9. Macro institutional similarities in the EU, ASEAN and Mercosur

The three cases are conceptualised as independent observations. Indeed, the influence of the EU, the most integrated RO, on ASEAN and Mercosur is limited in terms of institutionalisation: ASEAN followed divergent institutional paths from those of the EU (Allison 2015, 210), European integration has provided the inspiration, and not necessarily the exact template for ASEAN integration. The broad outlines for ASEAN architecture followed the earlier three-pronged Community model of the EU's early stages but not the model of supranationalism and judicial review system (Deinla 2017, 45) and Mercosur was inspired to embrace the 'selective

adaptation of institutional design and normative emulation of the EU rather than aiming at an institutional mimicry or isomorphism' (Doctor 2020, 17). (Doctor 2020, 17; Lenz 2021). Even the ASEAN regional policy to which the EU has heavily contributed, the influence of the EU model is rather weak (Wolleb et al. 2017, 49). The question of bias in the selection of cases from the perspective of diffusion has very little bearing since the selection of ROs is specifically based on the differences in their institutional setting.

Another preliminary condition for the selection of ROs is that they are all confronted with Chinese influence. The research therefore firstly consisted of delineating Chinese influence in the three ROs and in testing whether a comparative analysis would be meaningful and could have a heuristic value. In order to do so, Barnett and Duvall's analytical framework, was used to map out China's influence in terms of power (Barnett and Duvall 2005). The distinction between compulsory power, institutional power and ideational power eased the process of identifying the levers of power that China uses to influence ROs and we consequently looked into the institutional responses of ROs. Although it is beyond the scope of this study to systematically assess the influence of China among the three ROs in relation to the two policy areas, an evaluation of the materialisation of Chinese interests in key sectors allows the fact that ROs are affected in similar ways to be shown. The difference in degree of influence is not a matter of concern from a methodological perspective as the institutional response of the ROs is not analysed *per se*, but in relation to a specific degree of influence. The difference in degree of influence is accounted for in the analysis of the results. Most importantly, the research does not aim to measure the degree of resilience or strategic autonomy; rather it considers whether the institutional responses (changes in integration and establishment of partnerships) are conducive to resilience or strategic autonomy. As explained further, the relation between both variables as envisaged in this research is of a probabilistic nature.

As was highlighted in the introduction, the influence of China on the three ROs essentially materialises through the BRI in terms of its global agenda and similar interests and Chinese patterns of influence are found in the three regions. This includes investments in ports, airports, spatial observation,

dual use technology, cyberattacks, weapons sales to MS and associated states. For the sake of the practicality and feasibility, the study focuses on a limited aspects of Chinese influence, of which the macro-indicators are summarized in Table 2.

Policies

The research considers two policy areas, trade, and security, which are of major relevance when examining resilience and strategic autonomy against Chinese influence. Selecting two policies offers the possibility of enabling a deeper understanding of the institutional responses of ROs to Chinese influence and of the relation between differentiation on the one hand, and resilience and strategic autonomy on the other hand. Selecting two policy areas extends the cross-case analysis, but it also allows to include vertical integration to be included as a variable: security policies are of an intergovernmental nature in the three ROs, while trade is a supranational policy in the EU. The research considers policies and strategies which are important policy documents as they define a RO's overall political goals which are to be developed and translated into policies and initiatives.

More specifically, trade includes policies that relate to foreign direct investment, and therefore includes policies that screen screening foreign direct investment (the EU FDI Screening regulation) but also policies that aim to enhance intra-regional investments (EU Invest, the ASEAN Comprehensive Investment Agreement, the Master Plan on ASEAN connectivity 2025, the Decision on intra Mercosur Investment facilitation).

Regarding security, the research includes instruments which are directed towards strengthening the RO's defense (PESCO), limiting the RO's dependence on external military supplies (the European Defence Fund), instruments which are both only to be found in the EU. It does not consider instruments aimed at countering terrorism (such as 'Our eyes' in ASEAN which is open to external cooperation (Tan 2020, 34)). Cooperation in terms of defense and security in ASEAN takes the form of external cooperation: the Treaty for Amity and Cooperation, the ADMM+, and the ASEAN Regional Forum. In Mercosur, differentiation in defence issues was discussed at the

earlier stages of Mercosur '(Frenkel 2019) but the proposal did not receive the approval of all Member States.

Policies that aim to reduce the development gap and economic asymmetries are also considered as such policies could in principle prevent member states from deepening their dependence on Chinese investments should the RO envisages such a policy orientation. The three ROs have regional policies that aim to reduce disparities in the development of member states (Wolleb et al. 2017). The EU has a policy of its own, the EU Cohesion Policy which contributes to strengthening economic, social and territorial cohesion in the European Union and aims to correct imbalances between countries and regions. However, the research looks at specific instruments that relate to the research question. Therefore, the instruments that are relevant are EU Invest, the EU economic and investment plan for the Balkans, and for the security policy the European Development Fund, the Network Infrastructure Security Directive (NIS2). With regard to ASEAN, the study looks at the Initiative for ASEAN Integration (IAI) which aims to narrow the development gap. ASEAN also has four sub-regional mechanisms: the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) initiative; the "Basic Framework of ASEAN-Mekong Basin Development Cooperation" (AMBDC) and the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), which runs in parallel with the Greater Mekong Sub-region (GMS) programme. These initiatives are recognised as 'building blocks' to the connectivity project at large which is fundamental for ASEAN community building (Wolleb et al. 2017, 42). However, these initiatives are not regional in nature, but sub-regional, and the present study specifically aims to analyse the *regional* institutionalisation structure and process. The structural convergence fund (FOCEM) is the instrument analysed in the context of Mercosur. ASEAN and Mercosur do not have a specific regional funding mechanism as regards security policy. Indicators are the budget amount in relation to the RO GDP (scale), and the source of funding (origin), consisting of states, international organisations or banks.

Time frame

The time frame of the study is from 2013 to 2022. It starts with the launch of the Chinese Belt and Road Initiative and ends in 2022 with a consideration of the most recent policy developments which shed light on the policy adaptation of the three ROs. Where relevant, reference is made to instruments established before 2013, especially when no further recent instruments have been put in place.

Defining and measuring the variables

Comparing the institutional differentiation in the three ROs requires the variables to be defined, and for these to be operationalised with the use of indicators. The independent variables include differentiation in three key dimensions (vertical, internal, external), and regional cooperation instruments which consist of external partnerships. The dependent variable is resilience and strategic autonomy. Data that relate to differentiation in the three regional organisations as well as the partnerships established by ROs with external states that are influential in the region is presented in a database, of which the principles are set out in section # of this chapter. The list of instruments is provided in Annex #.

Independent variables: definition and values

The typology elaborated for this research distinguishes between instruments which can be differentiated along vertical, internal and external dimensions according to a widely used definition (Leuffen, Rittberger, and Schimmelfennig 2022), and regional cooperation instruments which may or may not be driven by an RO. Differentiation refers to variation in the centralisation of policy making (*vertical differentiation*), to the non-uniformed application of RO's rules concerning primary or secondary law to member states (*internal differentiation*), and to the application of RO's rules around primary or secondary law to non-member states (*external differentiation*).

External cooperation is a formalised mechanism through which an RO or the governments of its Member States and a third state agree to find solutions to common problems *without* requiring the third country to adopt an RO law or to align with its law.

The degree to which cooperation is formalised can vary a lot between the three ROs. While the EU formalises decisions to a high degree, ASEAN regionalism is based to a large extent on low level of legal formalism (Deinla 2017). To ensure a solid basis for comparison, the unit of analysis is a means of cooperation that takes the form of a written document endorsed by the ROs and the legal nature of the instruments is accounted for. The units of analysis are composed of elements of regional legislation and agreements, regional partnerships and international agreements between the ROs and external powers.

The values of the variables used in this research are qualitative (nominal and ordinal). The choice of values is dictated by theoretical and pragmatic considerations. The nominal value is used to characterise the type of cooperation (or vertical differentiation) to avoid instilling a sense of a hierarchy between the various values of the variable and a sense of finality that could suggest a Eurocentric evaluation. Given the small number of cases under scrutiny, a two-level scale is sufficient to assess the values of differentiation, which is coded as intergovernmental/supranational (with further specification regarding the level of competences provided in the database) and absent or present for internal and external differentiation (associated with further details in the database). If at least one EU member state does not participate in an integrated policy, we speak of “internal differentiation,” and if at least one non-member state “opts in”, we speak of “external differentiation” (Leuffen et al., 2013). Ordinal values (low, intermediate, high) are used in the interpretation phase to assess levels of differentiation. The number of differentiated instruments are then related to the total number of instruments to give a percentage. The percentage is then categorised into one of four differentiation classes in order to ease interpretation: differentiation is low if the differentiated instruments

represent less than 15% of all instruments, medium (if 15 to 50%), high (if over 50%-60%) and very high (if over 60%).

Vertical differentiation 'refers to the fact that the level of vertical integration varies among policies' (Leuffen, Rittberger, and Schimmelfennig 2022, 9): this means, as Leuffen et al. specify, that some policies remain exclusively under the purview of the states, whereas others are in the domain of supranational policy-making. Vertical integration as defined in chapter 1, refers to pooling (majority decisions) and/or delegation of authority to a third body. As all policies in ASEAN and Mercosur are intergovernmental, vertical integration only varies in the EU, and consequently only the EU is vertically differentiated. A two-level scale is used for vertical differentiation and vertical integration. Integration is assessed as being intergovernmental or supranational, and vertical differentiation is assessed as being present or absent. Vertical integration has two ordinal values: integrated (coded according to the type of competences given to the supranational body), and intergovernmental. All decisions taken in ASEAN and Mercosur are intergovernmental. A comparison of the types of decision among the three ROs is presented in (see Table 3) along with the major differences in terms of powers conferred to the parliaments and their representativity (see Graph 2).

Internal differentiation refers to the non-application of an RO's rules to certain member states, and external differentiation to the process through which a third country either adopts an RO's law or aligns to the RO's law. The degree of internal and external differentiation is measured with a binary scale indicating the absence or presence of differentiation.

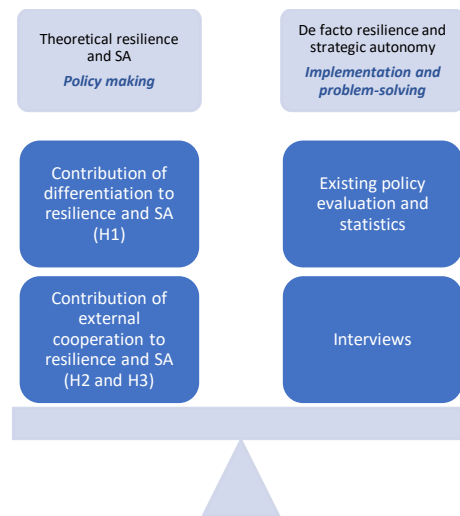
The interpretation of the importance of external partnerships with regard to resilience and strategic autonomy takes into consideration the variation in the number of strategic partnerships between ROs and external partners in relation to China's rise, the states with which the ROs partner with, the proportion of partnerships with China, the policies concerned (trade, partnership agreement, strategic partnership), and their scope (whether specific provisions are provided in terms of screening FDI, and whether defence policy is covered). As far as partnerships with China are concerned, specific attention is given to the potential overlap with existing regional

instruments – e.g., in terms of connectivity –, and to specific leverage China enjoys such as the degree of power that it wields within the Asian Infrastructure Investment Bank (Luo, Yang, and Houshmand 2021, 29–30) or the voting power that it has within ASEAN +3.

Dependent variable: resilience and strategic autonomy

The relation between institutional adaptation (differentiation and external cooperation since the launch of the BRI in 2013) and resilience and strategic autonomy is analysed in terms of effectiveness which is about whether an institution – including a policy instrument – solves the problems that led to its creation (Young 2014; Underdal 2002; Gutner and Thompson 2010). Effectiveness is therefore assessed in relative terms in comparison to an initial situation (an improvement, a worsening situation or no change in a situation) – as opposed to absolute terms (in reference to an ideal situation) (Lavenex and Križić 2019).

The evaluation of resilience and strategic autonomy of the three ROs is based on the analysis of the measurement of both differentiation and external partnerships at the stage of policy-making (or the ‘process’ in Gutner and Thompson’s framework (Gutner and Thompson 2010)). The theory on resilience and strategic autonomy is backed up by the assessment of the de facto resilience and strategic autonomy provided by existing evaluations made by ROs, specialised institutions (e.g., the OECD), academic literature, and information collected through the interviews with policy-makers. The analysis considers the two stages of implementation and problem-solving (or the ‘outcomes’ in Gutner and Thompson’s framework).



Graph 3. Assessing the validity of the theory

Data

The data stems from primary and secondary literature: institutional documents, speeches, semi-structured interviews, academic literature, policy evaluation and statistics. Fifteen semi-structured interviews were conducted with key informants and actors selected on the basis of their expertise in relation to key research issues, most notably experts, ROs and government representatives and high-level officials. Interview data was triangulated with other sources: institutional sources, literature, and data from other interviews (Blatter and Haverland 2012, 68).

The aim of the interviews is to confirm working hypotheses and to aid measurement of the variables. Interviews were conducted with major policy-makers and high-level officials in the EU, Mercosur and ASEAN and their member states. The interviewees were selected based on their relevance as information sources in terms of the specific processes under study, and their position within institutions or organisations. Interviews were semi-structured lasting on average 60 minutes each. With the exceptions of four interviews, the interviews were recorded, however, given the sensitivity of

the issues being discussed, many interviewees requested that the recording be deleted. 1-3 pages of notes were taken at each interview. As was detailed on the consent form, all data was treated confidentially and sensitively and the transcript of the interviews was fully anonymised. The anonymised transcripts of interviews were stored on the researcher's professional computer devices. They will also be saved on the Sciences Po secure data centre (GRICAD) until the year 2033 (10 years after the end of the EU3D project in 2023). The resulting information has also been published in a completely anonymised way. The semi-structured interviews were subject to qualitative analysis.

Interviews were particularly useful to understand the specificities of the actor's perspectives, priorities and strategies in relation to each RO. The main constraint which weighed on the interview process was undoubtedly the sensitivity of the issues at play, which prevented a number of interviews occurring at all, especially with ASEAN representatives. Furthermore, the research coincided with the Covid crisis resulting in the cancellation of conferences and meetings which could not always be arranged online.

Database

A database presents the data concerning differentiation and external partnerships in the three regional organisations, the EU, ASEAN and Mercosur which are of relevance when understanding the institutional responses of these ROs to China's influence since 2014 in foreign direct investment and security issues. The instruments presented in the database are selected based on several criteria: their relevance vis-à-vis the question of resilience and strategic autonomy in relation to the influence of China, their legal dimension, and the time frame of the study.

Information about RO's law was accessed via the following sources: for the EU, EUR-Lex, and the 'Online gateway to EU Law'³⁴; for ASEAN, the 'Legal Instruments Database'³⁵ ; for Mercosur, the 'Mercosur Law Database' and

³⁴ Online gateway to EU Law. <https://eur-lex.europa.eu/homepage.html>

³⁵ ASEAN Legal Instruments Database. <https://asean.org/legal-instruments-database/>

the database of the Organization of American States.³⁶ Data in the database also originates from academic literature of which the full references are given. Information which is not referenced is extracted from the instrument itself, the link of which is provided for in the database. The assessment of differentiation is explained in the previous sections.

The content of the database is presented via an excel spreadsheet including the following variables: Title; Short title; Policy area; Date; Status; Type of instrument; Legal basis; Third state (agreements); Weblink; Subject matter; Critical juncture; Vertical differentiation; Internal differentiation; External differentiation. Information about critical juncture, and differentiation is not entered for the external partnerships between the ROs and external powers. By definition, differentiation does not apply to such instruments. As for the critical juncture for establishing partnerships between ROs and external powers, the identification of the multiple factors at play would require in-depth analysis of the bilateral relations of each ROs with every external power and would not bring significant added value to the research. The partnerships are selected based on their relevance vis-à-vis the influence of China. Some were negotiated before 2014 but their relevance to the time frame of the study justifies their consideration for the database.

The three types of instruments are contained in rows in the Excel spreadsheet (regional organisations' instruments, external partnerships, partnerships with China) and are identified as such in the database (RO = 1; RO-state/RO/IO = 2; RO-China = 3).

Background factors

Other independent variables that may have an effect on the dependent variable require to be 'controlled' for (Blatter and Haverland 2012, 54).

³⁶ Mercosur Law Database. <https://www.mercosur.int/documentos-y-normativa/normativa/> Organization of American States <http://www.sice.oas.org/agreementss.asp>

Bearing in mind that not all of the variables can be included, but those that are the most relevant should be (Blatter and Haverland 2012, 54), some variables were not considered for the analysis. These are: internal political vulnerability, the direct influence of China on member states, economic vulnerability, the regional proximity of the ROs to China and the size of the ROs. There are three (possibly complementary) ways in which these variables are accounted for: (1) they are already accounted for in the analysis through the consideration of the institutional adaptation of the RO (H1) or the development of external cooperation (H2) and (H3); (2) they are accounted for in the interpretation phase.

Internal political vulnerability derives from the diversity of the ROs' political systems and regimes (such as in ASEAN, in particular after the coup in Myanmar that has created unease in ASEAN),³⁷ from the sensitivity of the integration project to changes in the political/ideological direction of the leadership of member states observed in Mercosur to the destabilising and centrifugal forces exercised by nationalist governments in the EU in Hungary and Poland. These political vulnerabilities are accounted for in the interpretation of the results.

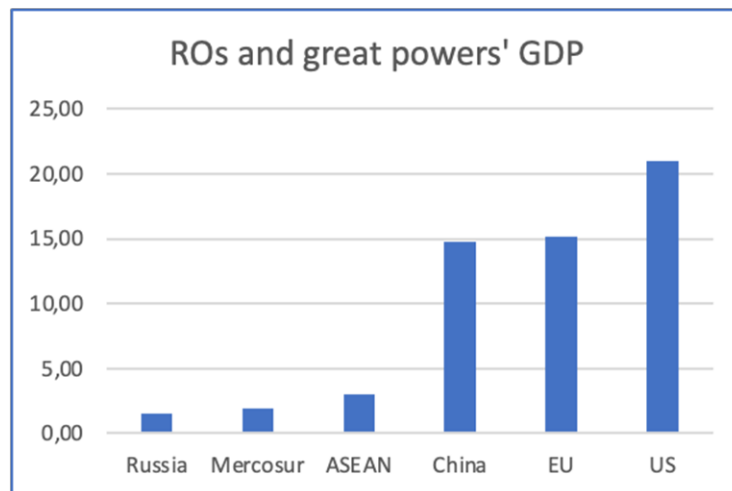
Economic vulnerabilities which weaken an RO's cohesion are measured with two indexes: the dispersion of member states GDP and the dispersion of member states GNI; the size of the RO, measured in terms of GDP. See annex # Such vulnerabilities are accounted for with the cohesion variable which in principle should compensate for it. In the absence of such regional mechanism, a MS may be inclined to engage in external economic cooperation, an alternative way forward which is accounted for by (H2) and (H3).

³⁷ 'In the protracted Rohingya crisis in Myanmar, Indonesia long avoided any open criticism of the regime in Myanmar, even after the International Court of Justice (ICJ) declared in January 2020 that the Rohingya Muslims in Myanmar faced the real and imminent risk of genocidal violence and that the Myanmar government should 'take all measures within its power' to prevent such genocidal violence (International Court of Justice 2020)' (Setiawan and Tomsa 2022, 189).

Special relationship with China and political influence. Some member states have traditionally supported China in ASEAN, such as Cambodia, one of China's closest allies given its pro-China position on the SCS dispute (Giese 2021), or Laos, considered the second biggest ally of China (Pang 2017), all of which underplay the South China Sea dispute within ASEAN (Chatterji 2021). These political vulnerabilities are also accounted for in the interpretation of the results.

The *geographical proximity* with China can have an impact on the resilience of the RO in the sense that it can increase the intensity and the magnitude of the threats. China has territorial borders with Myanmar, Laos and Vietnam. The relation between China and Myanmar is intense since Myanmar is China's geo-strategic partner for trade routes that avoid the SCS and China has a strong presence in Myanmar in terms of trade, aid and investment, and infrastructure, as part of the China-Myanmar Economic Corridor which is a BRI project (Chatterji 2021). China also has maritime borders and overlapping claims in the South China Sea with Vietnam, Brunei, Malaysia, Indonesia and the Philippines which result in specific kinds of tension in the region. By contrast, China is very distant from the EU and from Mercosur. Although the distances from the EU and Mercosur is to some extent reduced by the capacity of China to project economic power, the territorial proximity of ASEAN with China and sovereignty disputes definitely make the relation between ASEAN and China of a singular character: yet the consequences of this singularity are precisely explained by means of hypothesis 3, which enables an understanding of one of the strategic options that ASEAN chose namely strengthening cooperation with China. The difference in degree of influence is not a matter of concern from a methodological perspective (if China exercises more influence on a specific RO) as the institutional responses of the ROs are not analysed *per se*, but are analysed in terms of their adaptation to a specific type of influence.

Size of the ROs. The relative size of each RO compared to China – measured in GDP – is very different (see Graph 4) and is an important factor which may explain why the smallest ROs might have more difficulty ensuring resilience against an offensive economic entrepreneur. This factor is accounted for in the interpretation of the results and the evaluation of the respective merits of each institutional design to cope with the challenges of an assertive China.



Graph 4. ROs and great powers' GDP in 2020 expressed in US \$. Source: World bank.

Generalisation

As the size of the case sample is limited to three cases, it is not possible to aim for a robust set of generalisations. The scope of generalisation of the findings is also constrained by the causal complexity at play in the phenomena analysed (Blatter and Haverland 2012, 34). However, the hypotheses of the causal mechanism evidenced in this study can be tested on other ROs with similar institutional features (legal personality, multi-purpose policies, decision-making bodies).

Part 2

DIFFERENTIATION AS A BALANCING
STRATEGY TO INCREASE RESILIENCE AND
STRATEGIC AUTONOMY

Chapter 3

Vertical differentiation

Vertical *differentiation* which qualifies the variation in centralisation of policy making is a major feature of the EU while ASEAN and Mercosur only display intergovernmental coordination decision-making processes. Vertical *integration* is defined as 'the transfer of policy-making competences from the national to the European level and, at the European level, from intergovernmental coordination and cooperation to supranational centralization' (Leuffen, Rittberger, and Schimmelfennig 2022, 9). This chapter is divided into two sections. The first section is dedicated to the EU and analyses a recent rise in supranationalism in EU policies and institutions in relation to trade and security. The second part reports on ASEAN and Mercosur's intergovernmental response to Chinese influence and their stand on integration.

Supranationalism in the EU

This section looks into supranationalism in the common commercial policy where the EU has exclusive competences and more specifically analyses how the EU endeavours to enhance resilience with the FDI screening regulation, before looking into policies defence in relation to the industrial development of key products and technologies for the security and defence of Europe.

FDI screening regulation: big step, light supranationalism

Concern over Chinese FDI

The EU investment policy has greatly evolved over almost a decade, from an initial situation where investment policy was mostly made at the national level with its European dimension limited to the benchmarking of Member States' best practices (Marquis 2020), to its introduction in the EU's common commercial policy where the EU has exclusive competence through the inclusion of "foreign direct investment" in the Lisbon Treaty as part and parcel of the EU's supranational Common Commercial Policy (Telò, Weyembergh, and Ponjaert 2020, 266). The Lisbon Treaty afforded the EU exclusive competences with regard to FDI.³⁸ However, a controversy has arisen regarding the competence of the EU and the Member States in this field. In response to the request by the European Commission to clarify the issue of competence, the CJEU provided an opinion - Opinion 2/15 on the EU-Singapore FTA - which determined that the EU has a shared competence with respect to the investor-state dispute settlement (ISDS) and to portfolio investments - and thus considered the EU-Singapore FTA to be a mixed agreement.³⁹ This decision has had a significant impact on the EU investment policy, and commercial negotiations now separate trade and investment agreements to avoid any delays with ratification (Telò, Weyembergh, and Ponjaert 2020, 266). This section does not intend to answer

³⁸ Article 207 TFEU.

³⁹ 'While an area of exclusive competence allows the Union to legislate and adopt legally binding acts (art. 2(1) TFEU), one of shared competence requires that the Union and Member States both legislate and adopt legally binding act (art. 2(2) TFEU). If the CCP is an exclusive competence (art. 3), the debate has raged since the introduction of the Lisbon Treaty as to whether "foreign direct investment" (art. 207(1)) was of exclusive or shared competence (art. 4). The CJEU, in Opinion 2/15, determined that it was a shared competence for ISDS [investor state dispute settlement] and portfolio investments. However, when the agreement contains topics of shared competences, it is in the EU's power to decide whether or not it will be treated as a mixed agreement. The decision by the Court in Opinion 2/15 to consider the EU-Singapore FTA as a mixed agreement, due to the fact ISDS was considered of shared competence, was highly political and surprising to many' (Marquis 2020, 224-25). See (CJEU 2017).

the question of whether the EU's responses to Chinese FDI go against competitiveness (Mariotti 2023; Meunier 2019), but rather to analyse the EU's response in terms of differentiation.

The need for policy change in the area of FDI had already been addressed by the Commission back in 2011. 'Antonio Tajani, then EU Commissioner for Industry and Entrepreneurship, and Michel Barnier, then Internal Market Commissioner, wrote a joint letter to Commission President José Manuel Barroso, warning against Europe's naïveté on foreign investment and recommending the development of a supranational body to vet FDI in the EU, analogous to the CFIUS system in place in the United States, to make sure that non-EU investments in Europe are not "attempts to close down businesses after having stolen all of their 'know-how'" (European Commission, 2011)' (Chan and Meunier 2021, 10).

However, the majority of Commission officials were wary that a new policy would be interpreted as a protectionist move, and Member States were reluctant to make such a move at that time. In light of increasing Chinese FDI, it was only in 2017 that three member states, namely France, Germany and Italy, called on the European Commission to review the rules around FDI into the EU and suggested that a European instrument to screen investment be developed (European Economic and Social Committee 2017: 5-6). According to Lundqvist, most proposals for stricter screening mechanisms have a common target in mind which is China; over the past few years, Chinese outbound investment has experienced substantial growth, surpassing a noteworthy milestone of \$180 billion in 2016 (Lundqvist 2018, 2). There is an increasing recognition that China, in contrast to many other investors in Europe, operates under a distinctive non-democratic political system and exercises state control over a great amount of investment and is not a security ally (Chan and Meunier 2021, 10). Under the current WTO rules, Chinese companies benefit from special treatment as China is still considered as a developing country. We also observe a lack of symmetry in terms of openness to FDI due to a lack of reciprocity and allegedly forced technology transfers, in response to which the EU launched a WTO action in 2018 (WTO 2018). China has one of the highest

restrictiveness indexes in the world (0.21 in 2020, after Indonesia and New Zealand) (OECD 2020a).

EU members participating in the BRI include Poland, Greece, Italy, Hungary, Czechoslovakia, Croatia, Bulgaria, Latvia, Portugal, Romania, and Slovakia (Brown 2021: 2). However, investments are also made in other EU countries outside the official framework of the BRI: between 2000 and 2017, the UK received 42.2 per cent of Chinese FDI, Germany 20.6 per cent and France 12.4 (Zenglein 2020). In terms of sectors, Chinese investments in Europe are diverse, but the transportation, construction, and infrastructure sectors represent the largest percentage of investments and were the top targets in 2020 (Kratz et al. 2021).

The aspects of Chinese FDI in the EU which enable European policies to be influenced relate to the capacity afforded to Beijing to monitor and control activities in key logistical nodes (seaports, airports, tunnels and bridges), to control strategic infrastructure and technology, to weaken European economies through loans and high-level indebtedness, and to shift economic vulnerability into political leverage and drive political loyalty away from the EU (Meunier 2019; Cécile Pélau-deix 2021). In terms of political influence, Chinese FDI appear to be problematic for countries which are short of investment and have been affected by the financial and euro crises. Greece blocked an EU statement criticizing China's human rights record in June 2017, shortly after COSCO acquired the majority share of the port in Piraeus (Gerstl and Wallenböck 2021). As mentioned in the introduction, Portugal and Greece are reported to have both initially opposed to the FDI screening mechanism proposed by the Commission because of their dependence on Chinese investments (Meunier 2019, 16).

The FDI screening regulation

In response to the concern over Chinese inward investment in strategic sectors, the EU has moved further to enhance coordination of Member States' screening programmes with the establishment of Regulation (EU) 2019/452 which provides legal certainty for Member States that maintain an FDI screening mechanism or that wish to adopt such a mechanism (European Parliament and Council of the European Union 2019). As defined in

Regulation (EU) 2019/452, a foreign direct investment is an investment made by a foreign investor in an EU-based operation that could lead to direct and lasting links, and includes participation in the management of the company, or even controlling it. Regulation 2019/452 is an enabling framework that lays down rules for cooperation and sharing of information on FDI between EU Member States and the European Commission in the event of security or public order issues. Indeed, the scope of the regulation is limited to investments that affect national security and public order as it must remain in line with EU's openness to capital investments and with the existing WTO approach (Woolcock 2020, 216). This Regulation marks another milestone in EU trade policy, and also represents an important change in light of the fact that Member States are now sharing information on national security issues.⁴⁰ The exclusive competences of the EU regarding the policy, and an absence of internal differentiation – as discussed in chapter 3 – should, according to hypothesis 1, have a positive impact on resilience. However the uniqueness of its substantive dimension (a low stringency) needs clarification in light of an examination of the impact of differentiation on resilience and strategic autonomy.

Indeed, the FDI screening regulation has an interesting feature. As a regulation, it is mandatory, but somewhat paradoxically it does not contain an obligation. The extent to which it is legally binding is high, but the level of legal requirement is low, as specified in Article 1.3, “nothing shall limit the right of each Member State to decide whether or not to screen a particular foreign direct investment within the framework of this Regulation”. In addition, it contains only minimum procedural requirements for all national screening authorities are provided (Lundqvist 2018: 22). The level of precision is not strong either, and the enforcement mechanism is also weak (Lundqvist 2018: 8 & 14; Zwartkruis and de Jong 2020: 472; Meunier 2019). The stringency of the Regulation can therefore be considered as lax which gives Member States a significant level of flexibility as they are not obliged to initiate an FDI screening. Yet, if they do start a review process, they must follow the procedure and notify *all* Member States as well as the European

⁴⁰ Interview, European Union institution, Brussels, December 2022.

Commission. Furthermore, the latter, despite being conferred new powers, is only authorised to issue non-binding advisory opinions should the FDI affect EU interests. “Neither [M]ember [S]tate comments nor Commission opinions are legally-binding on the [M]ember [S]tate recipient” (Reisman 2020: 6). Rather, the merits of the Regulation are deemed to be found in the fact that it provides a ‘sense of a common trajectory’.⁴¹

In 2021, it was found that the screening mechanism had resulted in the screening of 29 per cent of formally screened dossiers (see (European Commission 2022c, 11)). Most of these concern the ICT sector (39%). The Commission in its 2022 report highlights an increase in FDI screening in 2021 compared to 2020 to 2021 indicating that the requests received were perceived as more sensitive and underscoring the fact that only 1 per cent of the transactions were blocked by Member States (compared to slightly more before, i.e. 2 per cent in the first report), confirming that the European Union remains open to foreign direct investments (European Commission 2022c, 12–13).

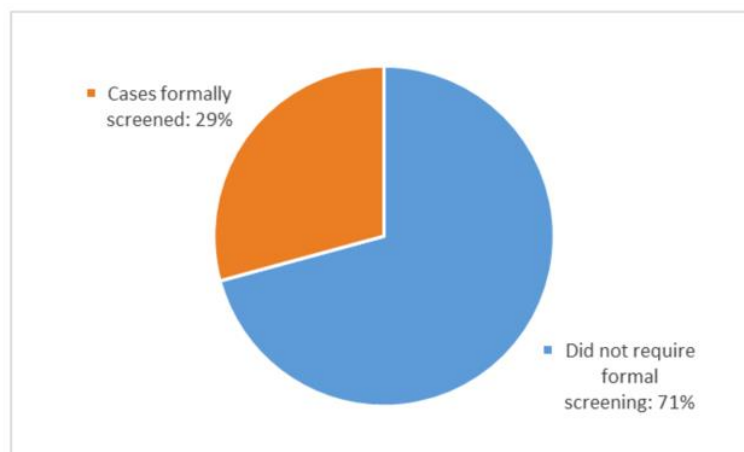


Figure 2. Member States' FDI Screening activity

Source: (European Commission 2022c, 11)

⁴¹ Interview, European Union institution, Brussels, December 2022.

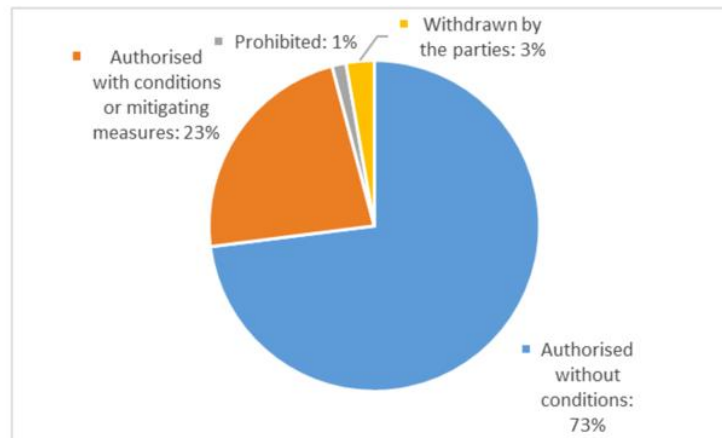


Figure 3. Notified decisions on FDI cases

Source: (European Commission 2022c, 12)

Though interesting, this assessment nevertheless does not specify the overall percentage of FDI which can be harmful to national security of public order, nor the percentage of screened dossiers of FDI with regard to total FDI. And, indeed, some deals have not been stopped, such as the acquisition by the Chinese company *Vital* of the industrial site *PPM Pure Metals GmbH* in Germany in December 2020 (Kratz, Zenglein and Sebastian 2021). The first annual review of the mechanism launch by the Commission indicates that China, the fourth largest foreign investor in the EU in 2020, had a share of 2.5 per cent of foreign investments in Europe in 2020, down from 4 per cent in 2019. However, the review also notes that the particular characteristics of 2020, and their impact on FDI, including those that relate to the European Union,⁴² are to be understood within the broader time-frame of the Covid-19 pandemic, which slowed down the global economy (European Commission 2021a). The Commission expects Chinese investors' interest in high tech sectors to increase and shape future FDI flows to and from China (European Commission 2021a). The Commission is considering enhancing the co-operation mechanism established by the FDI Screening Regulation

⁴² According to Chan and Meunier, the EU's investment screening framework is primarily hampered by its roots in reconciling vastly disparate policy practices and preferences among the Member States, which exposes its weaknesses (Chan and Meunier 2021, 13).

(European Commission 2021b: 7), the design choices of which have been the object of a thorough analysis by the OECD (OECD 2022).

Empirical observations also plead in favour of an improvement in the efficiency of the Regulation: in October 2022 the German government authorised an investment by COSCO involving a 24.9 per cent stake in a terminal at the port of Hamburg, a decision which did *not* take into consideration the opinion expressed by the Commission pursuant to the FDI Screening Regulation (*Politico* 2022; *Le Monde* 2022). Furthermore, requests for screenings were sent to the European Commission after President Macron's visit to Beijing in April 2023 including a contract for 50 helicopters H160 with a high level of dual use technology, between AIRBUS and GDAT, one of China's most prominent helicopter lessors and operators (AIRBUS 2023). The contract will need approval from the CIEEMG, the interministerial commission for the study of war material exports⁴³). This contract is considered as being in complete contradiction with the development of a strategic autonomy, the protection against technology transfer, and as having the potential to damage relations with EU allies, a decision which is all the more questionable that a precedent already happened in the 1980s with the 'Dauphin' helicopters.⁴⁴ Requests for screening were also sent to the European Commission after Foreign Minister Qin Gang's visit in Germany in April 2023. But more generally regular requests for screenings, especially since the Covid-19 crisis: new generation disconnected from the geopolitical context with a hiatus between the economic community and, practitioners/policy makers, despite the work engaged by the European Commission.

⁴³ The CIEEMG is a commission made up of representatives from several ministries, including those responsible for defence, foreign affairs and international development, and the economy and finance, who have the right to vote. It reports to the Prime Minister and is chaired by the General Secretary for Defence and National Security (SGDSN).

<https://www.defense.gouv.fr/dgris/approches-thematiques/regulation-internationale/controle-exportations-regulation-du-commerce-armes>

⁴⁴ Interview, EU institution, July 2023.

Although not internally differentiated and applicable to all Member States, the screening Regulation only has a limited impact on resilience and strategic autonomy when it is weakened by a low stringency (see chapter 4).

To conclude on this section, the FDI Screening Regulation testifies to an important move towards supranationalism in a sensitive area that concern national security and public order but the low stringency element affords a high degree of flexibility to Member States not to take action – a flexibility that could be considered as having an equivalent effect to that of an internal differentiation mechanism, which acts in a way that does not promote unity, and weakens the efficiency of the instrument.

Strides in defence and security

EDF and DG DEFIS

In terms of integration, as opposed to policies which fall under the competences of the EU, the EU CSDP is characterised by specific institutional features, such as the limited participation of the Commission and Parliament in the decision-making process and the absence of any legislation activity. However, the establishment of the EDF (Regulation 2021/697), proposed by the Commission in 2017 to encourage collaborative projects on the research and development of key products and technologies for the security and defence of Europe, and the creation of DG DEFIS to enhance the competitiveness and innovation of the European Defence industry testify to a dramatic change in the balance of supranationalism in the security sector.⁴⁵

⁴⁵ The European defence has also been bolstered by the launch of CARD in 2017 as part of the of the implementation EU Global Strategy and also serves as an important tool in taking forward the EU Strategic Compass. CARD is an annual defence review which identifies collaborative opportunities for Capability Development and Research & Technology. CARD provides an overview of the EU defence landscape and facilitates cooperation by identifying collaborative opportunities. It is based on a review of Member States defence plans and aims at improving coherence, serving as a pathfinder for defence cooperative activities. Over time, this will lead to a gradual synchronisation and mutual adaptation of national defence planning cycles and capability development practices.

The two institutional innovations (and the launch of the intergovernmental PESCO considered in chapter 4) are to be understood in the context of the need to strengthen EU's strategic autonomy in the wake of Brexit (Sweeney and Winn 2020, 234) and the Russian invasion of Crimea, while the US was less predictable in terms of its support of multilateral security under Trump's presidency and while its pivot to Asia indicates a shift in the US security priorities. However, progress in EU defence and security is also important when it comes to China's growing assertiveness in regional and global security. The Strategic Compass is clear:

'China pursues its policies including through its growing presence at sea and in space, as well as by using cyber tools and displaying hybrid tactics. In addition, China has been substantially developing its military means and aims to have completed the overall modernisation of its armed forces by 2035, impacting regional and global security. China's development and integration into its region, and the world at large, will mark the rest of this century. We need to ensure that this happens in a way that will contribute to uphold global security and not contradict the rules-based international order and our interests and values. This requires strong unity amongst us and working closely with other regional and global partners' (Council of the European Union 2022, 8).

More specifically, as highlighted in the introduction, China's activities challenge EU interests in several geographic areas including the Indo-Pacific, the Atlantic, and Eastern Europe. While China has doubled its defence budget since 2012, becoming the second largest in the world, (Ministère des Armées 2021) the prospect of the Chinese Navy gaining easier access to the Atlantic Ocean through the newly accessible Northern Sea Route, thanks to receding sea ice, is a matter of concern, which is even deepened by a recent agreement between the Russian and Chinese coastguards (Nilsen 2023). With

CARD was launched in 2017 as part of the of the implementation EU Global Strategy and also serves as an important tool in taking forward the EU Strategic Compass.

regard to Europe, China is strengthening ties with European countries and EU candidate countries through diplomatic channels and sales of military equipment. In March 2021, Wei Fenghe, the Chinese Minister of Defence, paid an official visit to Hungary, Greece, North Macedonia and Serbia (RFI 2021; *The Diplomat* 2021). Furthermore, China's stance regarding Russia's aggression against Ukraine has exacerbated the existing tensions between Western allies and China (Soutullo et al. 2022). China abstained in a vote on the UN Security Council resolution on 25 February 2022 which demanded that Moscow immediately stop its attack on Ukraine and withdraw all of its troops (United Nations General Assembly 2023) and also abstained on 23 February 2023 in a vote on a Resolution at the UN General Assembly which included the same demand (United Nations 2022a)⁴⁶ Finally, EU defence and security can be weakened by FDI in SMEs which are subcontractors to EU defence industries: complementary to a FDI screening mechanism – which is more complicated to implement for SMEs⁴⁷ – is the securing of supply chains by supporting EU SMEs. The EDF – and PESCO (presented in chapter 4) – were seen in 2020 by Josep Borrell, as a very good illustration of ‘pragmatic strategic autonomy’ that does not undermine ‘Atlantic solidarity’ (Borrell 2020).

The EDF is the Commission's 8 billion programme to support defence industry cooperation across the EU from 2021 to 2027. It acts as a catalyst for the European Defence Industry by developing cutting edge and interoperable defence technology. It supports R&D projects and has two pillars, one for collaborative defence research and one for capability development projects to make the EU defence market more competitive, innovative and resilient. The Commission hopes that stronger integration will boost the European Defence Technological Industrial Base which in turn

⁴⁶ 143 states voted in favour of the resolution. Six states sided Russia by voting against the resolution: North Korea, Syria, Belarus, Eritrea, Nicaragua and Mali. China abstained along with 31 countries. The day after the vote, on 24 February, China published a so-called 'Position on the Political Settlement of the Ukraine Crisis' in which it highlighted the importance of ‘respecting the sovereignty of all countries’ but did not condemn Russia's invasion of Ukraine.

⁴⁷ Interview, EU institution, December 2022

will strengthen the EU's strategic autonomy, and avoid MS' costs being duplicated.

Policy instruments and their differentiation features are important in terms of resilience, as are administrative coordination and implementation capacity. The creation of a new DG, DG DEFIS, creates an opportunity for the Commission to monitor and guide capability development, in particular regarding the 'stated goal of consolidating the number of systems developed and procured on the EU-wide armaments market.' (Blockmans and Crosson 2022, 383). Half of the European Defence Fund's first 2021 call for proposal falls under the management of DG DEFIS. DG DEFIS is tasked *inter alia* with the implementation of the EDF, but also with fostering investment in defence supply chains. The Commission in particular is launching actions to support defence SMEs and helping them engage in cross-border partnerships. In November 2022, the [CARD Report](#) identified a likely recovery point in 2023, when Member States would be able to move past the underinvestment in defence following the 2008 financial crisis. However, spending in isolation and leaning towards non-EU suppliers risk increasing fragmentation and undermining broader efforts to deliver capable and coherent European armed forces. It also found that defence planning continues to be done mostly in isolation and that Member States remain unconvinced by European cooperation projects (European Defence Agency 2022).

EU defence is still under construction and other instruments are being developed. The EDIRPA (European defence industry Reinforcement through common Procurement Act)"(European Council 2023b), of which the procedure is ongoing, is intended to avoid Member States competing for the same products, facilitate cost savings, strengthen interoperability and increase the European Defence Technological and Industrial Base to support and facilitate the joint acquisition of weapons at the European level.⁴⁸

⁴⁸ On June 26, 2023, the Council reached a provisional agreement with the European Parliament on the European defence industry reinforcement through common procurement act (EDIRPA). The regulation will incentivise EU member states to jointly procure weapons, thereby ensuring interoperability, economies of scale and - ultimately - a strong European defence industry. Pål Jonson, Minister of Defence of Sweden, stated

Another instrument is the European Defence Investment Programme (EDIP) which represents a more long-term EU framework for joint defence procurement. The Commission and the MEPS consider that these initiatives constitute a major step towards a European Defence Union (Clapp 2023).

Cybersecurity

Cybersecurity, the practice of protecting critical systems and sensitive information from digital attacks, is another example of an area in which a policy which belongs to the domain of national competences is being developed in a supranational way in the EU, along with intergovernmental instruments as explained in Chapter 4. Cybersecurity was introduced in the European Security Strategy in 2008 due to mounting cyber-attacks in the Baltic countries, but it was only after Russia intensified its cyber warfare in 2013 and 2014 that the EU established a cybersecurity regime (Carrapico and Barrinha 2018).

The first comprehensive policy document, the *Joint Framework on countering hybrid threats – a European Union response* was issued in 2016 (European Commission 2016) ENISA, the EU cyber security agency which has seen its mandate extended several times, promotes the exchange of best practice between member states and EEA countries, and facilitates contacts between institutions (national and European) and businesses.⁴⁹ ENISA aids operational cooperation in the Union, as well as capacity building, awareness raising and education. Although there are many tools and measures used in the EU to enhance resilience and counter hybrid threats (European

that 'Through the joint procurement of defence materiel the competitiveness and efficiency of the European Defence Technological and Industrial Base will be boosted and EU member states will be able to more effectively replenish their stocks depleted by donations to Ukraine.' (European Council 2023b)

⁴⁹ ENISA was established in 2004. ENISA is now governed by Regulation (EU) 2019/881 of the European Parliament and of the EU Council of 17 April 2019 (Cybersecurity Act) on ENISA (the European Union Agency for Cybersecurity) and on information and communications technology cybersecurity certification and repealing Regulation (EU) No 526/2013

Commission 2020c)⁵⁰, some legislative instruments stand out, such as the NIS2 Directive (Network Infrastructure Security) which enables a high common level of cybersecurity across the Union, the NIS2 Directive.⁵¹ According to the NIS2 Directive, member states are required to adopt national cybersecurity strategies and to designate or establish competent authorities, cyber crisis management authorities, single points of contact on cybersecurity and computer security incident response teams (CSIRTs). Furthermore, the EU is in the process of filling an important gap in coordinating responses to cyber emergencies: in 2023 the Joint Cyber Unit will be launched to strengthen cooperation among EU Institutions, agencies, bodies and Member States authorities, to prevent, deter and respond to cyber attacks.⁵² These decisions in the cyber security domain testify to an important strengthening of resilience through an increase use of supranationalism.

Intergovernmentalism in ASEAN and Mercosur

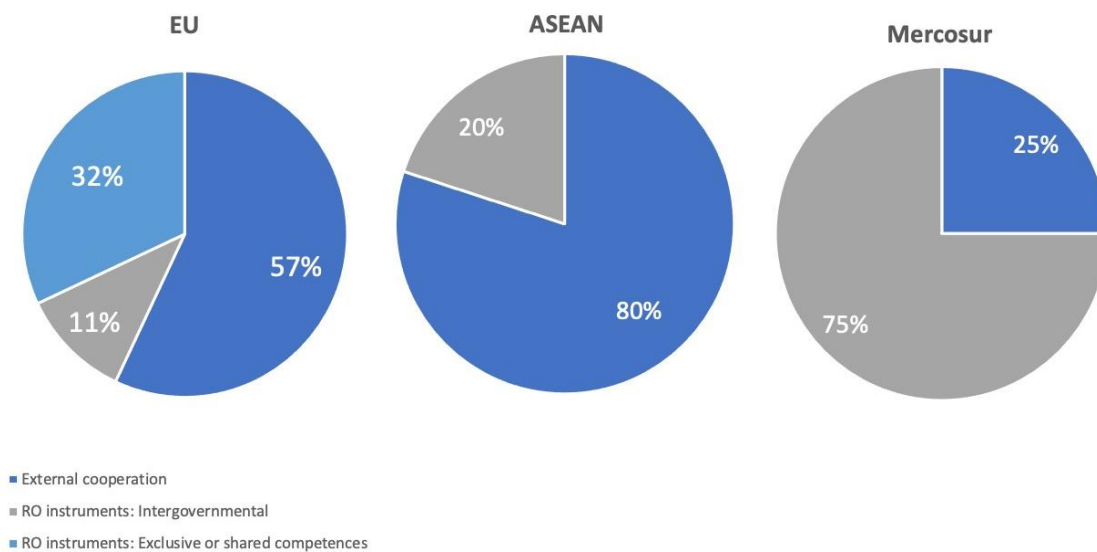
There is no vertical differentiation in ASEAN or Mercosur as the two ROs rely on only one mode of decision-making which is intergovernmentalism (see Graph 5). This configuration offers less flexibility with regard to facing external challenges as it does not provide the institution with the option of using guidance to overcome member states preferences. Both ASEAN and Mercosur were designed as intergovernmental organisations, but it was not intended that they would evolve into supranational bodies, as this would entail a shift of competences from the national level to the supranational

⁵⁰ In the financial sector, the Digital Operational Resilience Act (DORA) established in 2022, as part of the Digital Finance package, strengthens the digital operational resilience of EU financial sector entities. See Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (DORA).

⁵¹ Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148 (NIS 2 Directive) (Text with EEA relevance).

⁵² Brussels, 23.6.2021 C(2021) 4520 final COMMISSION RECOMMENDATION of 23.6.2021 on building a Joint Cyber Unit.

level, something that would mean an unacceptable loss of sovereignty. Furthermore, developments have occurred in ASEAN and Mercosur to strengthen their institutions in relation to the core policies under scrutiny in order to balance out the influence of China and strengthen the ROs' institutional order.



Graph 5. Distribution of instruments in the EU, ASEAN and Mercosur.

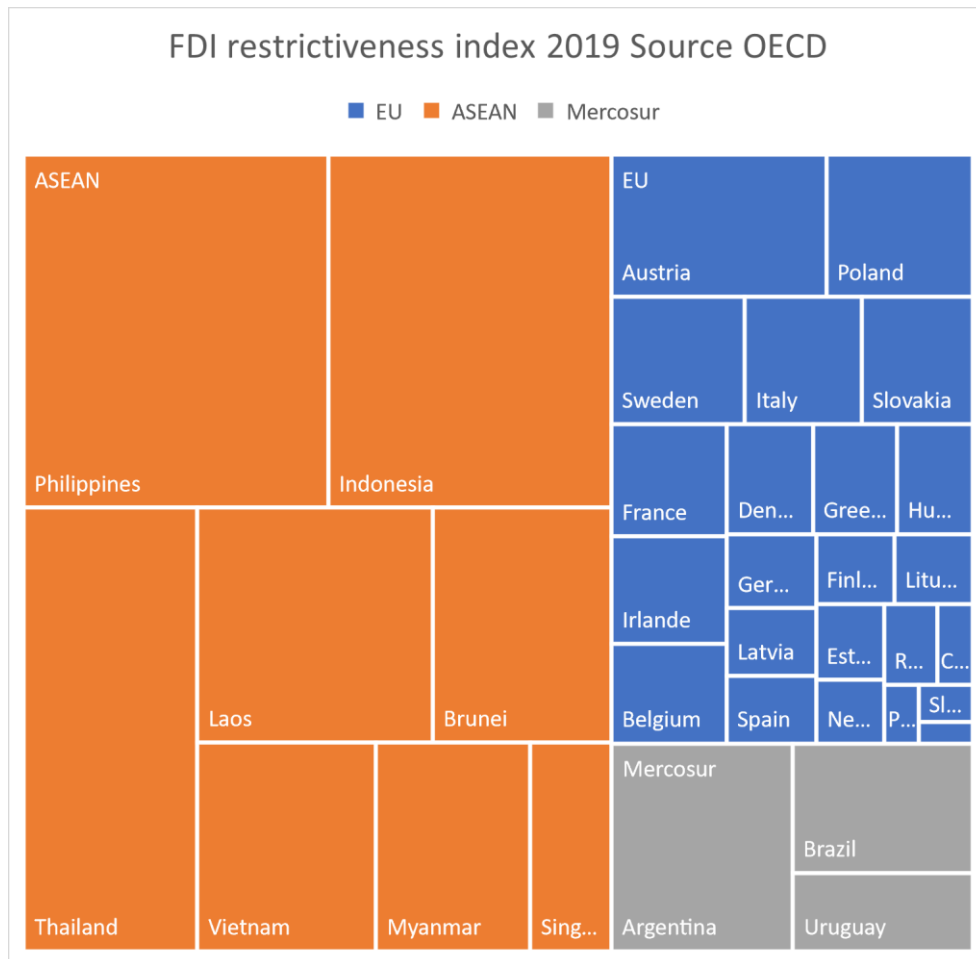
ASEAN

FDI

ASEAN has not established instruments to regulate FDI that might have an impact on resilience and strategic autonomy. On the contrary, as will be specified in Part 3, chapter 7, FDI in the context of the BRI is encouraged, and synergy between the ASEAN connectivity strategy and the BRI is even planned as agreed via the 2019 ASEAN-China Joint Statement on Synergising the Master Plan on ASEAN Connectivity (MPAC) 2025 and the Belt and Road Initiative (BRI) (ASEAN and China 2019). The China-ASEAN Free Trade Agreement and the recent RCEP agreement contribute to enhancing trade and investment with China which is now the largest source

of FDI in ASEAN (Chatterji 2021). However, only Cambodia, Myanmar and Laos – three lower middle-income countries which opened up their once centrally planned economies relatively late – can be considered as being reliant on Chinese FDI. China has invested in Indonesia and Singapore the most. According to the World Bank, Indonesia is a middle-income country with growing income levels and is expected to rise to upper-income status by 2030 (Devonshire-Ellis 2022).

Indonesia is the only G20 member in ASEAN, and with its abundance of natural resources and large domestic market of 275 million, the country offers long-term investment opportunities (Fox 2023). China has seized opportunities to invest in a number of sectors: not only infrastructure (such as the Jakarta-Bandung high-speed railway, a toll road linking Probolinggo with Banyuwangi in East Java province), but also e-commerce, technology, telecommunications, data centres involving Alibaba and Tencent, and mining in particular nickel mining and processing. ASEAN Briefing, July 21, 2022. 2023 Foreign Investment Opportunities in Indonesia (Devonshire-Ellis 2022). China has also shown interest in the space industry: Indonesia is in discussions with China to collaborate on building launch sites in Biak and Morotai (Sarma 2019). However Myanmar, Laos and Cambodia are also heavily reliant on Chinese FDI. This is because big member states do not necessarily rely on FDI or alternatively that other foreign investors from industrialised economies are far more entrenched (Tong, 2021). Others rely more on FDI from ASEAN sources as well as the “Triad” which provides and receives most of global FDI: the US, the European Union and Japan (Tong 2021, 3). There can be fluctuations over time though: Singapore has replaced China as the leading investing country in Cambodia in 2021, accounting for six projects, or 40 percent of Cambodia’s inward FDI, according to the Investment Monitor’s ‘2022 Inward FDI Performance Index’ (Global Data Investor Monitor 2021).



Graph 6. FDI restrictiveness index in the EU, ASEAN and Mercosur

Gong holds that almost all regional states are supportive of the BRI but that Southeast Asian countries and ASEAN as a grouping deeply distrust China (Gong 2019). The latest Survey of State of Southeast Asia confirms this trend (Seah et al. 2023). Challenges, as analysed by Gong, include (1) the concern that the BRI could undermine the centrality and unity of ASEAN because China's bilateral approach could weaken the current mode of ASEAN-led regionalism and over time lead to some sort of China-centric regional economic integration; (2) the growing trade imbalance in favour of China which has led to rising concerns over China's strategically motivated economic leverage in the SCS; (3) Chinese investment may lead to 'debt-trap diplomacy' which may increase China's political leverage; (4) Countries that

lay claim to the SCS rarely open their deep sea ports to Chinese investments (Gong 2019, 645).

However, ASEAN has not mounted a regional response to ensure that outward investments from China do not deteriorate ASEAN's autonomy. Taiwan made a striking decision to de-risk relations with China in 2014 when it decided not to ratify a free trade agreement with China (The Cross-Strait Service Trade Agreement, commonly abbreviated CSSTA and sometimes alternatively translated as the Cross-Strait Agreement on Trade in Services). The treaty aimed to liberalise trade between the two economies in service industries such as banking, healthcare, tourism, film, telecommunications, and publishing. It was the subject of intense controversy in Taiwan. For ASEAN to cope with challenges posed by China, - but also by changing patterns of investment and slowing productivity - some consider that structural reforms and deeper integration between ASEAN member states is imperative (Azis 2018).

Defence and security

Distinguishing between defence and security matters when it comes to international cooperation. Maritime security generally refers to measures designed to protect against unlawful acts such as piracy, armed robbery, terrorism and maritime violence, illegal trafficking of goods and people, illegal fishing and pollution. A lot of cooperation is taking place between ASEAN MS on maritime security, and the rising cases of Trafficking in Person exacerbated by the misuse of technology has led to ASEAN mechanisms being synergised.⁵³ In terms of defence, China's influence on issues that affect ASEAN's security includes China's infringement on five ASEAN member states' sovereignty in the SCS, arms sales to ASEAN member states, and military cooperation in the form of training as well as building infrastructure. The SCS disputes concern China's claims of sovereignty over the Paracels (between Vietnam and China) and the Spratlys

⁵³ § 18. Chairman's statement at the 42nd ASEAN Summit in Labuan Bajo, Indonesia, 10-11 May 2023.

(between China, Taiwan, Brunei, Malaysia, the Philippines and Vietnam), disputed maritime boundaries related to the use of Exclusive Economic Zones (in connection with the suspected potential of oil and natural gas resources), and control of the islands in the South China Sea (one of the most important waterways in the region) (Vu and Nguyen 2014), and since 2021 the incursions of Chinese coastguard boats into Indonesia's EEZ around the Natuna Islands (Anwar 2022, 3; Giese 2021, 94).

Southeast Asia is one of the regions which has seen its defence equipment procurement budget increase the most over the last ten years (+57% between 2006 and 2016) (1), not only because of the risk of insurrection, terrorism and piracy, but also because of the threat from China (Boisseau du Rocher 2018, 106).⁵⁴ China's arms sales to ASEAN member states, according to SIPRI, are far greater than those to the EU and Mercosur (see Table 10 #), however, setting aside the need to compare this with trade between ASEAN and other external states (such as Russia)⁵⁵ or the US⁵⁶, such trade needs to be differentiated between member states and the level of technology involved. Myanmar was the biggest recipient of Chinese arms between 2014 and 2021, while Indonesia - which inter alia buys radars, missiles, and on-board weapons systems from China - and Singapore have in substance a cautious approach to cooperation with China in relation to arms sales, for political and technological reasons, including the risk of techno-industrial espionage

⁵⁴ 'Despite being home to one of the fastest-growing economies in the world, their defence budgets remain small. According to the Stockholm International Peace Research Institute (SIPRI), in 2021, the countries of Southeast Asia collectively spent USD43 billion on defence, accounting for a mere 2% of global defence spending.' (Faiz 2023, 5)

⁵⁵ 'In the past two decades, Russia has been the largest supplier of arms to Southeast Asia, which has amounted to USD11 billion in sales since 2000, compared to the United States' USD8.4 billion. In addition to the concerns of supplier-based dependence, such incompatibility will create interoperability issues and complicate multilateral operations. Southeast Asia will need to take stock of its capabilities, make viable investments in capacity building and narrow the gaps between its members for seamless cooperation.' (Faiz 2023, 6)

⁵⁶ 'We see escalating posturing from the American side, marking the first time in three decades that the Philippines announced giving the United States access to four more military bases, building new facilities and placing armaments' (Faiz 2023, 6).

(Boisseau du Rocher 2018, 110). In addition to the risk that arms diplomacy will lead to political dependence, there is also the potential problem of interoperability (Faiz 2023, 5). Concerning infrastructure, besides the militarisation of artificial islands in the SCS, the modernisation of the Ream naval base in Cambodia is a case in point. It is allegedly being extended with the assistance of China and will include a section that will exclusively be used by the Chinese military (Doung, Kang, and Kim 2022). This naval base, which both Cambodia and China's governments have denied exists (Doung, Kang, and Kim 2022), would constitute China's second overseas military base, the first being located in Djibouti.

The main ASEAN institution that addresses defence is the ASEAN Defence Ministers' Meeting (ADMM) which is a platform for intraregional cooperation. Its establishment in 2006 to provide an institutionalised mechanism for the ASEAN defence establishments to strengthen trust and regional security cooperation was a breakthrough in ASEAN institutionalisation: it marked the formalisation of multilateral defence diplomacy and cooperation in the region. As Faiz underlines, it is one of the few platforms that host top-level ministerial defence and security mechanisms directly accountable to ASEAN leaders (Faiz 2023, 3). Yet its track record is not considered to be 'the most encouraging' (Faiz 2023, 4).

The effectiveness of the ADMM is curtailed by a lack of coherence in foreign policy which manifests in several ways. First, the specific security architecture in which ASEAN MS have agreements with specific military powers. As Faiz explains, in a speech given in May 2023 at the National Resilience College, Malaysia:

'What stands out more is that individual members states have their security arrangements with different military powers; the Philippines and Thailand are now non-NATO treaty allies of the United States; Malaysia and Singapore are members of the FPDA [Five Power Defence Arrangements] with Australia, New Zealand and the United Kingdom; and Brunei has a security arrangement with the United Kingdom after gaining independence in 1984. On the other hand, Laos, Vietnam and Myanmar, due to differing political ideologies, as

well as different waves of political upheavals, have openly rejected joining any military alliance with any external powers. In light of this, the question then is: how can ASEAN open the path towards a truly holistic outlook on cooperation, where we can include defence elements without perceiving it as pre-empting to conflict?' (Faiz 2023, 2).

Faiz considers that it is important to recognise that neither ASEAN nor its member states have ever or will have any common enemies (Faiz 2023, 7). The lack of collective interest in tackling the SCS disputes because of their diverse impacts on ASEAN member states does not contribute to a coherent foreign policy either. Countries such as Cambodia, Thailand and Laos do not share the same degree of concern or commitment as Vietnam and the Philippines – and now Indonesia – about the South China Sea's waters.

The commitment to the ASEAN way does not contribute to building a coherent foreign policy. The ASEAN way is a code of conduct for regional political action in Southeast Asia which prescribes 'respect for state sovereignty and independence, the right to freedom from external interference, non-interference in the internal affairs of member states, the peaceful settlement of disputes, the renunciation of the threat or use of force and effective cooperation (ASEAN Secretariat, 1976, 2007)' (Giese 2021, 891). The commitment to the ASEAN way, which forbids intervention in the affairs of another state, also further deepens the institutional weakness of ASEAN which has not responded effectively to the Myanmar coup in February 2021. The Burmese Army (Tatmadaw) put an end to some fifteen years of gradual liberalisation of the regime, which had raised hopes that the country was on the road to democratisation. The reaction of the population was immediate, leading to the organisation of a widespread movement of civil disobedience. French Ambassador Christian Lechervy provided an alarming account of the situation in February 2023, two years after the coup. He reported that within a year, between 2022 and 2023, there had been 19000 casualties, two thirds of the country were experiencing a state of violence, 60 000 resistants had taken refuge in the mountains, villages were burnt down, and a remilitarisation of state apparatus had taken place (Lechervy 2023).

The ASEAN's 5-point consensus has been seen as 'utterly ineffective' and Faiz deems that 'The absence of a concrete institution-based response shows again the strategically comatose state it is in' (Faiz 2023, 7). He suggests that the experience of other ROs may be useful and points to the transformation of the Organisation of the African Union to the African Union, to solve ineffectiveness, in which the legal framework allows the organisation to intervene in a situation involving a member state, following a decision by the assembly of heads of state, in the event of international crimes or a request by member states to intervene in order to restore peace and security (Faiz 2023, 8).

	EU		ASEAN		Mercosur	
Member states						
	Slovakia	13	Indonesia	195		
			Cambodia	3		
			Laos	63		
			Malaysia	78		
			Myanmar	767		
			Thailand	396		
Suspended states						
					Venezuela	250
Assoc./candidate countries						
	Serbia	11			Bolivia	25
					Peru	13
TOTAL		24		1502		288

Table 10. Arms sales from China to the 3 ROs MS and associated MS (2014-2021).

Source: author's compilation from SIPRI Arms Transfers Database

Figures are SIPRI Trend Indicator Values (TIVs) expressed in millions.

Cybersecurity

There are high levels of cooperation between ASEAN member states on computer emergency response teams (CERTs) thanks to efforts made in the early 2000s to boost the region's ICT sector. However, only in recent years

has ASEAN moved towards formalising existing CERT cooperation. While cyber security issues used to be treated under broader economic and political security platforms, there are now dedicated platforms established to discuss cyber-security intra and extra-regionally. However, the cyber-security architecture remains fragmented and the region which lacks capacity and cyber-security professionals has not agreed on a strategic approach towards cyber security yet (Kai Lin 2023, 3).

In contrast to the EU, 'ASEAN's current cyber-cooperation architecture lacks a clear political authority and is loosely dispersed across various sectoral platforms.⁵⁷ There is a clear need for a framework that connects all cyber-security communities in platforms spanning political-security, technical, economic and law enforcement to support a coordinated response to cyber emergencies on both technical and operational levels. The recently established ASEAN Cybersecurity Coordinating Committee (Cyber-CC), though cross sectoral in nature, only meets annually to promote policy coherence and align regional cyber-security policy with national operational considerations.'⁵⁸

ASEAN's structure as an intergovernmental organisation poses challenges in terms of the formalisation of collaboration structures in response efforts. Under the 'ASEAN Way', member states cooperate based on the principles of respect of sovereignty, consensus-based decision-making and non-interference, which are enshrined in the 2007 ASEAN Charter. As a result, the ASEAN policy making process is slow and its regional cyber policies are limited, lagging behind other regional bodies such as the EU. (Kai Lin 2023, 13) More generally, a lack of trust given the diverse cultural and political context and history across the region is limiting the sharing of threat intelligence⁸³ (Kai Lin 2023, 13). There is an overall disparity in cyber-crime

⁵⁷ Another challenge that ASEAN states face in forming a regional emergency-response capability is the shortage of cyber-security professionals. (Kai Lin 2023, 1)

⁵⁸ The legal source for the document is not accessible in the legal database. It is mentioned in <https://documents.unoda.org/wp-content/uploads/2021/12/ASEAN-Statement-OEWG-First-Substantive-131221.pdf>

laws and enforcement and ASEAN MS have not agreed on an overarching regulation

ASEAN is moving towards the establishment of intergovernmental soft rule regime. During the 2nd ASEAN Cybersecurity Coordinating Committee (ASEAN Cyber CC) held on November 30, 2021, the draft Matrix of the ASEAN Regional Action Plan (RAP) for the Implementation of Norms of Responsible State Behaviour in Cyberspace was presented and adopted. The initial focus of implementing the norms will be on capacity building initiatives.

The ASEAN Outlook on the Indo Pacific

Mercosur

As shown in the introduction, the influence of China in Mercosur under Xi Jinping's presidency when it comes to FDI and defence and security has mainly consisted of FDI in extractive industries: oil, gas, copper and iron ore (Avendano et al. 2017, 6), infrastructure (rail lines , power grids and telecommunications) and has more recently also targeted the service sector. In terms of trade, and especially FDI, China is now the dominant partner in relation to the rest of the Mercosur members. In terms of defence, military cooperation between certain Mercosur member states and China has also grown (in relation to education and training, acquisition of arms and equipment from Chinese vendors but also donation of military and dual-use vehicles to Uruguayan security forces (Ellis 2020) and space observation - see introduction) - except for Paraguay which has recognised Taiwan. This growing influence has not led to the institutional setting of Mercosur being questioned, with the notable exception of the issue of the FTA with China.

Bilateral FTA with China and Mercosur's consensus rule

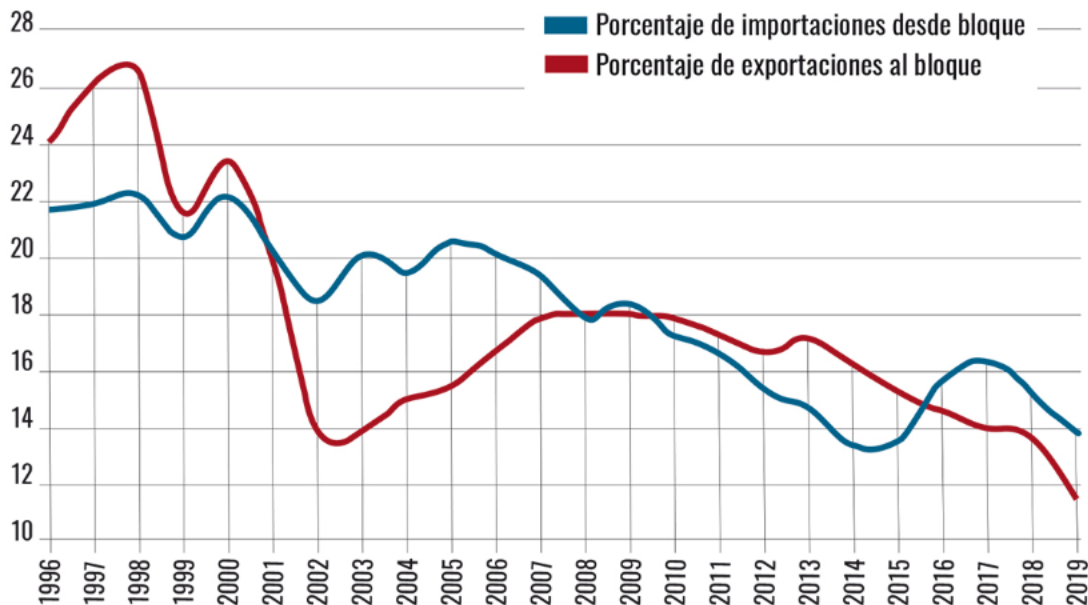
Uruguay which has developed very strong economic relations with China is keen to establish a bilateral FTA with Beijing. This agreement was opposed in 2018 by the presidents of Argentina and Brazil. The Uruguayan decision has fostered heated discussions within the bloc and has even caused concern over Uruguay withdrawing from Mercosur. The idea was publicly expressed by the President of Argentina Alberto Fernandez.⁵⁹ First announced in 2016 with the signing of an agreement in principle with China that was due to take effect in 2018, the agreement was opposed in 2018 by the presidents of Argentina and Brazil. Since its creation 30 years ago, Mercosur has never had such an uncertain future. Integration is weakened by the loss of trust among its members and by new global balances (Malacalza and Tokatlian 2021).

Although Mercosur voted in 2017 a decision to facilitate investments within Mercosur (Consejo Del Mercado Común 2017) - intraregional trade and investment have been decreasing since 1998 - and Mercosur largely depends on external trade while being more widely affected by the loss of trust between its members and by the new global balance (see Graph 7).

'According to the Economic Commission for Latin America and the Caribbean (ECLAC), the decline in intra-regional trade began to manifest itself steadily from 2011, and was sharply accentuated by the growth in demand for primary products from China, which at the same time contributed to the acceleration of a process of 'prioritisation' of the South American bloc's external insertion profile.' (Malacalza and Tokatlian 2021).

⁵⁹ 'I apologize. We don't want to be a burden for anyone. If this burden weighs (on you), it's better to abandon the ship [i.e., leave Mercosur]. We don't want to be a weight on anyone. Let's be finished with these ideas. For me, it's an honor to be part of Mercosur' (Sanders 2022).

Evolución del comercio entre los miembros de Mercosur



Graph 7. Evolution of Mercosur internal trade 1996-2019.

In blue: percentage of imports inside Mercosur. In red: percentage of exports inside Mercosur.

Source: Gráfico: Adriana Exeni. Reproduction from (Malacalza and Tokatlian 2021)

Hoffmann describes Mercosur as being dependent on traditional North-South patterns of trade and deems that the rise of China and demand for commodities has not changed how vulnerable Mercosur is: 'on the contrary, it has only increased the "primarization" of economies and dependence on external investment' (Hoffmann 2021, 122). Avendano et al. recommend that in order to retain their autonomy, Latin American countries should use regional platforms to strengthen the region's bargaining power in upcoming negotiations with China. This situation, however, is unlikely to happen as China favours bilateralism. Hashmi also points to the fact that China, rather than signing a free trade agreement with Mercosur has increased FDI in the region and established partnerships with individual governments and corporations (Hashmi 2016, 170).

This situation is expected to continue as Mercosur countries cannot compete with Chinese enterprises without developing a clear short and long-term strategy' (Hashmi 2016, 170). So far, Mercosur has relied on a rule that prevents a member state from engaging on a bilateral level with an external state: Decision 32/00 on the relaunch of Mercosur, 2000 (Decision n 32/00 Relanzamiento del Mercosur 2000) (Consejo Del Mercado Común 2000). This Decision commits states to jointly negotiate agreements of a commercial nature with third countries or groupings of countries outside the region in which tariff preferences are granted. However, its enforcement, given the weakness of the arbitration mechanism in Mercosur (Doctor 2020), relies more on a political leverage. Mercosur therefore is institutionally poorly protected against Chinese economic influence over its member states – but this does not prevent Brazil for example from expanding its trade cooperation with China, as it did after Lula da Silva's visit to China in April 2023.

Cooperation in defence policy: a blind spot?

Mercosur has become increasingly active on security issues in its external affairs despite the fact that it has no security competencies per se (Frenkel 2019). The security issues at stake mainly relate to reducing the influence of the US, tackling the issue of terrorism, and for Argentina, to situate itself as a relevant security actor in the international arena. Frenkel specifies that 'Argentina did not conceive of Mercosur in purely economic terms, but also offered to advance 'strategic' areas such as defense, even when Brazil was against it.' Mercosur has never had an ambitious agenda vis-à-vis security and defence, unlike the Organization of American States (OAS) or UNASUR (Hoffmann 2021, 124). The eradication of the barriers preventing cooperation in economy were transferred to the area of defense (Frenkel 2019, 204), but the importance of the principle of sovereignty has not been formally or informally attenuated and has prevented Mercosur from engaging in integrated security policies (Oelsner 2011). More specifically, factors that have been decisive in preventing the institutionalisation of defence issues in Mercosur are perceived by Frenkel to include the preeminence of the

economic sector; the different levels at which the Armed Forces of each member state exert civilian control (which includes the “sovereignty problem”), and the different conceptions that each country has of defence and security” (Frenkel 2019).

In the late 1980s and the early 1990s, there has been a transformation in the objectives of the block in terms of economy and security, with limited institutionalization and reduced to a purely economic-commercial agenda. As part of this new direction, there was a growing emphasis on the institution's role as a strategy for global economic integration and the concept of integration as a path to development and autonomy was left aside (Frenkel 2019, 204). In this context, the influence of China in security issues is expanding in the member states of Mercosur, as it develops in the economic sector. China officially supported strengthening military ties with Latin America (and the Caribbean and South Pacific) in its 2019 National Defence White Paper (State Council Information Office China 2019). China's security engagement in Latin America encompasses the armed forces and defence policies in the region: Latin American and Caribbean militaries have gradually expanded their engagement in terms of education and training with the People's Liberation Army, and bought arms and equipment from Chinese vendors (Weiffen and Villa 2017, 8) (see Table 10). Regarding Mercosur member states, since 2017, the PRC has annually donated approximately USD \$5 millions worth of military and dual-use vehicles to Uruguayan security forces (Ellis 2020). China's investment in a 'space observation station' in Las Lajas, Argentina in particular raises questions because of the opacity in the way it functions and because China's space program is run by its military, the People's Liberation Army (Garrison 2019). The lack of transparency is deeply concerning the Argentinian government but also the US government (Charon 2023).

With regard to cybersecurity, Latin American is affected in the same ways as other regions, in its private and public sectors, in its business activities

and electoral processes. Chinese and North Korean groups have been targeting the region's governments, nongovernmental organizations, and private companies reportedly since 2017 (Hurel and Devanny 2023). However Latin America has some bright spots when it comes to cybersecurity, and progress has been inconsistent (Hurel and Devanny 2023). Brazil passed a data protection law and developed a national cybersecurity strategy which improved its level of cyber security. Brazil is now ranking in 18th place in the Global Cybersecurity index, Uruguay 64th, Paraguay 84th and Argentine 91th (ITU 2020). Technical cooperation has taken place with OAS since 2003 but a coordination of approaches remains difficult given the various degrees of development of the countries and of digitalisation (Council on Foreign Affairs, 2023).

Conclusion on vertical differentiation

The rise in supranationalism in the EU

The results of the study show that the EU, in terms of regional instruments aimed at addressing the influence of China, has a much higher percentage of supranational instruments (75%) than intergovernmental instruments (25%), a proportion which shows the suitability of this mode of governance in a situation that involves external stress. Such suitability had been put into question in the wake of the financial crisis and the management of the euro crisis in the EU which has cast doubt on the possibility of making quick decisions when responding to market speculations or unexpected events and has given rise in the academic literature to claims that a renewed intergovernmentalism is occurring in the EU (see chapter one) (Fabbrini 2016, 594; Schmidt 2016, 13; Smeets and Beach 2020, 2). The most relevant policies are the 2019 FDI screening regulation, the establishment of the EDF and the creation of DG DEFIS), the cybersecurity Act (NIS2). According to our first hypothesis, the EU institutional responses in terms of vertical differentiation contribute to resilience and strategic autonomy. They constitute a balancing strategy – in the sense of the reinforcement of the RO's strength to an external threat.

No major changes in ASEAN and Mercosur

There is no vertical differentiation in ASEAN or Mercosur as the two ROs only rely on one mode of decision-making which is intergovernmentalism (see Graph 5). This configuration offers less flexibility to face external challenges as it does not provide the institution the choice to use guidance for overcoming member states preferences.

ASEAN and Mercosur can however use intergovernmental decision-making process but it has not led to strong responses to Chinese influence despite the two ROs being impacted by Chinese assertiveness in FDI and in terms of security by the South China Sea and extending disputes for ASEAN, and by increased military cooperation between China and the member states of both ROs.

Conditions for resilience

The analysis of the relevance of differentiation to resilience points to a more complex situation than one might think. As other factors than differentiation may play out in the equation between institutional responses and resilience (see chapter 2), one of them stand out: the stringency of the instruments. The stringency of an instrument refers to several dimensions: its formal tightness (precision, scope, enforcement) and its substantive ambition REF. The ASEAN way has long been questioned in terms of its performance to solve problems (Deinla 2017). The case of the ADMM The issue of stringency is also at stake in the EU as evidenced in the case of the FDI screening regulation which is a regulation and as such is mandatory, but somehow paradoxically it does not contain an obligation: the low stringency of the regulation undermines its efficiency. Such flexibility granted to member states in the implementation of a policy can be considered as equating to a non-institutionalized internal differentiation.

The two next chapters examine internal and external differentiation, two mechanisms respectively defined as : (1) the non-uniform application of RO

rules concerning primary or secondary law to member states (internal differentiation), and (2) the application of RO rules concerning primary or secondary law to non-member states (external differentiation) (Leuffen, Rittberger, and Schimmelfennig 2022).

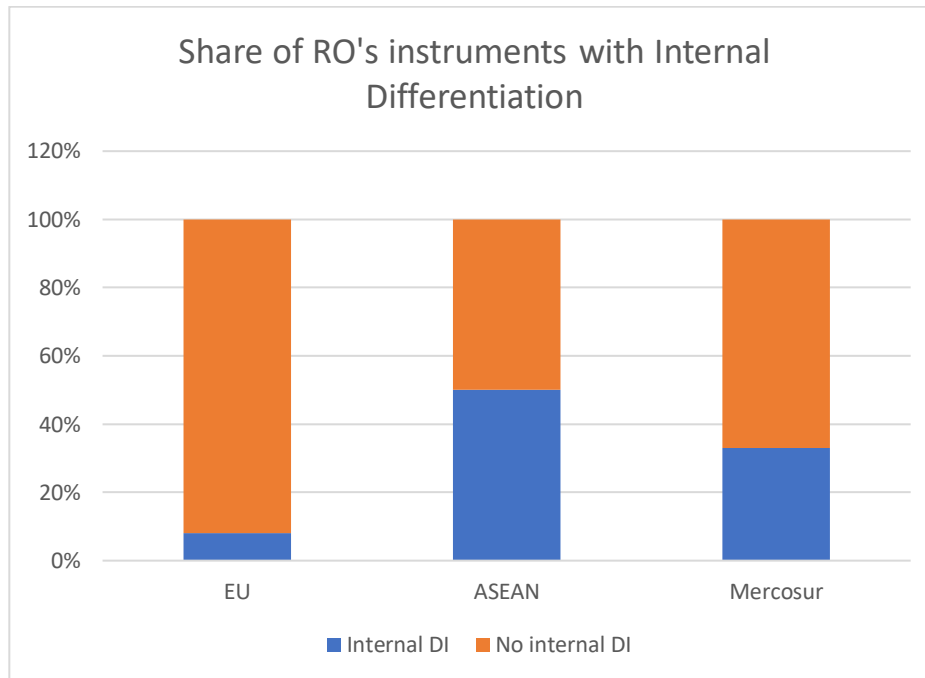
Chapter 4

Internal differentiation

According to the hypotheses of this research, internal differentiation is conducive to resilience in relation to external stress when it brings about the most unified response possible. The hypothesis on internal differentiation is subdivided into three propositions (see Table 7). First, internal differentiation has a positive impact on resilience if it prevents the RO from stagnating in relation to a crucial policy that aims to address external challenges, or when the policy relates to excludable goods (H1b1). These two propositions can be complementary: they both apply for instance to the case of the EU security and defence policy. Second, internal differentiation has also a positive impact on resilience when it strengthens the RO's cohesion by diminishing economic disparities (e.g., cohesion policies) (H1b2). However, internal differentiation has a negative impact on resilience if it creates disunity, for example when it means that the protective effect of an instrument on the functioning of the whole RO is weakened by uneven participation (H1b3).

After discussing how differentiation in these policies contribute or not to resilience and strategic autonomy, this chapter briefly examines H1b3 with the case of the FDI screening regulation: interestingly, this policy does *not*

present features of internal differentiation but has not succeeded so far in forging a strong unified response among member states.



Graph 8. Share of RO's instruments with internal differentiation

Internal differentiation to avoid stagnation and enhance participation

The strides of PESCO

CSDP is defined and implemented by the European Council and by the Council. Permanent Structured Cooperation (PESCO) is enabled by Article 42(6) TEU. The Permanent Structured Cooperation in the area of security and defence policy was established by a Council decision on 11 December 2017, with initially 25 EU Member States, to jointly plan, develop and invest in

shared capability projects, and enhance the operational readiness and contribution of armed forces (Council of the European Union 2017). PESCO had to be entirely designed: 'There was nothing, the treaties were quite silent. The idea of having an umbrella, of having created commitments, of having projects, a procedure for launching projects, a procedure for evaluating projects, all of this had to be invented at the time, written down and constructed.'⁶⁰ PESCO has a two-layer structure: at the Council level, the Council is responsible for the overall policy direction and decision-making (EEAS 2022c). At the project level, each project is managed by the group of Member States that take part in it, under the oversight of the Council. Legal acts are adopted by unanimity (except decisions regarding the suspension of membership and entry of new members, which are taken by qualified majority). Only PESCO members can take part in the vote. Another step in institutionalisation is achieved with the reinforced role of the Secretariat of PESCO which is tasked with mapping PESCO projects with a view to improving upon synergies and creating further clusters. Differentiation in PESCO can be analysed at several levels (primary, secondary, tertiary) as elaborated by Blockmans and Crosson (Blockmans and Crosson 2022). This section considers the primary level (participation of member states) and secondary level (participation of third countries amongst other variables) and does not delve into the tertiary level which refers to governance aspects.

Progress in cooperation in defence issue in the EU has proven difficult without differentiation, leading to the consensus according to which differentiation is considered to be 'the norm in EU defence policy' (Blockmans and Crosson 2019, 1). All EU member states have joined PESCO, except Malta. Differentiation in PESCO at the level of participation of MS consists in one opt-out: Malta, who wants to see how PESCO develops first since it may violate the Maltese Constitution which has a neutrality clause. Denmark, which has had an opt-out from the CSDP until June 2022, became in December 2021 a party to the European patrol corvette programme, which

⁶⁰ Interview, European Union member state, December 2022.

is a PESCO project and is now a full member.⁶¹ Initially, Poland expressed hesitancy towards the notion of EU defense integration due to concerns that it might undermine NATO's steadfast commitment to provide assistance in critical situations. Due to concerns about potentially weakening NATO's commitment to provide assistance in times of crisis, the Polish government ultimately decided to join PESCO as a result of the political dynamics set in motion by the prospect of Brexit and the Trump presidency (Blockmans and Crosson 2022, 381).⁶² The scope of projects covered is wide (60 projects have been launched as of 2022) and increasing with new projects, inter alia covering cybersecurity and C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance).⁶³ Eight MS are party to the CRRT (Cyber Rapid Response Teams and mutual assistance in Cybersecurity).⁶⁴ Interestingly, cybersecurity policy, when it touches upon commercial aspects (and therefore when the EU has shared competences) is not internally differentiated (see the NIS2 in chapter 3, but externally differentiated as explained in chapter 5). However, under the intergovernmental cooperation dynamics driven by PESCO in matters of defence, the cybersecurity policy is internally differentiated and allows a

⁶¹ The external dimension of PESCO which sees Norway, the US and Canada joining some project of PESCO, is examined in chapter 5 dedicated to external differentiation.

⁶² Poland signed a defence cooperation agreement with the US in August 2020: the United States–Poland Enhanced Defence Cooperation Agreement (Republic of Poland Ministry of National Defence 2020). “In a joint letter of 13 November 2017 addressed to the HR, the Ministers of Foreign Affairs and National Defence of Poland set out three conditions for Poland’s participation in PESCO: primacy of NATO’s defence planning process; competitive, innovative and balanced development of the European defence industry in order to suit the needs of all the member states involved; and a ‘360-degree approach’ to security threats with particular attention paid to the eastern flank” (Blockmans and Crosson 2022, 388).

⁶³ However some projects are stalled. Today, 30% to 40% of projects are no longer progressing. (Interview, EU member state, December 2022).

⁶⁴ To date, eight EU countries – Belgium, Croatia, Estonia, Lithuania, the Netherlands, Poland, Romania and Slovenia – have signed the memorandum of understanding for the project. <https://www.pesco.europa.eu/project/cyber-rapid-response-teams-and-mutual-assistance-in-cyber-security/>

'cooperation of the willing'. The case of the cybersecurity policy testifies of the complementary offered by the institutional design put in place in the EU.

The efficiency of PESCO is ensured with a conditional membership, which is only open to those Member States who have accepted the 20 binding commitments. However, compliance is not guaranteed: if PESCO does provide for the possibility of suspending a member state, 'that nuclear option is unlikely ever to be used' (Biscop 2020, 7). Furthermore, until recently, the precision of the commitment was so low that it was quite feasible to formally comply without actually doing very much that one wasn't doing already (Biscop 2020, 7). Progress was assessed by the High Representative and the Council as not sufficient, namely on operational commitments and on those related to the European collaborative approach (Council of the EU 2020, 4). Only 26 projects are expected to deliver concrete results or reach full operational capability by 2025. The strategic ambition is also considered to need improvement. However, the 16 November 2021 Council Recommendations set detailed benchmarks for member states' progress towards fulfilling PESCO's more binding commitments (European Council 2021). The capacity to increase capability initiative has also been enhanced with the proposed review process known as the 'Strategic Review'.

Considerations in ASEAN and Mercosur for non-traditional security

As far back as 2001, in his contribution on 'Institutions and Processes: Dilemmas and Possibilities,' Simon Tay considered that ASEAN should foster cooperation and not just peaceful coexistence between member states, and to allow 'coalitions of the willing' to 'pioneer new initiatives' and not wait upon the consensus of the entire 10-member grouping:

'From unanimity and consensus to coalition of the willing: While ASEAN unity and consensus continues to be important, there is an increased need to emphasize the legitimacy of some member states to

pioneer new initiatives and/or proceed at a faster pace than others. This is necessary, given the divergence among the ASEAN members in their capacity and their inclinations. These “coalitions of the willing” should not be a source of disagreement in ASEAN, provided that the general direction of such initiatives is welcome and the coalitions remain open for all to join’ (Tay 2001, 268).

Since then, internal differentiation has evolved in a minimal way. The 2007 ASEAN Charter provides in Article 31 that each ASEAN Community Council shall prescribe its own rules of procedure, and that ‘in the implementation of economic commitments, a formula for flexible participation, including the ASEAN Minus X formula, may be applied where there is a consensus to do so’ (ASEAN Secretariat 2007). The Charter also specifies that the ASEAN Community Security sets its own rules, with no further details. With respect to security, there has been no attempt to formally apply those principles to sub-security cooperation apart from at least two initiatives: the ASEAN Convention on CounterTerrorism (ACCT), which was established in 2007 and entered into force in 2011 after being ratified by only six out of 10 member states (Tan 2020, 30), and ‘Our Eyes Initiative’, a minilateral cooperative arrangement aimed at countering terrorism which includes Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. ‘Our Eyes’ envisages the establishment of centres in each ASEAN member country whose purpose would be to facilitate intraregional communication, intelligence sharing and counterterrorism cooperation among and across national defence (as well as homeland security) establishments (ADMM 2018). However, these initiatives have not been established in relation to Chinese influence, but in relation to the fight against terrorism.

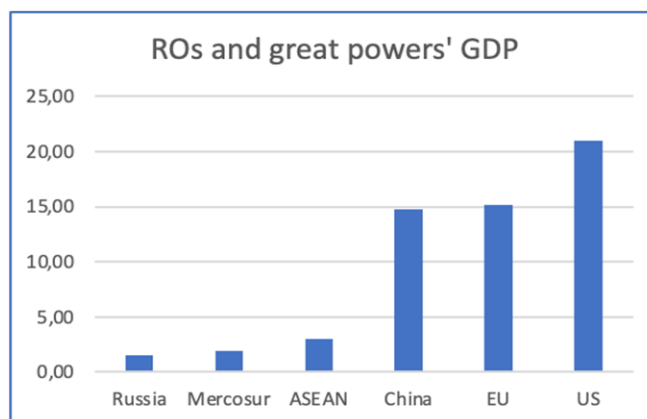
In Mercosur, differentiation in defence issues was discussed at the earlier stages of Mercosur (Frenkel 2019) but the proposal did not receive the approval of all Member States. As in ASEAN, a few sub-cooperation mechanisms exist in the area of security but they are not related to Chinese influence, nor to defence. Among those instruments are the Security Plan for

the Triple Border, and the Plan of Cooperation and Mutual Assistance for Regional Security. Both initiatives focus on addressing issues considered primarily as public security issues such as drug trafficking, terrorism, money laundering or smuggling (Frenkel 2019, 205).

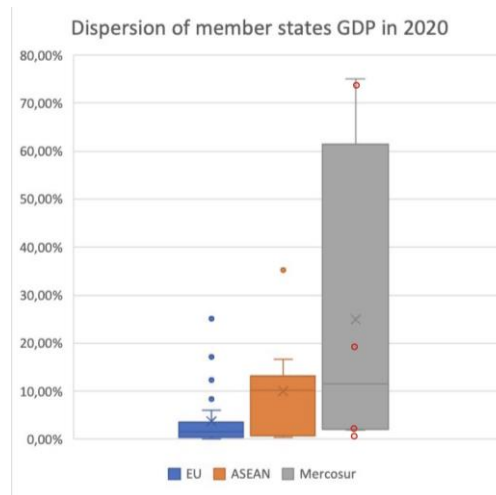
Internal differentiation to limit intra-bloc economic asymmetry

Economic asymmetries in a RO constitute a vulnerability which can be used by an external power to create divisive lines within a regional block as seen in the introduction. The economic disparities within the EU, ASEAN and Mercosur are conversely proportional to their GDP (see Graph 9 and Graph 10).

The EU has mechanisms to reduce economy asymmetry within the block but they are less relevant than the two instruments selected for this research: the EU invest Plan and the EU invest plan for the Balkans which have both been specifically established to support EU investments and enhance resilience vis-à-vis Chinese influence in the wake of the Covid crisis, and which are discussed in chapter 5 as they are not internally differentiated but they are externally differentiated.



Graph 9. EU, ASEAN and Mercosur GDP in 2020 expressed in US \$. Source: World bank. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN>



Graph 10. Dispersion of member states GDP in 2020. Source: own compilation on OECD and World Bank indicators

ASEAN: the ACIA and the IAI

The variation in GDP per capita among ASEAN countries is quite high, with Singapore - 58,902 US dollars and Myanmar - 1,527 US dollars (2019). The highest share of ASEAN's GDP accounts for Indonesia (35.4%), followed by Thailand (17.2%), Philippines (11.9%), Singapore (11.7%), Malaysia (11.5%) in 2019. Whereas, Brunei, Cambodia and Laos represent the smallest share of ASEAN's GDP, all under 1% (ASEAN stats, 2020). According to the World Bank classification, based on gross national income, the region has six "lower middle income countries" (Laos, Cambodia, Burma, Vietnam, Philippines and Indonesia), two "upper middle income countries" (Thailand, Malaysia) and two "high income countries" (Brunei, Singapore) (Direction Générale du Trésor 2023).

The 2009 ASEAN Comprehensive Investment Agreement (ASEAN 2009) which established to facilitate FDI in ASEAN countries includes flexibility provisions (article 23) for the least developed MS (the so-called CLMV countries: Cambodia, Laos, Myanmar, Vietnam): it grants them special and differential treatment through technical assistance to increase their capacity

in relation to investments policies, and flexibility with regard to their commitments. The Initiative for ASEAN Integration, which dates back 2001, is another instrument displaying features of internal differentiation. Its ambitions to ensure the benefits of ASEAN integration are equitably shared, narrow the development gap within ASEAN and helps the newer member States (Cambodia, Laos, Myanmar, Vietnam) to 'enhance ASEAN's competitiveness as a region' (ASEAN Secretariat 2020b) (see the Gini index in Graph 20 and Graph 22).⁶⁵ The structure of the IAI Work Plan IV is based around five strategic areas, i) Food and Agriculture, ii) Trade Facilitation, iii) MSMEs, iv) Education, and v) Health and Well-being. ASEAN considers that there has been significant progress since the launch of the IAI: the Human Development Index for CLMV has increased by 30.4% between 2000 and 2017 compared to 11.9% for the other ASEAN MS (ASEAN Secretariat 2021). However, ASEAN remains the RO which has the biggest disparity in income. Brunei has a Gini index of 63,4 which is also the highest in the world. More to the point, this initiative depends on China's funding which is one of the Partners participating in the Initiative. Furthermore, the benefits of IAI for CLMV countries are associated with a robust growth for inward foreign direct investment (FDI) and higher FDI openness compared to the other ASEAN MS since 2007 and it remains unclear how much China is associated to this investment. Its level of contribution to the IAI budget is not made public either. Therefore the initiative cannot be considered as increasing ASEAN's autonomy vis-à-vis China.⁶⁶

FOCEM

Economic disparities are even bigger within Mercosur than within ASEAN or the EU. The difference in GDP inside Mercosur is striking. Brazil's GDP amounts to 1,84 trillion US, which represents 77 % of Mercosur GDP, while other Mercosur countries' GDP represent 19% (Argentina) , 2,5 % (Uruguay)

⁶⁵ Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution.

⁶⁶ Interview, EU institution, March 2023.

and 1,5 % (Paraguay). The asymmetry of the block is not only jeopardizing regional integration but it facilitates power relations from external hegemony which can use this imbalance to their benefits. Mercosur has developed a common market but it is an incomplete custom union, with no free trade area and no coordination of public policies (Silvero 2016): the small partners Uruguay and Paraguay had to bear the costs of the integration process without any benefit from the agreement itself (Pennaforte and Fávaro Martins 2017). Such a situation creates centrifugal forces: states can be tempted to join other regional fora, such as the Pacific Alliance, which has a more commercial agenda (Pennaforte and Fávaro Martins 2017), favour bilateral trade relations with external partners despite the consensus rule (see chapter 3) or to wonder whether it is worth remaining in the block altogether.

In the early 2000s, Paraguay and Uruguay voiced concerns about increasing internal asymmetries, to which Brazil and Argentina responded with the creation in 2005 of FOCEM – (Hoffmann 2021, 120). FOCEM receives various contributions (97% from Brazil and Argentina) to enable infrastructure building through non-reimbursable resources, particularly in Paraguay and Uruguay which receive 80% of the resources (Pennaforte and Fávaro Martins 2017). All Mercosur member states benefit from FOCEM as there are big inequalities within individual countries (see Graph 20 and Graph 23). Brazil has the biggest GDP of Mercosur but it is also the country which has the highest Gini index, meaning that the country has the highest disparity of incomes among Mercosur.⁶⁷ In terms of GDP per capita, Brazil is also the second-poorest country in Mercosur, above Paraguay but below Uruguay and Argentina.⁶⁸ Therefore in MERCOSUR, size asymmetries are not correlated with wealth asymmetries (Wolleb et al. 2017, 56). FOCEM is seen as a pitfall for members of the entrepreneurial elite, who are concerned about the high costs of the initiative. However, the limited budget and segmented approach of FOCEM failed to adequately address asymmetries or foster deeper integration in terms of boosting competitiveness (Doctor 2020, 14)

⁶⁸ In 2022, GDP per capita in \$US in 2022 are as follow: Uruguay: 20795 - Argentina 13886 - Brazil: 8917,7;; Paraguay: 6153,1. Data: World Bank.

This absence of FOCEM could mean the defection of the bloc's smaller partners in the short term (Pennaforde and Fávoro Martins 2017) showing that the low level of integration acts as an impediment to the efficiency of regional cohesion in Mercosur and fragilizes the RO itself.

To address Mercosur intraregional development inequalities, some deem that given the economic problems faced by MS, and especially Argentina, Mercosur cannot solve the cohesion problem without the contribution of extraregional funds.⁶⁹

The absence of internal differentiation to enhance unity

The EU FDI screening regulation is an interesting case in point. It does not provide differentiated mechanisms. The possibility of a differentiated policy with a “multispeed option” was envisaged, as Member States had become increasingly divided on the proper scope and mission of the EU, as an institution, but ‘several hurdles, some perhaps insurmountable, to multispeed cooperation on FDI’ appear under current treaty law (Lundqvist 2018: 1). The Regulation is thus not internally differentiated, but somehow paradoxically, it has not succeeded in forging a real unity among member states. Actually, its very lax stringency, unexpected with regard to its formal legal nature as a regulation offers, as seen in chapter one, a large margin of leeway for Member States not to engage in a screening mechanism, therefore not to take action. This level of flexibility could be considered as having an equivalent effect to that of an internal differentiation mechanism playing against unity, and lowering down the efficiency of the instrument.

Conclusion on internal differentiation

Internal differentiation is seldomly used in the three ROs in the specific context of counterweighing the influence of China and strengthening economic and defence resilience. Internal differentiation is used in the EU for one instrument only on twelve regional instruments (see Graph 8). The EU

⁶⁹ Interview, Mercosur member state, December 2022.

uses internal differentiation to avoid stagnation (H1b1) in defence and security policy, and more specifically in the case of PESCO. ASEAN and Mercosur use internal differentiation to reduce economic asymmetries within the RO and increase cohesion (H1b2) with the IAI and FOCEM respectively. The instance in which internal differentiation is used in the EU (H1b1: to prevent the RO from stagnating in relation to a crucial policy) – PESCO – has proven to be very efficient as it has initiated a process of cooperation that has progressively been enlarged to other member states and has deepened in terms of the scope of areas of cooperation. The internal differentiation mechanisms put in place in ASEAN and Mercosur (in particular the IAI and FOCEM) to reduce economic asymmetry and strengthen cohesion, have proven both *indispensable* – their absence would be detrimental to the functioning of the RO – and *insufficient* in scale to effectively reduce asymmetries and ensure resilience in relation to Chinese economic influence.

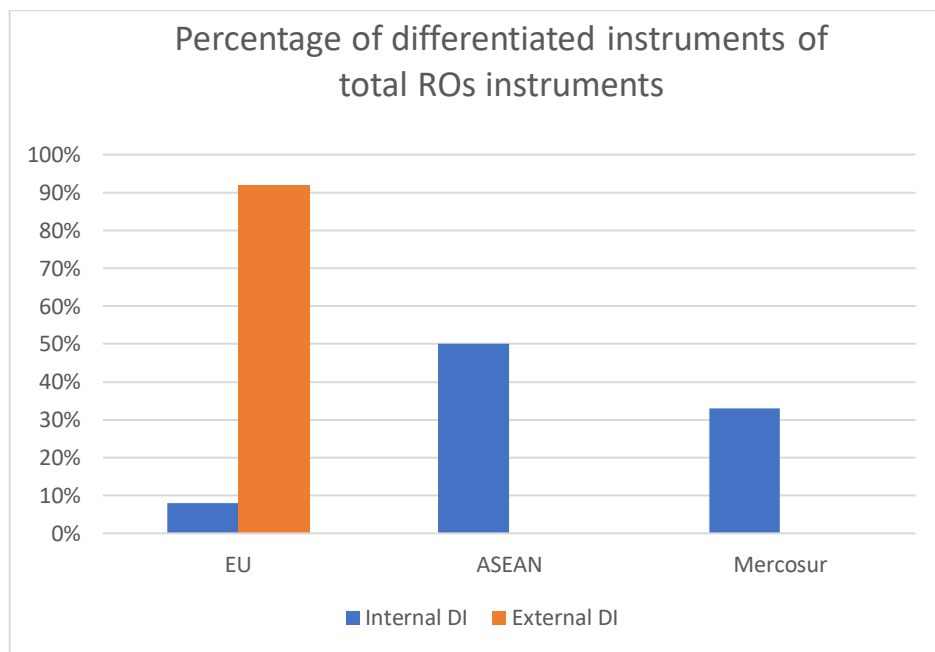
Chapter 5

External differentiation

The external differentiation hypothesis, H1c (see Table 7), posits that external differentiation reinforces resilience when it extends the protective rules of the RO to third countries, and in so doing provides the RO with a broader unified cooperation in relation to an external power concerning both policies under scrutiny: trade and security. External differentiation increases the number of parties through the enlargement of the geographical scope of cooperation, but in contrast to external cooperation, external differentiation implies that external differentiation is defined as the application of an RO's rules concerning primary or secondary law to non-member states (see Table 5).

ASEAN makes minimal use of differentiation and in contrast to what existing studies on comparative differentiation suggest, it does not use external differentiation. Instead, ASEAN widely develops external cooperation, as shown in Part 3. Mercosur does not use external differentiation either, in the areas under scrutiny, with the exception of FOCEM, the structural fund, which has an external dimension as some projects are open to participation of external states; however, these projects

are not concerned with countering Chinese influence.⁷⁰ External differentiation plays a major role in the EU's response to an increasingly assertive China (82% of regional instruments). EU instruments which are externally differentiated are of a diverse legal nature. They include policies, but the research also considers strategies to be important policy documents as they define the EU's overall political goals which are to be developed and translated into policies and initiatives. This chapter is organised in two sections dedicated to EU instruments. The first one presents the 2021 EU's Pre-Accession assistance instrument, the second external differentiation in relation with trade and investments, the third on EU strategies towards China, and the fourth focuses on defence and security.



Graph 11. Distribution of differentiation in the EU and ASEAN in relation to the rise of China

70 FOCEM projects. <https://focem.mercosur.int/es/proyectos/> One of the projects involves Bolivia.

Pre-Accession assistance and accession criteria

In light of the increased influence of China in the Western Balkans, the EU sees the prospect of EU membership as an important catalyst for reforms, with the ultimate goal being stabilisation and development under EU influence at a time when other global players, in particularly China, Russia, and Turkey, are asserting their interests in the region (Rant, Mrak, and Marinč 2020).

The BRI but also institutional platforms (such as the China-Central and Eastern European Countries forum, also known as the 17+1 forum or 16+1, depending on which countries are assumed to be members), have raised a great deal of concern due to their potential divisive effect on the EU, and undermining impact on democratic values, in particular during the Covid-19 crisis (Budeanu 2018; Cécile Pelaudeix 2021). Serbia has also amplified disinformation – its government overstated Chinese support in the fight against the Covid-19 pandemic, and spread confusing information about EU policies that understated EU support (Seaman 2020). A supposed lack of solidarity on the part of the EU during the pandemic was extended beyond health policies to the Pre-Accession EU policy: circulated by the Serbian government, an alleged lack of support on the part of the EU for Serbia which, in turn, has been contradicted by several sources, including both the European parliament (Van Overtveldt 2022) and the Center for Strategic and International Studies in Washington DC (Conley et al. 2020: 4). According to EU sources, the EU provided 1.539 billion euros of assistance to Serbia through the Instrument for Pre-Accession Assistance for the period 2014-2020 (Van Overtveldt 2022). Serbia's European Integration Ministry reports that China has pledged 56 million euros to Serbia since 2009, but has only provided about 6.6 million euros. The report by the Center for Strategic and International Studies indicates that China is only the fifth largest donor to Serbia, and that the EU is Serbia's largest donor by far, followed by Germany, the US, and the United Nations (Conley et al. 2020: 4). Notwithstanding this, the Serbian population is still convinced that China is more supportive of Serbia than the EU (Hartwell and Vladislavljev 2020). Serbia is also buying arms from China (see Table 10) and has received an official visit from

Chinese defence minister Wei Fenghe in March 2021. Wei Fenghe, also visited North Macedonia, Hungary and Greece, a visit to Europe which is reported to have come on the backs of European plans to send warships to the South China Sea for joint exercises with the United States (RFI 2021).

As an EU candidate country, Serbia has to align with the EU on foreign policy issues, but this alignment has greatly decreased in recent years, shifting from 99 per cent harmonisation in 2012 to 57 per cent in 2019 (Novaković, Albahari, and Bogosavljević 2020). The 2021 Regulation for Pre-Accession assistance (IPA III) (European Parliament and Council of the EU 2021)⁷¹ aims to maintain the Union's effectiveness in external action. It is a key instrument in the Union enlargement policy which the EU sees as 'a strategic investment in peace, security, stability and prosperity in Europe and allows the Union to be better positioned to address global challenges'.⁷² The Regulation covers Albania, Bosnia and Herzegovina, Iceland, Kosovo, Montenegro, North Macedonia, Serbia and Turkey for the period 2021-2027. States that are willing to accede to the EU and therefore benefit from the EU's assistance have to respect the Union values as enshrined in Article 49 TEU, but also to fully meet the Copenhagen criteria established by the Copenhagen European Council in 1993 and strengthened by the Madrid European Council in 1995.⁷³

⁷¹ The general objective of the regulation reads: 'The general objective of IPA III is to support the beneficiaries listed in Annex I in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries to comply with Union values and to progressively align to Union rules, standards, policies and practices ('acquis') with a view to future Union membership, thereby contributing to mutual stability, security, peace and prosperity.'

⁷² Preamble 5.

⁷³ The Copenhagen criteria are: (1) the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; (2) a functioning market economy and the ability to cope with competitive pressure and market forces within the EU; (3) the ability to take on the obligations of membership, including the capacity to effectively implement the rules, standards and policies that make up the body of EU law (the 'acquis'), and adherence to the aims of political, economic and monetary union. See (European Council 1993), and (European Council 1995).

The Maastricht Treaty was established against the background of the end of the Cold War and the reunification of Germany, and in anticipation of accelerated globalisation. Following the implosion of the Soviet Union, the conditions for accession for countries within Central and Eastern Europe were specified in the Treaty and in the Copenhagen criteria. EU conditionalities attached to the enlargement policy are therefore not only concern economic governance, the strengthening of democratic institutions and public administration reform, but also EU foreign policy, which candidate countries have to align with.

Preamble (8) of the IPA III makes it clear that committing to the EU values includes 'progressive alignment with the Union's common foreign and security policy, in particular on issues where major common interests are at stake, such as restrictive measures and tackling disinformation and other hybrid threats.' New provisions were introduced in the IPA III, which may protect candidate countries against any detrimental influence on the part of China. Article 18 on Information, Communication and Visibility provides that IPA III should support strategic communication and public diplomacy, including the fight against disinformation, with a view to communicating the Union's values as well as the results achieved by the Union's actions. Regarding how tight the Regulation is, clear targets and indicators are specified in the Commission Implementing Decision of 10 December 2021 (European Commission 2021d) with a list of key performance indicators in the annex, which was not included in IPA II. The degree of assistance depends on the performance of the beneficiaries. Reinforcement of the support afforded to candidate countries and of the application of the conditional rules for accession allows the EU to strengthen its resilience through external differentiation.

Investment policies

Three instruments that address investments are of interest when understanding the relation between differentiation and resilience in relation to Chinese influence: the 2019 FDI Screening Regulation, the 2020 Invest Plan for the Balkans, and the 2021 Invest EU programme. As seen in chapters 3

and 4, the FDI Screening Regulation is a key instrument put in place by the EU amid growing outward Chinese investments in strategic sectors. The Regulation concerns an area in which the EU has exclusive competences – as far as FDI concern a company situated in the EU⁷⁴– it is not internally differentiated: according to our hypotheses, these two features are conducive to resilience. The Regulation is not externally differentiated: it has no EEA relevance, which limits the regulatory coherence inside the overall EEA (the EU Member States and the three EFTA-EEA states, Iceland, Norway, and Lichtenstein). Experts deem that extending the regulation so that it becomes relevant to EEA would be counter-productive, as the unit dealing with FDI in the Commission only comprises a dozen persons.⁷⁵ Norway has chosen to introduce its own national rules in the Security Act. The Act entered into force on 1 January 2019 but has not been applied in significant matters to date (Langseth and Tønseth 2022).

The 2020 Invest Plan for the Western Balkans⁷⁶ aims to support the economies of the countries which were already lagging behind in terms of economic convergence with the EU and have been massively disrupted by the Covid-19 pandemic crisis, as well as strengthen the appeal of EU investment and compete with Chinese investments in the Balkans. China's business and investment activity in relation to third countries, including the Western Balkans, the EU's neighbourhood and Africa may result in high-level indebtedness and transfer of control of strategic assets and resources. European companies face a lack of a level playing field when competing in third countries' markets with Chinese companies enjoying access to state backed loans and export credits at preferential rates, and the application of advantageous corporate and labour standards (European Commission, High Representative 2019). The Invest Plan for the Western Balkans complements

⁷⁴ The European Court of Justice in Opinion 2/15 decided to consider the EU-Singapore FTA as a mixed agreement. See (CJEU 2017).

⁷⁵ Interview, European Union institution, December 2022.

⁷⁶ The conditionalities for complying with the European Union values and of strengthening the rule of law, democracy, and respect for human rights also apply to the Economic and Investment Plan for the Western Balkans. They also include the fight against corruption and structural economic reforms.

the 9 billion euros of funds originating from the IPA III,⁷⁷ and will boost the investment capacity of the region by the mobilisation of a new Guarantee to raise investments of up to 20 billion euro.⁷⁸ For all of the Western Balkan partners, the EU is the largest trade partner, accounting for over 69.4 per cent of the region's total trade in 2019, and it intends to remain so. In terms of FDI, EU companies are by far the leading investors in the region, accounting for approximately 65.5 per cent of the total FDI stock in the region in 2018 (European Commission 2020a). The Invest Plan for the Western Balkans covers transport, energy, the environment and climate, digital infrastructure, human capital (youth), and private sector competitiveness.

The Invest EU Regulation was established in 2021 (European Union 2021a) to improve the competitiveness and cohesion of the Union, and aims to mobilise more than €372 billion of public and private investment through an EU budget guarantee of €26.2 billion. It is externally differentiated in that it applies to the European Free Trade Association, acceding countries, candidates and potential candidates, countries covered by the European Neighbourhood Policy and potentially other countries. The speed with which the Invest Plan for the Western Balkans and the Invest EU Regulation were adopted testifies to the remarkable way in which differentiation has been used to strengthen the EU's resilience, particularly during the Covid crisis, which China has tried to use to advance its influence in Europe.

EU Strategy on China

Three strategies have forged a landmark in EU policies towards China: firstly with the 2019 EU-China Strategic Outlook, and then the Global Europe and the Global gateway strategies, which were both released in 2021.

⁷⁷ The Commission's proposal for an Instrument for Pre-Accession Assistance (IPA III) amounts to over 14 billion euros for the period 2021-2027, of which the lion's share (9 billion euros) is destined for the Western Balkans.

⁷⁸ An additional Covid-19 EU Support Package of 3.3 billion euros has been provided for the region.

The 2019 EU-China Strategic Outlook

The 2019 EU-China Strategic Outlook testifies to a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted, and specifies a trio of considerations which guides the EU's policies in relation to China:

'China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.' (European Commission, High Representative 2019, 1).

This strategy focuses on EU partners and recommends that the EU should apply the existing bilateral agreements and financial instruments more robustly.

Global Europe

Global Europe - or NDICI-Global Europe - is the short name for the Neighbourhood, Development and International Cooperation Instrument that entered into force on 14 June 2021 (European Union 2021b). It aims to increase the coherence and ensure the effectiveness of the Union's external action, and therefore improve the implementation of the various external action policies⁷⁹, such as sustainable development in relation to regional conflicts, terrorism, economic inequalities and growing migratory pressures. Its external differentiation dimension relates to the enunciation of conditions for EU cooperation with all third countries⁸⁰ including those in the

⁷⁹ In accordance with Article 8(1) TEU, the Union is to develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation. The Instrument should contribute to that objective. Preamble (4) Global Europe.

⁸⁰ When providing budget support in accordance with Article 236 of the Financial Regulation, the Commission shall clearly define and monitor criteria for budget support conditionality, including progress in reforms and transparency, and shall support the development of parliamentary control, national audit capacities and increased transparency and public access to information. Article 27 (4).

Neighbourhood, Sub-Saharan Africa, Asia, the Pacific, the Americas and the Caribbean. The financial envelope for the implementation of the Instrument for the period from 1 January 2021 to 31 December 2027 is nearly EUR 80 billion. It includes inter alia support with capacity building of military actors in terms of development, including training, mentoring and advice, as well as the provision of equipment, infrastructure improvements and services directly related to that assistance. The EEAS states that NDICI-Global Europe is currently being mobilised at its full potential to address the situation both in Ukraine and in other partner countries.

The 2021 Global gateway

The Global gateway is the EU's strategy for 'connecting the world together', an EU plan for major investment in infrastructure development around the world (European Commission and High Representative 2021a). It covers 5 areas, namely: digital (supporting an open and secure internet); climate and energy (supporting investment in the transition to clean energy); transport (supporting green, smart and safe transport); health (strengthening supply chains and local vaccines production); education and research (investing in high quality education, focusing in particular on girls, women and vulnerable groups). It is considered the EU's response to the BRI. The first response to the Chinese initiative came in 2015 from Japan, which proposed the Partnership for Quality Infrastructure, an initiative dedicated to beneficiaries in Asia, with a 5-year budget of USD 10 billion. In 2016, the Partnership for Quality Infrastructure was expanded globally, and the allocated budget was raised to USD 200 billion (European Economic and Social Committee 2021). It was only in June 2021 at the G7 meeting in Cornwall, UK, that it was decided that a global alternative should be created – the Build Back Better World Initiative. At the time, China had already invested more than half of its total BRI funds earmarked for the period between 2019 and 2027, i.e., USD 1,2 – 1,3 trillion, as estimated by Morgan Stanley Research' (European Economic and Social Committee 2021). The Global Gateway proposes up to 300 billion euros in investment up to 2027. It distances itself from the Chinese proposal by insisting on principles of trust

and transparency: 'The European model of trusted connectivity in partner countries is long-term and in line with EU's interests and values: rule of law, human rights and international norms and standards.' It is open to cooperation with like-minded partners. The Joint Communication does not specify who the beneficiaries ('partners') are. Conditionalities are not specified but the Global Gateway supports investment which respects 'the highest social and environmental standards, in line with the EU's democratic values and international norms and standards' (European Commission 2021c).

External differentiation in relation to defence and security

PESCO

The internal differentiation dimension of PESCO was presented in chapter 4. As far as external differentiation is concerned, the participation of third States in PESCO projects is subject to certain conditions (Council of the European Union 2020). The external differentiation element of PESCO was anything but self-evident and it took almost two years' negotiation to be agreed on.⁸¹ It is now recognised as a means of enhancing the EU's response, to 'pav[e] the way for stronger and more ambitious defence cooperation with partners in the EU framework' (Council of the EU 2020). Following the requests by Canada, Norway and the United States of America to participate in the PESCO project on Military Mobility, on 6 May 2021 the Council adopted positive decisions authorising the coordinator of this project – the Netherlands – to invite the three countries to join. Canada, Norway and the United States of America were the first third states to be invited to participate in a PESCO project (EEAS 2022c).⁸² The UK applied to join PESCO project on Military Mobility in July 2022. PESCO also provides rules for suspended participation: third countries may be suspended for failing to fulfil their obligations, and for not complying with political and institutional

⁸¹ Interview, European Union member state, November 2022.

⁸² Decisions regarding third States participation are taken by unanimity by the 25 PESCO participating Member States, in accordance with Article 46(6) of the Treaty on the European Union.

conditionalities contained within Council Decision 2020/1639, especially that which regards good neighbourly relations.

EDF and NIS2

The EDF and NIS2 are instruments that were explored in chapters 3 and 4 respectively, which present external differentiation features. Article 5 of the EDF specifies that it shall be open to the participation of those members of the European Free Trade Association that are also members of the EEA, in accordance with the conditions laid down in the Agreement on the European Economic Area (see Map 5. EU internal and external differentiation). This external differentiation allows the EU to cooperate with key states with respect to defence matters in Europe and in the Atlantic Ocean and boost the European Defence Technological Industrial Base which will strengthen the EU's strategic autonomy.

Similarly, the NIS2 extends the EU's protecting measures concerning cyber security to EEA countries. The NIS2 requires Member States to adopt national cyber security strategies and to designate or establish competent authorities, cyber crisis management authorities, and single points of contact for cybersecurity and computer security incident response teams (CSIRTs).

Conclusion on external differentiation

The EU is the only RO which has used external differentiation. Indeed, external differentiation and external cooperation are not defined any differently in the academic literature. Drawing on Pedreschi and Scott (2020), the definition of external differentiation which is used in this research – the process through which a third country either adopts an RO's law or aligns its law with the RO's primary or secondary law – results in many instruments that were previously assessed as being externally differentiated being reassessed as actually belonging to the category of external cooperation (the ASEAN +3, ADMM+, the ARF...).

According to hypothesis H1c on external differentiation, the extension of the protective rules of the RO to third countries (broader unified cooperation) is conducive to resilience. The results show that external differentiation is used by the EU to a great extent: 92 % of EU regional instruments are externally differentiated. The FDI screening regulation is the only exception. External differentiation is used in policies that range from the pre-accession instrument to the NIS2 Directive on Network Infrastructure security.

Conclusion of Part 2

The potential and the limitations of differentiation

The contribution of differentiation to resilience and strategic autonomy

The EU makes an extensive use of differentiation where Chinese influence is concerned. It has established a great number of policies which display differentiated mechanisms in a way which, according to our hypotheses, strengthens its resilience and strategic autonomy. Policies are relatively diverse. As explained in chapter 2, instruments were selected on the basis of their relevance to the research question and the two policies of trade and security. Regarding security, the research did not consider instruments aimed at countering terrorism. Policies include inter alia: investment (protection against FDI potentially affecting security or public order; support of investment in the EU, in the Western Balkans, and in the world), cybersecurity (establishment of national cybersecurity strategies and competent authorities for cyber crisis management; Cyber Rapid Response Teams and mutual assistance in cybersecurity in the context of PESCO); defence and security (strengthening of the European Defence Technological Industrial Base by means of the EDF – and the related creation of DG DEFIS)

to enhance the competitiveness and innovation of the European Defence industry; 68 projects related to defence in the context of PESCO since 2017); and four strategies dedicated to the EU's relations with China, investment and security in Europe, investment in the world, and the EU's strategy for the Indo-Pacific.

As far as internal and external differentiation are concerned, 92% of EU regional instruments are externally differentiated (11 of 12 instruments), and 8 % are internally differentiated (one instrument). Both the internal and external differentiation dimensions of PESCO have had a beneficial effect on resilience as they have allowed state participation to be enlarged (Denmark has joined PESCO, Norway, the US, and Canada are participating in a project and the UK has applied to do so), and they have enabled cooperation to be deepened as well, as the number of projects has increased from 17 projects in 2017 to 68 in July 2023.

Interestingly, the EU has not given up on conditionalities which are central to external differentiation. It is now China which is trying to make its offer look more virtuous.

The development of regional instruments by the EU testifies to a very dynamic response in the EU in terms of vertical, internal and external differentiation, a response which strengthens its resilience and strategic autonomy and amounts to a balancing strategy.

Compared to the EU, the regional instruments established by ASEAN and Mercosur a which can be considered as potentially having an effect on resilience in relation to China are strikingly low in numbers and only a few are differentiated. The policies involved relate to reducing economic symmetry, and the strengthening of inward FDI.

The limitations of differentiation

Although differentiation can be a powerful mechanism and is used extensively by the EU, Part 2 of this report has also shown that the reality is more complex and attaining resilience and strategic autonomy requires that

certain conditions be fulfilled. The importance of stringency in facilitating resilience has been brought to light, a condition which is lacking in the FDI screening regulation as well as the ASEAN way. Supranationalism in the EU without stringency leads to mixed results. Intergovernmental cooperation without stringency is also problematic.

Another limitation of differentiation has to do with the characteristics of the international system, within which ROs interact with states. Regional instruments, and their external differentiation which project a normative power beyond the RO's borders, are not the only tools at the disposal of ROs. If resilience or strategic autonomy can be attained through the strengthening of a regional organisation (hypothesis 1), it can also be pursued through external cooperation (H2 and H3). External cooperation in the form of partnerships is even more extensively used by the EU and ASEAN in their responses to the growing influence of China (see Graph 14). External cooperation and its potential contribution to resilience and strategic autonomy, in the context of balancing, hedging or bandwagoning strategies, is the subject of Part 3 of this report.

Part 3

EXTERNAL COOPERATION: BALANCING, HEDGING AND BANDWAGONING

China's attempt to reform global governance, increase economic advantage and form political allegiances sparks various responses from ROs. Part 2 of the present volume has shown that the EU is the RO which is engaging in by far the most profound changes in terms of regional integration and intergovernmental cooperation. However, although resilience or strategic autonomy can be reached through the strengthening of a regional organisation (hypothesis 1), resilience can also be pursued through external cooperation (hypotheses 2 and 3). External cooperation as defined in chapter 2 consists of a formal mechanism through which an RO and a third state agree to find solutions to common problems without requiring the third country to adopt an RO law or to align with its law. This research analyses two types of external cooperation: partnerships and regional fora. The second hypothesis (H2), which characterises a situation whereby balancing and hedging are taking place, assumes that ROs cooperate with external

partners that are influential in the region to tighten their resilience and that this strategy is conducive to resilience, and to strategic autonomy when there is engagement with like-minded partners. The third hypothesis (H3) suggests that ROs engage in bandwagoning to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation mechanism is based on the norms of the hegemon, a situation which can jeopardize resilience and does not allow for strategic autonomy. Part 3 is divided into two chapters; chapter 6 looks at balancing and hedging, and chapter 7 examines bandwagoning.

Chapter 6

Balancing and hedging: in search of resilience and strategic autonomy

In international relations theory, balancing and hedging are two strategies that states use to manage their relationships with other states. While both strategies aim to maintain security and protect national interests, they differ in their approaches and objectives. Balancing refers to a situation whereby the power of a dominant state is challenged or a coalition is created through alliances or an internal military build-up, while hedging emphasises the maintenance of flexible and diverse relationships to manage risk and maximise opportunities in an uncertain world. In practice, these concepts are also understood and used in different ways. As explained in chapter 1, we extend the internal dimension of the definition of balancing: in this research, balancing not only refers to a military build-up, but to the strengthening of the institutional set-up of the RO. Second, we define international cooperation as involving strategic partnerships and regional fora.

Partnerships are a type of bilateral relations that inherently concern security issues (Renard 2016, 33), and which are increasingly being undertaken, and are tending to replace alliances which are regarded as static and rigid (Tyushka and Czechowska 2019, 8-9). Strategic partnerships are not

necessarily solely formed due to friendly relations, and neither do they occur among friendly powers, nor do they automatically transform rival powers into allies (Tyushka and Czechowska 2019, 14). However, an evolution seems to have taken place over recent years in terms of the importance assigned to strategic and therefore to their labelling.

'The attribution of the label has a strategic consequence, which is precisely what we've been sitting on for years, considering that the term strategic was so shiny and would diplomatically allow us to have a form of gateway and, to notch at the highest level of bilateral relations. Which is already wrong. And above all we realised that at the strategic level there was implicitly a great hierarchy. So what happened, and I think this is the case for France of course, but also for several European countries, was that we ended up with Partners who are, I wouldn't say cumbersome, but who make less sense in strategic terms.'⁸³

Concretely, a France-China strategic partnership may be at the same level than a France-US partnership but in substance, they are very different. There is a sort of 'survivance' of this term but the problematic use of the term in some partnerships cannot be reversed, as it could damage the bilateral relationship.

Fora are platforms which are also used to address specific regional concerns. One element that is of interest for the purpose of this research, which addresses resilience and strategic autonomy, is the flexibility that a forum provides and the fact that an RO which has established a forum can retain a specific status and exercise different types of power: the RO can exercise leadership power (which means for example that the RO sets the agenda), and/or act as a convening power (which implies that the RO has a neutral position and endeavours to reach compromises) (see chapter 1).

Chapter 6 is dedicated to hypothesis 2. According to the English School, strategic partnerships are a secondary institution (Evelyn Goh 2020). The

⁸³ Interview, EU institution, July 2023.

norms that supposedly underpin the agreement are shared norms between the RO and its partner, which are supposedly in line with international society norms: strategic partnerships are therefore theoretically conducive to resilience (H2). And such is the case with regional fora led by ROs: they can be conducive to resilience, but it is more doubtful that they will contribute to the attainment of strategic autonomy if China, as an illiberal hegemon, is associated with the forum.

The chapter is structured as follows: the first section analyses the EU's establishment of strategic partnerships, focusing first on the partnerships that are specifically dedicated to trade and investments, and then partnerships that concern security. The second section looks at ASEAN partnerships. The EU-Mercosur agreement is analysed from the EU's perspective (the first section) and Mercosur's perspective (the third section).

The EU: a balancing strategy

It is worth reminding ourselves at the beginning of this section that the EU position on China relies on a trio of considerations which presents China as a 'cooperation partner, a negotiating partner, and a systemic rival in promoting alternative models of governance' (EEAS 2022a).⁸⁴ The EU maintains cooperation and political dialogues on climate change but also on drugs, with further dialogue in July 2022 (European Commission 2022a). Furthermore, the EU insists on an 'open strategic autonomy' which means that although the EU has adopted a regulation on FDI screening which potentially affects security and national order, it remains open to FDI from China. Thirdly, the EU emphasises the need to de-risk the present state of international relations (European Council 2023a).⁸⁵ Indeed, strategic

⁸⁴ See also

⁸⁵ 'The European Union and China continue to be important trade and economic partners. The European Union will seek to ensure a level playing field, so that the trade and economic relationship is balanced, reciprocal and mutually beneficial. In line with the Versailles agenda, the European Union will continue to reduce critical dependencies and

autonomy is conceived not as an isolated phenomenon but as a cooperative endeavour: 'European strategic autonomy will require internal political and economic resilience and unity, far greater responsibility and risk taking in surrounding regions, and the governing of global interdependences by partnering in multilateral formats' (Tocci 2021, 38). The analysis of the EU external cooperation mechanisms of importance in terms of resilience and strategic autonomy distinguishes two types of cooperation: an EU-led forum of great significance, the European Political Community which has an innovative format, and the traditional bilateral or multilateral partnerships.

An EU-led forum: The European Political Community (2022)

While the EU has developed differentiation to the point of describing it as a 'system' of differentiated integration (Leuffen, Rittberger, and Schimmelfennig 2013) and is increasing its use of external differentiation in trade and security policies, it has also recently engaged in informal external cooperation, as exemplified by the European Political Community, a forum which endeavours 'to reach out to the countries of Europe beyond the accession process' (European Commission 2022b).⁸⁶ Proposed by the French President on 9 May 2022 at the closing ceremony of the Conference on the Future of Europe, the European Political Community met for the first time in Prague on 6 October 2022 under the Czech Presidency of the Council of the European Union, at an inaugural Summit of 44 European Heads of State and Government. The second meeting took place in Bulboaca, Moldova and gathered together 45 countries (European Council and Council of the European Union 2023).

vulnerabilities, including in its supply chains, and will de-risk and diversify where necessary and appropriate. The European Union does not intend to decouple or to turn inwards.'

⁸⁶ 'We will continue our cooperation with candidate countries in the Western Balkans, along with Ukraine, Moldova and Georgia, in view of their future accession to the Union. We will maintain our support for the Eastern Partnership and Southern Neighbourhood. In addition, we will actively contribute and feed into the work of the future European Political Community to reach out to the countries of Europe beyond the accession process.' (European Commission 2022b, 9)

The war in Ukraine and the fact that the most affected countries are not EU or NATO members has provided new impetus for finding a creative framework that will bring the whole of Europe together to discuss questions that affect the continent (Martinez and Droin 2022). However, the platform also provides an important opportunity for states in the EU's neighborhood, be they candidates or not, to engage in political dialogue and build trust at the same time that China is creating alternative platforms like such as the China-Central and Eastern European Countries forum (see introduction and chapter 5) which is attempting to sow division both in the EU, and between the EU and the candidate countries (Foreign Policy Association of the Republic of Moldova 2022).

The question of whether the EPC is a form of differentiation is a very interesting one. According to the definition we rely on, the EPC is not a differentiated mechanism. However, if the European Political Community does not emanate from the EU, there are connections between the forum and the EU: the letter of invitation for the first meeting in Prague was sent by Charles Michel, President of the European Council, and the host country was the Czech Republic, which held the Presidency of the European Council at the time. Currently, the EPC Summits are organised on a rotating basis by each participating country with the host alternating between an EU and a non-EU member state (The Republic of Moldova 2023). The second meeting in Moldova in 2022, was the first EPC Summit hosted by a non-EU country. The third meeting will be held in Granada, Spain in 2023. Still connected to the EU, the EPC is an innovative framework, the ambition of which goes far beyond integration: it creates new ways of sharing expertise, as well as values and a sense of a common destiny (Chopin, Macek, and Maillard 2022). Further elaboration on the question is provided in the conclusion.

Partnerships

Partnerships established by the EU in response to Chinese influence and covered by this research essentially concern two regions: the Euro-Atlantic and the Indo-Pacific. South America should also be added considering the strategic relevance of the EU-Mercosur agreement. Partnerships have been concluded with ASEAN, NATO, Japan, Singapore, Indonesia, the Philippines, Thailand,

Malaysia, the US, Singapore, Vietnam, India and Mercosur. A full list is presented in annex 9. All have a security dimension, but only a few explicitly involve security issues and are labelled 'strategic partnerships.' This section presents the main agreements that are examined.

The EU-US TTC

In order to overcome global trade challenges, the EU and the US established a joint trade and technology council in 2021, the EU-US Trade and Technology Council (TTC). The establishment of the TTC took place in the context of growing trade tension between the US and China and the risk of a de-coupling of the two economies, and amid the EU ambition to develop an 'open strategic autonomy.' The EU and the US met to discuss the 'issue of sovereignty vis-à-vis China'⁸⁷, and they reaffirmed their openness to foreign investment which was highlighted as 'being essential for economic growth and innovation'. The objectives of the TTC are to coordinate approaches to key global technology, economic, and trade issues; and to deepen transatlantic trade and economic relations, basing policies on shared democratic values. The resulting agreement from the aforementioned meeting, the EU-US Trade and Technology Council Inaugural Joint Statement, includes a provision on investment screening in its section 2:

'We also face common challenges in addressing related risks. We intend to maintain investment screening in order to address risks to national security and, within the European Union, public order. We recognise that our investment screening regimes should be accompanied by the appropriate enforcement mechanisms. Furthermore, investment screening regimes should be guided by the principles of non-discrimination, transparency, predictability, proportionality, and accountability, as set forth in relevant OECD guidelines. We also intend to engage with partner countries and

⁸⁷ Interview, EU member state, November 2022

stakeholders on investment screening' (European Union and United States 2021).

As explained by an interviewee, the US are very interested in EU initiatives that concern standard-setting tools, the ability to have a vision of supply chains and electronic chips: 'They are aware that there is something we can do together.'⁸⁸ A working group is specifically dedicated to screening investments. It is tasked with focusing on exchanging information on investment trends that affect security; on best practices, including risk analysis and risk mitigation systems, with the emphasis on focus on sensitive technologies and related sensitive data, which may include personal data; and together with other groups, including Export Controls, develop a holistic view of the risk-addressing policy tools that concern specific sensitive technologies.

The 2023 EU-NATO joint declaration

Cooperation between the EU and NATO, which began in 2003, has been increasing inter alia since 2016 (European Council and Council of the European Union 2023). Since then Finland has joined NATO, and Sweden's accession protocol is in the process of being ratified. On 10 July 2023 President Erdogan announced that Turkey will ratify Sweden's accession protocols. In addition to Sweden, four EU member states are not covered by the EU-NATO agreement: Austria, Cyprus, Ireland and Malta. Due to the Ukraine war, the EU and NATO have strengthened the degree to which they cooperate, but the 2023 EU-NATO joint declaration also explicitly mentions China (European Union and NATO 2023), which was not the case with the previous joint-declaration of 2018. In 2022, for the first time, NATO mentioned China in its Strategic Concept:

'The People's Republic of China's (PRC) stated ambitions and coercive policies challenge our interests, security and values. The PRC employs a broad range of political, economic and

⁸⁸ Interview, EU member state, November 2022

military tools to increase its global footprint and project power, while remaining opaque about its strategy, intentions and military build-up. The PRC's malicious hybrid and cyber operations and its confrontational rhetoric and disinformation target Allies and harm Alliance security. The PRC seeks to control key technological and industrial sectors, critical infrastructure, and strategic materials and supply chains. It uses its economic leverage to create strategic dependencies and enhance its influence. It strives to subvert the rules-based international order, including in the space, cyber and maritime domains. The deepening strategic partnership between the People's Republic of China and the Russian Federation and their mutually reinforcing attempts to undercut the rules-based international order run counter to our values and interests'. Nato, strategic concept paper, page 5

The EU- NATO 2023 joint declaration first refers in Point 4 to 'authoritarian actors', which 'challenge our interests, values and democratic principles using multiple means - political, economic, technological and military'. Point 5 is more specific, mentioning China: 'We live in an era of growing strategic competition. China's growing assertiveness and policies present challenges that we need to address'. In Point 12, the joint declaration specifies the way the two organisations plan to strengthen their cooperation: The EU and NATO plan to cooperate in a deeper and more extensive way, on areas such as: 'the growing geostrategic competition; resilience and the protection of critical infrastructure; emerging and disruptive technologies; space; the security implications of climate change; foreign information manipulation and interference'.

Finally point 13 encourages the fullest possible involvement of the NATO Allies that are not members of the EU in its initiatives. During the last NATO summit in Vilnius on 11-12 July 2023, allies have approved the most comprehensive defence plans since the end of the Cold War... [and]

endorsed a new Defence Production Action Plan to accelerate joint procurement, boost interoperability, and generate investment and production capacity (NATO 2023). The strengthening of EU-NATO cooperation comes in support of the view that for the EU strategic autonomy is not to be conceived in antagonistic terms with NATO but rather in close cooperation with the North Atlantic alliance.

The 2020 EU-ASEAN strategic partnership

The EU-ASEAN strategic partnership (2020) which is a milestone in the history of EU-ASEAN relations which date back 45 years signals the growing importance of Southeast Asia for the EU amid growing tension in the region, as well as in the context of its economic attractiveness. It commits parties to regular summits at leaders' level. The first EU-ASEAN summit took place in Brussels in December 2022. This strategic partnership relates to EU resilience and strategic autonomy vis-à-vis China through its two dimensions of trade and security which endeavour to give the EU a stronger role in the region. The ambition is to support both EU interests and international law, in particular when it comes to freedom of navigation.

With the EU-ASEAN strategic partnership, the EU intends to contribute to the region's stability, security, prosperity and sustainable development, in line with the principles of democracy, rule of law, human rights and international law. The partnership covers 7 policy areas: sustainable and inclusive prosperity, ocean governance, connectivity, human security, green transition, digital governance and partnerships, security and defence.

In addition to increasing trade and extending and deepening bilateral relations with ASEAN MS, the partnership also allows to promote the Global Gateway and its worldwide programme for investment to be promoted. The EU's expected contribution amounts to around EUR 10 billion for the implementation of Global Gateway in the ASEAN region. The Global Gateway is a direct response to the BRI and is presented as being based on

trust and respectful of the highest social and environmental standards⁸⁹. The principle of trust is mentioned 6 times in the remarks given by President Charles Michel at the EU-ASEAN business summit, one day before the EU-ASEAN summit (Michel 2022).

The reaching of the agreement does not mean that there are no contentious issues between the EU and ASEAN MS, including issues of strategic relevance. The ban on export of nickel that Indonesia passed in order to develop an industry of refinement is one of them. The ban raised criticism on Indonesia's breach of free trade rules, with the European Union (EU) pushing a claim against Indonesia at the World Trade Organization (WTO)⁹⁰ and other dominant Asian steelmaking players like China and South Korea also raising criticism.⁹¹ The WTO panel ruled in favour of the EU in November 2022, saying that neither the prohibition of nickel exports nor a domestic processing requirement requiring all nickel ore to be refined in Indonesia were in line with global trade rules, and prompting Indonesia to appeal the ruling.⁹²

In terms of security, and more specifically international law, the EU has certain expectations with regard to Southeast Asia. The EU is concerned

⁹⁰ The request covers the following alleged measures: (a) restrictions on exports of nickel, including an actual prohibition to export; (b) domestic processing requirements for nickel, iron ore, chromium and coal; (c) domestic marketing obligations for nickel and coal products; (d) export licensing requirements for nickel; and (e) a prohibited subsidy scheme. https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds592_e.htm

⁹¹ Third parties are Brazil; Canada; China; Japan; Korea, Republic of; India; Russian Federation; Saudi Arabia, Kingdom of; Singapore; Chinese Taipei; Turkey; Ukraine; United Arab Emirates; United Kingdom; United States.

⁹² The EU and Indonesia have also divergent positions over the trade in palm oil which use in biofuels is a leading cause of deforestation and prevents compliance with renewable energy targets. There is also an issue of pollution – palm oil diesel releases up to three times as many emissions compared to traditional petroleum-based fuel. On 22 February 2023, the Chair of the panel informed the DSB that in light of the complexity of the legal and factual issues that had arisen in the dispute, the panel expected to issue its final report to the parties not before the third quarter of 2023 (WTO 2020).

about China's stance on UNCLOS and in particular on freedom of navigation, as well as its normative influence in the South-East region:

'There are gaps value when it comes to supporting international maritime security and in particular regional maritime security. One thing that also goes beyond the region is China's initiative for shaping the rule-based order in ASEAN including the UN institutions. Such a development was the Global Security Initiative promulgated in Spring this year. These are initiatives that we cannot support – actually we are against. We have different views and we are competing, trying to maintain the rules based international order but that is what China does not want'.⁹³

In terms of security, the partnership – which is completed by the 2022 EU Indo-Pacific strategy – also provides an opportunity to strengthen political ties as well. In particular, the EU was concerned that it would engage in a partnership with ASEAN while it MS would not conform to EU sanctions against Russia. Before the summit, ASEAN decided to sign a joint leaders statement condemning Russia's aggression at the G20 summit in November 2022, and only Singapore decided to impose sanctions on Russia, having decided to do so as early as March 2022 (Ministry of Foreign Affairs, Singapore 2022). However, the EU and ASEAN could not reach a joint agreement denouncing Russia's invasion of Ukraine on the occasion of the first EU-ASEAN summit in December 2022: they reiterated the position they had during the G20 (they reaffirmed, 'as for all nations, the need to respect the sovereignty, political independence, and territorial integrity of Ukraine') and admitted that 'there were other views and different assessments of the situation and sanctions' (General secretariat of the Council 2022). Vietnam and Laos have strong military links to Moscow (DW 2022) and ASEAN has had a strategic partnership with Russia since 2018 (Martinus 2023).⁹⁴ More generally, the partnership reinforces the EU's reliability as a partner in

⁹³ Interview, EU institution, November 2022

⁹⁴ On responding to the war in Ukraine, ASEAN under Cambodia's chairmanship last year was able to facilitate Ukraine's accession to the Treaty of Amity and Cooperation (TAC), despite ASEAN countries' divergent stances on the Russian invasion.

matters of security, on a broad range of traditional and non-traditional security and defence-related issues, such as transnational crime, maritime security, peacekeeping operations, cybersecurity and counter-terrorism, as also specified in the EU Indo-Pacific strategy.

EU Indo-Pacific strategy (2022)

The EU Indo-Pacific strategy is a direct response to China's growing assertiveness in the region which compromises the EU's interests in the region in terms of trade and freedom of navigation, but also more widely in terms of the respect of international law (see introduction).⁹⁵ The Indo-Pacific is a vast region that spans the east coast of Africa to the Pacific Island States and which is increasingly strategically significant to Europe, i.e., both economically and in terms of security. The region is home to 60 per cent of the global population, produces 60 per cent of global GDP and contributes two thirds of global economic growth (EEAS 2021). The EU intends to increase its engagement with the region in order to build partnerships that reinforce the rules-based international order, address global challenges, and support sustainable economic recovery.

Cooperation with the EU in the framework of the Indo-Pacific strategy is inclusive of all partners in the region when interests coincide: the EU refers to the term 'like-minded partners' which is used to signify something more than just 'democratic regime' *stricto sensu*.⁹⁶ Using the phrase 'democratic regimes' would have implied to enter in a discussion of what is a democratic regime, and this would have constituted a very very strong normative dimension for the EU.

The like-minded partners are the political regimes with which we would say we share a wide range of strategic visions and a certain number of interests, and so in absolute terms 'like-minded' is a notion

⁹⁵ Coming back from a field trip in Singapore in 2023, Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy/President of the European Commission, expresses his conviction 'that despite the war on our doorstep and many pressing priorities at home, we need to pay more attention to the strategic shifts in the Indo-Pacific and especially South-East Asia. It really matters whether the region stays open, plural and rules-based, or descends into ever-stronger great power competition, competing blocs and binary choices (Borrell 2023b).

⁹⁶ Interview, EU institution, July 2023

rather than a concept, which is somewhat all-encompassing and which enables us to have a form of graduation in all our partnerships, which effectively include the 'very like-minded' and the 'less like-minded'.⁹⁷

'Like-minded' is a notion without a legal definition, and with a variable geometry. By using this term, the EU reaffirms its commitment to promote its values; namely democracy, human rights and the rule of law (EEAS 2022b) and specifies conditionalities in relation to its values:

'The EU will remain a consistent defender of human rights and democracy and continue to use all tools at its disposal: political and human rights dialogues and consultations, trade preferences and the mainstreaming of human rights considerations in all EU policies and programmes. The EU will continue to use its restrictive measures (sanctions) regime against individuals, entities and bodies responsible for, involved in, or associated with serious human rights violations and abuses worldwide. In international fora, the EU will work with likeminded Indo-Pacific partners to push back any initiative that undermines the human rights enshrined in customary international law and in international human rights instruments.' (European Commission and High Representative 2021b).

By enhancing cooperation with like-minded partners, the EU is paving the way for a strengthened resilience in a broad range of areas: 'Sustainable and inclusive prosperity; Green transition; Ocean governance; Digital governance and partnerships; Connectivity; Security and defence; Human security'. In terms of security, the EU will focus in particular on supporting Indo-Pacific partners' capacity to ensure maritime security; facilitate partners' capacity-building to tackle cyber crime, support healthcare systems and pandemic preparedness for the least-developed countries in the region; reinforce the EU's disaster risk reduction and preparedness engagement in the region (European Commission and High Representative 2021b). The strategy is to be understood through the lens of the Strategic Compass which

⁹⁷ Interview, EU institution, July 2023

provides a 'reality check' and a more realistic geopolitical coverage of the EU strategy for the Indo-Pacific⁹⁸. Indeed, the EU ambitions have been specified, and somewhat narrowed down: the EU does not claim any more to be a security provider (in the Indo-Pacific, the EU has a limited military capacity to offer) but the EU now defines itself as a 'smart enabler'.⁹⁹

The maritime domain has a crucial importance for the EU in terms of security. The strategy for the Indo-Pacific proposes to 'promote an open and rules-based regional security architecture, including secure sea lines of communication, capacity-building and enhanced naval presence in the Indo-Pacific' and to 'explore ways to ensure enhanced naval deployments by EU Member States in the region'. France which has a large stake in the Indo-Pacific and is the European country with the greatest capability to project power in the region is extending military deployment (Pitlo 2023). France has been instrumental in the elaboration of the EU Indo-Pacific strategy and considers its main objectives to be convergent with the French national strategy (Ministère de l'Europe et des Affaires Étrangères 2023)¹⁰⁰ (See also introduction). In March 2022, the French fregate *Vendémiaire* transited the Taiwan Strait to continue its mission in the South China Sea and to demonstrate France's strong commitment to freedom of navigation (Assistant Départemental pour la Marine du haut Rhin 2022).

EU-Mercosur

The EU-Mercosur Association Agreement (AA) has been under negotiations since 1999; however it has today a direct strategic dimension with regard to Chinese global agenda both for the EU and for Mercosur (for the perspective of Mercosur on the agreement, see next section). Indeed, the High Representative for Foreign Affairs and Security Policy, Josep Borrell, made it

⁹⁸ Interview, EU institution, July 2023

⁹⁹ This was the message given by HR/VP Borrell at the Shangri La Dialogue in 2023 (Borrell 2023a).

¹⁰⁰ The objectives of the French IndoPacific strategy are to promote peace and security, effective multilateralism and an international order based on respect for the rule of law, economic prosperity and the promotion of global common goods.

very clear that the objective of the agreement is to aid strategic autonomy vis-à-vis China:

'The EU-Mercosur accord must not be seen as a mere free trade instrument [...]. It has a profound geopolitical meaning: it is a tool permitting both regions to face the rising confrontation between the United States and China, whereby both Latin America and the EU run the risk of falling into a position of strategic subordination' (Borrell, 2020, p. 4).

The EU-Mercosur negotiations were stalled in 2016 but resumed the same year. The agreement includes a part on trade (the Trade and Trade-related Matters Part) and a political part (the 'Political Dialogue and Cooperation Part'). The agreement on the trade part, which falls under the exclusive competence of the EU, was negotiated by the Commission and agreement was reached in June 2019 (the Trade pillar). The text within the trade part needs to be legally revised, and the text will require ratification at EU and MS levels.

According to Eurostat, in 2021, the main products imported from Mercosur to the EU were primary goods (78% of total imports from Mercosur), while the main products exported from the EU to Mercosur were manufactured goods (89% of total exports to Mercosur) (Eurostat 2022). The most imported products in terms of value in 2021 were 'animal feed' (€6.0 billion; +22% compared with 2020), "oil seeds" (€4.5 billion; +35%) and "petroleum oils, crude" (€3.7 billion; +52%). The increase in 'petroleum oils, crude' was in large part due to the increase in energy prices. Meanwhile, the most exported products in terms of value in 2021 were 'medicinal products' (€3.1 billion; +30% compared with 2020), 'motor vehicle parts' (€2.9 billion; +54%) and 'medicaments' (€2.0 billion; +4%). The increase in 'medicinal products' was in some part related to exports of vaccines for the COVID-19 virus. The largest Mercosur partner measured in total EU trade (imports and exports) was Brazil (€67 billion), ahead of Argentina (€17 billion).

Negotiations are currently ongoing regarding an additional protocol that addresses concerns voiced by some EU MS, regarding inter alia the fight against Amazon deforestation and Brazil commitment to climate change action.¹⁰¹ The political part of the AA remains under the shared competence of the member states and the EU. The negotiations on the Political Dialogue and Cooperation, led by the EEAS, were concluded in June 2020.

While the EU already has trade deals in place with nearly all of the other countries in Latin America, securing an agreement with the Mercosur countries allows the EU to extend preferential access to EU exporters and to further strengthen its political ties with Latin American countries (European Commission, n.d.). The EU hopes that the agreement will help the EU and Mercosur shape global trade rules in line with the highest EU standards, send a powerful signal to the world about the advantages of rules-based trade, highlight the fact that two of its biggest economic blocs reject protectionism, and demonstrate that the value chains between the two regions can be integrated further (European Commission, n.d.).

The agreement does not represent a direct response to Chinese FDI but from a European viewpoint, the AA negotiations have evolved from seeking to balance out the power of the United States, right after the end of the Cold War, to struggling to balance out the power of China, today's rising strategic rival (Malamud 2022, 12). The EU initiative to launch interregional negotiations with Mercosur in the 1990s was a strategic reaction to the Free Trade Area of the Americas (FTAA), a U.S.-led initiative, conducted between 1990 and 2005, that encompassed thirty-four hemispheric countries (all bar Cuba) and threatened to close their markets to extra-regional powers (Malamud, 2020). The Interregional Framework Cooperation Agreement – which currently structures the relations between the EU and Mercosur – has

¹⁰¹ 'Mercosur does practice what came to be called 'bilateral ratification.' This procedure means that, once a treaty has been signed by all member states, it will enter into force in the countries that ratify it independently of what happens in the others. In an extreme case, one EU member state is enough to derail the whole agreement; in the opposite extreme, the AA could enter into force between the EU on one side and only one Mercosur member state on the other.' (Malamud 2022, 17)

facilitated regular interregional meetings and trade negotiations, but it has failed to establish a formal framework for convergence between the two: 'it did not prevent China, rather than the EU, from making commercial inroads in the Mercosur countries as the United States receded' (Urdinez, Mouron, Schenoni and Oliveira, 2016). Today, the EU is Mercosur's second biggest trade partner after China, and 'the emergence of China has shifted the global centre of gravity and reduced the relative interdependence between the EU and Mercosur' (Malamud 2022, 23).

The Political Dialogue and Cooperation Part has not been made public. The scholar, Andrés Malamud, who was granted confidential access in order to produce a report for the AFET committee of the European Parliament (Malamud 2022), indicates that the agreement does not mention the United States or China but it vows 'to establish a political agenda, cooperate in areas of common interest and make efforts to coordinate their positions in order to undertake joint initiatives in the appropriate international fora' (Malamud 2022, 12). The recent declaration of President Lula da Silva after his visit to China however clearly shows that Brazil does not intend to refrain its commercial trade with China but rather intensify it, *including in strategic sectors*, indicating that Brazil – if not Mercosur – is clearly engaging in a hedging strategy that does not allow for strategic autonomy vis-à-vis China, and makes, from the EU perspective, the agreement EU-Mercosur of a very important, yet 'relative' strategic added value (see section on Mercosur).

ASEAN's reliance on hedging

When one considers hedging as exercised by ASEAN, one has to be cautious not to conflate the hedging situation brought about by ASEAN as an RO, with that achieved by ASEAN MS. They can complement each other but not necessarily. Some ASEAN MS are actively hedging, such as Indonesia. 'Not choosing sides between the great powers is more than a mantra. It's an active policy deeply rooted in Indonesia's "independent and active" doctrine formulated in the 1940s and mandated in its constitution. This approach also complements Indonesia's reliance on ASEAN in its quest to deny regional hegemony.' (Laksmana 2021). 'Indonesia has for the most part tried to avoid

over dependence on a single country, particularly economically and in military procurement, thus diversifying its external economic resources and weapons' suppliers to avoid becoming vulnerable to external pressures and embargoes'. Given recent economic decisions in strategic sectors, it is not sure if Indonesia manages to avoid overdependence on China but Indonesia tries to maintain a "pragmatic equidistance" vis-à-vis the major powers' (Laksmana, 2017). Analysts suggest that because of Indonesia's autonomy being historically undermined by great powers 'Indonesia has developed a vision of regional order fixated on maintaining stability and legitimacy at home, seeking *strategic autonomy*, and denying great powers hegemony over the region (Laksmana 2021). [Our emphasis]

Hedging without China: Strategic partnerships

ASEAN has recently established several strategic partnerships with states from inside and outside the region: the US (2022), the EU (2020), India (2022), Australia (2021), New Zealand (2020) and Russia (2018). It is beyond the scope of this research to review all of these partnerships, particularly since they are not made public. The diversity of the states and ROs with which ASEAN has established strategic partnerships (the strategic *agenda* with China is considered in chapter 7) testifies to the hedging strategy of ASEAN which does not seek to take sides and choose between powers. Such a strategy enables ASEAN the possibility to avoid being dependent on one power or the other.

Trump's presidency has contributed to rising uncertainty surrounding American commitment and reliability in relation to the Southeast region; and to the rise of the threat of economic decoupling (Evelyn Goh 2020, 1). ASEAN realised that it would not be possible to rely on the US for ever but that an open dialogue with more partners was necessary, including Japan, the EU, India, Australia, in order to lessen the influence of China. Siew MunTang, Director at the ASEAN Secretariat's Political & Security Directorate and former Head of the ASEAN Studies Centre and Senior Fellow at Singapore's ISEAS-Yusof Ishak Institute, deems that: 'In a broad sense, our sense of not

choosing allows us to maintain our strategic autonomy, our policy space. [...] To lessen Chinese influence we ask the dialogue partners to remain engaged... We have a multipolar strategic situation in the region. We want to prevent a hegemony, be it the US or China' (CSIS 2019). This understanding of 'strategic autonomy' does not correspond to our analytical framework: this situation of hedging is a situation that actually creates multiple dependencies which are expected to neutralize themselves. Hedging can thus at best lead to resilience, in the sense that it can potentially allow for the survival of the RO, but it cannot lead to strategic autonomy.

The partnership with Russia is a case in point. In October 2021, a decision considered 'a key milestone' was taken at the 4th ASEAN-Russia Summit to further strengthen and deepen the ASEAN-Russia Strategic Partnership: Russia increased its annual contribution to the ASEAN Russian Federation Dialogue Partnership Financial Fund from US\$ 500,000 to US\$ 1.5 million (ASEAN 2023). One year later, Russia invaded Ukraine. As mentioned in the previous section certain ASEAN member states made a joint statement condemning the Russian invasion of Ukraine in 2022 but only Singapore has committed to *imposing sanctions* on Russia, and this, as early as March 2022. Analysed from the perspective of China's growing influence in Asia and worldwide (and without considering the impact that the Ukraine war has de facto on food and energy security in Southeast Asia¹⁰²), hedging in this instance can fragilize resilience for at least two reasons:

(1) China is siding with Russia in the Ukraine war (see chapter ?) and thus it can hardly help in hedging against China. According to the 2023 survey on the State of Southeast Asia, Southeast Asian respondents continue to favour the option of enhancing ASEAN's resilience and unity to fend off pressure from the two major powers (45.5%) as a more proactive response (Seah et al. 2023, 36).

¹⁰² 58.3% of Southeast Asians feel that the most serious impact of Russia's invasion of Ukraine is in the increase in energy and food prices. Overwhelmingly, 73.6% of Indonesians feel this way due to the country's dependence on food grain and fertiliser imports from Ukraine and Russia.(Seah et al. 2023, 19)

(2) Whereas the invasion of Ukraine is condemned by the UN General Assembly¹⁰³ and by the majority of ASEAN member states (only Laos and Vietnam abstained to Resolution No. ES-11/1), such hedging can fragilize ASEAN. The 2023 survey on the State of Southeast Asia shows that what stands out in particular is the level of importance put on a possible erosion of trust in the rules-based order. More than 25% of Southeast Asians consider that the most serious impact of Russia's invasion of Ukraine on Southeast Asia is the erosion of trust in a rules-based order and violation of national sovereignty. 40.9% of Singapore respondents say that erosion of trust is the second most serious impact of the invasion. This is followed by 32.4% of Vietnam respondents who think the same way. Trust may not be an overated value when it comes to resilience in a hedging context.

US foreign policy regarding ASEAN was clarified at a Special Summit in Washington in 2022 hosted by President Joe Biden, at which he announced a significant commitment of \$150 million to ASEAN. This funding is aimed at addressing various critical issues such as infrastructure development, security cooperation, pandemic preparedness, and clean energy initiatives. In addition to the financial commitment, the Biden administration pledged to deploy a Coast Guard vessel in the region to bolster maritime security and enhance cooperation in safeguarding the vital sea lanes and maritime resources in Southeast Asia. Furthermore, the position of ambassador to ASEAN which was unoccupied since the beginning of the Trump administration was reestablished.

From ASEAN's perspective, the EU-ASEAN strategic partnership – first presented in the section on the EU – provides economic benefits to ASEAN

¹⁰³ The UN General Assembly in Resolution No. ES-11/1 dated 2 March 2022, adopted by majority vote (141 votes for, 5 against, 35 abstentions, 12 absent) deplors in the strongest terms the aggression by the Russian Federation against Ukraine and demands its complete and unconditional withdrawal from the territory of Ukraine (United Nations 2022a). The 35 states which abstained are: Algeria, Angola, Armenia, Bangladesh, Bolivia, Burundi, Central African Republic, China, Congo, Cuba, El Salvador, Equatorial Guinea, India, Iran, Iraq, Kazakhstan, Kyrgystan, Laos, Madagascar, Mali, Mongolia, Mozambique, Namibia, Nicaragua, Pakistan, Senegal, South Africa, South Sudan, Sri Lanka, Sudan, Tajikistan, Uganda, Vietnam, Zimbabwe.

as it facilitates and generates trade and investment in the region. From a political standpoint, the EU represents an alternative to the US and China: “when it comes to hedging against the U.S.-China rivalry, the EU is always the very top answer in the region.” (Guarascio and Chalmers 2022) There is a sense of inevitability, among ASEAN actors, about resorting to hedging given the economic and geographic proximity with China. Therefore, ASEAN also engages in hedging through fora which involves China among the partners.

Hedging by means of fora that include China

In addition to partnerships, ASEAN has developed for a, many of which include China, and some of which began as early as 1993 (the ARF), which contribute to a regional architecture over which ASEAN claims for ‘centrality’ (Mueller 2019). At the time they were established, the geopolitical situation was very different from what it is now. China was far from the powerful state it is now, but its growing influence in the region convinced Southeast Asian states that it was better to associate and connect with China rather than keeping it outside the fora (E. Goh 2011). These fora are presented in a chronological way.

ARF

The establishment of the ASEAN Regional Forum (ARF) in 1993, the first multilateral forum for discussing geopolitical and security issues and encompassing the Asia-Pacific region, clearly reflects a hedging strategy that takes the form of an inclusive regionalism where former and current adversaries are accepted as members (Anwar 2022, 6). The ambitions of the forum are to foster constructive dialogue and consultation on political and security issues of common interest and concern; and to make significant contributions to efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region. The ARF has 38 participants, including both Korea and the Democratic People’s Republic of Korea, and it also counts the EU among its them. The ARF has extended participation so much that some scholars consider it to be as being more of a ‘talking shop’ rather than

an effective platform for solving issues in the region, and certainly far less functional than the ADMM (Tang 2016). Others have been far more critical of the ARF's capacity to meet ASEAN's objectives and point to the role of the ASEAN way in that failure: 'The ASEAN Regional Forum (ARF), which suffers from all the debilitating effects of the ASEAN Way and the ritualistic invocation of 'ASEAN centrality', is the quintessential example of an organization that ought to be important; but never will be as long as it remains hamstrung by ASEAN's paranoia about being marginalized or compelled to behave in ways that might cause a loss of face (Emmers & Tan, 2011)' (Beeson 2020).

East Asia summit

If hedging by means of fora that include China is considered as an option, however the influence of China inside the fora needs to be taking care of. This was the case of the East Asia Summit, as early as its formation in 2005. Indonesia insisted that EAS membership be extended beyond the ASEAN and ASEAN Plus Three countries to include Australia, India and New Zealand, to prevent the EAS from being dominated by China. (Anwar 2022, 5). Faced with a large number of opportunities and challenges in the wider Asia-Pacific, Indonesia was at the forefront of promoting the development of a more inclusive regional architecture at the highest level, based on ASEAN centrality, by widening the membership of the East Asia Summit (EAS) in order to foster dialogue and ensure a dynamic equilibrium between the various major powers. Among the conditions for membership of the EAS is accession to the TAC. All of the salient regional powers are now members of the EAS, which besides the ten ASEAN member states include the United States, China, Japan, India, Russia, South Korea, Australia and New Zealand (Anwar 2022, 6).

ADMM+

The ADMM+(2010) (ASEAN Defence Ministers Meeting Plus) stands as an 'important defence-related regional mechanism. It is a platform for ASEAN and its eight Dialogue Partners Australia, China, India, Japan, New Zealand, Republic of Korea, Russia and the United States (collectively referred to as the "Plus Countries"), to strengthen security and defence cooperation for the

sake of peace, stability, and development in the region. France was granted an observer status in the experts working group. Questioning the rationale for establishing the ADMM-Plus, Goh estimates that 'With the putative great power bargain in mind, the importance of such an inclusive forum was two-fold: first, it helped to legitimize the security interests and role of each of these great powers in East Asia; and second, it also institutionalized the small states' and middle powers' claims to a legitimate 'voice' in the management of regional security affairs' (Goh 2011, 380). 'If not for the ADMM-Plus, it might not be feasible for Laos, for example, to participate in a maritime security exercise with far-flung countries such as New Zealand and Japan. The ADMM-Plus thus contributes to confidence building between ASEAN and the Plus countries by providing the platform for nontraditional military partners to work together.' However, this also means that the development of the autonomy of small states can only be achieved with the support of external powers; therefore the risk is that this dependence will be maintained and reinforced.

The ADMM+ is attended by the same constellation of states as the East Asia Summit. However, in addition to serving as a forum for dialogue on defence security, in contrast to the East Asia Summit or Shangri-La Dialogue, the ADMM+ organises joint military and naval exercises in order to carry out training on humanitarian and peacekeeping operations, humanitarian assistance and disaster relief, as well as prepare for maritime security and counterterrorism operations (ASEAN Secretariat, 2011).' (Giese 2021). The ADMM+ represents a key forum for discussing defence related issues in the region. It is a forum that complements venue the ADMM where ASEAN MS can address issues without China being present.

Hedging by means of economic agreements that include China

ASEAN has initiated or acted as a core member of specific economic institutions that include China, and this inclusion again represent risks. The Chiang Mai Initiative is one such economic institution. It was established in 2000 by ASEAN and originates from the ASEAN+3 forum, and more specifically from the ASEAN + 3 Finance Ministers Cooperation. It is a

financial arrangement that was created in the aftermath of the 1997 Asian financial crisis which started in Thailand. The CMI expanded the already existing ASEAN swap arrangement in order to facilitate bilateral currency swaps between all of the ASEAN+3 countries. Actually, Japan had proposed creating an Asian Monetary Fund (AMF) comprising regional reserves, which would be deployed to countries under stress. The plan appealed to many developing states in Asia but it met a stiff opposition from China, and the West, in particular the US (J. Ciorciari 2011). The CMI was multilateralised into a single contractual arrangement called the Chiang Mai Initiative Multilateralisation (CMIM) in 2010. Although it has never been used, it is a mechanism that is worth mentioning as it shows how power relations – including from China – can be institutionalised. Indeed, the CMIM agreement created a contractual arrangement under which participating economies agree to certain collective principles and procedures: indeed, although ASEAN + 3 determines fundamental decisions such as the size of CMIM and amounts of consensus-based member contributions, the initial scheme that was discussed would have given ASEAN an effective veto, but instead the negotiated result was a majority two-thirds voting system granting the +3 states nearly 72% of the voting power.¹⁰⁴

The Regional Comprehensive Economic Partnership established in 2020 by Australia, China, Japan, New Zealand and the Republic of Korea now represents the largest existing free trade agreement in the world. Some observers point to the positive impact of the RCEP on ASEAN in not only stimulating regional economic integration but also intra ASEAN trade which has remained stagnant over the last two decades (Interview). In an article addressing the question of whether ASEAN centrality should be expanded from the much-analysed security area to include the areas of trade and connectivity, Mueller puts forward a contrasting view on the benefits of the RCEP from the standpoint of ASEAN centrality – and therefore its resilience. He contends that:

¹⁰⁴ The exact voting power distribution is China 28,41%, Japan 28,41%, Korea 14,77 (Plus 3: 71,59%) and ASEAN 28,41%.

While ASEAN centrality in trade may have been fact until the early 2010s, ties between other East Asian states have caught up, creating a complex network of trade relations in East Asia that no longer relies on ASEAN as a central node. An analysis of ASEAN's substantial role as a central actor in trade highlights that ASEAN leadership in trade and the provision of the ASEAN Way is likely becoming less useful to other East Asian partners, threatening its central role in fora. In connectivity, the limitations of a technical view of ASEAN centrality come into view. [...] In connectivity, the organization may be at the center of things, but it is faced with contestation of its connectivity agenda, with actors utilizing bilateral relationships as a conduit to exercise power over ASEAN. [...] The organization has also failed to create adequate mechanisms to manage its external relations in connectivity, which calls into question its ability to act as a regional convener. Overall, while ASEAN remains central in connectivity, it is so in name only, and not in substance. (Mueller 2019, 195)

Hedging: a strategy for resilience?

Based on the above considerations, there is great uncertainty about characterising hedging as a strategy that enables ASEAN to be resilient, not to mention strategically autonomy. ASEAN's specific regional architecture in relation to an embedded China in the ASEAN + formula creates economic and development opportunities but equally fosters substantial vulnerabilities in terms of (strategic) autonomy. First, using the term 'strategy' to characterise an approach to hedging is not necessarily appropriate. It is not yet clear whether the whole set of arrangements creates a system that is greater than the sum of its parts (Evelyn Goh 2020, 2). 'LMC states want to engage all major powers to maximise what they can in terms of improving conditions along the Mekong, such as water flow, the environment, dam issues, etc. For example, Cambodia and Laos work with both the US and Japan on Mekong issues. But on other issues, such as security and economics, Cambodia and Laos side with China exclusively. Whereas Vietnam and Thailand are hedging, such states do not put up obstacles to the LMC. Vietnam and Thailand are not content with China's dams along the Mekong, but Vietnam and Thailand go along with China's

LMC because of their limited options overall—it is either join the LMC or not. Thus, both Thailand and Vietnam chose to join the LMC to get whatever they can out of it. If Thailand and Vietnam did not join the LMC, it would have a negative impact overall on their ties with China, as they would be going against China's wishes.' (Po and Primiano 2021, 337)

Therefore the question that needs to be posed is whether hedging is sustainable. One interviewee responded to this question by saying that 'it *has* to be', yet necessity is not a guarantee of effectiveness. Similarly, another interviewee suggested that hedging was the *only* solution, since achieving a balance with the US would be risky considering the history of the US in the region: and again necessity does not warrant success.

Actually, several factors constitute impediments to the contribution of hedging to the resilience of ASEAN. (1) First, the ASEAN way does not give ASEAN enough weight to act as a powerful negotiator. Internally, the poor management of the Myanmar crisis (see chapter 3) which is seriously undermining ASEAN's credibility is an example of ASEAN's institutional weakness which consensus rule does not allow to have a strong common position on China. 'Suffice to say that China's skilful divide and rule approach to regional diplomacy has ensured that ASEAN is incapable of articulating a coherent response to its rise, much less actually implementing effective policy to counter its impact (Beeson, 2016)' (Beeson 2020). While ASEAN centrality in trade may have been a reality until the early 2010s, ties between other East Asian states have caught up, creating a complex network of trade relations in East Asia that no longer relies on ASEAN as a central node. An analysis of ASEAN's substantial role as a central actor in trade highlights that ASEAN leadership on trade and the provision of the ASEAN Way is likely becoming less useful to other East Asian partners, threatening its central role in fora.

(2) Second, if at the level of ASEAN, there is a diversification of partnerships and forum, so is the situation at the level of MS: the dispersion of initiatives cannot make up for a strategy. Cambodia is viewed as one of China's closest allies given its pro-China position regarding the South China Sea dispute, yet Cambodia also upgraded its relationship with Japan to strategic partnership

in 2013. Actually, ASEAN states often do not view a major power as either a clear-cut threat or a straightforward solution but they perceive a spectrum of risks and challenges, each with constantly changing manifestations and magnitude, all of which requiring complex combinations of mutually-reinforcing and counteracting measures (Kuik 2022).

(3) Third, structural weakness remains: one such weakness is the asymmetry in overall defence capability, with external partners of ASEAN having far more extensive capability than the member states (Faiz 2023, 5), an asymmetry which is also to be found in the economic sector, making ASEAN dependent on external support from its Dialogue partners.

(4) Fourth, ASEAN faces the risk of being outweighed or bypassed by the proliferation in the region of multilateral fora such as QUAD and AUKUS of which ASEAN is not a member, and should this be the case, the question remains as to its voting power inside each multilateral forum. In this respect, the ASEAN Outlook on the Indo-Pacific is already considered to be outdated due to it not accounting for the current geopolitical context and regional dynamics: 'Asean can still function on the core principles laid out in AOIP but can't rely on them to respond or engage with newer Indo-Pacific strategies and approaches' (Meena 2023).

Mercosur's partnerships

Mercosur is developing partnerships with extraregional countries and ROS. Negotiations are ongoing with Canada, South Korea, Indonesia, Lebanon. This development is part of Mercosur's external commercial agenda, which diversity is reaffirmed by President Lula da Silva who sees an interest in developing many instruments of cooperation, inter alia South-South cooperation, but also cooperation with the EU. Although the issue of deforestation started before Bolsonaro's presidency, negotiations with the EU were difficult during his mandate. Bolsonaro declared that Brazil would withdraw from the Paris Agreement on climate change and proposed to

merge the ministry of agriculture with the ministry of environment, a decision that would have given the agricultural lobbies leverage in trade decisions. The election of President Lula da Silva in October 2022 opened the way for the ratification of the Agreement from Mercosur's side, although from the Mercosur side only one MS's ratification is necessary for the agreement to enter into force, albeit it will only apply to the state which has ratified the agreement, and Brazil is the most important trade partner of the agreement.

The support of Brazil to the agreement is paramount. Indeed Mercosur as an intergovernmental RO has no negotiating mandate, and Mercosur MS have to coordinate their positions before each negotiating round. Mercosur lacks a central authority and not not have a diplomatic service either: 'This is why its ups-and-downs along the negotiating process depended so much on the political orientation of the incumbent presidents, especially in Argentina and Brazil'. [Malamud 2022, 18](#)). In particular, Lula da Silva has appointed an Amazon activist Marina Silva as environmental minister. In recent years, however, domestic politics got in the way of interregional negotiations also in the EU. From the European side, EU MS ratifications are still needed.¹⁰⁵ An annex to the agreement was proposed by the Commission to offer guarantees on the deforestation and other areas of sustainability and is awaiting Mercosur's response. Lula da Silva expressed again his interest for the ratification of the EU-Mercosur agreement in July 2023 and declared he would made a 'counter proposal' within a few weeks (Demony and Gray 2023). There is a window of opportunity for the agreement to be signed, after

¹⁰⁵ The French Parliament adopted a non-binding resolution in June 2023 by 281 votes to 58. In particular, it calls on the French government to notify Brussels of its opposition to the agreement if it is not conditional on "compliance with European production standards". It also calls for suspension clauses in the event of non-compliance with the Paris climate agreements. The resolution, co-signed by MEPs from nine groups, also calls on France to oppose separating the trade part of the draft agreement from the rest. It thus intends to influence the European procedure and impose a vote by "unanimity of the Member States". The text also calls for ratification by national parliaments (Le Monde and AFP 2023).

the 2022 French presidential elections, the 2022 presidential elections in Brazil, and before the general elections in Argentina on 22 October 2023.

The EU-Mercosur agreement which main characteristics are presented in the section on the EU, represents a means, not unlike that afforded to ASEAN, of diversifying its partnerships and not having to choose between the US and China, the latter being construed, from a pragmatic point of view, and despite not agreeing on all political issues, as an important trade partner, which is *de facto* already the number one commercial partner among all of the Mercosur countries. 'Latin America states don't want to be faced with the choice of either the United States or China. And from there, it's in their interest to work with us [the EU] because they don't see us as being on the same side as the United States and even less on the same side as China. They see us as a medium-sized player with whom they have a lot of values in common, and they may be interested in building alliances.'¹⁰⁶ In particular, the COVID-19 pandemic and Russia's invasion of Ukraine have increased the need to diversify sourcing to mitigate supply-chain disruptions and geopolitical risks.

However, the recent visit of President Lula da Silva to China in April 2023 clearly shows that Brazil does not intend to impose any limitation on its commercial trade with China but rather intensify it, *including in strategic sectors*. 15 bilateral agreements were signed during Lula da Silva's visit most of them on technological cooperation (Silva 2023). The two countries agreed to renew their space cooperation and build a 7th space observation satellite together. An agreement in principle between the two countries also proposes to conduct future trade without recourse to the US dollar. On 7 February 2023, the two central banks signed a cooperation agreement enabling clearing agreements in renminbi (the official name of the Chinese currency) (Lemaître and Gerez 2023). This strengthening of cooperation between Brazil and China indicates that Brazil – if not Mercosur – is clearly engaging in a hedging strategy that does not allow for ensuring strategic autonomy vis-à-vis China.

¹⁰⁶ Interview, European Union institution, December 2022

Conclusion of chapter 6

Three ways in which ROs conduct external cooperation are observable: ASEAN endeavours to bring about the widest cooperation possible with states that are influential in the region by means of a strategy of hedging. The EU opts for a balancing approach by selecting like-minded partners in both trade and security, while Mercosur represents the RO that establishes the fewest partnerships, with the EU-Mercosur agreement being the agreement which is the closest to ratification and which aims *inter alia* to respond to the growing influence of China in the region.

External partnerships represent 59% of all instruments and cooperation with China in the areas under scrutiny is very limited. ASEAN is significantly dependent on external cooperation: 80% of all of its instruments relate to external partners, 76% of them to China. Mercosur has few instruments which shows a low level of external cooperation. While the balancing strategy of the EU provides opportunities for resilience and strategic autonomy, it is shown that several factors constrain the potential contribution of hedging to ASEAN centrality and resilience as an institution, amid growing tension and regional architecture becoming more complex.

Chapter 7

Bandwagoning: autonomy at risk?

The third hypothesis (H3) suggests that ROs that engage in bandwagoning to accommodate their own interests face the risk, given the asymmetry of power, that the cooperation mechanism is based on the norms of the hegemon, a situation which can jeopardise resilience and does not allow for strategic autonomy as it increases interdependence. Chapter 5 and 6 have analysed the impact of external cooperation on resilience and strategic autonomy. ASEAN is the only RO to have engaged in multilateral strategic partnerships of regional relevance or in regional fora which include China as one of the external partners (such as the CMIM, RCEP, ARF, EAS, ADMM+...). ASEAN is also the only RO to have established bilateral agreements with China in an arrangement that involves bandwagoning, and the final chapter of this book addresses this issue.

The first section clarifies the distinction between cooperation and bandwagoning and specifies the state of bilateral relations between Mercosur and China, and between the EU and China which do not resort to bandwagoning. The second and third sections explore the consequences of ASEAN engaging in bandwagoning with China on ASEAN's autonomy, and examines the role of ASEAN MS in this process.

The EU and Mercosur's bilateral relations with China and Mercosur: no bandwagoning in sight

The EU has established two bilateral partnerships with China, a strategic agenda, and an agreement on investment. The EU-China agreement in principle on investment (the CAI) was signed in principle in 2020 but not ratified due to tensions between the European Parliament and China. In 2021, the European Parliament adopted in 2021 a resolution on Chinese counter-sanctions that were imposed due to EU human rights sanctions against a number of Chinese officials in connection with reported human rights abuses in Xinjiang, China. The resolution states that the European Parliament will not consider the agreement until Chinese counter-sanctions are lifted (European Parliament 2022). Therefore the CAI is on hold (Soutullo et al. 2022).

A strategic agenda between the EU and China was signed in 2013: the EU-China 2020 Strategic Agenda for Cooperation. This agreement is no longer in line with the EU's position on China as reflected in the 2019 joint communication 'EU-China - A strategic outlook'. Indeed, the Strategic Agenda for cooperation reflects the positions that the EU and China had in 2013. At the time, the global financial crisis had widened the imbalance in global development; China had released in 2011 its 12th Five Year Plan (2011-2015) and the EU its Europe 2020 Strategy in 2010. Both sides agreed to cooperate on 4 chapters: peace and security; prosperity; sustainable development and people-to-people exchanges. Although the EU and China did not agree on all aspects of their relations, in particular Intellectual Property Rights and human rights, a major shift in their relations occurred under Xi Jinping's presidency when Chinese foreign policy became more assertive with the development of the BRI. The 2013 Strategic Agenda was ambitious: 'based on the principle of equality and friendship to China and EU Member States' it encouraged to establish cultural centres: such an objective would not be possible today considering the degree to which China has instrumentalised the Confucius centres around the world to spread its

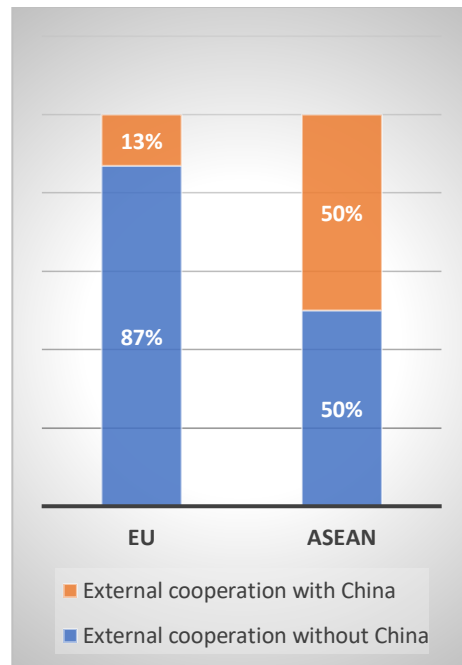
propaganda (Charon 2021). The EU Parliament has adopted a Resolution which recommends that the Vice-President of the Commission / High Representative of the Union and the Council develop a more assertive, comprehensive and consistent EU-China strategy (European Parliament 2021). The trio of considerations on China specifying that the EU is simultaneously, across different policy areas, (Pennaforde and Fávoro Martins 2017) a cooperation partner, a negotiating partner and a systemic rival promoting alternative models of governance is clear that the EU should not engage in bandwagoning.

Mercosur has not signed any agreement with China. The state of relations between Mercosur and China is driven both by politics and by economics. The fact that Paraguay has recognised Taiwan – and reached with Taiwan an agreement on economic cooperation in 2017 (Paraguay and China 2017) – makes it highly unlikely that Mercosur and China will engage in an agreement.¹⁰⁷ However, Uruguay and Argentina have joined the BRI in 2018 and 2020 respectively. Uruguay is a small country which has not much benefitted from Mercosur integration (Pennaforde and Fávoro Martins 2017) and wants to expand its external trade agenda, and Argentina is facing an economic crisis. Mercosur's incapacity to significantly develop internal and external trade (Pennaforde and Fávoro Martins 2017) makes the promises of the BRI all the more attractive.

China favours bilateral relations with individual Mercosur MS: the relations with Brazil are quite substantial. Actually according to Mercosur legislation, no FTA can be signed by individual member states, and a regional agreement can only be signed once common negotiations have taken place (see chapter 3). There is no clear picture on this situation, as Uruguay is keen on developing its trade agenda and tests the limits of Mercosur by making public statements justifying its objectives of reaching an FTA with China (see chapter 3). In addition to negotiating other external trade agreements with Canada, South Korea, Indonesia, Lebanon, the EU-Mercosur agreement enables Mercosur to diversify its external trade relations. However, Lula da Silva does not envisage only a hedging strategy with China (navigating

¹⁰⁷ Interview, EU institution, December 2022

relations between the US and China), but it is aligning Brazil at least, if not Mercosur, with China's politics on a number of important trade issues that make the cooperation also look like some form of bandwagoning – defined as an alignment with the source of the danger: Lula da Silva as explained in the previous chapter wants to further expand trade with China including in strategic sectors, and the two central banks have signed an agreement in principle to conduct future trade without having to use the US dollar.



Graph 12. External cooperation involving China and external cooperation not involving China

Trade and investments

ASEAN's strong interest in cooperating with China

ASEAN has supported the BRI from the outset (Koh 2018), due to the fact that the initiative is able to meet almost all regional states' infrastructure and

other economic needs (Gong 2019) and therefore represents an opportunity to ensure economic resilience. All ASEAN member states have joined the BRI. China is ASEAN's top trading partner and ASEAN became China's most important trading partner for the first time in 2020. However, ASEAN's trade deficit with China has almost multiplied tenfold in nine years: it increased from USD 10.4 billion in 2010 to USD 102.9 billion in 2019 (ASEAN Secretariat 2020a; Noor 2020, 109).

The ASEAN MS emphasise that the historical underinvestment in infrastructure needs to be addressed and they claim that China is providing enough investment in the region to meet its needs. The limited conditionalities that Chinese investors require from the lender, in terms of social and environmental standards, are attractive to ASEAN MS. 'One might also add that China's tolerance for "relaxed" labor standards and its willingness to work with corrupt local elites is precisely one of the reasons that Southeast Asian governments find it an attractive economic partner' (Strangio 2022). It should also be noted that 'in contrast to working with the US, Japan, India, South Korea, and Australia, China does not receive any push back from ASEAN states regarding issues of democracy, human rights, or other issues that it is unwilling to cooperate on' (Po and Primiano 2021, 335). With this in mind, it is important to determine what are the costs and benefits in terms of resilience and strategic autonomy of engaging in bandwagoning with China.

Investment: agreements and controversies

Investment between ASEAN and China is structured by the ASEAN Free Trade Agreement on Investment (ACFTA) of 2009 (ASEAN and China 2009), which was updated by means of a protocol in 2015 (Menon and Melendez 2019). In 2022, ASEAN and China agreed to launch negotiations on updating the 2015 protocol (ASEAN Secretariat 2022b). The upgraded ACFTA will cover areas of mutual interest, among which are the digital economy, the green economy, supply chain connectivity, competition, consumer protection, and Micro, Small, and Medium Enterprises.

China is ASEAN's largest trading partner but also the second largest source of FDI. In 2021, total merchandise trade between ASEAN and China reached US\$ 669 billion, registering a year-on-year increase of 29 percent despite the lingering impact of the COVID-19 pandemic. During the same period, FDI flows from China to ASEAN amounted to US\$ 13.6 billion, almost double the US\$ 7.0 billion in 2020, and equivalent to 7.8 percent of total FDI flows to ASEAN (ASEAN Secretariat 2022b).

More specifically with regard to connectivity, ASEAN and China are becoming closer partners. ASEAN launched its own Master Plan on Connectivity (MPAC) as far back as 2010. The 2016 updated version, the MPAC 2025, stresses that more than US\$110 billion needs to be invested annually in infrastructure in ASEAN (ASEAN Secretariat 2016, 43). One of the funding vehicles is the AIIB which affords China the absolute ability to stop a project (Luo, Yang, and Houshmand 2021, 29–30). In 2019, ASEAN and China signed a joint statement on Synergising the MPAC 2025 and the Belt and Road Initiative which adds the Silk Road Fund to the financial institutions which are encouraged to participate in aiding support infrastructure (ASEAN and China 2019). The vulnerability of the cooperation between ASEAN and China when it comes to financing infrastructure development does not lie solely in the lending mechanism but also in the specific rules around how the AIIB functions. Indeed, due to the AIIB, China has the absolute ability to stop a project (Luo, Yang, and Houshmand 2021, 29–30).¹⁰⁸ There is no resident board of directors, which gives the president a lot of leeway. Rules concerning social or environmental protection are quite loose, and efficiency and flexibility have been declared to be the top priorities (Jha 2022).

The 2018 ASEAN-China Strategic Partnership Vision 2030 states that the parties should stand firm against growing protectionist and anti-

¹⁰⁸ The AIIB is a defensive institution whereby China *does have* the absolute ability to stop critical activity, but no single member has distinctly more power than others to set the agenda. (Luo, Yang, and Houshmand 2021, 29–30) [My emphasis].

globalisation sentiments, thereby clearly opposing the possibility of establishing restrictive measures on Chinese trade and investment (ASEAN and China 2018). In 2019, ASEAN and China signed a joint statement on 'Synergising the MPAC 2025 and the Belt and Road Initiative' which adds the Silk Road Fund to the financial institutions encouraged to participate in aiding support infrastructure (ASEAN and China 2019). Scholars consider that ASEAN is becoming concerned that the BRI will not complement but will instead supplant its own connectivity project, the Master Plan on ASEAN Connectivity 2025, which began in 2010, 3 years before the launch of the BRI (Koh 2018). On the ground however, despite growing concern among Southeast Asian citizens (Seah et al. 2023), Chinese investment continues to flow into ASEAN, leading to ASEAN MS economies becoming more fragile.

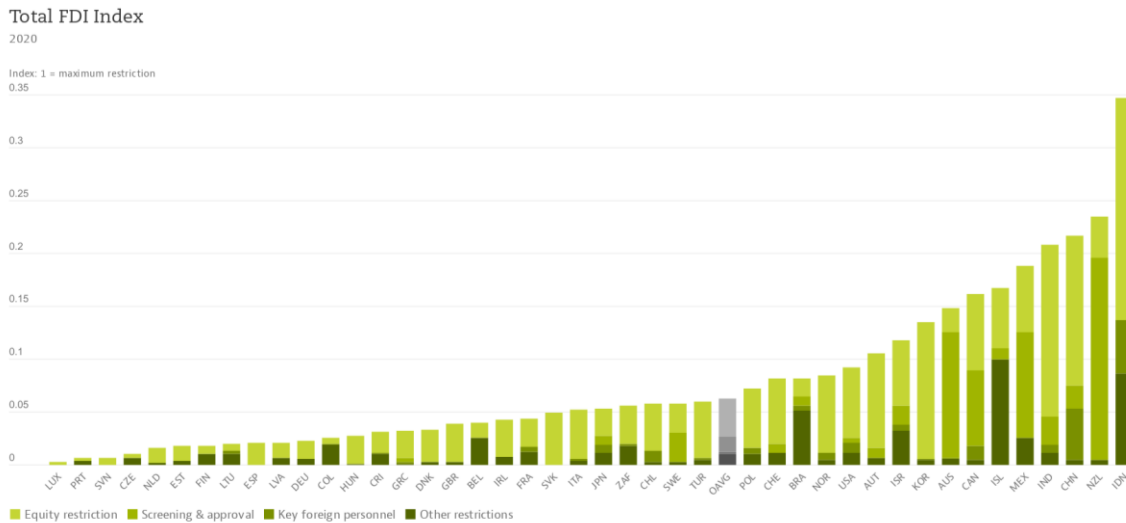
Indeed, as was highlighted in the introduction, according to the OECD, FDI is widely considered to be beneficial for host and home economies and for the enterprises that invest in these economies. However, FDI can sometimes pose risks, including risks to the vital security interests of the countries that receive such investment (OECD 2020b). There are risks that investors will monitor and control activity within strategic infrastructure and technologies, risks that indebtedness will occur, and risks that there will be a shift from economic vulnerability to political leverage which can drive political loyalty away from the RO (Meunier 2019). These concerns do not seem to justify a change in ASEAN's position towards Chinese investment. On the contrary, ASEAN is increasing cooperation with China on investment, but it has not expressed concern about strategic implications of this. Political and economic elites state their support for trade openness, which is seen as incompatible with a selective approach to investment. On the occasion of the EU-ASEAN 45th Anniversary of dialogue Partnership in December 2022, ASEAN heads of state and ministers held a discussion with EU representatives during a business meeting organised by the EU-ASEAN business Council. M. Lim Jock Hoi, then General Secretary of ASEAN, explained that 'ASEAN is committed to remain open for business.' M. Wannamethee, Ambassador of Thailand to Belgium and Luxembourg, made it clear that 'strategic autonomy' bears too much resemblance to protectionism. ASEAN was

among the fastest growing regions of the world in 2022 – the Asian Development Bank (ADB) predicted that economic growth in Southeast Asia would reach 5.5 percent in 2022; this figure is expected to only fall marginally in 2023, with ASEAN expected to remain one of the fastest-growing regions of the world in 2023 (Fox 2023). ASEAN needs to remain open to trade, if it 'is to become an economic power house:' strategic autonomy is seen as contrary to trade, and thus not to be pursued either in ASEAN or in Indonesia¹⁰⁹. Some diplomats make the issue a matter of rights: establishing bilateral agreements 'is the right of any country. That does not mean that China is exercising political control [...] Investments do not erode sovereignty, or independence. On the contrary, they maintain them'.¹¹⁰ However, it is not accurate to say that ASEAN MS do not control FDI. In addition, China does exert influence on domestic politics, which can impact on ASEAN.

Regarding ASEAN's openness to trade and the alleged contradiction with a mechanism that would allow FDI screening and maintain strategic autonomy, it must be remembered that ASEAN countries have a very high FDI restrictiveness index compared to the EU and Mercosur member states (See Graph 6) and Indonesia has by far the most restrictive index in the world, just above New Zealand and China (see Graph 13).

¹⁰⁹ Interview, ASEAN Member state, March 2023

¹¹⁰ Interview, ASEAN Member state, March 2023



Graph 13. FDI restrictiveness index. Source: OECD: <https://goingdigital.oecd.org/indicator/74>

Regarding China's influence on domestic politics, it has generated a degree of disunity within ASEAN (Anwar 2022, 3). In 2012 for the first time in history, ASEAN failed to issue a joint communique at its summit in Phnom Penh over a disagreement about a statement regarding the South China Sea, which was widely known to be caused by Beijing's influence on Cambodia (Anwar 2022, 3). Moreover, although the risks of democratic backsliding does not represent the strongest argument for suggesting cautiousness vis-à-vis Chinese investment considering that none of the ASEAN MS is considered to be a democracy, the influence of an illiberal hegemon can jeopardise an evolution toward democracy.

With regard to the risk of debt in relation to Chinese investments through the BRI, ASEAN policy makers often claim they are well aware of the risks it poses. However, the fact that the risk of debt is now more widely known has not however erased the risk. Actually, China's overseas lending during the BRI era shows that Chinese debt burdens are substantially larger than previously understood: 42 low-income and middle-income countries now have levels of public debt exposure to China in excess of 10 percent of GDP

(Horn et al. 2023).¹¹¹ China manages the repayment risk using collateralization, and it does so using fully liquid 'grab and go' assets: the borrower maintains a minimum cash balance in an off-shore, lender-controlled bank account: If a borrower falls behind on its repayments, the Chinese state-owned lender can simply debit funds from its bank account without having to deal with the hassle of going before a judge to recover overdue debts. The report estimates that China has an amount of \$385 billion of 'unreported debts' on the World Bank's Debtor Reporting System, a situation which tells a story about the rise of hidden debt and the fall of sovereign debt: however, ultimately it is the central government institutions that will likely be expected to pay the debt in the event that the primary borrowers go into bankruptcy or default (Kuo 2021).

More specifically, the case of the high-speed railway in Indonesia illustrates that policymakers continue to expose their country and its taxpayers to high levels of debt. The Jakarta-Bandung High Speed Rail (HSR) Project was originally going to be financed by the Japan International Cooperation Agency (JICA) but Beijing sought to outcompete Tokyo on several fronts, including cost, speed of implementation, and level of public liability. The Indonesian government wanted to work around its public debt ceiling by financing this \$5.29 billion mega-project through an off-government balance sheet transaction. The construction of the railway was thus financed on a public-private partnership (PPP) basis. A group of Indonesian and Chinese state-owned enterprises created a special purpose vehicle (SPV) - called PT Kereta Cepat Indonesia China - and the China Development Bank (CDB) lent \$4 billion to the SPV. All of the remaining project costs were supposed to be covered by the owners of the SPV. President Jokowi signed a decree that prohibits the use of government funds for the project. However, during the implementation phase, the project encountered major cost overruns worth approximately \$2 billion. This led Jokowi to reverse course and to issue a new decree in October 2021 that authorizes a government bailout. The Indonesian government planned to take \$286.7 million out of state in 2022 and

¹¹¹ Since the BRI was launched, China has outspent the U.S. on a more than 2-to-1 basis. It has done so with debt rather than aid, maintaining a 31-to-1 ratio of loans to grants.

inject the funds into PT Kereta Cepat Indonesia China.[...] The report underscores that actually any injection of Indonesian government funds into the SPV effectively represents an indirect (hidden) form of public debt.

Another risk associated with FDI is investors monitoring and controlling activity in strategic infrastructure and technologies. The Indonesian government has allowed an important amount of Chinese FDI in one of its key industrial complexes, the Indonesia Morowali Industrial Park (IMIP) which primarily hosts nickel-related industries (Tritto 2023). Indonesia owns 20% of the world nickel reserves which is an essential mineral for batteries and therefore for the expanding market of electric vehicles (US Geological Survey 2023). Chinese investment in the industrial park has enabled Indonesia to substantially increase its share of the global Class 2 nickel export market, rising from 20% in 2015 to over 80% in 2020 (International Nickel Study Group (INSG) 2021). The expansion of this industrial site occurred after the government decided to impose a ban on its exports of nickel in order to improve the industry's value chain and stimulate Indonesian growth so that Indonesia becomes a developed country: the ban on nickel exports was challenged by the EU and third parties including China, at the WTO,(see chapter 6) (WTO 2022), and the WTO ruled in favour of the EU prompting Indonesia to appeal to the ruling. The government decision forced Chinese companies to invest in Indonesia's smelters in order to keep hold of their sources of nickel (Tritto 2023, 1).¹¹² Such decision makes Indonesia's nickel industry dependent on Chinese investment and compromises Indonesia's strategic autonomy.

Although the elites are welcoming Chinese investments, the 2023 *State of Southeast Asia survey report* indicates that 'China continues to be seen as the most influential economic (59.9%) and political-strategic (41.5%) power in

¹¹² The Indonesia Morowali Industrial Park, which is China's largest investment in the country's mineral sector, saw complaints—often inflated, false, or misleading—over illegal workers and working conditions. But amid a spate of misinformation about the park, there were real concerns too, around respect for local customs and traditions, the bypassing of Indonesian environmental regulations, and potential environmental harms posed by the park's activities' (Tritto 2023, 3).

the region. However, China's growing influence is not well-received in the region. In Indonesia, Chinese investment in the Indonesia Morowali Industrial Park without proper social and environmental standards being implemented has resulted in harsh criticism towards Joko Widodo's policies (Tritto 2023, 3). 64.5% of those who view China as the most influential economic power express their concern about its expanding influence' (Seah et al. 2023, 3). The diversification of public tenders in Indonesia is also intended to prevent the public opinion from thinking that 'China is buying the country'.¹¹³

Given that ASEAN is engaging in robust economic relations with China through functional bilateral cooperation, which shows signs of risks vis-à-vis ASEAN's autonomy, what is the state of cooperation in the security domain and its potential implications in terms of resilience and strategic autonomy?

Strategic cooperation with China

Strategic interdependence between ASEAN and China

ASEAN agreed to establish a strategic partnership with China in 2003, the first time it had ever done so. Over the following years, ASEAN also agreed strategic partnerships with Japan (2005), South Korea (2010), India (2012), Australia (2014), New Zealand and the US (2015), Russia (2018) and most recently the EU (2020).¹¹⁴ Since 2014, ASEAN and China have also exchanged views through the ASEAN-China Defence Ministers' Meeting (Parameswaran 2019, 4), however there has been a significant development in bilateral relations between ASEAN and China in the shape of China's

¹¹³ Interview, EU institution, November 2022

¹¹⁴ 'Save for Canada (and the UK who just became the 11th ASEAN Dialogue Partner in August 2021), 'strategic partnership' has been applied to all Dialogue Partners despite the different degrees of their regional engagement and cooperation with ASEAN. Once proliferated, the term started to lose its special shine' (Hoang 2021, 7). ASEAN and Russia reaffirmed commitments to strengthen their strategic partnership at the 19th ASEAN- Russia Senior Officials Meeting (ARSOM) held in Siem Reap, Cambodia in April 2023.

initiative in 2021 to upgrade its partnership with ASEAN to a comprehensive strategic partnership – the ASEAN-China Comprehensive Strategic Partnership (CSP) (ASEAN and China 2021).

This initiative was formally launched in October 2021 at the Commemorative Summit which celebrated the 30th anniversary of ASEAN-China dialogue relations, with Xi Jinping in attendance. The CSP has not been made public. ASEAN instead provides an ‘overview of the ASEAN-China Comprehensive Strategic Partnership’ which recaps existing initiatives between ASEAN and China. The scope of cooperation between ASEAN and China on security matters encompasses a wide array of issues, ranging from defence, maritime security, counter-terrorism and transnational crime, drugs and cross-border activity, humanitarian assistance and disaster relief, non-proliferation and disarmament, as well as cyber security (ASEAN Secretariat 2023). The chapter on the economy covers a wide range of areas, including Information and Communication Technology (ICT), and smart cities.

China's quest for centralisation in its neighbourhood

China uses a labelling system for its partnerships which has different levels corresponding to the importance that it attaches to each partner, to the substance of its relations with the partner and other contextual peculiarities (Hoang 2021, 3). ‘Comprehensive strategic partnership’ is considered the second highest level of bilateral ties, above ‘strategic partnership’ and below ‘comprehensive strategic cooperative partnership.’

From the perspective of China, upgrading its partnership with ASEAN to a comprehensive strategic partnership signals the importance it gives to ASEAN in terms of its neighbourhood diplomacy, and ensures so that it fits into the Chinese vision of the regional order. Indeed, ‘Beijing’s active neighbourhood diplomacy is given added emphasis and urgency by Sino-US tensions and China’s estrangement from the West. The CSP proposal signals a calibrated and invested Chinese strategy to actively reshape its

relations with ASEAN in China's own image, promoting China's status as *primus inter pares* among ASEAN Dialogue Partners' (Hoang 2021, 5) and consolidating the centrality of Chinese leadership and influence in the regional order.

'A CSP with ASEAN would serve as a propaganda instrument to amplify the positive narrative about China, especially its development and connectivity-focused diplomacy with the developing countries. The imperative for Beijing to foster this positive narrative has intensified as China's international image in the developed world has taken sharp downturns following the Covid-19 pandemic outbreak, according to many public polls worldwide.' (Hoang 2021, 6)

In his speech at the Commemorative Summit, Xi Jinping spoke of 'inclusiveness' and 'open regionalism' as being common values of both ASEAN and China. This emphasis could be a tacit criticism of the more exclusionary minilateral groupings led by the US, especially the Quadrilateral Security Dialogue (QUAD) and the recent strategic defence alliance between Australia, the UK and the US (AUKUS) (Hoang 2021, 8).

During his speech at the launching of the CSP, the Minister of Foreign Affairs of the People's Republic of China, Wang Yi, highlighted the five key objectives of the ASEAN-China CSP: (1) upholding good neighbourliness and enhancing mutual strategic trust; (2) deepening Covid-19 response cooperation; (3) focusing on development and fostering new growth drivers; (4) safeguarding peace and stability, 'bearing in mind the larger picture': here reference is being made to the SCS and (5) upholding solidarity and coordination in the UN system and defending justice and fairness in the global governance (Embassy of the People's Republic of China in the Republic of Finland 2022).

Regarding point 4 and the SCS, Wang Wi recommended that consultations on a code of conduct (COC) be speeded up in order to reach a substantive and effective CoC that conforms with international law, including UNCLOS. However, two years later (and 21 years after the CoC started to be negotiated) no progress is in view. Only guidelines – which have not been made public – were published on July 13, 2023.¹¹⁵

Regarding point 5, Wang Wi assured the conference that:

‘China will work with ASEAN to safeguard the UN-centered international system and the basic norms governing international relations based on the purposes and principles of the UN Charter. We need to champion multilateralism with Asian characteristics, build an open and inclusive framework for regional cooperation, and defend the common interests of people of developing countries and of the whole world’.

This statement is certainly surprising given that China has failed to respect UN norms at important moments in recent history: firstly, in relation to the UN Charter, given China’s severe repression of the province of Xinjiang (United Nations 2022b), and secondly, UNCLOS, in light of China’s refusal to respect the ruling of the Arbitral Tribunal of The Hague in 2016.

One crucial aspect of the ASEAN-China strategic cooperation which is important here when one reflects on the risks of bandwagoning with China when it comes to strategic autonomy, is the Lancang-Mekong Cooperation mechanism. There are two main areas within ASEAN that particularly interest China: the maritime area about which ASEAN (as a whole) and China have a contentious issue since not only there are overlapping claims but the Code of Conduct has not been finalised so far, and the mainland area, in which China is most interested in the Lancang-Mekong river, about which a Chinese-led cooperation mechanism was established in 2015: the Lancang-

¹¹⁵ The Association of Southeast Asian Nations (ASEAN) and China on Thursday (Jul 13) agreed on guidelines to accelerate the negotiation of the code of conduct for the South China Sea.

Mekong Cooperation mechanism (LMC).¹¹⁶ The CSP does not explicitly refer to the LMC, only to the BRI (which includes the Lancang-Mekong area). By contrast, in its Global Security Initiative, China explicitly refers to the part of the LMC that belongs to China (the Lancang river has its source in China), and 5 countries that lie downstream countries of the river where the river is named the Mekong: Cambodia, Laos, Myanmar, Thailand and Vietnam.

The LMC involves many issues that cannot be addressed here but the main issue is the leverage that China can gain from its governance of the Lancang river but also from the LMC. The Lancang-Mekong river is of interest to China in terms of shipping – ‘the Mekong waterway is an indispensable missing link connecting the Chinese Land and Sea Silk Road ((C. Wang 2019, 213) – and it can also provide China with leverage over downstream countries. Indeed, China has built 11 dams in Chinese territory to produce electricity, which have been highly contested due to the devastating impact on the river’s fisheries and agricultural processes along its floodplain including droughts: Beijing’s control of the headwaters of the Mekong and the cascade of dams it has constructed or is constructing raises questions about food security, giving China significant leverage (Kausikan 2020) Competing studies concerning the deliberate use of the dams by China to control river levels in relation to downstream countries have been published (Jaipragas 2020).

The ‘Five- Year Plan of Action on the Lancang- Mekong Cooperation (2018–2022)’, issued in 2018, requires that synergy be strengthened between the BRI, the “ASEAN 2025: Forging Ahead Together” mechanism, the “Master Plan on ASEAN Connectivity 2025”, and other Mekong sub-regional cooperation mechanisms that relate to the China- Indochina Peninsula Economic Corridor, and that Lancang- Mekong Cooperation be developed

¹¹⁶ Actually, the LMC draws on a proposal initially made by Thailand that was initially dismissed by China in 2012: to begin dialogue on the management of the Mekong River which China as part of the BRI strategy has revived with major revisions regarding its initial institutional design: it was not until April 2014 that China spoke of Thailand's dismissed plan and China's attempt to establish the LMC as a vehicle for subregional leadership (Busbarat, Bunyavejchewin, and Suporn 2021). See also (Devlaeminck 2021).

into a new platform and a new sub- regional cooperation mechanism for the China- Indochina Peninsula Economic Corridor (J. Wang 2022, 231-32). The Chinese plan for the Mekong River also has a security dimension which concerns the fight against drug trafficking. It is also deemed that in the unlikely event that militarised interstate disputes take place, the improved Mekong waterway will provide a clear passage for Chinese military vessels (Busbarat, Bunyavejchewin, and Suporn 2021, 29-30).

ASEAN has never devoted significant attention to Mekong issues and does not challenge China in the Mekong (Po and Primiano 2021, 335). This low degree of attention, and the fact that ASEAN is governed by the consensus-based ASEAN way explains why China prefers to work with ASEAN rather than with individual states, because it 'knows that ASEAN will not be able to limit China or gain the upper hand with China in the Mekong'. (Po and Primiano 2021, 335)

ASEAN's attempt to maintain centrality

If China intends to situate itself in a central or even dominant position in Southeast Asia, how can ASEAN, in negotiating the CSP, claim centrality? Interestingly, Hoang reports that ASEAN proposed a motion to link the establishment of the CSP to China's express support for the ASEAN Outlook on the Indo-Pacific (AOIP). Hoang specifies that this may not be straightforward 'given China's steadfast opposition to anything 'Indo-Pacific' which Beijing associates with a strategy by Washington and its allies/partners to counter and contain China' (Hoang 2021, 6). China overcame its 'visceral aversion to the term 'Indo-Pacific'' and supported the AOIP in the most explicit manner. The Joint Statement of the Commemorative Summit reaffirmed 'the principles of the AOIP while recognising that it is ASEAN's independent initiative' and agreed to 'advance cooperation in the relevant areas identified in the AOIP to develop enhanced strategic trust and win-win cooperation.' In his speech, Xi Jinping nevertheless only refers to the AOIP to highlight its link with the BRI: 'We seek high-quality Belt and Road cooperation with ASEAN and cooperation between the Belt and Road Initiative and the ASEAN Outlook on the Indo-

Pacific' (Ministry of Foreign Affairs of the People's Republic of China 2021). Actually, by embracing the AOIP, 'China has exercised a pragmatic flexibility that both pleases ASEAN and serves China's enlightened self-interest': indeed, the AOIP 'offers the most inclusive and China-friendly vision of the Indo-Pacific' (Hoang 2021, 6).

At the same time, ASEAN does not view its CSP arrangement with China as signifying an elevated status compared to other dialogue relations. The same year, ASEAN agreed a comprehensive strategic partnership with Australia, despite the AUKUS. Reaching such an agreement with China and with Australia is an 'ASEAN masterstroke of hedging and soft balancing among the major powers' (Hoang 2021, 7).

The relationship with ASEAN 'has transformed from amity to uncertainty' (Koh 2018). China's 'growing economic influence' – seen against the backdrop of an increased military presence in the South China Sea – is viewed as cementing China's political 'domination' and threatening 'sovereign rights' (Tong 2021, 2). Five years since China rejected the South China Sea Arbitration Award (Permanent Court of Arbitration 2016), a fifth state now has issues with China in the SCS, Indonesia. The 2021 incursions of China's coastguard boats into Indonesia's Exclusive Economic Zone (EEZ) around the Natuna Islands have heightened Indonesia's security concerns (Anwar 2022, 3; Giese 2021, 94). For the first time in its history, an ASEAN joint-military exercise will take place in the South China Sea involving Indonesia, Malaysia, the Philippines and Vietnam (Lamb and Teresia 2023). The exercise is planned to take place in September 2023 around the Natuna Islands. Still, only a few MS are concerned about this: given that MS have different positions on cooperation with China and various different interests in the SCS, 'ASEAN MS will never have a common enemy' (Faiz 2023).

ASEAN member states' strategic partnerships with China

Strategic relations between ASEAN and China, and the quest for centrality that both are trying to achieve are made more complex by the trajectories of individual member states which have diverse interests in the SCS, and

diverse needs in terms of capacities (as per the FDI, some countries are more dependent than others). And this highlights how China is able to consolidate the support of certain ASEAN MS to align with its regional ambition. 'The challenge is less about individual instances of what Beijing is doing or might do, but the issues that arise from its pursuit of wide security alignments and their domestic and regional impacts' (Parameswaran 2020).

The labelling of the partnership may vary. As noted by Tyushka and Czechowska, due to political sensitivity, China may be unwilling to make 'multiple hierarchies of 'strategic', 'comprehensive', 'constructive', 'privileged', 'development' and other partnerships broadly visible (Bang, 2017; Oviedo, 2006)' (Tyushka and Czechowska 2019, 10). However, one should not read these terms in a strictly hierarchical order. As shown in Table 1, there are various titles describing China's relations with the ten ASEAN member states, but they do not necessarily connote a hierarchy of importance or substance. (Hoang 2021, 3)

Title of China's bilateral partnerships	ASEAN Member states
Strategic cooperative partnership	Brunei
Comprehensive strategic partnership	Cambodia, Indonesia, Malaysia
Comprehensive strategic partnership of cooperation	Vietnam, Laos
Comprehensive strategic cooperative partnership	Myanmar, Thailand
All-round cooperative partnership	Singapore
Comprehensive strategic cooperation	The Philippines

Table 11. China's bilateral partnerships with ASEAN member states.

Source: Hoang, 2021

From a security perspective, China has expanded its array of partnership agreements over the last ten years and secured defence cooperation agreements with the majority of its ASEAN partners under Xi's leadership (Ford 2020, 9). This cooperation includes:

'specific provisions for new defence industry cooperation, increased professional exchanges and military education, expanded joint training and exercises, and, reportedly, military access arrangements. Similarly, China is steadily expanding its military sales and aid to regional partners. Recent analysis by the Center for Strategic and International Studies notes that China's arms sales to South and Southeast Asia nearly doubled from 2008-2018, with over 60% of its conventional arms sales going to three close partners: Pakistan, Bangladesh, and Myanmar.' (Ford 2020)

China's leverage in the region is facilitated by the continued support of certain ASEAN member states. Indeed, certain ASEAN MS have signed agreements with China, including Laos, Malaysia and the Philippines (Parameswaran 2019, 6). See Table 11.

The development of strategic partnerships between China and Southeast Asian states can be perceived as a 'double-edged sword' since they can also provide China with additional pressure points to use against these same countries further down the line (Parameswaran 2019, 8). In the past, China has shown a tendency to use a limited degree of security engagement with Southeast Asian states as a strategy for managing tensions. Notable incidents include canceling a military meeting with Vietnam concerning the South China Sea and impounding military vehicles from Singapore. Furthermore, China has employed diverse methods to influence states, including economic coercion and influence operations (Parameswaran 2019, 8). In terms of arms sales, while China's security links with a select few Southeast Asian states has been a decades-long phenomenon, China has been positioning itself as a key player in more ambitious areas of security, and has proven itself capable of winning bids, as has been the case with Beijing's surprising success in securing the contract for Thai submarines (Parameswaran 2019, 6). China has backed a number of projects in recent years in order to position itself in key strategic locations; these projects from Kuantan Port in Malaysia to Kyaukpyu in Myanmar, have sparked fears about the rise of military or dual-use outposts in Southeast Asia. China's military base in Cambodia has raised questions about not just their intent, but the extent to which Chinese

partnerships in general pose a threat to regional security (Parameswaran 2019, 8; Charon 2023).

The example of the Philippines and its involvement in the SCS conflict with China also shows how national preferences can undermine ASEAN's legitimacy. On 12 July 2016, the tribunal of the Permanent Court of Arbitration in The Hague stated that China's claim of historic rights over the resources in the waters of the SCS had no legal basis (Permanent Court of Arbitration 2016a: 117; Permanent Court of Arbitration 2016b: 9): if China had ever had historical rights to resources in the waters of the SCS, they had been extinguished by China's accession to UNCLOS. The Tribunal also concluded that China had violated the sovereign rights of the Philippines in its exclusive economic zone by: (1) interfering with Philippines fishing and petroleum exploration, (2) constructing artificial islands, and (3) failing to prevent Chinese fishermen from fishing in the zone. The Tribunal decision, which is final and binding, constitutes an outright rejection of the China's claims.

China reacted by rejecting not only the decision itself, but also the legitimacy of the Tribunal. On July 12, the day the award was made public, China released two statements. In the first one, China declared that the award "is null and void and has no binding force" and that "China neither accepts it nor recognizes it" (Ministry of Foreign Affairs of the People's Republic of China, 2016a). China's decision not to recognise the legitimacy of the Arbitral Tribunal is consistent with the declaration China made in 2006, pursuant to article 298 of UNCLOS, to exclude historic bays or titles, military and law enforcement activities from the compulsory dispute settlement procedures disputes concerning maritime delimitation (art. 287 and 298 of UNCLOS). Nevertheless, the Tribunal rejected China's argument on the basis that the dispute between China and the Philippines is not about maritime delimitation but about the entitlement to a maritime zone on which the Tribunal has jurisdiction. The second statement addresses China's rights in the SCS and reaffirms China's territorial sovereignty and maritime rights and interests in the SCS (Ministry of Foreign Affairs of the People's Republic of China, 2016b). Interestingly, the Philippines did not oppose the ruling of the

Tribunal, which could give them political leverage in future negotiations with China. Tellingly, the day after the Permanent Court of Arbitration published its award in relation to the SCS Arbitration, China released a comprehensive statement stating that the Philippines had complicated the issue and had “invaded” and “illegally occupied” certain islands and reefs (Ministry of Foreign Affairs of the People’s Republic of China, 2016c).

However, a few months later China significantly enhanced its bilateral relations with the Philippines and a China-Philippines joint statement on extensive cooperation between the two countries was released (People’s Republic of China and Republic of the Philippines 2016). In terms of the SCS issue, China and the Philippines acknowledged an exchange of views. They also reaffirmed the importance of maintaining peace and stability and recalled the ASEAN-China Joint Statement on the Code of Conduct in the SCS (Foreign ministers of ASEAN member states and China 2016). The enhancement of relations with the Philippines is consistent with the UN position which favours resolving disputes bilaterally or multilaterally and suggests only reverting to legal arbitration when negotiations are deadlocked (Storey 2014). But this move was made at the expense of international law, as it occurred after the ruling of the Tribunal which China decided not to accept. The deal between the Philippines and China potentially also undermines the value of the award for other ASEAN member states.

The 2016 China-Philippines joint statement actually did not only address economic cooperation (inter alia the commitment to renew their Trade and Economic Development Program) but also extended this cooperation to political and security issues: several items of a diplomatic nature were added, such as ‘the opening of a Consulate-General of the People's Republic of China in Davao in due course’, and the enhancement of cooperation between their respective Coast Guards. ‘The most dramatic case is that of the Philippines and President Rodrigo Duterte, where a broader tilt towards China rooted largely in Beijing’s rising economic heft has seen significant accompanying developments in the security realm, extending even to coast guard collaboration’ (Parameswaran 2019, 5).

While President Rodrigo Duterte (2016-2022) was favourable to China's politics, Bongbong Marcos's Presidency is giving a new direction to the Philippines' relations with China, which also involve maritime cooperation. The Philippines Coastguard committed an act of maritime assertiveness by placing buoys bearing The Philippines flag around the Spratly' islands in 2021, seen as indicators of sovereignty. This assertiveness is to be understood in the context of the re-affirmation of strong US-Philippines strong bilateral relations after a new defence guidelines were signed according to which the US has promised to help its treaty ally to more effectively address threats in the area, including "gray zone" operations by China. The guidelines reaffirm that an armed attack in the Pacific, including anywhere in the South China Sea, from either of their public vessels, or aircraft, or armed forces - which includes their coastguard - would invoke mutual defense commitments under Articles IV and V of the 1951 U.S.-Philippines Mutual Defence Treaty (US Department of Defence 2023).

China's influence in the strategic domain is viewed similarly among the population of Southeast Asia as does its influence in the economic domain. 68.5% of those who see China as most influential in the political and strategic sphere express their concern about its expanding influence (Seah et al. 2023, 3).

Conclusion of Chapter 7

Even if ASEAN's bandwagoning is accompanied by hedging initiatives that ensure that ASEAN does not only rely on China, the strategy of bandwagoning which implies an alignment with China presents risks in terms of resilience.

Firstly, China is trying to progressively gain influence on ASEAN programmes and strategies by proposing increased synergy with its own programmes and strategies: this is the case with connectivity, integration at

large, digitalisation and the Indo-Pacific (AOIP). More specifically, the synergies that China expect to establish concern:

(1) The Master Plan on ASEAN Connectivity (MPAC) 2025 and the BRI which were 'synergised' in 2019 via a Joint-Statement (ASEAN and China 2019).

(2) The Lancang-Mekong Cooperation mechanism which was initially an initiative of Thailand but is now a China-led initiative. The Five- Year Plan of Action of the LMC (2018- 2022) required that synergy be strengthened between the BRI, the "ASEAN 2025: Forging Ahead Together", the "Master Plan on ASEAN Connectivity 2025", and other Mekong sub-regional cooperation mechanisms (J. Wang 2022, 231).

(3) A third area that involves increasing synergy is the digital sector: the CSP intends to also 'Explore synergies between the ASEAN Digital Masterplan 2025 and the Initiative on Building ASEAN-China Partnership on Digital Economy and its Action Plan and enhance cooperation on the digital economy, smart city development, artificial intelligence, e-commerce, big data, 5G use cases, digital transformation, and cyber and data security as we embrace the Fourth Industrial Revolution (4IR)' (ASEAN and China 2021).

(4) Regarding the AOIP, China expects to 'advance cooperation to develop enhanced strategic trust and win-win cooperation.' and a 'high-quality Belt and Road cooperation' (ASEAN and China 2021).

A cautious degree of attention should be reserved for what synergy actually means and implies: which decision-making powers will be at play knowing that China enjoys considerable economic leverage? Which norms should prevail, since according to hypothesis 3, there is a high risk that an hegemon imposes its own secondary institutions and norms.

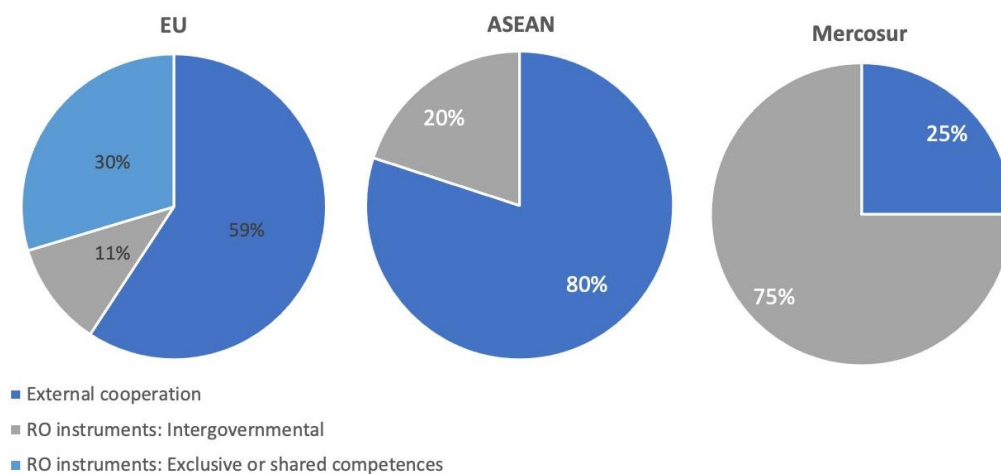
Secondly, gaining ground in strategic economic assets, such as Indonesian's nickel industry can provide important leverage to China. Indeed, there are no ASEAN rules to ensure that ASEAN and its member states are protected with regard to FDI in strategic sectors. China has used such leverage in order to wage retaliatory measures against South Korea, a measure which has been

qualified as 'a weaponization of economic interdependence.' (Han 2023). The South Korean government is now trying to cut dependency on China in critical minerals, from the current 80 percent level to 50 percent by 2030 (Shin 2023). China also used retaliatory measures against Japan in 2010, cutting supplies of rare earth elements which are crucial to Japanese industry, following an incident involving the disputed Senkaku Islands. While Indonesia holds 20% of the world reserves of nickel, it is striking, from a strategic autonomy perspective, that the biggest share of FDI is owned by Chinese companies (Tritto 2023). This interdependence is not only a matter of concern for Indonesia but for ASEAN as a whole, since Indonesia is not only ASEAN's economic power, it is traditionally a leading voice in ASEAN (Dannhauer 2022).

Thirdly, from a (regional) institutional perspective, ASEAN member states are not required to be coherent on foreign policy. The absence of a regional foreign policy is consistent with the ASEAN way, and reflects the diverse positions of ASEAN member states in relation to China (Chatterji 2021). However, although it allows for some form of - fragile - resilience, this absence of regional foreign policy is harming any attempt to increase autonomy and is definitely not allowing for much ambition on strategic autonomy.

Conclusion of Part 3

China has been expressing its views more confidently and concretely in recent years in more China-centric order conceptions advanced under President Xi Jinping and in the context of rising competition with the United States (Parameswaran 2019, 5). Part 3 has examined how ROs manage interdependence and endeavour to strengthen resilience and potentially strategic autonomy vis-à-vis China with the use of external cooperation mechanisms, in support to regional integration mechanisms analysed in part 2. Graph 14 shows that ASEAN is the RO which has resorted the most to external cooperation: 80% of its institutional instruments are made of external cooperation mechanisms, both partnerships and multilateral fora. This shows the relative vulnerability of ASEAN as a RO as it relies more on external cooperation rather than on its own regional capacity to initiate change, establish common regional policies (including foreign policy) and incite compliance. Mercosur is the RO relying the least on external cooperation to ensure resilience vis-à-vis China, which can be interpreted as the result of an absence of clear positioning vis-à-vis China.



Graph 14. Distribution of instruments in the EU, ASEAN and Mercosur

More specifically, part 3 has analysed three major types of cooperation: balancing, hedging and bandwagoning, which are not necessarily used independently. Balancing can imply some form of hedging: this is typically the case of the EU. Hedging can also be accompanied with bandwagoning: this is the way ASEAN has managed external cooperation. However, balancing is incompatible with bandwagoning since balancing implies some form of alliance to counter the attempt from an external state to exercise hegemony on a RO, whereas bandwagoning implies an alignment – even partial – in areas of strategic relevance with the hegemon.

Regarding the EU, the strengthening and multiplication of partnerships with key partners in both trade (e.g., the TTC agreement with the US) and security policies allow for a reinforced resilience and strategic autonomy vis-à-vis China whether considering its influence in the Southeast Asia and the Indo-Pacific (inter alia with the EU-ASEAN strategic partnership or the Indo-Pacific strategy), or in Europe (with the EU-NATO agreement and the European Political Community (see maps in the Annexes). One limitation to EU's resilience vis-à-vis China when it comes to the external partnerships that the EU has established is the complacent position of ASEAN towards Russia, whereas China is siding Russia itself in the war in Europe.

ASEAN is consolidating its resilience vis-à-vis China through strategic partnerships established very recently with the US, Australia, New-Zealand, India and the EU, and can reach some kind of balance with an intensification of hedging whereas it does not want to take side in the rivalry opposing the US and China. However, hedging can only be a risky option as it offers a fragile, uncertain balance among diverse partners, where the issue of trust becomes paramount in a very sensitive international context. It is not clear either if ASEAN, which MS's interest do not converge on key issues and which relies on a decision-making by consensus and little enforcement capacity, can be fragilized – bypassed – by the rise of minilateralism (AUKUS, Quad...).

As for Mercosur, the external partnership which represents the most relevant possibility to enhance resilience vis-à-vis China is the EU-Mercosur agreement which trade part is still being ratified by the EU MS. However, Lula da Silva has also made clear that he envisages for Mercosur a diversification of external partnerships which includes China as part of a South-South cooperation.

CONCLUSION

3 MODELS OF DIFFERENTIATED REGIONALISM

This research has compared the responses of three differentiated organisations, the EU, ASEAN and Mercosur, with respect to their specific merits in relation to resilience and strategic autonomy vis-à-vis Chinese influence. The research shows the three ROs have followed very distinct paths. The study has relied on three complementary hypotheses (H1 internal, H2 and H3 external) to explain which factors allow ROs to strengthen their resilience vis-à-vis the influence of an external hegemon. While the strengthening of institutional differentiation presents one option – which corresponds to a balancing strategy, other options which consist of establishing external partnerships are developed in parallel with the internal institutional design: they can be characterised as situations that involve balancing, hedging or bandwagoning. These strategies are not exclusive and can be used in combination. Taking into account the fact that China exercises a similar type of influence but that the degree of influence may vary, the research shows that the three ROs have followed very distinct paths.

Differentiation: comparison of its use and conditions for resilience

Generally, the EU makes an extensive use of differentiation in its adaptation to Chinese influence. This result does not come as a great surprise as the EU has developed differentiation to the point of being described as a 'system' of differentiated integration (Leuffen, Rittberger, and Schimmelfennig 2013). However, the research shows that the three ROs use of the various *types* of differentiation in different ways.

Vertical differentiation is only used by the EU since it is the only RO that uses both intergovernmental and supranational decision-making. Vertical differentiation has significantly increased: the EU has deepened its political and policy integration. 75% of regional instruments aimed at addressing the influence of China are supranational instruments while intergovernmental instruments represent 25%: in contrast to the intergovernmental mode of decision-making chosen to address the financial and eurozone crisis that gave rise in the academic literature to claims that a renewed intergovernmentalism was occurring in the EU (Fabbrini 2016, 594; Schmidt 2016, 13; Smeets and Beach 2020, 2), this high proportion of supranational instruments shows the suitability of this mode of governance in a situation that involves external stress. However, in the case of FDI where the EU has exclusive competences, the inherent screening regulation does not show a high degree of stringency, and thus allows significant flexibility in its implementation by MS. Given that no flexibility could come from differentiation in the policy on screening FDI,¹¹⁷ leeway is given to the MS through a paradoxically very lax regulation which actually hampers actually its effectiveness, especially in the post-Covid period when the economic community is endeavouring to make commercial deals without considering the consequences on strategic autonomy.

Internal differentiation is seldom used by the three ROs in the specific context of counterweighing the influence of China and strengthening economic and

¹¹⁷ Several hurdles, some perhaps insurmountable, to multispeed cooperation on FDI' appear under current treaty law (Lundqvist 2018: 1).

defence resilience. It is used in the EU in only one out of twelve instruments regional instruments in relation to countering Chinese influence (see Graph 8) to avoid stagnation (H1b1) in defence and security policy, and more specifically in the case of PESCO. ASEAN and Mercosur use internal differentiation to reduce economic asymmetries within the RO and to increase cohesion (H1b2) with the two instruments that allocate funds: the IAI (the Initiative for ASEAN integration) and FOCEM (the Mercosur Structural Convergence Fund). The situation in which internal differentiation is used in the EU (H1b1: to prevents the RO from stagnating in relation to a crucial policy) – in relation to PESCO – has proven to be very effective as it has initiated a process of cooperation that has progressively been extended to other member states and has deepened in terms of the scope of areas of cooperation (Denmark has joined PESCO, while Norway, the US, and Canada are participating in a military mobility project and the UK has applied to do so), and this has enabled cooperation to be deepened as well, as the number of projects has increased from 17 projects in 2017 to 68 in July 2023. The internal differentiation mechanisms put in place in ASEAN and Mercosur (in particular the IAI and FOCEM) to reduce economic asymmetry and strengthen cohesion, have proven both *indispensable* – their absence would be detrimental to the functioning of the RO – and *insufficient* in scale to effectively reduce asymmetries and ensure resilience in relation to Chinese economic influence.

Regarding (H1b-3) and the negative impact of internal differentiation which can occur when an instrument that is aimed at protecting the RO is applied in a non-uniform way, the research did not find any instance of such an instrument. However, although the FDI screening regulation applies uniformly to all MS, paradoxically the regulation is lax given its legal nature, and acts as a kind of *de facto* internal differentiation since it authorises MS not to take action. This situation shows that the design of the law can be understood as the result of a certain trade-off between the necessity to send MS a strong signal to engage in national reforms and the impossibility under Treaty law of putting in place a differentiation mechanism: without the possibility of resorting to internal differentiation, the flexibility mechanism is provided through a low degree of legal requirement.

External differentiation is only used by the EU, and to a great extent. It extends the protective rules of the RO to third countries (providing broader unified cooperation) including the Balkans and candidate countries (H1c), and therefore has the potential to be conducive to resilience. The results show that external differentiation is used in 92 % of EU regional instruments. The FDI screening regulation is the only instrument that is not externally differentiated, with the service in charge of the screening mechanism lacking the capacity to deal with even more screening requests. External differentiation is used in policies that range from the pre-accession instrument to the NIS2 Directive on Network Infrastructure security.

The development of regional instruments by the EU testifies to a very dynamic response in terms of vertical, internal and external differentiation, a response which strengthens its resilience and strategic autonomy and amounts to a balancing strategy. By contrast, the regional instruments established by ASEAN and Mercosur which can be considered as potentially having an effect on resilience in relation to China are strikingly low in numbers and only a few are differentiated: they relate to policies aimed at reducing economic symmetry and strengthening internal trade by means of an increase in inward FDI, and therefore involve positive incentivisation. This situation can be explained by the fact that neither ASEAN nor Mercosur are willing to constrain China's influence, even in strategic sectors.

Although differentiated integration can be a powerful mechanism and is used extensively by the EU, certain conditions need to be fulfilled. The importance of stringency in facilitating resilience has been brought to light: supranationalism in the EU without stringency leads to mixed results and intergovernmental cooperation without stringency is also problematic: the ASEAN way cannot constrain either ASEAN MS or China, and can only 'be an 'efficient' form of diplomacy if the principal goal is form over substance' (Beeson 2020, 6).

The limitations of differentiation and external cooperation

Regional instruments and their external differentiation dimension, which projects normative power beyond the RO's borders are not the only tools at the disposal of ROs. If resilience or strategic autonomy can be pursued through the strengthening of a regional organisation, it can also be pursued through external cooperation. External cooperation in the form of partnerships is more extensively used by the EU and ASEAN than regional instruments in response to the growing influence of China (see Graph 14). 59% of all EU instruments are instruments that involve external cooperation, which are used for a balancing approach that relies on selecting like-minded partners in both trade and security. This option is the most conducive to resilience and strategic autonomy. The strengthening and multiplication of partnerships in both trade (e.g., the TTC agreement with the US) and security policies allow for reinforced resilience and strategic autonomy vis-à-vis China whether one considers its influence in the Southeast Asia and the Indo-Pacific (inter alia with the EU-ASEAN strategic partnership or the Indo-Pacific strategy), or in Europe (with the EU-NATO agreement and the European Political Community (see maps). We found that one significant constraint on the EU's resilience vis-à-vis China is ASEAN's complacent position towards Russia in the context of the EU-ASEAN partnership, whereby China is siding with Russia itself in the war in Europe.

ASEAN is consolidating its resilience vis-à-vis China through strategic partnerships established very recently with the US, Australia, New Zealand, India, Russia and the EU, and may reach some form of balance wherein it does not take sides in the rivalry between the US and China. ASEAN is significantly dependent on external cooperation: 80% of all of its instruments relate to external partners. However, hedging behaviour – defined as the multiplication of cooperation agreements in trade or security with a number of states – to avoid a hegemon exercising dominance, can be a risky option in terms of resilience. Indeed, hedging does not necessarily imply alignment and this can be problematic for the partners of ASEAN when there is tension internationally – e.g., the Russian invasion of Ukraine – where the issue of trust becomes paramount. ASEAN may still claim that it has centrality but its legitimacy as a reliable partner within an international community which

has condemned Russia's invasion of Ukraine may be eroded (United Nations 2022a). Moreover, the deepening of relations between ASEAN and China – 76% of its external partnerships include China –, and the growing influence of China on ASEAN programs (see chapter 7) make it unclear whether ASEAN is still engaging in a hedging behaviour or is not progressively aligning with China.

Mercosur is an RO whose relationship with China may also become problematic not only by reason of the increasing trade deficit but also because there has been investments in strategic sectors in Brazil, Argentina and Uruguay, along with cooperation of a military nature. As shown in the report, Mercosur has not established a clear foreign or trade policy with China. It has adopted a Decision that commits states to jointly negotiate agreements of a commercial nature with third countries or groupings of countries outside the region in which tariff preferences are granted (Consejo Del Mercado Común 2000), therefore preventing Uruguay from signing an FTA with China. However, this rule does not prevent Brazil from signing trade agreements with China which have strategic implications. Cooperating with China does not predominantly seem to be about using a hedging strategy to counterbalance the influence of the US, however, Brazil's recent trade agreements with China seem to indicate that Brazil is bringing about some kind of alignment with China, based on 'south-south' cooperation. The EU-Mercosur agreement remains the most relevant agreement for Mercosur to maintain some autonomy vis-à-vis China's influence.

ASEAN as a grouping seems to engage in bandwagoning behaviour with China. Indeed, China is indeed trying to progressively gain influence over ASEAN programmes and strategies by proposing increased synergy with its own programmes and strategies: this is the case with connectivity, integration at large, digitalisation and the Indo-Pacific (AOIP) (ASEAN and China 2021). A cautious degree of attention should therefore be reserved for what synergy actually means and implies when the proposition comes from an external hegemon, and when an RO has weak internal and external compliance mechanisms. Although bandwagoning with China allows some form of - fragile - resilience, the absence of an ASEAN foreign policy limiting

economic interdependence in strategic sectors and incentivising consistency in external military cooperation is harming any attempt to increase autonomy and definitely does not allow for ambition as regards strategic autonomy.

Amidst what appears to be competition for growth and influence between powers such as China, and the EU – but also the US and Russia, it is interesting to note that the EU has not given up on conditionalities either in external differentiation or in external cooperation. It is now China which is trying to make its offer look more virtuous.

Three models of differentiated regionalism

The EU, ASEAN and Mercosur have provided various responses to an increasingly assertive China. Three models of differentiated regionalism emerge from this research.

(1) First, we found an *expanding centralized differentiated regionalism*, which also includes a new type of differentiation which we label '*co-differentiation*'. This model of differentiation is exemplified by the EU. It is characterised by a prevailing balancing strategy in relation to the influence of China, a strategy which manifests itself in an increase in supranational integrated instruments, a deepening of external differentiation, and the parallel development of informal differentiated cooperation. There is a geographical expansion in cooperation in both trade (investment) and security (especially in defence in relation to PESCO and the agreement with NATO) (see Map 5). This strategy is conducive to resilience and a moderate degree of strategic autonomy.

The European Political Community is an interesting development in that regard, somewhat indicating a move towards a low level of legal formalism that ASEAN is more familiar with. However, the EU version of an informal institutional mechanism is very different from that of ASEAN in at least two respects. First, contrary to the low level of legal formalism in ASEAN, the

EPC is backed by the EU which is built on a strong institutionalisation which warrants accountability and judicial power.

Second, the EPC is a forum whose format – at least in its early phase – corresponds to what can be described as a ‘co-constructed’ project. The EU does not have a full control of the forum, of which the agenda and venue are shared with the members. EPC Summits are organised on a rotating basis by each participating country with the host alternating between an EU and a non-EU member state (The Republic of Moldova 2023). One could therefore argue that, despite bearing the features of external cooperation – and having been analysed as such in this research, the EPC constitutes yet another form of differentiation, something along the lines of a ‘co-differentiation project’.

(2) A *lightly institutionalised and constrained regionalism* which applies to ASEAN, which relies on a hedging and bandwagoning strategy that puts ASEAN in a situation that involves a high degree of dependence on external cooperation with China and with great and middle size powers that have diverging interests in the region. This approach, which seeks to accommodate the presence of a powerful and ambitious neighbour as well as a high degree of internal diversity, leads to a moderate degree of resilience and the absence of strategic autonomy.

Differentiation may therefore represent an option for managing heterogeneity, but this cannot be achieved without a deepening of integration. This does not mean adopting an EU model of regionalism, but such an option would equate to ‘uploading more of state prerogatives: policy instruments, institutional and constitutional arrangements from the state to the regional level’ (Fossum 2019). Actually, the ‘basic commitment that member states in ASEAN have to resolve is their political will to pursue regional integration’ (Deinla 2017, 73). Deinla points to the narrow confines of the ASEAN legal and institutional framework’ and deems that ASEAN has to go beyond the ‘ASEAN Way’ and trust its own institutions by using them and making them actually work (Deinla 2017, 73). One risk of not doing so, with regard to resilience, is being progressively controlled or taken over by Chinese ‘synergisation’ with ASEAN programmes and/or bypassed by other fora such as those that involve minilateralism, which already exist –

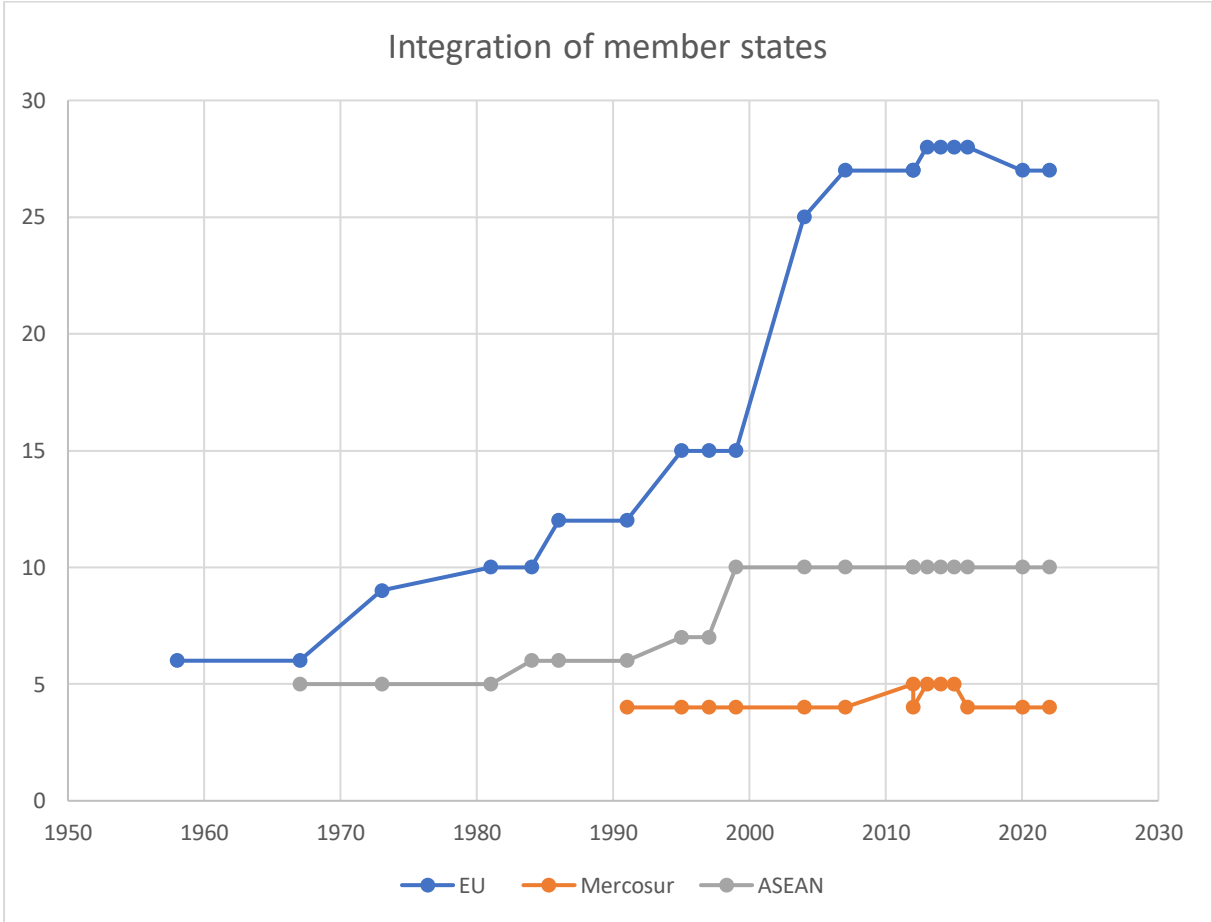
like the Malacca Straits Patrol - but also by a type of minilateralism developed by external powers that does not involve ASEAN MS such as the Quad or AUKUS. Should these minilateral fora develop into mechanisms that involve ASEAN or ASEAN MS, a key question remains as to the voting power that ASEAN MS will enjoy in the final mechanism.

(3) *A functionally and geographically limited regionalism coexisting with multiple ROs which form an (overlapping) regionalism*, which applies to Mercosur which seems to engage in a hedging strategy in order to enhance resilience and autonomy, but it has no strategic autonomy. Mercosur also uses differentiation as a mechanism for managing heterogeneity, which cannot be put in place without the RO's integration being strengthened in the first place. Deriving from a low degree of integration, the political sensitivity of Mercosur to political shifts (and the political unpredictability of Brazil and Argentina) and the fact that its main focus is on trade, are hampering Mercosur's realisation of autonomy, but its future can hardly be envisaged without considering its role in relation to Latin American regionalism. Other ROs are gaining or regaining momentum: CELAC, and potentially Unasur are two prominent examples.

Differentiation can be a powerful mechanism to manage heterogeneity and strengthen external cooperation amid China's global agenda. However, in order to be effective, differentiation presupposes solid integration in the first place, including stringent regulation. Differentiation and external cooperation, in the very sensitive international context of an assertive China –and an aggressive Russia with whom China is siding – cannot be conducive to resilience and strategic autonomy without a strong commitment to the sharing of common values based on mutual trust. China is projecting powerful economic power and exercising divisive power. It may attempt to substitute its own cooperative mechanisms at the expense of those of the ROs. ROs may dis-integrate, or simply become ineffective, bypassed in favour of other regional cooperation mechanisms more effective like minilateralism, or in favour of regional cooperation whose commercial agendas look attractive and requirements less demanding.

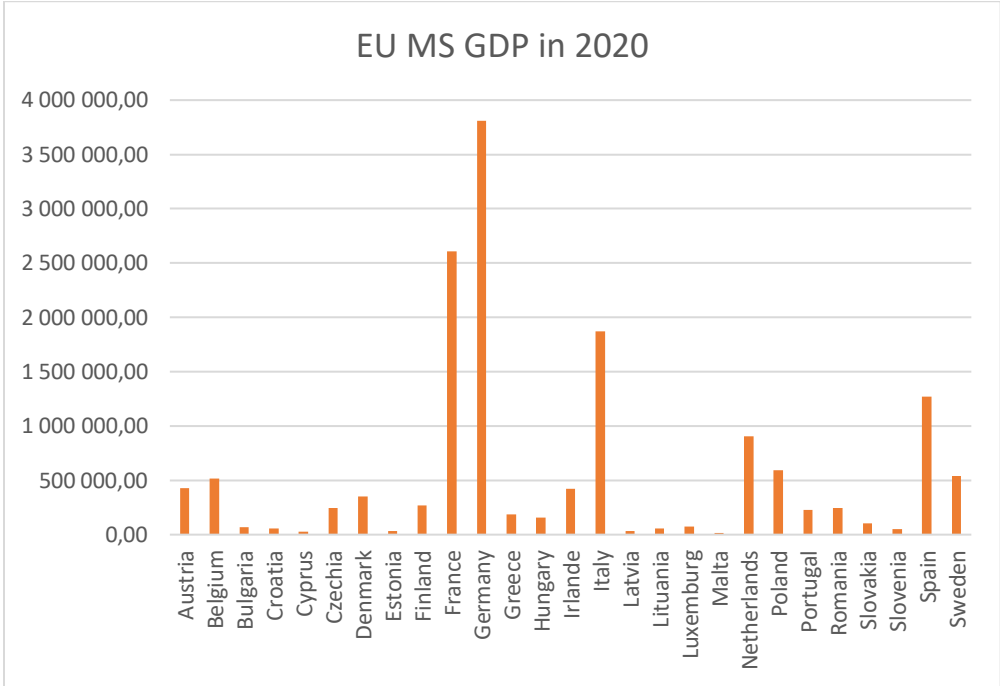
Annexes

Annex 1. Integration and disintegration in the EU, ASEAN and Mercosur

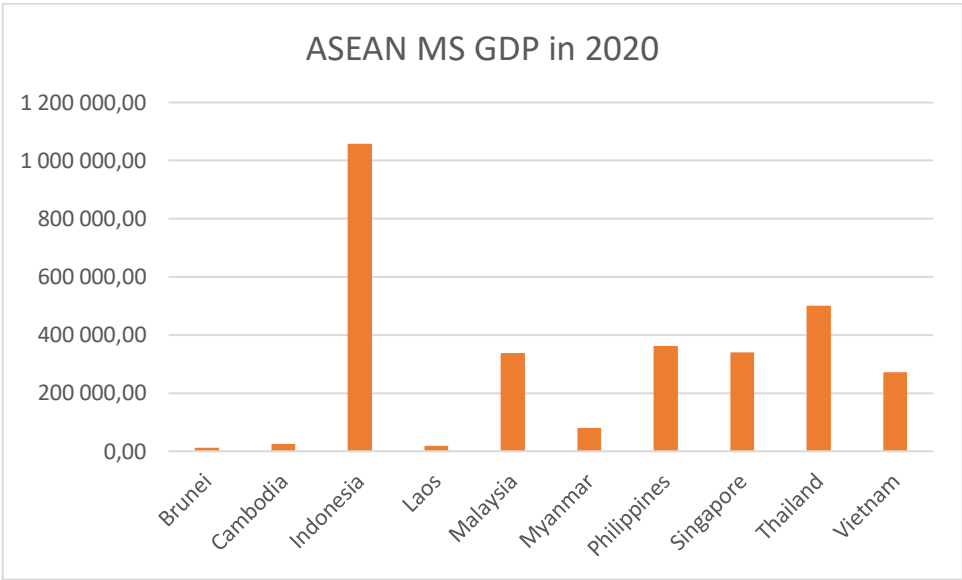


Graph 15. Evolution of integration and disintegration in the EU, ASEAN and Mercosur

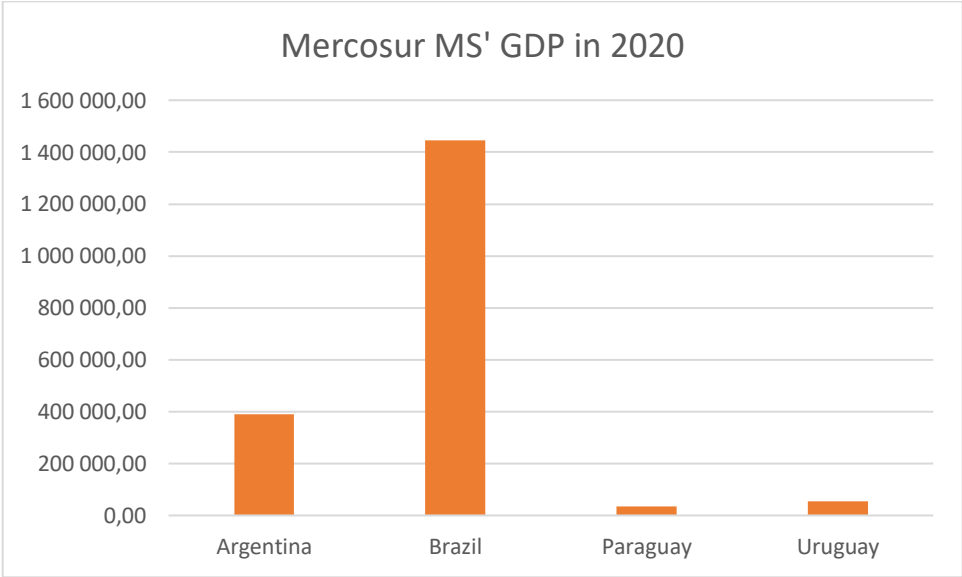
Annex 2. GDP



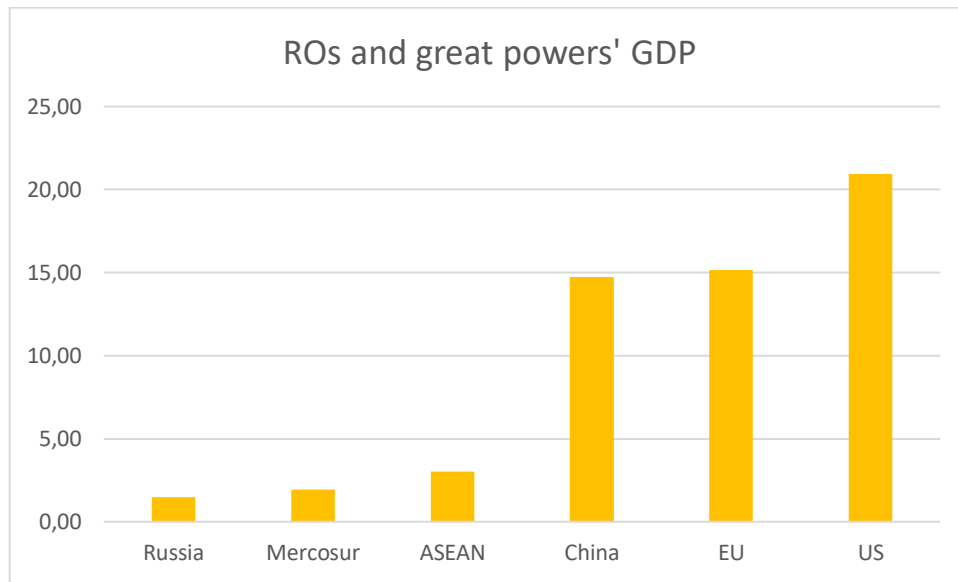
Graph 16. EU MS GDP in 2020
Source: World bank



Graph 17. ASEAN MS' GDP in 2020
Source: World bank

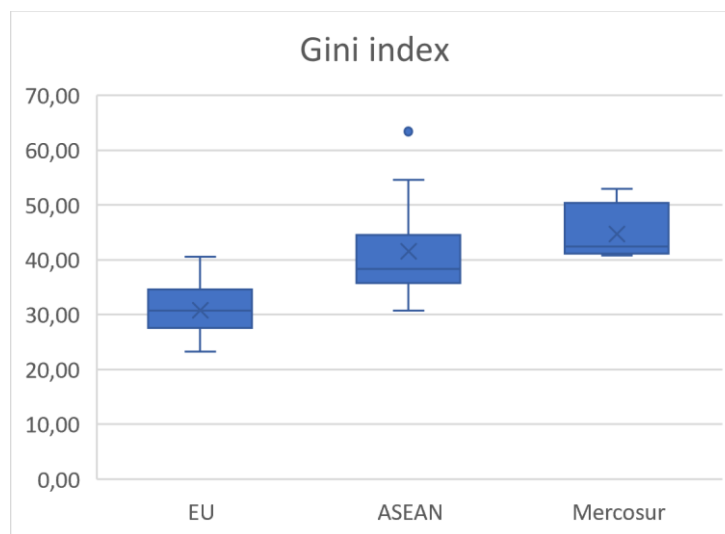


Graph 18. Mercosur MS' GDP in 2020
Source: World bank

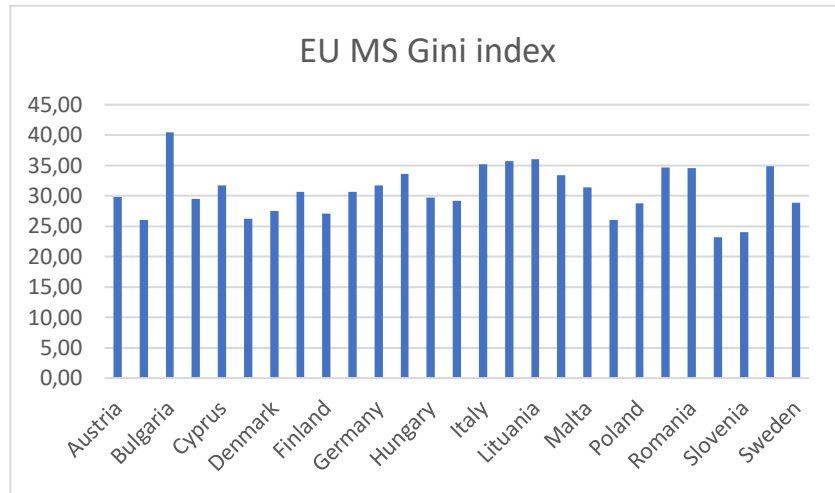


Graph 19. ROs and great powers' GDP in 2020 expressed in US \$. Source: World bank

Annex 3. GINI index

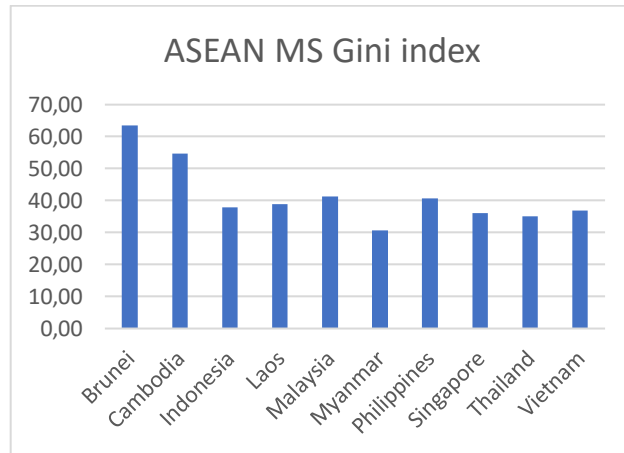


*Graph 20. Dispersion of Gini index among the EU, ASEAN and Mercosur
Sources: World Bank. World Economics (Brunei and Cambodia), Statista (Singapore).
Most recent data obtained from government statistical agencies (as of July 2023)*



*Graph 21. Gini index in EU member states
Sources: World Bank.*

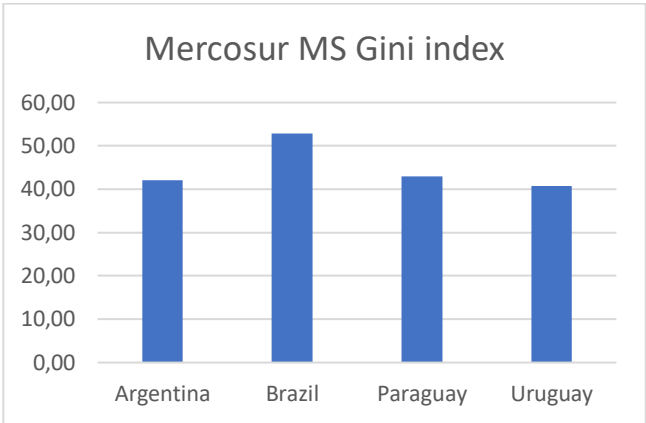
Most recent data obtained from government statistical agencies (as of July 2023)



Graph 22. Gini index in ASEAN member states

Sources: World Bank. World Economics (Brunei and Cambodia), Statista (Singapore).

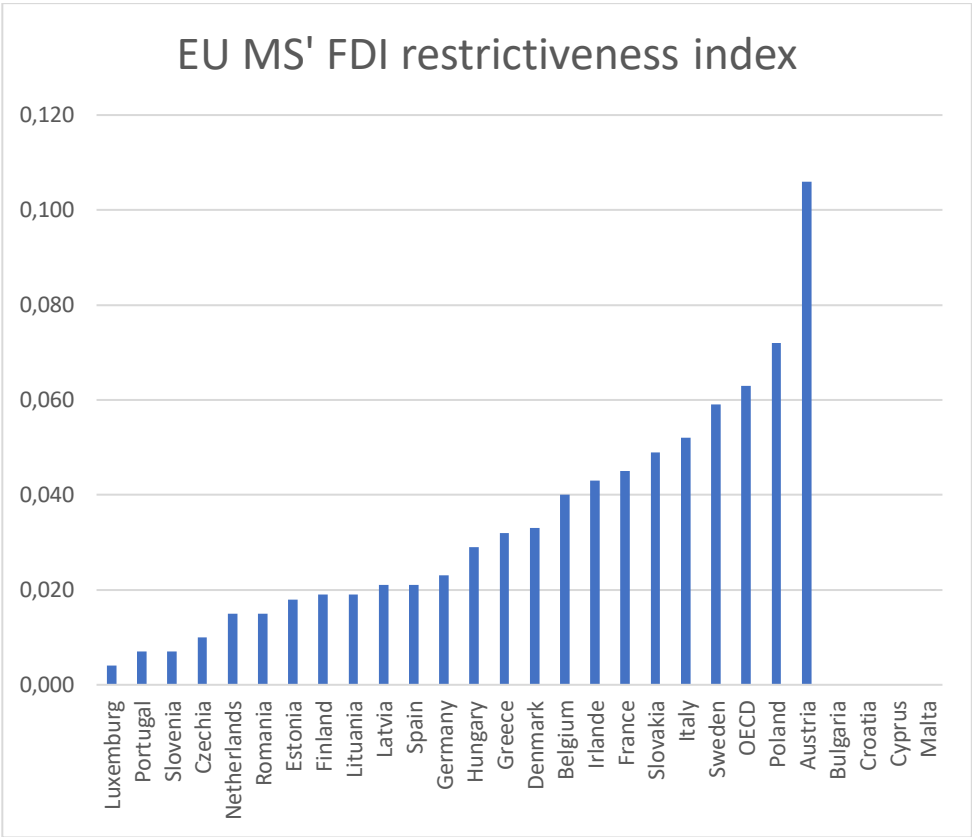
Most recent data obtained from government statistical agencies (as of July 2023)



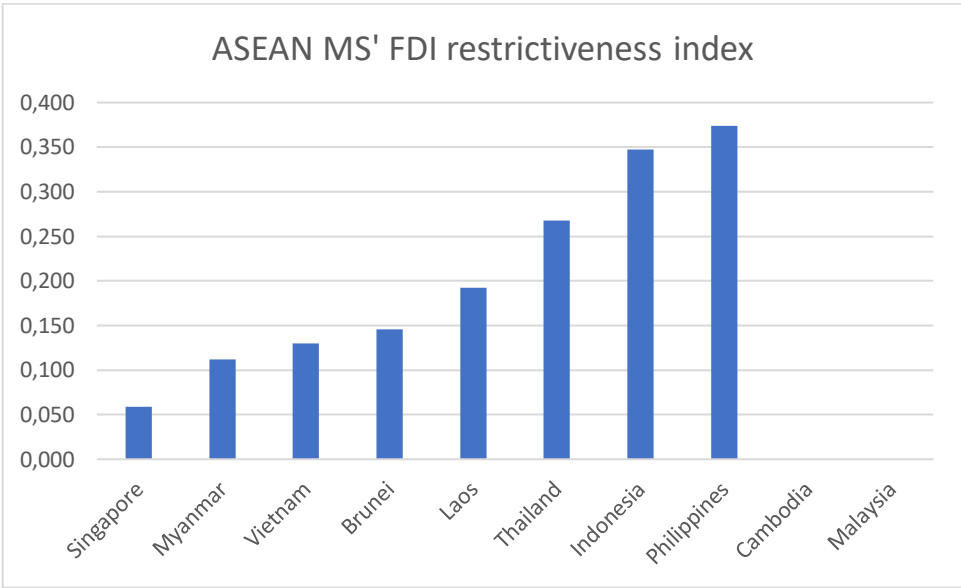
Graph 23. Gini index in Mercosur member states
Sources: World Bank.

Most recent data obtained from government statistical agencies (as of July 2023)

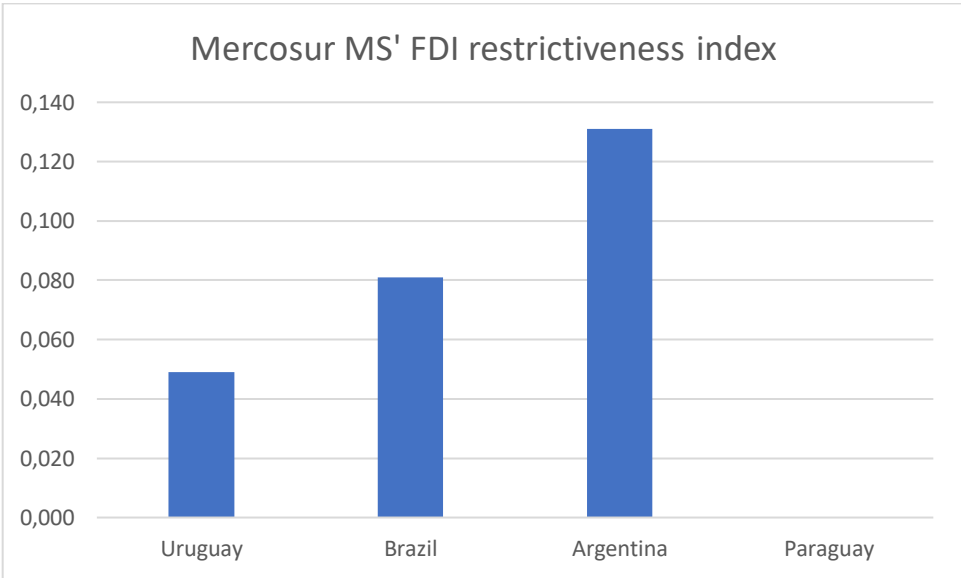
Annex 4. FDI Restrictiveness Index



Graph 24. EU MS' FDI restrictiveness index in 2019
Source OECD

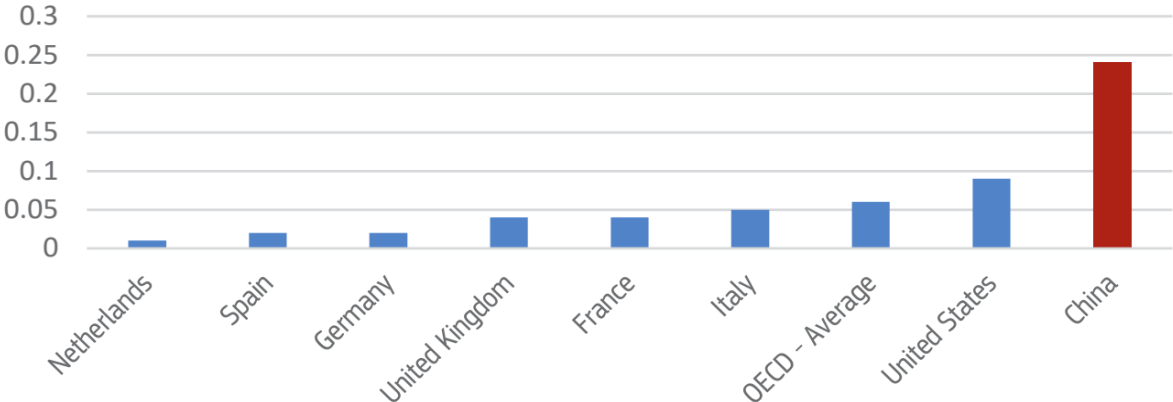


Graph 25. ASEAN MS' FDI restrictiveness index in 2019
Source OECD



Graph 26. Mercosur MS' FDI restrictiveness in 2019
Source: OECD

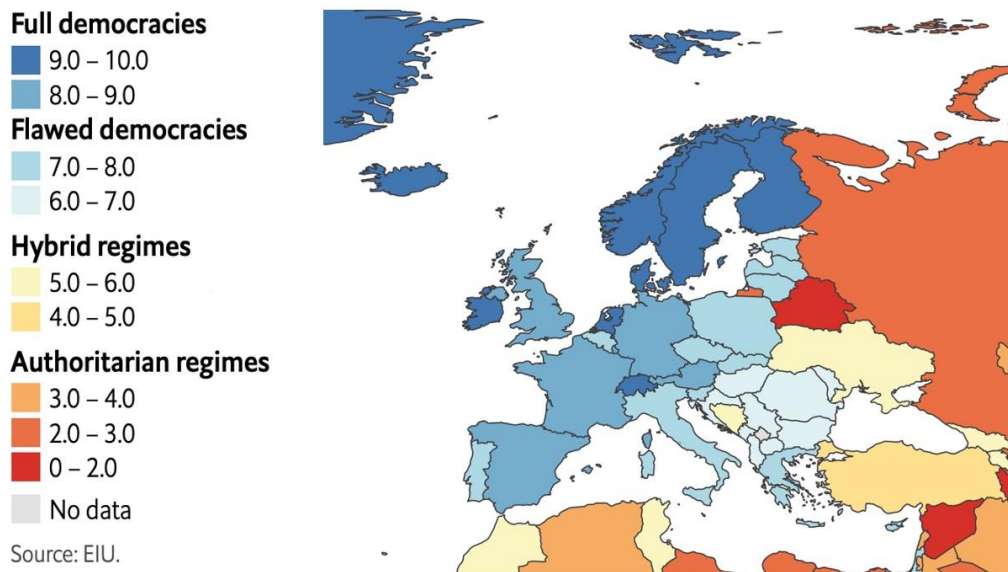
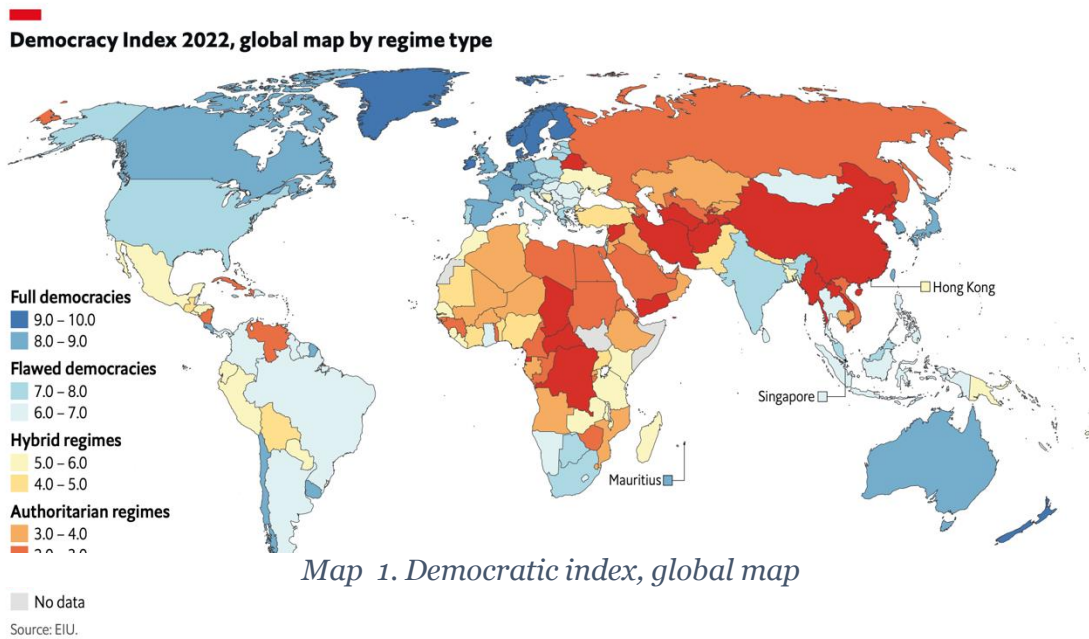
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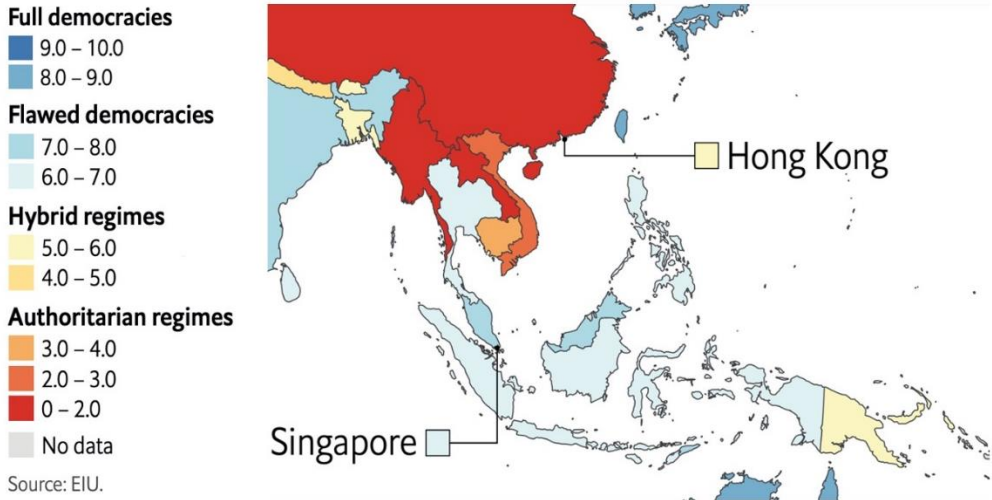
Graph 27. OECD's FDI restrictiveness index in 2019
Source: OECD

Annex 5. Democratic index

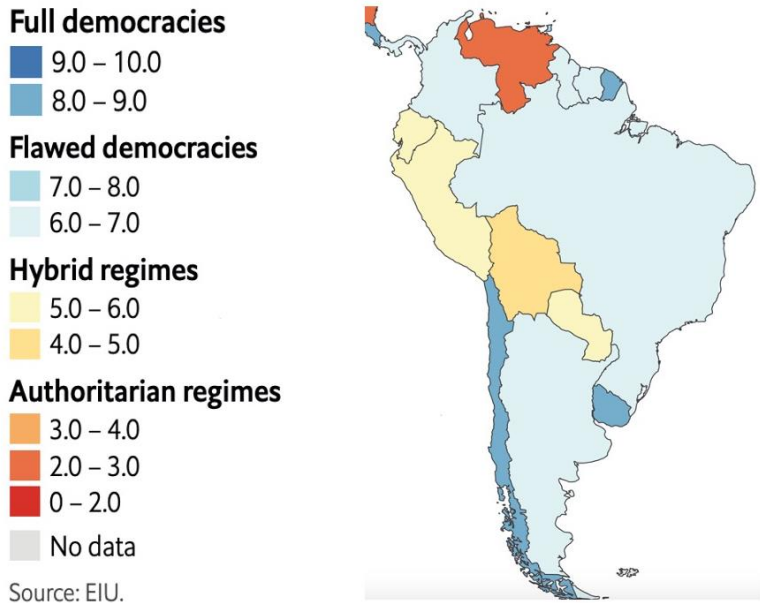
Source: EIU Democratic index 2022



Source: Adapted from EIU Democratic index 2022

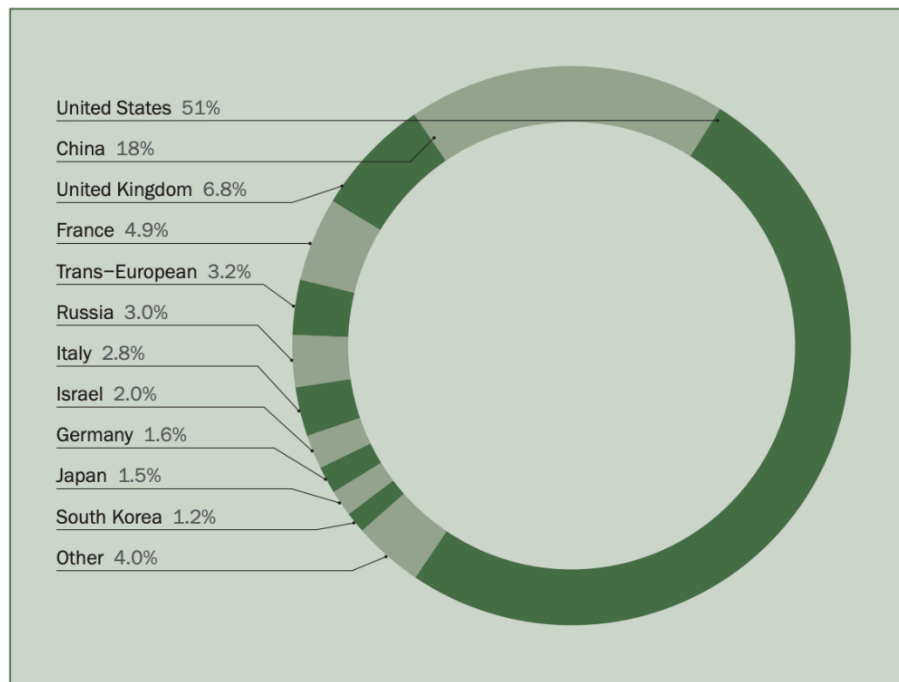


Map 3. Democratic index, ASEAN map
Source: Adapted from EIU Democratic index 2022



*Map 4. Democratic index, Mercosur map
Source: Adapted from EIU Democratic index 2022*

Annex 6. Chinese arms sale



*Graph 28. Share of total arms sales of companies in the SIPRI Top 100 for 2021, by country
Source: SIPRI Arms Industry Database, Dec. 2022*

Notes: The Top 100 classifies companies according to the country in which they are headquartered. This means that sales by an overseas subsidiary are counted towards the total for the parent company's country. The Top 100 does not encompass the entire arms industry in each country covered, only the largest companies. The category 'Other' consists of countries whose companies' arms sales comprise less than 1.0% of the total: Australia, Canada, India, Norway, Poland, Singapore, Spain, Sweden, Taiwan, Türkiye and Ukraine. Percentage shares may not add up to a total of 100% due to rounding.

	EU		ASEAN		Mercosur	
Member states						
	Slovakia	13	Indonesia	195		
			Cambodia	3		
			Laos	63		
			Malaysia	78		
			Myanmar	767		
			Thailand	396		
Suspended states						
					Venezuela	250
Assoc./candidate countries						

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	Serbia	11			Bolivia	25
					Peru	13
TOTAL		24		1502		288

Table 12. Arms sales from China to EU, ASEAN and Mercosur MS and associated MS (2014-2021)

Source: author's compilation from SIPRI Arms Transfers Database

Annex 7. Maps



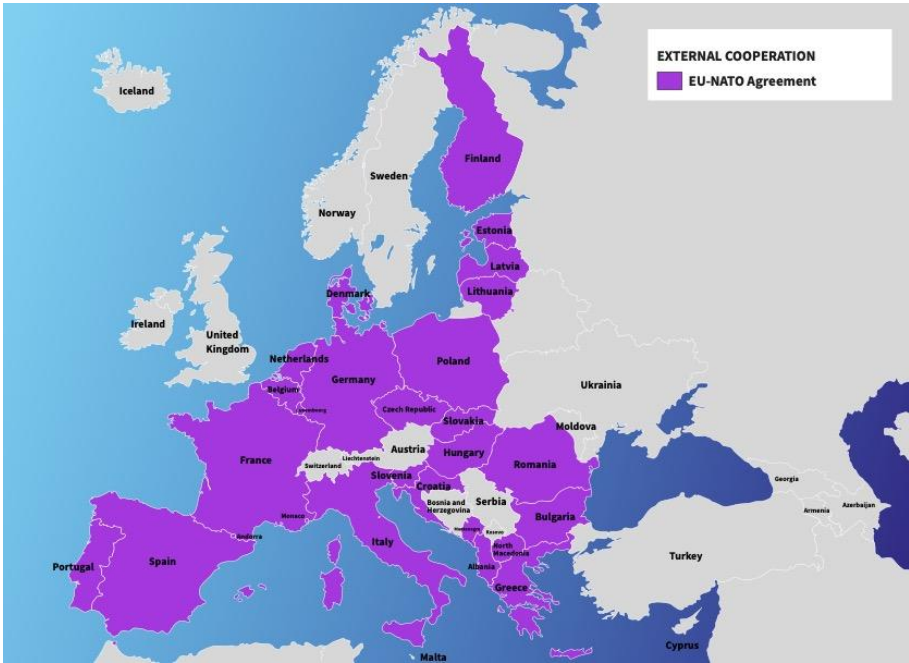
Map 5. EU internal and external differentiation
Source: Data collected by the author of the manuscript
Author: Arthur Larpent, PACTE

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*Map 6. EU external cooperation (map 1)
Source: Data collected by the author of the manuscript
Author: Arthur Larpent, PACTE*

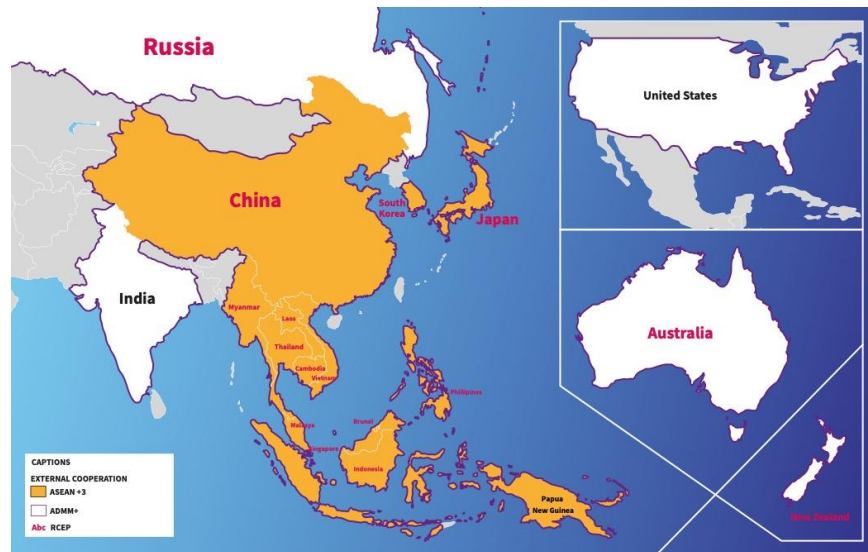
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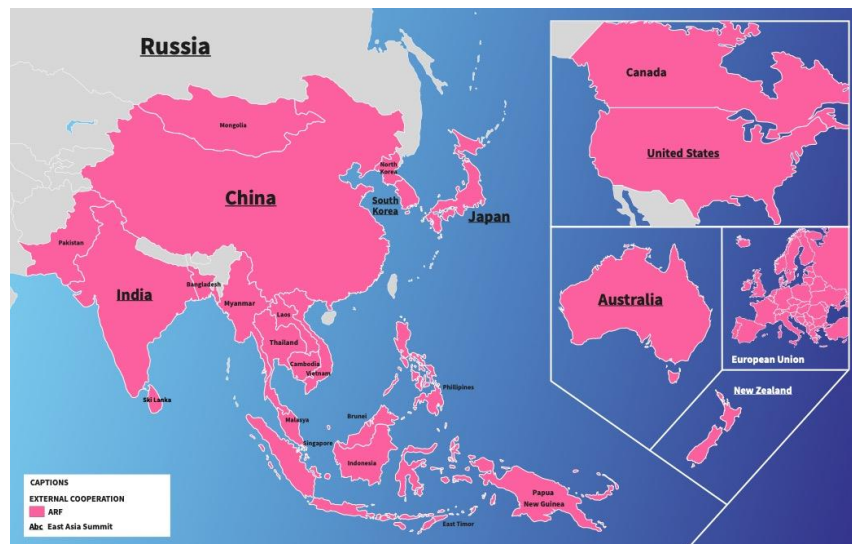
*Map 7. EU external cooperation (map 2)
Source: Data collected by the author of the manuscript
Author: Arthur Larpent, PACTE*



Map 8. ASEAN Internal differentiation



Map 9. ASEAN External cooperation (map1)
Source: Data collected by the author of the manuscript
Author: Arthur Larpent, PACTE



Map 10. ASEAN External cooperation (map2)
Source: Data collected by the author of the manuscript
Author: Arthur Larpent, PAC



Map 11. Mercosur
Source: Data collected by the author of the manuscript
Author: Arthur Larpent, PACTE



Map 12. CELAC

Source: <https://www.worlddata.info/alliances/celac.php>



Map 13. Unasur

Source: <https://www.donneesmondiales.com/alliances/unasur-nations-sud-americaines.php>

Annex 8. Tables of instruments

EU						
			Integra tion	Competenc es	Int diff	Ext diff
RO INSTRUMENTS						
Trade						
1.	FDI Screening Regulation	2019		Exclusive	No	No
2.	EU-China strategic outlook	2019	Intergov		No	Yes
3.	Invest Plan for the Balkans	2020		Shared	No	Yes
4.	Invest EU	2021		Exclusive	No	Yes
5.	Pre-Accession	2021		Exclusive	No	Yes
6.	Global Europe	2021		Shared	No	Yes
7.	Global Gateway	2021		Shared	No	Yes
Security						
8.	Accession to the EU 1993	1993		Exclusive	No	Yes
9.	PESCO	2017 - 2020	Intergov		Yes	Yes
10.	EDF	2021		Shared	No	Yes
11.	EU Strategy Indo-Pacific	2022	Intergov		No	Yes
12.	NIS 2 Directive (Network Infrastructure Security)	2022		Shared	No	Yes
PARTNERSHIPS AND FORA						
Trade						
13.	EU Singapore FTA	2018 -				
14.	EU-Mercosur AA	2018 - 19				
15.	EU-Japan Connectivity and infrastructure	2019				
16.	EU-US TCC	2021				
17.	EU-India Connectivity	2021				
18.	EU-Vietnam Trade Agreement and IPA	2019 -				
Security						
19.	EU-Indonesia Partnership and Coop. Agreement	2009				
20.	EU-Philippines Partnership and Coop. Agreement	2018				
21.	EU-Japan Strategic Partnership	2019				
22.	EU-Singapore Partnership and Coop. Agreement	2019				
23.	EU-ASEAN Strategic Partnership	2020				
24.	EU-Thailand Partnership and Coop. Agreement	2022				
25.	EU-Malaysia Partnership and Coop. Agreement	2022				
26.	EU-NATO	2023				
27.	European Political Community	2022				
PARTNERSHIPS WITH CHINA						
Trade						
28.	CAI	2020 (on hold)				
Security						
29.	EU-China Strategic agenda	2013				

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ASEAN						
			Intergov.	With China	Int diff	Ext diff
RO INSTRUMENTS						
Trade						
1.	ASEAN CIA	2009	Intergov.		Yes	No
2.	Master Plan on ASEAN Connectivity 2025	2016	Intergov.		No	No
3.	Initiative for ASEAN Integration Work Plan IV (2021-2025)	2020	Intergov.		Yes	No
Security						
4.	ASEAN outlook on the Indo-Pacific	2019	Intergov.		No	No
PARTNERSHIPS AND FORA						
Trade						
5.	ASEAN-Japan Comprehensive Eco Partnership (AJCEP)	2008				
6.	Chiang Mai Initiative Multilateralization (CMIM)	2010		Yes		
7.	Regional Comprehensive Economic Partnership Agreement	2020		Yes		
Security						
8.	Treaty of Amity and Cooperation	1976		Yes		
9.	ASEAN Regional Forum	1993		Yes		
10.	East Asia Summit	2005		Yes		
11.	ASEAN Defence Ministers' Meeting Plus	2010		Yes		
12.	US-ASEAN Comprehensive Strategic Partnership	2022				
13.	EU-ASEAN Strategic Partnership	2020				
14.	ASEAN-India Comprehensive Strategic Partnership	2022				
15.	ASEAN-Australia Comprehensive Strategic Partnership	2021				
16.	ASEAN-New Zealand Partnership (2021-25) Plan Action	2020				
PARTNERSHIPS WITH CHINA						
Trade						
17.	Agreement on Investment with China	2009-15		Yes		
18.	Deepening Coop. on Infrastructure Connectivity	2017		Yes		
19.	Synergising Master Plan ASEAN Connectivity and BRI	2019		Yes		
Security						
20.	ASEAN-China Defense Ministers' Meeting	2014		Yes		
21.	ASEAN-China Comprehensive Strategic Partnership	2021-22		Yes		

Mercosur						
			Intergov.	With China	Int Diff	Ext Diff
RO INSTRUMENTS						
Trade						
1.	Decision 32/00 relaunch of Mercosur, 2000	2000	Intergov.		No	No
2.	Decision on FOCEM, 2004	2004	Intergov.		Yes	Yes
3.	Decision on intra Mercosur Investment facilitation 2017	2017	Intergov.		No	No
PARTNERSHIPS						
Trade & security						
4.	EU-Mercosur Association Agreement, 2018-2019	2018-2019				

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Annex 9. Distribution of interviews

Total number of interviews: 15

Interviews with EU policy-makers and diplomats (9)

EU senior civil servants 3

EU diplomats 5

EU Vice-Admiral 1

Interviews with ASEAN policy-makers and diplomats (4)

ASEAN diplomats 3

Interviews with Mercosur policy-makers and diplomats (3)

Mercosur diplomats 3

Given the sensitivity of the issues at stake in the research question, the interviews were limited in number. Their contribution to the research is backed up by the most recent publications in the academic literature and by surveys conducted by think tanks and research institutes.

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