Variations on a (Hedging) Theme: Comparing ASEAN Core States’ Alignment Behavior

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This chapter compares the foreign policy responses of three “core” ASEAN states—Indonesia, Malaysia, and Singapore—vis-à-vis an assertive China and a rebalancing America. The weaker states have all pursued a hedging approach, not taking sides and adopting contradictory policies aimed at keeping a fallback position. There are subtle, but crucial, variations in their responses—different degrees and forms of their fallback-maintenance efforts, i.e., the military, political, and economic measures seeking to mitigate the risks of uncertainty. Indonesia and Singapore have persistently demonstrated a greater readiness than Malaysia to cultivate political and military options to hedge against the uncertainty surrounding China’s rise, but with varying attitudes about America’s countervailing role.

These variations present some puzzles. Why has Malaysia, despite territorial disputes with China, hedged more lightly than the two non-claimant states? Why have Indonesia and Singapore, despite a shared tendency to hedge more heavily against China, opted to leverage onto America differently? Why states hedge differently is, I argue, largely a function of domestic legitimation, a process in which ruling elites seek to justify and enhance their authority by acting (or appearing to act) in accordance with the principal sources of their legitimacy at home. If and when a greater emphasis on “returns-maximizing” measures (approaches aimed at capitalizing on closer relations with a power to maximize economic, diplomatic, and/or geopolitical benefits) allows elites to balance the tradeoffs across the prevailing options in ways that enhance their legitimacy, a small state (in this case, Malaysia) is more likely to opt for light hedging. Conversely, to the extent that some extra attention on “risk contingency” measures (approaches aimed at fostering fallback and mitigating perceived risks) helps elites to better optimize policy tradeoffs to serve their internal legitimation, a state (e.g., Singapore or Indonesia) is more likely to opt for heavier hedging. Legitimation-driven calculations of policy tradeoffs—rather than mere power attraction or apprehension—determine how states choose to hedge. The patterns of the three core ASEAN states’ responses are not unique; they are reflective of the variations in weaker states’ alignment choices in the face of the enduring uncertainty in power structure at the international level.

This chapter proceeds in three parts, building on the framework to operationalize hedging in the context of international politics I presented in the Introduction chapter of Section I. First, I examine the evolution of ASEAN states’ hedging behavior. Second, I analyze the strategic behavior of three ASEAN “core states”—Indonesia, Malaysia, and Singapore—in recent years, explaining how the weaker states have hedged against an “assertive” China and a “rebalancing” U.S., with a focus on developments since 2014. The conclusion sums up the findings.

**ASEAN STATES’ POST-COLD WAR HEDGING BEHAVIOR**

This part highlights the evolution of ASEAN states’ hedging behavior throughout the post-Cold War era. Particular attention is paid to the constituent approaches of the weaker states’ hedging acts—how each of the “returns-maximizing” (i.e., economic-pragmatism, binding-engagement, and limited-bandwagoning) and “risk-contingency” (dominance-denial and indirect-balancing) measures (see Figure 1 in Section I introduction) has evolved and what functions they have served.
The Early Post-Cold War Years, 1990-1996

The unanticipated termination of the Cold War produced mixed consequences for ASEAN states. On the one hand, the collapse of the Soviet Union ended the decades-long East-West confrontation, which contributed to the resolution of the Indochina conflict. On the other hand, the end of bipolarity induced a high degree of uncertainty about the sources of threats in the Asia-Pacific reinforced by a host of territorial disputes, historical controversies, and political problems among regional states that resurfaced in the 1990s. Adding to the uncertainty was a perceived “power vacuum” problem. In the wake of the U.S. withdrawal from the Philippine’s Subic Naval and Clark Air Bases by 1992, there was widespread apprehension about its strategic commitment in Southeast Asia. These developments, along with China’s continuing rise as an economic and military power as well as Japan’s growing regional profile, aroused concern about possible adverse effects of the structural change on regional security and prosperity.

Security risks aside, there were political and economic dangers as well. Growing U.S. pursuit of a values-based foreign policy in a unipolar world posed profound political challenges to several authoritarian governments. Mounting pressure from economic globalization following the formation of the European Union (EU) and North American Free Trade Agreement (NAFTA) led some states to see China as a power that shared political and economic stands, whose rising regional clout and economic appeal were sources of attraction in the eyes of the weaker states.

Given these mixed perceptions of threats and opportunities, it was not surprising that most regional states have responded by hedging: exploring closer economic and diplomatic ties with Beijing for benefits, while cultivating political and strategic hedges to offset the perceived risks of uncertainties. Post-Cold War ASEAN-China interactions have been marked by such mutually counteracting maneuvers.

Diplomatically and economically, ASEAN members have moved to engage and forge closer relations with China at the bilateral and regional levels. In July 1991, Malaysia invited Chinese Foreign Minister Qian Qichen to attend the opening session of the 24th ASEAN Ministerial Meeting. It marked the beginning of ASEAN-China dialogue. In 1993, Singapore, Malaysia, and Thailand advocated the inclusion of China into the ASEAN Regional Forum (ARF). China then agreed to ASEAN’s suggestion to embark on the ASEAN-China Senior Officials’ Meeting (ASEAN-China SOM), an annual consultation on political and security issues. In 1996, China was elevated to ASEAN’s dialogue partner. These developments marked the emergence of binding-engagement as a central common component of hedging behavior throughout the post-Cold War era. Because of the regularized nature of the ASEAN-based multilateral processes, states have been able to “bind” and engage their giant neighbor in a cooperative framework since the mid-1990s, enabling them to create channels of interaction, and, arguably, to “socialize” and shape its behavior.

Binding-engagement has been pursued hand-in-hand with economic-pragmatism at the bilateral level, seen in all ASEAN states’ policies upon establishing direct trade links with China at different points of the Cold War and immediate post-Cold War era. Economic-pragmatism has contributed to the expansion of commercial ties with China in the subsequent decades, benefiting the respective elites’ performance legitimacy.
States have not merely pursued economic-pragmatism and binding-engagement; such reward-maximizing moves have been counteracted by political and military hedges aimed at mitigating risks inherent in close relationships with a proximate power. Politically, states have endeavored to use multilateral institutions—the ARF and other ASEAN-centered forums created in subsequent years (discussed below)—as non-military means to prevent the emergence of any predominant hegemon capable of imposing its will on the weaker actors in the region. Such dominance-denial has been implemented through the inclusion of all major players in the forums, so that the powers could check and balance each other via the institutionalized platforms.8 Dominance-denial and binding-engagement are two sides of the same institutional coin: while binding-engagement encourages a big power to play a larger regional role, dominance-denial creates countervailing checks.

The dominance-denial approach has been complemented by indirect-balancing, which functions as a “military hedge” to reduce security dangers, without explicitly targeting any actor. In the immediate post-Cold War era, in the absence of a straightforward and imminent threat (unlike the Cold War period), ASEAN states’ security policies were aimed primarily at coping with diffused risks arising from strategic uncertainties and non-traditional security problems (much more than directly targeting a specific source of military threat). The old ASEAN members have pursued this by forging defense cooperation with the United States and others while upgrading their own military capabilities.

The 1997-2005 Period

ASEAN states’ hedging options were further institutionalized from 1997-2005. In December 1997, at the height of the Asian financial crisis, leaders of the ASEAN countries and of China, Japan, and South Korea gathered in Kuala Lumpur for the inception of the ASEAN Plus Three (APT) process. During the crisis, China provided aid and pledged to ASEAN leaders that it would not devalue its currency, reassuring countries that another round of currency crisis in the region would be avoided. China’s regional influence expanded post-1997 as a result of a number of mutually reinforcing trends: growing intra-regional trade among East Asian countries, deepening regional financial integration accelerated by the APT mechanisms such as the Chiang Mai Initiative (a network of bilateral currency swaps), and Beijing’s proactive turn in regional multilateralism after 1999. Driven by a desire to hedge against the risk of perceived U.S. encirclement,9 China began to embark on its “charm diplomacy” to reassure smaller neighbors, particularly the ASEAN states.10 It stepped up its bilateral diplomacy while embracing multilateralism through a series of initiatives, most notably the ASEAN-China Free Trade Agreement (ACFTA) to shape the rules of the regional game.11 China signed ACFTA and the Declaration on the Conduct of Parties in the South China Sea (DOC) with ASEAN states in 2002, and acceded to the Treaty of Amity and Cooperation (TAC) in 2003.

Reacting positively to Beijing’s growing profile to maximize immediate economic gains and longer-term geopolitical benefits was becoming a dominant approach across ASEAN, now encompassing all ten Southeast Asian countries. This can be observed not only from the weaker states’ greater economic-pragmatism (evidenced by their decision to enter into ACFTA) and greater binding-engagement (as manifested in the blossoming ASEAN-China cooperative mechanisms in virtually all sectors and levels) but also from their increasing
inclination to pursue limited-bandwagoning. Such behavior can be observed from growing—albeit varying—readiness to give deference to China, primarily on issues Beijing considers “core interests” such as Taiwan, Tibet, and Xinjiang.

This is not to say that ASEAN states did not view China as a source of apprehension at all; they did, but their apprehension was relatively moderate, and more economic than security in nature. After China’s entry into the WTO in 2001, ASEAN states were worried about the adverse consequences of intensified competition from China in both exports and foreign direct investments. Additionally, because of the domestic impact of the financial crisis, most states were preoccupied with the more pressing issues of economic recovery and domestic stability. This, along with Beijing’s charm diplomacy and the 2002 DOC, explained why territorial issues took a back seat throughout the first half of the 2000s.

By the mid-2000s, several ASEAN states had become more concerned about the longer-term geopolitical implications of China’s fast-expanding influence. At the APT Summit in Vientiane in 2004, when Premier Wen Jiabao supported Malaysia’s proposal to hold the inaugural East Asia Summit (EAS) in Kuala Lumpur in 2005, he also offered to host the second EAS in Beijing the following year. Indonesia and Singapore—the heavy hedgers—were alarmed. Worrying that the new forum would be dominated by an increasingly powerful Beijing, they joined hands with Japan to push for the inclusion of India, Australia, and New Zealand in EAS as a countervailing force. The push succeeded in making EAS a 16-member institution in 2005 (and an 18-member forum, when the United States and Russia were admitted in 2010). The move was unmistakably a dominance-denial act: to hedge against perceived political risks (e.g., subservience) via non-military means.

**Post-2009 Years**

The global economic crisis triggered a tectonic shift in Asia’s power structure. Propelled by an increasingly assertive China and a relatively declining but decidedly rebalancing America, the changing distribution of capabilities and geopolitical will among the Gullivers has resulted in intensified pressures and opportunities for ASEAN states after 2009. While China’s growing economic power and its emergence as the largest trading partner to most regional countries led ASEAN states to view it as a source of vital support in the economic domain, its mounting assertiveness in the South China Sea has made them increasingly concerned about the security ramifications of living with a powerful neighbor. These mixed perceptions have pushed the weaker states to deepen their hedging. This has been made possible by the U.S. rebalancing, which opens up opportunities for countries to recalibrate their position toward China.

Indeed, what distinguishes pre- and post-2010 hedging is that ASEAN states have not only deepened their dominance-denial (political hedge, i.e., institutional efforts to constrain China via multilateral platforms), but they have also widened their indirect balancing (military hedge, i.e., insurance-seeking endeavors by forging stronger defense ties with America) to mitigate risks stemming from the more uncertain strategic environment. The Philippines and Vietnam are the two that have moved fastest and farthest in developing stronger defense cooperation with the pivoting America. Both seek to boost their military capability to counter Chinese assertiveness in the South China Sea largely by holding defense dialogues, acquiring arms, receiving aid, as well as by conducting military exercises and exchanges. As a U.S. treaty ally,
the Philippines have attempted to secure a firm security guarantee from America in the event of conflict over the disputed areas in the South China Sea. It signed the Enhanced Defense Cooperation Agreement (EDCA), a basing agreement with America in April 2014. Singapore, Malaysia, Indonesia, and other ASEAN states have all moved to strengthen their respective defense partnership with America (albeit in varying degrees and forms).

Strengthened military partnerships with America, however, should not be construed as pure-balancing. With the exception of the Philippines and the partial exception of Vietnam, no ASEAN country has gone as far as to openly side with America in confronting China. Rather, the development signifies a deepening of indirect-balancing, an integral component of hedging. It allows a state to adopt some level of military contingency measures, while still being able to maximize economic and diplomatic payoffs from China. By doing so, ASEAN states hope to mitigate the risks surrounding Beijing’s assertiveness and Washington’s uncertain commitment, thereby hedging against the danger of strategic irreversibility when the future of the power structure is still far from clear. These themes are prevalent across ASEAN capitals, particularly of those in the three core states.

**ASEAN Core States’ Hedging Behaviors**

For Indonesia, Malaysia, and Singapore (and for that matter, all other ASEAN members except the Philippines), the impact of the post-2009 structural changes is a less-than-clear-cut power equation: they see a potential or growing threat, but they see no definite source of certain support they could count on to secure their long-term position and wide-ranging interests. The China challenge is growing, but its security and political risks remain more potential than actual to most states. On the other hand, the certainty about sources of reliable partners (in this case, America) is not reassuringly high. Moreover, China is a principal source of economic opportunities to all (and a major source of political support to some): during 2009-2013, not only has China emerged as the largest trading partner to most regional countries but also one of their major sources of foreign investment, development aid, and financial stability. These trends are likely to grow, given China’s Asian Infrastructural Investment Bank (AIIB) and other Beijing-led regional connectivity initiatives. Given these mixed perceptions and concerns about the risks of entrapment and abandonment, it is only logical for the weaker states to widen and deepen—rather than depart from—their existing hedging approach.

**The Common Theme: Maximizing Gains but Hedging Against Uncertainty**

Because of these prevailing structural conditions (a less immediate threat and an uncertain source of pivotal support), the three core ASEAN states have all hedged by not taking sides with America or China and by adopting mutually counteracting measures designed to maximize immediate returns while maintaining a long-term fallback position vis-à-vis the competing powers.

Returns-maximizing policies have remained a central thrust of the three core ASEAN states. All of them have pursued a pragmatic policy of engaging Beijing economically and diplomatically at both bilateral and regional levels. As China’s regional clout grows, these economic-pragmatism and binding-engagement approaches have been supplemented by a
growing readiness to \textit{selectively} collaborate with and give deference to China. In recent years, Malaysia, Indonesia, and Singapore have all collaborated and taken part in several Beijing-led regional initiatives (e.g., the AIIB and the Xiangshan Forum, a Track 1.5 defense meeting designed to rival the U.S.-backed Shangri-La Dialogue); but they have also cautiously responded to certain China-centered initiatives, such as the Maritime Silk Road proposal. Such selective collaboration has been accompanied by selective deference (e.g., affirming One-China policy, deporting Uighur asylum seekers to China), actions that constitute a \textit{limited}-bandwagoning behavior. In all three cases, these returns-maximizing behaviors are driven by a desire to move closer to China, as a pragmatic way to maximize economic, diplomatic, and geopolitical benefits from the rising power.

At the same time, however, the three countries have adopted seemingly opposite measures aimed at distancing from Beijing and limiting its influence. Geopolitically, they have enmeshed the United States and other powers in ASEAN-based forums and encouraged them to play a greater regional role. Indonesia under President Susilo Bambang Yudhoyono emphasized the doctrine of “dynamic equilibrium”—a position consistent with the country’s tradition of “rowing between the two reefs” (\textit{mendayung antara dua karang}) as espoused by Vice President Mohammad Hatta in September 1948—as a basis to pursue a “free and active” foreign policy vis-à-vis the competing powers.\footnote{Singaporean leaders have repeatedly underscored the importance of keeping a stable balance of power. Malaysia has always pledged to pursue an “equidistance” relationship with all the big powers.} Militarily, the three ASEAN states have sought to hedge the perceived security risks by upgrading their defense links with America. Singapore, the closest U.S. security partner in the ASEAN region, has enthusiastically embraced the U.S. rebalancing.\footnote{It received the first of four littoral combat ships from the United States in April 2013. Malaysia upgraded its involvement in the U.S.-led multinational Cobra Gold exercise from an observer to a full participant in 2011.} Indonesia has similarly strengthened its long-held military ties with the United States in recent years.\footnote{The ASEAN states’ military hedge, however, has remained an indirect-balancing and not an all out direct-balancing. This is not only because the states view China more as a security concern than a direct threat, but also due to several structural factors. Certainty about the reliability of patrons is a key variable to weaker states’ alignment decisions because the lack of it would constitute the danger of abandonment. Despite repeated declarations and demonstrations of U.S. will as a “resident power” in the Asia-Pacific, and despite ASEAN states’ increasingly close military ties with it, the weaker states have remained concerned about the durability of U.S. rebalancing. The cancellation of Obama’s Asia trip in October 2013 because of the pending federal government shutdown at home reinforced the image of U.S. decline and perception of the U.S. pivot losing steam in his second term. The fiscal situation further deepened anxiety about the long-term sustainability of the U.S. forward-deployed posture in the region.} For these structural reasons (and domestic considerations), most ASEAN states are reluctant to place all their eggs in the U.S. basket.

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ASEAN cohesion. Dewi Fortuna Anwar, the deputy for political affairs to the Indonesian vice president, said that Jakarta was concerned about the U.S. plan to deploy its marines to Australia’s Darwin because of its proximity to Indonesia and the danger of entanglement in a big power conflict. She added, “The region could become another flash point. Southeast Asia doesn’t want to return to the Cold War. The Cold War was very hot in Southeast Asia, and Indonesia in particular doesn’t want to see its backyard become a battlefield of powers.”

Another Indonesian scholar, Rizal Sukma, notes that given the differing responses from ASEAN states to the Darwin plan, a looming Sino-U.S. rivalry could polarize ASEAN and turn the region once again into a theater for the pursuit of primacy among major powers.

Analyzing the Variations

Despite a common tendency to hedge against perceived uncertainties in power relations, the three ASEAN states have cultivated differing degrees and patterns of fallback measures toward China and America. Indonesia and Singapore—the “heavy hedgers”—appeared to be more concerned about the possible dangers from the uncertainty surrounding the rise of a great power. They are more inclined than Malaysia—the “light hedger”—to invest in both a political hedge (cultivating balance of political power through the ASEAN-based regional forums) and a military hedge (maintaining strong defense partnerships with the United States and/or other powers) toward a rising China. This variation is chiefly a product of elites’ differing pathways of legitimation.

Of the three ASEAN core states, only Malaysia is a claimant in the South China Sea disputes. Given these unresolved disputes and China’s continuing assertiveness in the contested areas (including the waters claimed by Malaysia), as well as their rocky past during the Cold War over ideological and political problems, one would expect it to hedge more heavily than Indonesia and Singapore, the two non-claimant states.

Empirically, the opposite is true. Jakarta and Singapore have persistently displayed a greater tendency than Putrajaya to pursue dominance-denial and indirect-balancing toward China, notwithstanding the steady strengthening of their respective relations with Beijing in recent years. Indonesia and Singapore were among the regional states most active in pushing for the inclusion of India, Australia, and New Zealand in the EAS in 2005, as well as the admission of the United States and Russia in 2010. Each move was aimed at leveraging the involvement of more players to limit China’s influence and prevent its emergence as a dominant power in dictating regional affairs. Indonesia and Singapore have also been among the few regional states whose leaders speak openly about the need to ensure a stable balance to China’s power, in contrast to Malaysia, whose successive leaders from Mahathir through Abdullah Badawi to Najib Razak have all chosen to describe it as a “challenge” and not a threat. Indonesia and Singapore—despite their general inclination to defer to Beijing on selective issues (as do virtually all weaker states in the region, including Malaysia)—have at times refused to give in to China. In July 2004, Singapore’s prime minister-designate Lee Hsien Loong insisted on visiting Taipei despite Beijing’s objection. In December 2010, the Indonesian government, defying Beijing’s demands, insisted on its charge d’affaires in Oslo to attend the ceremony awarding Chinese dissident Liu Xiaobo the Nobel Peace Prize.

Indonesia and Singapore have not only given more emphasis to political hedge (dominance-denial), they have bet more on military hedge (indirect-balancing).
Among the three countries, Singapore has been the most enthusiastic in embracing the U.S. rebalancing. In 2012, it agreed to allow the U.S. Navy to deploy up to four littoral combat ships (LCSs) there on a rotational basis. In April 2013, the USS *Freedom* was dispatched on a ten-month rotational deployment to the U.S. 7th Fleet. In December 2014, the USS *Fort Worth* arrived to begin a 16-month deployment, using Singapore as a maintenance and logistics hub from which to conduct patrols and training with regional navies, in support of exercises like Cooperation Afloat Readiness and Training (CARAT), while expanding its operational footprint to Northeast Asia.\(^\text{26}\) In March 2015, with China hastening land reclamation in the South China Sea, Singapore called for India to increase “their presence and participation” in Southeast Asia, following its earlier call for Japan “to separately play an enhanced role in the South China Sea.”\(^\text{27}\)

Indonesia has not embraced the U.S. rebalancing to the same extent as Singapore. However, it has generally welcomed the U.S.’s enhanced military commitment to the region. In November 2011, although foreign minister Marty Natalegawa warned that the U.S. decision to station 2,500 marines in Darwin could “create a vicious circle of tension and mistrust or distrust,” President Susilo Bambang Yudhoyono’s response was “more measured.”\(^\text{28}\) In April 2014, General Moeldoko, Indonesia’s commander in chief, wrote in *The Wall Street Journal* that although the nation is not a claimant in the South China Sea, the republic “is dismayed that China has included part of its Natuna Islands within the infamous nine-dash line.” He wrote, “[the] Indonesian military has decided to strengthen its forces on Natuna. We will need also to prepare fighter planes to meet any eventuality stemming from heightened tensions on one of the world’s key waterways.”\(^\text{29}\) In December 2014, the general reportedly told the PLA that the Indonesian military and its ASEAN counterparts understand the building up of the Chinese military, but they would not accept it “if the development of its strength has gone to the extent of destabilizing the ASEAN region.”\(^\text{30}\) In addition to strengthening its military forces, Indonesia has also been boosting its defense cooperation with other powers, including the United States and Japan. Indonesia signed a defense cooperation memorandum with Japan in March 2015.

By comparison, Malaysia has chosen to pursue the two fallback measures (i.e., dominance-deny and indirect-balancing) in a more low-key and relaxed manner. During the run-up to the inaugural EAS in 2005, it saw eye-to-eye with China on the membership issue, preferring to limit the new forum to the 13 APT countries. While Malaysia has similarly stepped up its long-standing defense cooperation with the United States, it has opted to do so in an extremely low-profile manner, insisting it is not fully aligned militarily with America. Reacting to reports in September 2014, which quoted the U.S. Chief of Naval Operations Admiral Jonathan Greenert’s speech in Washington that Malaysia “has offered to host” U.S. Navy P-8 *Poseidon* aircraft at a base close to the South China Sea to conduct surveillance activities over the disputed areas where China operates,\(^\text{31}\) Defense Minister Hishammuddin Hussein denied this.\(^\text{32}\) Defense analyst Dzirhan Mahadzir writes that Malaysia’s foreign military cooperation activities are often conducted on a “case-by-case” and an “ad-hoc” basis. He describes the option of allowing America to set up a base in East Malaysia for the purpose of monitoring China as politically infeasible and strategically “counter-productive,” as it “would only provoke the Chinese to set up their activities in the area.”\(^\text{33}\) These intra-ASEAN variations are even more puzzling when one considers the fact that Malaysian elites have actually become more apprehensive about growing Chinese assertiveness after the
James Shoal incidents in 2013 and 2014, when Chinese military ships showed their presence in the southernmost part of the South China Sea, 60 nautical miles off the Malaysian coast.

**The Domestic Imperatives**

Domestic factors are at work in all cases. The extent to which a state sees China’s action as a threat and the manner in which it chooses to capitalize on the available support (i.e., the U.S. rebalancing) as a countermeasure is necessarily filtered through its ruling elite’s pathways of legitimation.

The case of Malaysia shows how its ruling elites viewed the nature of China’s growing power and how it was limited in how much it could embrace the U.S. rebalancing, prompting them to emphasize the opportunities and downplay the challenges of China’s rise. Despite the small state’s past problems with the communist giant, Malaysia’s China policy has undergone a turnaround since the 1990s, shifting from mutual hostility to cordial partnership. This has a lot to do with the growing importance of China to the coalition government led by the United Malays National Organisation. The rising salience of performance legitimacy has led successive leaders to adopt a pragmatic policy toward China, and by extension, the South China Sea disputes. The leaders have insisted on managing them through consultation (rather than confrontation) and have prevented the issue from affecting overall bilateral relations. China has been Malaysia’s largest trading partner since 2009. Equally or more importantly, the elites’ desire to avoid appearing too closely aligned with Washington—in order not to alienate the country’s Muslim majority voters, many of whom have been critical of U.S. policy on the Israeli-Palestinian conflict—has restrained them from actively supporting the U.S. rebalancing. The James Shoal incidents (and, to some extent, the temporarily strained relations after the disappearance of Malaysia Airlines Flight MH370 in March 2014), have increased Putrajaya’s anxiety about a more assertive Beijing, pushing it to further upgrade its defense ties with America and solidify its diplomatic actions with fellow ASEAN states. These adjustments, however, do not signal a departure in Malaysia’s China policy. The elites still do not view Beijing as an imminent threat requiring a full-scale alliance, even though Malaysia has quietly beefed up its indirect-balancing in order to mitigate long-term security risks.

Malaysia is working closely with America to develop its new naval and marine corps base in Bintulu near James Shoal, while following the seemingly contradictory course of developing a more comprehensive relationship with China (enhancing bilateral investment ties and forging defense cooperation) to maximize economic and long-term strategic benefits from Beijing. The weaker state is attempting to balance multiple cross-sectoral policy tradeoffs. By deliberately pursuing these mutually counteracting measures (a closer partnership with China, but hedging with contingency measures), Malaysia seeks to simultaneously gain benefits from different players and strengthen its fallback position over the long run. Unless and until the China threat grows to a level that makes direct-balancing a strategically necessary and politically more acceptable option, such a hedging approach is likely to persist.

Domestic imperatives have similarly shaped Singapore and Indonesia’s alignment postures, albeit with effects that push them to hedge more heavily than Malaysia. As noted, both countries have placed more emphasis on the fallback measures of dominance-denial (political hedge) and indirect-balancing (military hedge). This heavy hedging position is rooted in domestic political conditions, specifically the sources and pathways of elite legitimation.
In Singapore, the city-state’s heavy reliance on maritime trade for its economic growth—along with the ruling People’s Action Party (PAP)’s performance-based legitimacy—have necessitated that the elites view the freedom and safety of sea navigation not just as an issue of regional stability but also as a matter of regime interests. In large part because of the elites’ perception of Singapore’s innate vulnerability, they are always concerned about the possibility of regional conflicts, especially territorial and sovereign disputes that might disrupt regional tranquility and the very foundations of the state’s survival. In a September 2012 speech, Prime Minister Lee Hsien Loong remarked that although Singapore is not a claimant state in the South China Sea disputes, the island-state has “critical interests at stake”:

First, as a very small country, we have a fundamental interest in the peaceful settlement of international disputes in accordance with international law. Hence we believe the disputes in the South China Sea over territorial sovereignty and maritime resource rights should be resolved peacefully and in accordance with international law, including UNCLOS. Second, trade is the lifeblood of our economy. Our foreign trade is three times our GDP. Freedom of navigation is therefore a fundamental interest, especially along our sea lanes of communications. We have only two: the Malacca Strait and the South China Sea. Therefore the South China Sea is strategically important for our survival and development… Third, as a small Southeast Asian country, ASEAN is critical to Singapore. Singapore’s security depends on a peaceful and stable Southeast Asia, which in turn depends on a cohesive ASEAN… If ASEAN is weakened, Singapore’s security and influence will be diminished.

Singapore’s alignment behavior is not only shaped by its elites’ security outlook toward territorial and military issues, but also by their concerns about political risks. Precisely because of Singapore’s tiny size, the elites have viewed the republic’s sovereignty, freedom of action, and equality with other states as its existential values. Without these core ideals underpinning Singapore’s status as an independent entity, the ruling elites’ domestic legitimacy and external credibility would be called into question, thereby threatening the very existence of the polity. Since its independence in 1965, Singapore has sought to avoid being pushed around by other actors, be they immediate neighbors or big powers. It is in this regard that PAP elites are concerned about the ramifications of an increasingly powerful China for Singapore’s maneuvering space. From the elites’ perspective, if a regional hegemon is unchecked by any countervailing forces, it is likely to dictate its political will upon smaller actors like Singapore. The tumultuous Sino-Singaporean diplomatic feud in August 2004, sparked by the then Deputy Premier Lee Hsien Loong’s visit to Taipei, may have deepened the elites’ anxiety about the political risks surrounding China’s rise.

This political risk is complicated further by Singapore’s demographic profile and its geopolitical difficulty as “a Chinese island in a Malay sea.” With ethnic Chinese comprising up to 76 percent of its population, Singapore has always been uneasy about its image as the “third China” for fear of drawing suspicion from its two larger Muslim-dominant neighbors, Malaysia and Indonesia. During the Cold War era, largely out of its desire to avoid alienating its neighbors, Singapore made clear that it would not establish diplomatic ties with Beijing until Indonesia had done so. Even after the end of the Cold War, Singapore has attempted to downplay any ethnic affinity in bilateral relations and avoid leaving any impression that it
was promoting China’s interest in the region. Hence, Singapore’s policy toward China is by design a highly ambivalent one: warm in economic and diplomatic ties but relatively distant in geopolitical and strategic spheres. Close economic and diplomatic ties with China would help facilitate sustainable economic vitality and regional tranquility. Both are *sine qua non* for Singapore’s survival and PAP’s political relevance. Keeping a geopolitical distance from China would help project Singapore’s independence and credibility in the eyes of its regional audience. Close strategic partnership with the United States, on the other hand, would serve to maximize Singapore’s security, geopolitical, and development interests in an uncertain Asia-Pacific.

These elite-based risk perceptions and interest calculations are translated into Singapore’s preferred fallback approaches: a relatively heavier emphasis on both *dominance-denial* (cultivating a stable balance of power through diplomatic and ASEAN-based institutional platforms to prevent the emergence of a dominant regional hegemon) and *indirect-balancing* (strengthening its military partnerships with the United States and all powers to mitigate security risks associated with uncertain great power relations and transition). Singapore’s emphasis on these fallback-maintenance measures are most vividly displayed in its advocacy for a continuous U.S. strategic presence in East Asia; activism in an enlarged membership of EAS; stance over the South China Sea disputes despite its non-claimant status; greater attention to ASEAN cohesion and centrality; and decision to accept the U.S. rotational deployments of four littoral combat ships. In light of the growing power rivalry and enduring strategic uncertainty, a heightened emphasis on these fallback measures is seen as vital for safeguarding the island-state’s (and the party’s) longer-term survivability in an anarchic international system.

Turning to Indonesia, the changing sources of legitimacy in the post-Suharto political system have shaped the country’s evolving alignment behavior: a relatively heavier emphasis on the dual fallback measures of dominance-denial and indirect-balancing (like Singapore), but *without* overtly supporting the military role of a rebalancing U.S. (unlike Singapore; like Malaysia). These policy thrusts, which emerged during the Yudhoyono presidency (2004-2014), have endured into the Joko “Jokowi” Widodo era (2014-present).

As democracy slowly replaced authoritarian rule in post-1998 Indonesia, the structure of foreign policy-making in the largest Southeast Asian country has shifted from a top-down dynamic to a more pluralistic process, with more space for players and voices beyond the traditional small circle of power elites. This pluralization of actors and interests is reflected in Indonesia’s policy toward the great powers, which has been increasingly characterized by a more broad-based and “balanced” pragmatism. Driven by a need to optimize multiple interests across sectors and actors, such pragmatism is largely dictated by performance-based electoral logic, but shaped and constrained by a multitude of traditions, exigencies, inter-agency dynamics, personalities, and other domestic sources.

Hence, while the post-2008 geoeconomic and geostrategic realities have pushed Indonesia to simultaneously pursue stronger economic ties with China and forge a closer strategic partnership with America to strike a balance between immediate economic interests and longer-term defense needs, these moves will always be subject to its traditional foreign policy principle of “independent and active” (*bebas-aktif*), which emphasizes neutrality.
and prioritizes autonomy and maneuverability. This principle is buttressed by a deep-seated feeling of “regional entitlement” among Indonesian elites. As observed by Michael Leifer, because of the republic’s sheer size, vast population, rich natural resources, strategic location, and pride in its revolutionary struggle for independence, Indonesia has always harbored a sense of entitlement to the leadership role in Southeast Asia. Its growing economy and growing national confidence over the past decade might have deepened this outlook. Indonesia therefore views the presence of other powers as an outside factor that might undermine its own role as the region’s major player. These traditions and national pride are fundamental to Indonesia’s existence as a sovereign actor. Departing from them would risk eroding the governing elites’ domestic authority. This largely explains Indonesia’s persistent and relatively heavier emphasis on dominance-denial. Although Jakarta does not view China’s rise through the prism of security threat, lingering concerns about Beijing’s potential intentions toward the Natunas and systemic uncertainty have pushed it to pursue some measure of indirect-balancing. Strengthening its defense ties with America has been a part of Indonesia’s military hedge. Nonetheless, in part because domestic public opinion has been unsympathetic to America and in part because the elites have continued to hold an ambivalent perception vis-à-vis the superpower, an Indonesia-U.S. defense partnership will continue to be constrained by domestic barriers. It will be augmented by the republic’s evolving security cooperation with Japan, Australia, and India, fellow democratic powers with whom it shares political values and geostrategic interests. These hedges, however, have been and will be counteracted by the economic gravity of China’s continuing rise, as well as Indonesia’s preoccupation with its tremendous internal challenges and development needs, as Jokowi pledges to transform the archipelagic republic into a global maritime fulcrum.

**Conclusion**

The preceding analysis suggests that the three ASEAN core states have all responded to the uncertainty embedded in the post-Cold War power structure by hedging, albeit with subtle but significant variations. The concurrent adoption of returns-maximizing and risk-contingency options allows them (like other hedgers in the region) to gain some level of desired economic and diplomatic benefits while allowing them to offset some level of inevitable risks vis-à-vis the competing powers, without over-betting on any options that may incur an unnecessary price. The alternative—a direct balancing policy, which maximizes security but foregoes commercial and diplomatic benefits—would be militarily counterproductive, economically unwise, politically provocative, and strategically hasty. For the ruling elites of the three ASEAN states, these tradeoffs are not warranted by the current level of the perceived threat and the uncertainty about the sustainability of patron support. This structural logic is compounded by domestic factors, which color their views of the magnitude and urgency of a perceived threat, as well as the efficacy of available support, as seen in the differing patterns of Indonesia, Malaysia, and Singapore’s hedging behavior. Future studies should use more cases to examine how elites’ domestic legitimation drives states’ calculation of foreign policy tradeoffs, and analyze why the legitimation-driven tradeoff calculation shapes weaker states’ alignment choices.
ENDNOTES

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21. Author’s interview with Dewi Fortuna Anwar, Jakarta, December 1, 2011.


24. In a statement appeared on the website of Singapore’s Consulate-General in Shanghai, Lee remarked: “Singapore’s relations with China are based on equality and mutual respect. Singapore is a good friend of China. But to call off the trip at China’s request would have undermined our right to make independent decisions, and damaged our international standing. As a small country, this is a vital consideration in our dealings with all countries.” Available at: http://www.mfa.gov.sg/content/mfa/overseasmission/shanghai/archive_press_statements/2004/200407/press_200407.html.


41. Michael Leifer, *Singapore’s Foreign Policy*.
45. See Seng Tan, “America the Indispensable.”