# The Growing Foreign Investment and Trade Activity of China: Analyzing the Shifting Economic and Political Structure in ASEAN

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**Abstract**

Given that the United States and China are competing for greater economic and political influence in Southeast Asia, this paper addresses the question of whether the United States and China can significantly influence the political activity of countries in 10 countries in Southeast Asia (ASEAN) through the use of economic means. I gathered the voting behavior data of China, the U.S. and ASEAN in the United Nations General Assembly, analyzed the international economic trend and multinational political structure in Southeast Asia area, and ran linear regressions which compared the effect of foreign direct investment and trade from the United States and China, separately, on the shift of voting behavior in ASEAN. Interestingly, the results of the analysis reject my hypothesis that increased economic influence would result in closer voting alignment. The paper will conclude with an exploration of possible explanations for these surprising results and speculate further studies to continue exploring this question.

## I.    INTRODUCTION

In the recent decade, China has been generating substantial international attention because of its surge in overseas direct investment activity, otherwise known as outward foreign direct investments, or OFDI for short. Since the 1990s, China had been a top destination for foreign direct investment, particularly in manufacturing. However, in 2003, the central government of China in Beijing implemented its "Go Global" policy. This policy, which actively encourages domestic companies to invest overseas, is China's direct effort to shift its economic role in the world, from a factory-driven investment recipient to a leader in foreign investment and innovation.

**Figure 1**
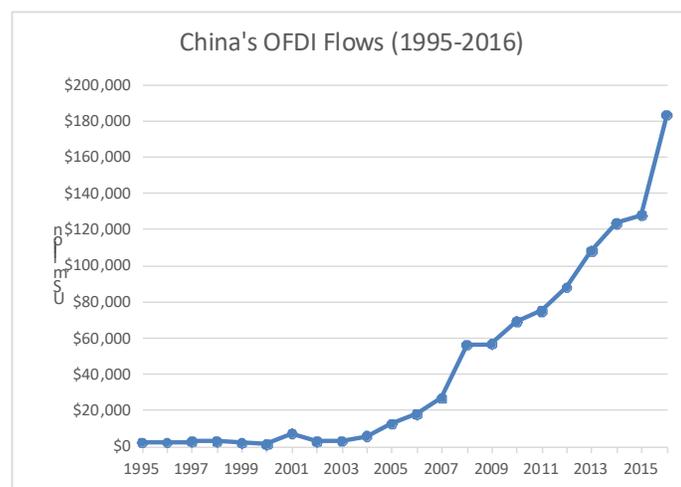


Source: World Investment Report (2017)

As shown in Figure 1, China's outward foreign direct investment immediately began to rise practically exponentially after the "Go Global" policy was enacted in 2003. In just twelve years, China's outbound investment flow has risen from $5.5 billion in 2004 to $183.1 billion in 2016 (excluding investments from Hong Kong and Macao). This investment has quickly paid off, according to the 2017 World Investment Report, China is

now the second largest investor in the world, ranking only after the United States. Even though China invests in North America, the European Union, and Africa, it's OFDI is largely concentrated in Asia (Nguyen and Doan, 2016).

This rapid increase in foreign investment has raised concerns among political economists, some of who question China's purposes behind these moves, and wonder if they are purely for economic gain. "Diplomatically, international commerce can be used as a weapon (as with trade sanctions) or it can be used to create interdependency that may ameliorate hostile interactions or induce countries to take favorable political actions" (Carter and Stone, 2015).

At the start of this investment program, China's neighbor, Association of Southeast Asian Nations[1], known as ASEAN, immediately started receiving large portions of China's OFDI and has, in consequence, developed a close-knit, thus-far decade long cooperative trade relationship with China. Meanwhile, the long history between the United States and ASEAN, coupled with the United States' active trade relations with the organization and its participating countries as well as its high volume of OFDI in ASEAN, all show how the United States also plays a significant role in ASEAN's economy. For decades, the United States has both economically and politically well-nourished its relationship with ASEAN. Even now, it has shown no intention of losing its influence over the Southeast Asian area.

This paper aims to study whether the increasing OFDI from China to ASEAN, and the recent decade's worth of trade activity between the two, have garnered any political influence from China in ASEAN, and whether or not this shift in the international economy has changed the political cooperation between the United States and ASEAN.

This paper will use the voting behavior of China, the United States, and the countries of ASEAN in the United Nations General Assembly (2005 - 2015) to address empirically the aforementioned question. The rest of the paper is organized as follows: Section II

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[1] The ASEAN was established on 8 August 1967, with ten Member States: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

presents a literature review of various hypotheses of shifting influence on ASEAN from both China and the United States, including theoretical and empirical findings. Section III conceptually interprets the economic and political impact on ASEAN caused by China's increase in both OFDI and trade activity. Section IV presents the empirical models. Section V presents the results of the models. Finally, Section VI concludes.

## II.  LITERATURE REVIEW

### China and U.S. Relations with ASEAN

Scholars still dispute whether China's rising power challenges the interests of the United States. In his article *Assessing China's Rise and US Leadership in Asia—growing maturity and balance*, Sutter (2010) lists various viewpoints of other scholarly articles, all focusing on the tendencies surrounding the power structures of China and the United States in Southeast Asia. His article also discusses the possible reasons behind the authors' arguments, including trade, investment, financial aid, military, security, and more. According to Sutter, scholars hold different opinions on whether or not China's emerging economic and political influence decreases that of the U.S. On one hand, some scholars state that as China's economic influence grows throughout the Southeast Asian region, ASEAN will gravitate towards China's orbit, thereby weakening the United States' influence in the region (Sutter 2010). On the other hand, some contradicting scholars hold that even though China's trade and investment in the area is rapidly growing, the United States still dominates investment and financial aid to ASEAN and; therefore, China's rise "has had no perceptible negative impact" on the predominant US economic role in the region (Sutter 2010).

Hence, while these assumptions have yet to be empirically tested, it is plausible that China's economic behavior in ASEAN is at least, in part, political-oriented. The evidence of whether China's growing influence affect that of the U.S. has a need for further study.

UN Vote

Roll call voting behavior in the United Nations General Assembly (UNGA) is a dependable signal to measure countries' political alignment. UN resolutions are not legally binding; therefore, it is generally believed that, when countries vote in the UNGA, they are voting to signal symbolically their political stance and are "expressive rather than instrumental" (Dreher, Nunnenkamp, and Thiele, 2008). Countries' voting alignment records can be confidently used to analyze member states' political preferences.

In one study, Dreher, Nunnenkamp, and Thiele analyze 143 countries' UNGA voting behavior after receiving financial aid from the U.S. According to their study, financial aid not only serves the economic self-interest of donors but is used to buy political support from aid recipients (2005). They suggest that, after analyzing disaggregated aid data, that there is strong evidence to suggest that the U.S. is "buying" voting compliance in the Assembly.

Li (2016) also reaches a similar conclusion, finding that the OFDI from an investing country stimulates those countries' political impact on recipient countries. Li points out that even though China still seeks high financial returns from overseas investment, it still intends to also use investment as a tool to expand its geopolitical influence. The political benefits that China could gain from the expansion of OFDI include enhancing geopolitical influence over recipient countries, securing better access to diverse natural resources, fortifying diplomatic ties, and expanding market size. Li notes indications that all ten participating countries of ASEAN voted in alignment with China after receiving OFDI increases (Li, 2016).

Summary

While several researchers have qualitatively assessed the shifting power and influence of China and the U.S. in ASEAN, few have done so quantitatively. While Dreher, Nunnenkamp, and Thiele evaluate the political influence conducted by the U.S.

in developing countries by unilaterally analyzing one variable's effect: financial aid; Li's research specifically focuses on the differences in shifting political influence in ASEAN caused by China and Japan's OFDI in the region. My own research, inspired by some of these works, aims to examine the interdependence of trade and foreign investment on political impact, quantitatively analyzing the role of growing OFDI and trade Activity in shifting trilateral relations among ASEAN, China, and the United States.

## III.  CONCEPTUAL INTERPRETATION

Trade

In 2002, Beijing and the ASEAN signed the initial agreement on a free trade zone among ten countries in the association and China, thereby beginning the facilitation of more active importing and exporting between countries and further integrating Asian markets. The developing countries in ASEAN especially benefit from this argument by receiving new materials and high-technology capital, thus lowering their production costs across various industries. In 2005, China and ASEAN increasingly began to lower their tariffs, reducing tariffs on more than 7,000 products within just six years (De Castro, 2011). In 2009, China surpassed the EU, Japan, and the U.S. and became ASEAN's largest trade partner. By 2014, China's trade with ASEAN reached a point of 15% market share (ASEAN Statistical Yearbook, 2015). This increasing trade activity among China and other nearby nations may very likely generate a more "Sinocentric" East Asian economy, driving nations in the region to become heavily dependent on China for a substantial portion of their trade (Borthwick, 2014).

Outward Foreign Investment

Foreign direct investment often affects multiple, participating economies in dynamic ways often differing from the impacts of trade. OFDI often brings advanced technology

and management practices to local, undeveloped communities, improving the economy in many ways, including providing job opportunities, bring in tax revenue to support local and national governments, facilitating the possibility for more open markets, and bringing in foreign. Sometimes, foreign direct investment provides more stimulus to a recipient's economic development than increased trade (Borthwick, 2014). While investment's financial impact is rather obvious, the political impact is more ambiguous. The distinction between the two forms of OFDI, financial and non-financial, is important; while foreign authorities often look upon financial OFDI more speculatively, they often view non-financial investment, those which only seek to help develop undeveloped communities, more favorably (Li, 2016). While the U.S. and other countries' foreign investment is predominantly conducted by private enterprises, state-owned enterprises play a vital and substantial role in China's overseas enterprises. The majority of OFDI from state-owned enterprises are non-financial; in 2006, a substantial 83% of China's non-financial ODI came from state-owned enterprises (Yueng and Liu, 2008).

Furthermore, between 2009 and 2014, the Chinese government actively promoted non-financial investment behavior specifically in ASEAN and participating countries. In 2010, China launched the China-ASEAN Investment Cooperation Fund ("CAF"), which mandates the support of infrastructure projects, such as railway, oil pipe, and energy systems, for certain foreign investments. China's establishment of the Asian Infrastructure Investment Bank (AIIB) and its promotion of the One Belt One Road (OBOR, or "New Silk Road"), both in 2013, further promoted this trend towards cooperation and economic integration of China and Southeast Asian. Thus, it is plausible that China is using non-financial, state-enterprise-sponsored foreign investment to engage with and possibly even exert influence over countries in the Southeast Asian region.

## IV. EMPIRICAL MODEL

Data Analysis

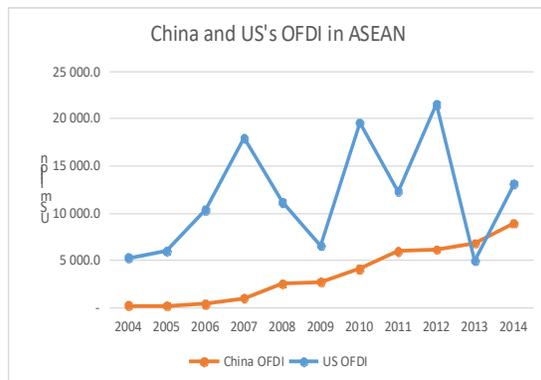| Figure 2 | Figure 3 |
|:---:|:---:|



Source: United Nations Conference on Trade And Development (2017)

As shown in Figure 2, China's OFDI in ASEAN has gradually grown over the years, shifting from barely any investment in 2004 to 8.869 billion US dollars in 2014, while US's OFDI largely surpassed China's OFDI in most of the years, but fluctuates up and down sharply. In Figure 3, the trends for trade transaction amount for both China and the U.S. with ASEAN are similar, but with a few important differences. While both trends have been steadily growing (with the exception of dips in 2009 due to the preceding financial crisis), China's has been growing at a much steeper rate, surpassing the United States' rather quickly and, by 2014, dwarfing the United States' agreement by 150 billion US dollars (ASEAN Statistical Yearbook, 2015). Thus, if we fail to reject the hypothesis that trade partnership and foreign investment have an impact on the political alignment among between countries, it is likely that China's stable, rising trends in both trade and foreign investment will have growing, significant impact on ASEAN, especially when compared to that of the United States.

The data to analyze political alignment are the voting data from the United Nations

General Assembly Voting Database, assembled by Erik Voeten[2]. This annual panel data recorded all the roll-call votes on various issues in the UNGA from 1926 until the present. I chose to use voting behavior data from 2005 to 2015, and OFDI and trade data from 2004 to 2014, to account for the time-lag between the economic trends and the voting trends. During this time of period, 798 resolutions were voted on in UNGA.

The formula I use to calculate the voting cohesion between two countries is the Index of Voting Cohesion (IVC). This formula was first conducted by Hurwitz in 1975 when he analyzed the voting behavior of eight countries in the United Nations from 1948 to 1973. Later, it was commonly used as one of the standardized formulae to examine two countries' voting behavior. The formula is expressed in percent, presenting as follows:

$$IVC = \frac{(f + \frac{1}{2}g)}{t} \times 100$$

where f denotes the number of cases in which a pairs of states vote identically (e.g. both vote 'yes,' 'no,' or 'abstain'), g denotes the number of votes in which that pair of states display partial cohesion (e.g. one votes 'yes' or 'no' and the other abstains or is absent), and t is the total number n of votes in which the pair of states participates in. IVC can roughly be treated as the percentage of resolutions in which two countries are aligned, with a range from 0% to 100%, 100% indicating perfect alignment and 0% indicating perfect misalignment.

After calculating the IVC between China and every ten members in ASEAN, and the IVC between the U.S. and every ten members in ASEAN, both from 2005 to 2015, the results are shown below, in Table 1.

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[2]  Voeten, E "Data and Analyses of Voting in the UN General Assembly" Routledge Handbook of International Organization, edited by Bob Reinalda (published May 27, 2013).

**Table 1 Descriptive Statistics**

| China- | Mean | St.dev. | Min | Max |
|---|---|---|---|---|
| Myanmar | 91.48 | 3.99 | 83.85 | 95.4 |
| Thailand | 91.48 | 3.99 | 83.85 | 95.4 |
| Cambodia | 90.81 | 2.63 | 84.06 | 93.75 |
| Laos | 90.56 | 3.69 | 83.85 | 95.45 |
| Vietnam | 93.56 | 2.89 | 89.04 | 98.05 |
| Malaysia | 94.36 | 3.58 | 86.3 | 98.51 |
| Singapore | 93.09 | 2.4 | 87.67 | 95.65 |
| Brunei | 93.59 | 3.71 | 86.98 | 96.27 |
| Philippines | 91.85 | 2.64 | 86.3 | 94.83 |
| Indonesia | 92.93 | 3.6 | 85.62 | 97.13 |
| **US-** | | | | |
| Myanmar | 22.59 | 6.6 | 12.99 | 33.08 |
| Thailand | 24.72 | 4.72 | 18.83 | 30.86 |
| Cambodia | 24.72 | 4.72 | 18.83 | 30.86 |
| Laos | 22.65 | 5.53 | 14.93 | 33.33 |
| Vietnam | 20.55 | 3.93 | 14.29 | 25.74 |
| Malaysia | 21.61 | 5.89 | 12.34 | 28.46 |
| Singapore | 23.78 | 4.57 | 17.81 | 29.01 |
| Brunei | 21.37 | 4.64 | 15.52 | 26.47 |
| Philippines | 23.75 | 5.21 | 15.58 | 30.77 |
| Indonesia | 22.06 | 5.15 | 11.49 | 26.92 |

**Numbers of Observation: 798*12 (Resolution*Country)**

The results strongly suggest that China and ASEAN often vote in alignment, indeed in almost perfect alignment, while the U.S. and ASEAN votes indicate nonalignment. In addition, the standard deviations of IVCs between China and ASEAN are lower than those of the U.S. and ASEAN, which means that the change in voting behavior between the U.S. and ASEAN fluctuates over time more than that of China and ASEAN. Just from these results, it seems that ASEAN has a closer political relationship, or at least similar interests, with China than with the U.S., and this relationship appears to be relatively stable, as well.

To further examine China and the United States' voting behavior in the UNGA, and investigate its effect on ASEAN countries' voting decisions, I calculated the IVC of China and the U.S. and ran correlations for the IVC of China and the U.S. and the IVC between each ten countries in ASEAN and the U.S. The results are shown below.

| **Table 2 Correlation between IVC$_{China-US}$ and IVC$_{i-US}$** | | **Table 3 Correlation between IVC$_{China-i}$ and IVC$_{US-i}$** | |
|---|---|---|---|
| **Country** | **Correlation** | **Country** | **Correlation** |
| **Myanmar** | **0.88** | **Myanmar** | **-0.91** |
| **Thailand** | **0.95** | **Thailand** | **-0.81** |
| **Cambodia** | **0.74** | **Cambodia** | **-0.32** |
| **Laos** | **0.66** | **Laos** | **-0.58** |
| **Vietnam** | **0.93** | **Vietnam** | **-0.39** |
| **Malaysia** | **0.98** | **Malaysia** | **-0.59** |
| **Singapore** | **0.95** | **Singapore** | **-0.23** |
| **Brunei** | **0.97** | **Brunei** | **-0.51** |
| **Philippines** | **0.91** | **Philippines** | **-0.39** |
| **Indonesia** | **0.74** | **Indonesia** | **-0.56** |

Table 2 suggests a high correlation between IVC of China and the U.S. and IVC for each of the ten countries and the U.S. That being said, China and all ten countries in ASEAN not only have highly similar voting behavior to each other; they also, over the years, hold a highly similar trend of voting behavior towards or away from the U.S over the years. At the same time, Table 3 shows some negative correlations between IVC of China and the ten countries and IVC of the U.S. and ten countries, from which Myanmar, Thailand, Laos, Malaysia, Brunei, and Indonesia appear to have strong negative correlations. These results suggest that for these countries, voting more in alignment with China is correlated with them voting less similar to the U.S.

From the descriptive statistics in Table 1, IVC does appear to fluctuate in the past 11 years, both with China and the U.S. Whether this fluctuation of political behavior is, or is not, explained by international economic factors, such as foreign investment and trade, cannot be determined without more analysis. To systematically examine the effect of OFDI and trade from both China and the U.S. on the change of IVC, I built four models, which will be discussed below.

<u>Empirical Method</u>

From the voting data of ASEAN above, the ten ASEAN countries seem to present nearly identical voting behavior in the UNGA. Thus, it is reasonable to consider these ten countries as a bloc and use average IVC of China and these ten countries as a measurement to represent all ten countries' political alignment with China. For model 1, 2, 3 and 4, I use the average of IVC for all ASEAN members as the dependent variable. Model 1 and 2 aims to examine if China's growing OFDI and trade activity stimulate ASEAN vote alignment for China and against the U.S. Model 3 and 4 serve the same purpose, with data of the U.S. and ASEAN instead of China and ASEAN, to examine the relationship between OFDI, trade and voting alignment from the United States' aspect.
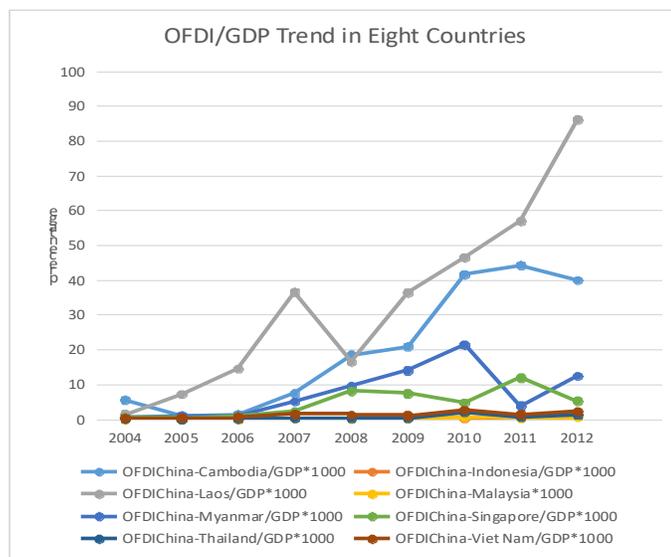
**Figure 4**



Figure 4 displays eight trends from eight different nations; these trends, from 2004 to 2012, measure the OFDI from China divided by the recipient country's GDP. While Laos and Singapore have clearly sharp rates of growth, countries like Malaysia, Vietnam, Indonesia, and Thailand have less obvious and easily distinguishable growth trends. Thus, to examine, in more detail, OFDI's effect on bilateral political alignment, I build a fifth model, model 5, that only takes OFDI into account and which runs a regression

separately for every single ASEAN country. Nine years of data, from 2004 to 2012, are available for OFDI from China to eight recipient countries (Myanmar, Thailand, Cambodia, Laos, Vietnam, Malaysia, Singapore, Indonesia) are available from the United Nations Conference on Trade and Development. The IVC data in this model, therefore, is from 2005 to 2013. The equations for the five models are listed below:

*Model 1:*

$IVC_{China-ASEANt}=\beta_0+\beta_1*OFDI_{Chinat-1}/GDP_{ASEANt-1}*10^3+\beta_2*Trade_{Chinait-1}/GDP_{ASEANt-1}*10+\varepsilon_i$

*Model 2:*

$IVC_{US-ASEANt}=\beta_0+\beta_1*OFDI_{Chinat-1}/GDP_{ASEANt-1}*10^3+\beta_2*Trade_{Chinait-1}/GDP_{ASEANt-1}*10+\varepsilon_i$

*Model 3:*

$IVC_{US-ASEANt}=\beta_0+\beta_1*OFDI_{USt-1}/GDP_{ASEANt-1}*10^3+\beta_2*Trade_{USt-1}/GDP_{ASEANt-1}*10+\varepsilon_i$

*Model 4:*

$IVC_{China-ASEANt}=\beta_0+\beta_1*OFDI_{USt-1}/GDP_{ASEANt-1}*10^3+\beta_2*Trade_{USt-1}/GDP_{ASEANt-1}*10+\varepsilon_i$

*Model 5:*

$IVC_{China-it}=\beta_0+\beta_1*OFDI_{it-1}/GDP_{it-1}*10^3+country_i+\varepsilon_{ti}$

Since the data of OFDI from the U.S. to every country in ASEAN are incomplete in UNCATD, and other databases only provide U.S.'s ODFI to ASEAN as a bloc, the regression of each ten countries and the U.S. cannot be conducted. Based on the literature review and conceptual model, I hypothesize that the more investment a country receives from China over years, the more likely it will vote in alignment with China and vote against the U.S. Therefore, my hypothesis is:

In model 1: $\beta_1>0$, $\beta_2>0$; in model 2: $\beta_1<0$, $\beta_2<0$; in model 5: $\beta_1>0$

The United States' dramatic fluctuation in OFDI and relatively flat trade trend suggest that it would be hard to statistically define the United States' economic impact on U.S. and ASEAN IVC. Thus, I have no hypothesis for models 3 and 4, as I believe the

data aforementioned seem to not suggest any trend one way or another.

## V. RESULTS

**Table 4 Regression Result**

| Variables | Model 1 | Model 2 | Model 3 | Model 4 |
|---|---|---|---|---|
| OFDI$_{China-ASEAN}$/GDP*1000 | -1.81 (0.53)*** | 4.23 (0.54)*** | --- | --- |
| Trade$_{China-ASEAN}$/GDP*10 | -1.95 (1.77) | -8.09 (1.82)*** | --- | --- |
| OFDI$_{US-ASEAN}$/GDP*1000 | --- | --- | -0.33 (0.3) | -0.14 (0.21) |
| Trade$_{US-ASEAN}$/GDP*10 | --- | --- | -7.77 (2.56)** | 2.88 (1.82) |
| R-Squared | 0.61 | 0.87 | 0.58 | 0.24 |
| Sample Size | 110 | 110 | 110 | 110 |

*$p<.10$; **$p<.05$; ***$p<.01$; (two-tailed test)

In Model 1 the coefficients of OFDI/GDP from China to ASEAN and trade/GDP between China and ASEAN are both negative, which contradicts my hypothesis. That implies that China's growing OFDI and growing trade do not result in aligned voting behavior between China and ASEAN. Model 2 presents both greater $R^2$ value and two coefficients which are both statistically significant at the .01 level. The positive coefficient for OFDI/GDP suggests that OFDI from China incentivizes aligning voting behavior between the U.S. and ASEAN, as opposed to China and ASEAN; this also rejects my hypothesis. The only part of these two models which reinforces my hypothesis comes from the positive and significant coefficient for trade/GDP, which suggests that more trade between China and ASEAN negatively impacts the voting alignment of the U.S. and ASEAN. Results from Models 3 and 4 give both low $R^2$ values and mostly statistically insignificant coefficients, suggesting these two Models to both be relatively weak. Therefore, it seems that we could reject a hypothesis that OFDI and trade from the U.S. to ASEAN countries does not have a significant impact on the alignment of voting

behavior between ASEAN countries and China and the U.S.

As for the Model 5, all eight regressions show insignificant causation between China's OFDI to every single country and their voting alignment. The results are attached at the end of the paper. These further suggest that China's growing OFDI does not implement a political impact on ASEAN.

While it seems logical that increased economic investment in foreign countries would result in greater voting alignment, there are a few explanations as to the results of the analyzed data. One possible explanation concerns the magnitude of China's investment into ASEAN. Indeed, even though China's OFDI continues to increase, as it has for more than ten years, the amount may actually be negligible when divided by those foreign countries' GDP. When looking at total foreign direct investment in ASEAN, U.S. OFDI makes up around 10% - 15% of investment in these countries, depending on the year, while China, on average, only makes up a mere 2% - 3% per year (ASEAN Statistical Yearbook, 2015). It is fair to say that China's OFDI program is still in its early-stages (Salidjanova, Weser, and Klanderman, 2015), which may account for a lack of significant political impact. In addition, investment inherently takes longer to create impact when compared to trade, and while trade did not seem to significantly increase China and ASEAN voting alignment, it did significantly decrease U.S. and ASEAN voting alignment, suggesting the trend in OFDI may simply be lagging.

Another explanation for these results may come from China and ASEAN's already almost perfect voting alignment. The negative coefficient on China growing OFDI/GDP and IVC between China and ASEAN shows how the increase in OFDI from China has nonetheless resulted in a decrease in voting alignment between two bodies. However, this is a decrease from an already almost perfect voting alignment, matched with an increase, in the same time period, for U.S. and ASEAN voting alignment. This U.S. and ASEAN increase may very well be due to a trend, starting in 2000 and heightened during the Obama administration, to "re-balance" Asia and the hegemonic power of China in the

area. In addition to this, it is likely that smaller, Southeast Asian countries have actively sought to diversify both their economic and political ties, especially to the two big superpowers of the U.S. and China, so as not to become wholly dependent on the influence of just one power (Borthwick, 2014).

These explanations, all together, may justify why ASEAN has been steadily voting slightly more against China, despite its heightened investment and trade, with an IVC drop from 94.26 in 2005 to 87.81 in 2015, and voting slightly more with the U.S., with an increase in IVC from 17.1 in 2005 to 27.67 in 2015. All voting data from 2005 to 2015 are shown in the appendix.


## VI. CONCLUSION


This thesis analyzed OFDI and trade from both China and the U.S. towards ASEAN and its participating members, specifically examining whether China's increase in economic activity in the region correlated with, or caused, any shift in political alignment between Southeast Asia, the U.S., and China, which was proxied by countries' voting patterns in the UNGA. The results represented in Table 4 suggest that China's growing investment and trade in ASEAN neither pushed ASEAN, politically, closer to China nor drove ASEAN away from the U.S., besides a possible correlation between China and ASEAN trade and decentivizing the U.S. and ASEAN voting alignment. That being said, it can be concluded that the recent changes in certain international economic structures have no significant correlation or effect with the major political alignments in the Southeast Asian area and with China and the U.S.

There are several limitations to this research. First, there was a technical issue with the data set. Since many countries in ASEAN contain relatively small economies, the foreign investment and trade amount data for each country is not fully complete, in any database. Also, due to the different calculating measurements, data from different

databases suggest various numbers on the same factor, and it is hard to determine which organization provides more accurate data than others. In fact, it is believed that most organizations' data of Chinese OFDI fail to accurately reflect the real foreign investment situation from China to Southeast Asia. The actual rate is likely higher when taking into account the investments that are not notified to the Chinese authorities in order to avoid administrative red tape, and the ones that originate in Hong Kong (Salidjanova, Weser, and Klanderman, 2015). Hong Kong creates even more complication; a large amount of companies bases their investment practices in Hong Kong in order to avoid heavy taxation from mainland China, skewing or shrouding some of the data. Further research could take this complicated situation into account and come up with a more convincing data set.

Additionally, the time period of the data set is limited. The data from 2005 to 2015 is not exhaustive enough to review this topic. China had already established a strong connection and signed several agreements with ASEAN before 2005. The period from 2005 to 2015 should be a relatively stable phase for China-ASEAN's diplomacy. It would be more persuasive if the regression included the time period before China started its diplomatic relationship with ASEAN. However, the data for OFDI before 2005 is relatively disintegrated and hard to trace, making a huge challenge to overcome in further, similar research. The time period's limitation is also reflected by how recent China has implemented some of its largest foreign investment plans, and how the data and implications of these plans have yet to come to fruition. Just four years ago, China started to take greater charge of ASEAN, establishing the Asian Investment Infrastructural Bank and the promotion of its one belt one road plan. Following this, China signed more than 50 agreements, all to invest in building infrastructure in local areas of ASEAN countries. In 2015, China began investing in a US$7.2 billion railway infrastructure project which connects its Yunnan province to the Lao capital Vientiane; in 2016, Indonesia and China signed a US$5.1 billion contract for a 150-kilometer high-speed railway line from Jakarta

to Bandung; in November 2016, Beijing and Malaysian Prime Minister Najib Razak signed about US$30 billion worth of multiple deals concerning both energy and railway infrastructure (Callaghan and Hubbard, 2016). The OFDI growth rate, from China to Southeast Asian countries, continues to exponentially increase. Both the impact from recent investments and the data following, have yet to come out. It is difficult, at this point, to include non-existent data or even predict it, for purposes of this specific research.

Therefore, the topic concerning the economic relationships between China and ASEAN and the U.S. and ASEAN, and how those relationships affect the independent political landscape of the three bodies, is worth continued analysis and discussion well into the future.

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# Appendix:

IVC data:

| Resolutions | 74 | 87 | 77 | 73 | 69 | 67 | 65 | 68 | 64 | 81 | 73 | Sum: 798 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| China-ASEAN | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Average |
| Myanmar | 95.27027027 | 95.40229885 | 94.80519481 | 94.52054795 | 91.30434783 | 94.02985075 | 83.84615385 | 85.29411765 | 91.40625 | 91.35802469 | 89.04109589 | 91.47983205 |
| Thailand | 95.27027027 | 95.40229885 | 94.80519481 | 94.52054795 | 91.30434783 | 94.02985075 | 83.84615385 | 85.29411765 | 91.40625 | 91.35802469 | 89.04109589 | 91.47983205 |
| Cambodia | 91.89189189 | 93.10344828 | 91.55844156 | 91.09589041 | 84.05797101 | 92.53731343 | 90.76923077 | 89.70588235 | 93.75 | 91.35802469 | 89.04109589 | 90.80629003 |
| Laos | 92.56756757 | 93.67816092 | 95.45454545 | 91.78082192 | 87.68115942 | 94.02985075 | 83.84615385 | 85.29411765 | 91.40625 | 91.35802469 | 89.04109589 | 90.5579771 |
| Vietnam | 95.94594595 | 95.40229885 | 98.05194805 | 91.09589041 | 89.13043478 | 95.52238806 | 95.38461538 | 92.64705882 | 93.75 | 93.20987654 | 89.04109589 | 93.56195934 |
| Malaysia | 95.94594595 | 97.70114943 | 96.75324675 | 93.83561644 | 97.82608696 | 98.50746269 | 93.07692308 | 91.17647059 | 92.96875 | 93.82716049 | 86.30136986 | 94.3563802 |
| Singapore | 92.56756757 | 93.67816092 | 93.50649351 | 92.46575342 | 95.65217391 | 95.52238806 | 94.61538462 | 90.44117647 | 95.3125 | 92.59259259 | 87.67123288 | 93.09322036 |
| Brunei | 95.94594595 | 95.97701149 | 93.50649351 | 93.15068493 | 95.65217391 | 96.26865672 | 93.07692308 | 91.17647059 | 94.53125 | 93.20987654 | 86.98630137 | 93.58925346 |
| Philippines | 91.89189189 | 94.82758621 | 93.50649351 | 90.4109589 | 94.20289855 | 94.02985075 | 92.30769231 | 88.97058824 | 93.75 | 90.12345679 | 86.30136986 | 91.84752609 |
| Indonesia | 95.27027027 | 97.12643678 | 94.80519481 | 93.83561644 | 95.65217391 | 97.01492537 | 90 | 89.70588235 | 90.625 | 92.59259259 | 85.61643836 | 92.93132099 |
| Average | 94.25675676 | 95.22988506 | 94.67532468 | 92.67123288 | 92.24637681 | 95.14925373 | 90.07692308 | 88.97058824 | 92.890625 | 92.09876543 | 87.80821918 | 92.37035917 |
| | | | | | | | | | | | | |
| China-US | | | | | | | | | | | | |
| IVC | 15.54054054 | 17.24137931 | 15.58441558 | 18.49315068 | 21.73913043 | 23.88059701 | 26.15384615 | 26.47058824 | 23.4375 | 26.54320988 | 29.45205479 | 22.23058297 |
| | | | | | | | | | | | | |
| US-ASEAN | | | | | | | | | | | | |
| Myanmar | 16.21621622 | 18.3908046 | 12.98701299 | 15.75342466 | 24.63768116 | 22.3880597 | 33.07692308 | 30.88235294 | 19.53125 | 26.54320988 | 28.08219178 | 22.58992064 |
| Thailand | 19.59459459 | 18.96551724 | 18.83116883 | 20.54794521 | 24.63768116 | 24.62686567 | 30.76923077 | 27.20588235 | 25.78125 | 30.86419753 | 30.1369863 | 24.72375633 |
| Cambodia | 19.59459459 | 0.189655172 | 18.83116883 | 20.54794521 | 24.63768116 | 24.62686567 | 30.76923077 | 27.20588235 | 25.78125 | 30.86419753 | 30.1369863 | 23.01685978 |
| Laos | 18.24324324 | 0.189655172 | 14.93506494 | 15.06849315 | 33.33333333 | 22.3880597 | 24.61538462 | 25 | 23.4375 | 26.54320988 | 26.71232877 | 20.95147935 |
| Vietnam | 16.21621622 | 18.3908046 | 14.28571429 | 15.75342466 | 21.01449275 | 21.64179104 | 24.61538462 | 25.73529412 | 20.3125 | 24.07407407 | 23.97260274 | 20.54657265 |
| Malaysia | 14.18918919 | 16.09195402 | 12.33766234 | 16.43835616 | 21.01449275 | 23.88059701 | 28.46153846 | 26.47058824 | 24.21875 | 26.54320988 | 28.08219178 | 21.61168453 |
| Singapore | 18.91891892 | 18.96551724 | 18.18181818 | 17.80821918 | 24.63768116 | 25.37313433 | 28.46153846 | 28.67647059 | 23.4375 | 29.01234568 | 28.08219178 | 23.77775777 |
| Brunei | 15.54054054 | 15.51724138 | 15.58441558 | 17.12328767 | 21.73913043 | 24.62686567 | 25.38461538 | 26.47058824 | 21.09375 | 25.92592593 | 26.02739726 | 21.36670528 |
| Philippines | 19.59459459 | 18.96551724 | 15.58441558 | 17.12328767 | 26.08695652 | 23.88059701 | 30.76923077 | 25.73529412 | 25 | 29.01234568 | 29.45205479 | 23.74584491 |
| Indonesia | 12.83783784 | 11.49425287 | 22.72727273 | 21.91780822 | 24.63768116 | 23.88059701 | 26.92307692 | 25 | 21.875 | 25.30864198 | 26.02739726 | 22.05723327 |
| Average | 17.09459459 | 13.71609195 | 16.42857143 | 17.80821918 | 24.63768116 | 23.73134328 | 28.38461538 | 26.83823529 | 23.046875 | 27.4691358 | 27.67123288 | 22.43878145 |

Results of the Model 5:

| Table 5 Regression Result | |
|---|---|
| Model 5 | |
| Cambodia | -0.014 |
| | (0.06) |
| Laos | -0.06 |
| | (0.05) |
| Indonesia | -3.71 |
| | 1.99 |
| Malaysia | -5.51 |
| | (3.86) |
| Myanmar | -0.35 |
| | (0.184)* |
| Singapore | -0.017 |
| | (0.163) |
| Thailand | -5.05 |
| | (1.49) |
| Vietnam | -0.93 |
| | (1.27) |