

Working Paper: “Two’s a company, three’s a crowd”:
the logic of “three-level games” in Southeast Asia

Keith A Preble – University at Albany, SUNY

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Abstract

The rise of China is a serious challenge for the foreign policies of Southeast Asia but it is not the only challenge. Southeast Asia is challenged not only by China’s economic power and growing military assertiveness but also the complexities of the United States/China struggle for power but also by their own domestic and regional politics. I analyze these effects by situating domestic policies, foreign policies, and regional policies within a “three-level game.” Using Malaysia and Vietnam as cases, I explore the challenges each of these three factors highlights. More importantly, I am working to show how the dynamics of a “three-level game” highlight how domestic politics, regional dynamics, and international relations interact and challenge the construction of a state’s foreign policy.

Introduction

The rise of China has presented many challenges for the Association of Southeast Asian Nations (ASEAN) and its member states over the South China Sea. Since international arbitration ruled against China in favor of the Philippines (Permanent Court of Arbitration 2016), tensions has only risen. Jörn Dosch 2006 has argued that ASEAN membership can be either a golden cage or a golden opportunity for member states. In his study on Vietnam and the constraints and opportunities of ASEAN in Vietnam’s foreign policy, Dosch has argued persuasively that there exists a “two-level game” (Moravcsik 1997; Putnam 1988) as Vietnam – and, ostensibly, other ASEAN states – translate domestic imperatives into their foreign relations and international imperatives into their domestic policy-making processes. Dorsch’s analysis can be built upon by considering in greater detail the benefits and drawbacks to argue that there exists instead a third level that resides between the domestic level and the international level: regionalism (or what Weatherbee (2014, 1,16) calls “soft” regionalism). I argue that the South China Sea dispute generates domestic level dissonance, complicates bilateral foreign policies between ASEAN member states, and destabilizes ASEAN as an effective forum for multilateral solutions to a rising China and resolution of the South China Sea dispute.

Why should Southeast Asian international relations be conceived of as a three-level game? Hwang and Kim 2014 developed a three-level game theory in studying EU/South Korea free trade agreements. Hwang and Kim adapt Putnam’s theory and apply it to the economic realm in a much stronger (or “harder”) regional framework than what exists between member states of ASEAN. I argue that two- and three-level games have application to general regional dynamics and in more arenas than economic ones, such as those in Southeast Asia with its diverse set of nations, interests, and preferences.

Southeast Asia is a unique region that is exemplified by its “unity out of diversity” (*Hanoi Declaration* 1998); as Emmerson points out, one should avoid “. . . projecting homo-

geneity, unity, and boundedness...” onto the region (Emmerson 1984, 1). This diversity exists not only at the domestic level with various regime types and populations but also in the various foreign policies of the region “trapped” between two rising powers – India and China – and the great power rivalry brewing between the United States and China. The region is also home to the South China Sea that has created issues for those countries with claims to the area. The South China Sea has the potential to develop into the next military hotspot due to the economic potential in terms of rich fishing waters and energy reserves beneath the seabed (Weatherbee 2014, 165-66;170-71). To view the region in only “two-levels” obscures the realities facing Southeast Asia states as they juggle domestic politics and policy, international relations with the actors outside of Southeast Asia (notably the Great Powers and India), and the complexities of “soft” regionalism (Weatherbee 2014, 1, 16). In this paper I compare the domestic, foreign, and “soft” regional policies of Malaysia and Vietnam to demonstrate how a the “third level” is often ignored.

”Three-Level Games”

Building on Putnam’s logic of “two-level games” (1988), I argue that foreign policies in Southeast Asia are complicated by a “third level” – regionalism. In the case of Southeast Asia, “soft” regionalism exists whereby states in question work together without sacrificing their sovereignty. The levels developed by Putnam are akin to the “images” developed by Kenneth Waltz 2001 in his seminal work *Man, the State, and War*. Waltz developed three images that correspond to human nature, domestic politics, and the international system. Putnam utilized these images to create two levels: one level for domestic politics and one for international politics to demonstrate that domestic politics matter (Vasquez 1999, 194). Putnam (1988) argued that domestic constraints can influence international relations as bargaining and coordination takes place not only at the international level but also domestically 1988, 432-35. In theorizing the existence of a third level, states operate not only with a domestic and foreign policy environment but also within a regional dynamic. In other words, for Southeast Asia there is the domestic level game, extra-regional and bilateral foreign policies

(with the United States, Japan, India, and China, for example), and regionalism between members of ASEAN. ASEAN member states must contend with an additional “level” that must be reconciled as states contend with domestic and international politics and develop and execute their domestic and foreign policies. As the cases of Vietnam and Malaysia shows, domestic, bilateral, and extra-regional politics trump ASEAN commitments when such commitments are at odds with each state’s more pressing national interests.

Malaysia and Vietnam: managing domestic and foreign policies

The foreign policies of Malaysia and Vietnam demonstrate that the South China Sea issue is not the same for all countries in the region. Malaysian foreign policy has adopted a “playing it safe’ approach” that is sensitive to Chinese interests and bilateral ties vital to Malaysia. This is not to say that Malaysia does not respond to the occasional Chinese provocation diplomatically or through ASEAN. However, Malaysia, along with other “hedging” states, prefers to maintain its engagement with China to preserve economic opportunities that allow states to capitalize on China’s growth. This stance on the part of Malaysia towards China limits any measures it may take against a rising China (Goh 2016; Parameswaran 2015, 4).

Vietnamese foreign policy in the region is aimed at preserving its interests and countering Chinese dominance. Three aspects of Vietnam’s foreign policy can attest to this. First, evidence of this can be seen in Vietnam’s military expenditures. For example, regionally, defense spending has increased by 45 percent from 2005 to 2014, and Vietnam’s military spending has increased 128 percent during the same period. What is more striking is that many of these military purchases are geared toward equipment that can help in patrolling Exclusive Economic Zones (EEZs) against perceived threats from China. Second, this increased military spending has seen Vietnam look beyond Southeast Asia and its regional partners by looking toward Japan (for training, patrol vessels, and radar equipment),

Russia (for submarines), and the United States (military equipment for security and surveillance). Lastly, Vietnam has been described as going the “self-help” route in its international relations (Goh 2016).

Domestically, both Malaysia and Vietnam face differing constraints that affect their foreign policies. In Vietnam, specifically, a rising anti-Chinese nationalism has only complicated Vietnamese foreign policy and has been a part of Vietnam’s “security problem for centuries (Dosch 2006, 243). This nationalism often bubbles to the surface in rare public protests in Vietnam that create difficulties for the Vietnamese Communist Party (VCP) due to a growing civil society within Vietnam, especially over island in the South China Sea (Storey 2013, 2). In 2005, this civil society within Vietnam and in the diaspora reacted to the deaths of nine Vietnamese fishermen and arrests of others in the Gulf of Tonkin. The government’s silence and response almost a week after the deaths sparked not only outrage but also the mobilization of Vietnamese students abroad (Vu 2014, 41).

Economically, both Malaysia and Vietnam depend heavily on China, and Vietnam is not surprisingly China’s largest trading partner. From 2012 to 2013, trade between the two countries increased by almost 30 percent. While Vietnam imports more than it exports to China, Vietnam relies on China for intermediate goods that are processed through its manufacturing sector and shipped to higher value-added markets in the United States and European Union. Exports to China take the form of raw materials and agricultural commodities. Despite the strong economic ties, Vietnam is not above stoking nationalist sentiments to bolster its legitimacy at home; in 2014, for example, anti-Chinese nationalist sentiments bubbled over and target foreign-owned factors (Swe, Hailong and Mingjiang 2017, 202-3).

Malaysia has not been without its China troubles. China’s past support for Malaysia’s Communist Party (MCP) insurgency and Beijing’s commitment to Chinese individuals abroad have been issues of contention between the two countries, and Malaysia, in the past, had

described China as a grave threat to its security (Kuik 2013, 430). Indeed, Malaysia's China policies and its stance on the South China Sea fail to overshadow Malaysia's desire to maintain its economic and foreign policy advantage vis-à-vis China. Malaysia accomplishes this by clamping down on information by withholding international developments from the public with regards to Chinese assertiveness demonstrates in an effort to avoid nationalist disruptions (Kreuzer 2016, 273). The importance of preserving Chinese economic ties cannot be stressed enough; previous statements by Malaysian leaders, specifically Mahathir in his "Vision 2020" speech, argued that Malaysia must seek outside export markets in order to maintain and achieve growth (Kuik 2013, 448). China's large growing market has served this purpose; recent trade statistics from 2015 show that bilateral trade between Malaysia and China totals \$106 billion with the balance of trade favoring Malaysia, which exports more than it imports from China (Swe, Hailong and Mingjiang 2017, 194). Domestic factors are never far away, however. Some analysts have noted that Malaysia's domestic situation shows it is not a unitary state actor and sends conflict signals from domestic actors (Han 2016). Upcoming elections contribute to this confusion in Malaysia and could potentially shift China policy as Malaysia moves from "speaking softly" to raising its voice in an effort to quell domestic critics (Hutt 2017).

ASEAN's Flaws

Why has ASEAN been ineffective in curbing Chinese influence in the region? I argue that there are three reasons. First, ASEAN's expansion in the 1990's that added Vietnam, Cambodia, Laos, and Myanmar to the regional organization that, according to Evelyn Goh, "has deepened the divides between the organization's original and more recent members, making a coherent regional stance more elusive" (Goh 2008, 120). While a coherent stance has been elusive, Ian Storey has argued that ASEAN expansion might be a result of China's more assertive behavior in the South China Sea and the region as a whole (Storey 2011, 54). While Malaysia has favored constructive ties with China to advance its economic agenda and promote trade, Vietnam's self-help approach to foreign policy and its propensity to look

beyond the region to achieve its foreign policy goals shows two countries whose interests diverge from a united ASEAN policy. Second, the national secretariats of ASEAN within each state answer not to the Secretary General of ASEAN but to the foreign minister of their respective states. This has lead, Donald Emmerson has argued, to a community based not on “sharing and caring” but instead on “foreign affairs” (Emmerson 2008, 430-31). For Malaysia (and Vietnam), this situates national interests and bilateral foreign policy ahead of regional concerns. Given that the South China Sea occupies the foreign policies of half of its members and all its members have economic and military interests with China, this lack of community works in China’s favor. This structural feature of ASEAN makes consensus and binding commitments difficult if not impossible and contributes to the soft “regionalism” that underpins ASEAN.

ASEAN’s ability to develop a coherent policy have also been elusive, as demonstrated by the 45th ASEAN Ministerial Meeting in Phnom Penh in July 2012. This meeting reflected the regional divides present among member states regarding the South China Sea. Even though progress had been made in 2015 on a formalized code of conduct and joint resource extraction, the organization’s group of states with their own interests makes a show of unity difficult if not impossible (Rustandi 2016, 1-2). An example of this regional divergence occurred when the Philippines “jumped on the Chinese bandwagon” in the exploration of undersea oil in the South China Sea that went against the ASEAN Declaration of the South China Sea. This declaration sought consensus from the signatories, which included China, and the development of multilateral development zones in the South China Sea (Buszynski 2003, 350; Storey 2013, 4-5). The Philippines jumping on the Chinese bandwagon signaled that regional interests had taken on a “zero-sum game for the most favourable bi- or mini-lateral deals with China” (Dosch 2006, 248). Lastly, China tends to prefer bilateral to multilateral solutions in resolving disputes (Storey 2013, 3). One could argue that Chinese diplomatic preferences weaken the legitimacy of ASEAN and its respective norms of reciprocity. While China did indeed sign the Declaration of Conduct of Parties in the South

China Sea, its effects have been non-binding, lacking any clear enforcement mechanisms and contains only vague and non-specific guidelines (Storey 2013, 4). While China recognizes ASEAN on some level, its desire to pursue bilateral ties over multilateral ties further marginalizes ASEAN as a solution to regional issues and places ASEAN member states in a reactive rather than proactive mode in dealing with this unique foreign policy problem.

Conclusion

An analysis of Malaysian and Vietnamese foreign policies show ASEAN, while occupying an important place in the region's unique dynamics, is awkwardly situated between the foreign and domestic policies of its member states. It is clear from the literature that norms of reciprocity and cooperation that come through multilateralism and international organizations only work part of the time, take time to develop, and are often sidelined when such norms interfere with the interests of the state. Vietnam, for example, seems poised to place its interests above those of its regional partners, preferring to hedge its bets by relying on extra-regional ties with China, Japan, and the United States. Malaysia, too, places its interests ahead of regional interests. Both countries also face domestic pressures and overt anti-Chinese nationalism that alter their public and private actions and statements, leading to a complex juggling act between so many competing interests. ASEAN has a lot of potential not only as a powerful trading bloc but also a security apparatus to counter China's power in the South China Sea as well as other external powers. Yet is it enough for ASEAN to promote free trade and the peaceful resolution of disputes? Emmerson asks whether ASEAN should be in the business of promoting democracy in the region or being more democratic itself (Emmerson 2008, 431-34). Because the organization's foundation rests firmly on concepts of noninterference, active promotion of democratization across the region seems unlikely. Yet it is possible that democracy promotion and stronger bureaucratic systems could lead to states more responsive to the "third level" that is currently dumped or abandoned when states' interests are challenged in the short-term.

It is impossible to say whether democracy alone can solve ASEAN's problems. Perhaps a better question is whether increased trade liberalization, technological advancement, and the further elimination in poverty might bring about the same result and allow the third level of this complex game of foreign and domestic policy to allow ASEAN to diffuse norms of democracy, reciprocity, and cooperation regionally and extra-regionally.

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