

# United States Interference in China's Regional Integration Process: Case Study of Sustainable Energy Projects in Southeast Asia

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**Abstract.** Energy security is a crucial concern around the world. However, most scholars now analyze China's energy security in terms of global events and geopolitics. Little research has argued how current policies introduced by the G7 group may indirectly impact China's strategy to safeguard its Southeast energy security. This paper analyses the motives behind China's ambitious sustainable energy projects in Asia from China's energy security perspective. Moreover, to safeguard its future sustainable energy security, it has standardized China's southern neighbors' hard and soft infrastructure in ASEAN. This paper then discusses the G7 group's flagship project in Southeast Asia, led by the United States, for fear of China becoming a regional hegemon. The project could also indirectly threaten China's future energy security. Lastly, this paper discusses how the increased competition introduced by the G7 group, especially the United States, may improve the projects offered by both China and the western countries, which could provide more leeway for ASEAN countries to negotiate.

**Keywords:** Energy Security; Regional Integration; PGII; BRI; Infrastructure Standardization.

## 1. Introduction

Previously, China's annual fossil energy consumption had increased due to its ambitious industrialization goals. However, China has to import the vast majority of fossil fuels [1] to meet its energy consumption needs. As a result, it has increased its energy dependence on other states, thereby threatening its energy security. Moreover, coupled with the worsening situation between China and the United States, the insecurity factor for China's energy supply has risen further. Therefore China is currently finding new ways to safeguard its energy security, either through diversification or by avoiding transport routes where the United States controls security.

However, due to climate change, social forces such as the global climate movement have attempted to influence supranational organizations, including the United Nations Framework Convention on Climate Change (UNFCCC), by urging governments and industries to take steps toward phasing out hydrocarbons and increasing renewable and sustainable energy sources in the coming decades. The global energy system will have to transform as the world marches towards these targets. For instance, energy infrastructure will have to be upgraded, and energy policy will have to be revised. Therefore, governments will have to strategize new ways to safeguard their energy security in the coming decades.

Consequently, China has been heavily investing in its renewables sector and implementing energy transition at home and abroad through the green Belt and Road Initiative (BRI) sustainable projects to promote closer energy cooperation among the BRI states and building energy infrastructures primarily in the states nearest to its borders [2]. For instance, from 2014 to 2018, China's wind and solar power investments were primarily in Southeast and South Asia [2].

However, at the regional level, China is not only pursuing its national energy interests but also shaping the regional energy transition agenda. And "given the centrality of energy to state power, geopolitics, international economic relations, and the global politics of sustainability" [3]. It appears that the increasing number of bilateral agreements generated for the BRI and the extent to which

Asian regional integration has grown from the implementation of the green BRI projects have triggered the security behavior of the United States. In response, the G7 group recently launched the "Partnership for Global Infrastructure and Investment" (PGII) to contain China's growing presence in the international system [4].

Although the energy-focused IPE literature is relatively small, the current Chinese and English literature on China's energy security often highlights the impact of global events such as the COVID-19 pandemic and the Russo-Ukrainian War on China's ability to secure fossil-fuel-based energy. Despite significant attention to the green BRI infrastructure projects within Southeast Asia, little research has focused on how China's attempt to invest heavily in green BRI projects within South and Southeast Asia is to safeguard its long-term energy security. Additionally, little research has argued how current policies introduced by the G7 group may indirectly impact China's strategy to safeguard its energy security.

The sections below will first analyze China's motives behind its green BRI energy infrastructure projects in Southeast Asian states through the frames and world views of the international political economy of energy. Then we will analyze the motives behind the United States' newly introduced initiative, as well as how it might indirectly impact China's strategy to safeguard its energy security. Lastly, the paper critically examines how this new initiative has increased competition in the global infrastructure market and might positively impact Southeast Asian states.

## 2. Infrastructure Development Motives

Due to the transformative impacts of the Paris agreement's influence on the global energy system, here we hypothesize that before China aims to peak carbon dioxide emissions by 2030 in the short term, its priority will be to safeguard its security by diversifying its fossil fuel-based energy import portfolio from various states through bilateral trade agreements. However, as China and other nations pledged to reach carbon neutrality by 2060, China's long-term strategy is to safeguard its future energy security in a different context where the world energy system no longer relies on fossil-fuel-based power infrastructures.

Many western scholars argue that China wishes to become a regional hegemony over its neighboring states, as it is the best strategy to survive in the international system of anarchy. At the same time, China denies any attempt at hegemony and declares the only goal of cooperation and development. Currently, it is doing so by taking a long-term neo-mercantilist approach to hold a firm grip on the future energy sector of its nearby regional states to secure its future energy security and consolidate its regional integration by weakening United States influence.

### 2.1 China's Future Energy Security

Before analyzing the potential motives behind the renewable energy projects of the PGII and how they might indirectly impact China's future energy security, it is critical to first analyze the motives behind the ambitious goals of China's BRI to heavily develop renewable energy infrastructure projects in its south-border neighbors.

Besides China's political and economic motives for expanding its soft power or strengthening its economic ties with states under the BRI, or its efforts to manage its capital accumulation by externalizing development on a trans-regional scale [5], here turns the focus on China's efforts to ensure its future energy security. At the national level, here argues that China's motive behind its heavy focus on developing power infrastructure in South and Southeast Asian countries is part of a long-term strategy to ensure its energy security in the coming decades when the world will have phased out most of the fossil fuels out of its energy system by meeting Paris agreement targets. Moreover, the critical factor that is at play is ASEAN states' geographical proximity to China's borders.

The closer geographical proximity between the host states and China could reduce construction costs and minimize electrical power loss during cross-border transmission. Moreover, as the host

countries are China's immediate neighbors, the electricity generated can be transported to China over a single border, thereby reducing the number of security threats it may encounter. For instance, as China's current energy security measures, it will actively avoid or protect the sea lanes where the United States controls security, as it has recently secured the shipping corridors and pipelines to meet its strategic and hydrocarbon energy requirements through its financial diplomacy in China-Pakistan Economic corridor.

## 2.2 Standardisation of Infrastructure

Nonetheless, geographical proximity will only go so far since energy transition exhibits a high level of context dependency that differs between countries and regions regarding available resources, level of economic development, technology, and laws and regulations. At the national level, the Association of Southeast Asian Nations (ASEAN) states, especially those northern states nearest to China's borders, have long struggled with a lack of R&D investment and top-notch experts in the renewable energy sector. Besides, the governments are under substantial financial strain and lack effective market financing channels, and the grid infrastructures are underdeveloped, preventing full integration of the power infrastructures of different states [2]. Therefore, by standardizing both the complex (renewables) and soft (policies) infrastructures within the ASEAN states, China could eliminate the roadblocks hindering the region's full economic potential for electricity trade and more efficiently connect with China's domestic power infrastructure.

More importantly, this standardization could also play a key role in facilitating China's alliance in the long run by giving it a more significant "path-dependency" than the United States alliance system, which makes it difficult for the host countries to break their ties in the future. In this way, China secures a prioritized energy security and geopolitical availability component.

However, the PGII and its flagship projects from the G7 group are targeting financing similar projects in the same states as the BRI, which projects could interfere with China's standardization process.

## 3. Fear of Regional Hegemony

The section below will analyze the motives behind the United States and its European Union allies in containing the potential geopolitical implications of China's growing influence within the emerging multipolar world order, with a particular focus on the PGII's impact on China's process of infrastructure standardization in the Southeast Asia region.

### 3.1 Balance of Power

On the regional level, the extrapolating development of China's infrastructure standardization will eventually lead to regional integration between China and its immediate neighbors. The United States is viewing this process of China continuing to change the regional order through the integration of its partners and allies at the regional level as part of a hegemonic expansionist agenda [4]. Historically, the United States does not tolerate the situation; for instance, it has gone to great lengths to contain its peer competitors, namely, Imperial Germany, Imperial Japan, Nazi Germany, and the Soviet Union, from dominating either Europe or Asia or Eurasia.

Previously, for decades, the United States' foreign policy has sought to maintain a rough balance of power to prevent states within three key geopolitical regions of the world: Europe, the Persian Gulf, and Northeast Asia from challenging the United States' dominance in the international system. However, the rise of China as a significant power has changed this calculus to a great extent in recent years. As a result, the United States and other Western states are now taking a new look at the economic, political, and security implications of China's growing alliance with other Asian countries and revising their strategies to contain the rising influence of China in the region. As part of this process, the United States has begun pivoting towards Asia and making significant investments in other countries in Asia to improve their infrastructure and develop their economies through

investments, grants, or public goods, to ensure that these countries do not become dependent on China in the future. For instance, before the launch of the PGII in 2021, the United States Department of State was spearheading an ambitious pilot project that was said to unlock the full potential of Vietnam’s renewable energy resources [6].

### 3.2 Potential Fears

There might be three concerns that the United States is worried about if China becomes regional hegemony: China would use its significant economic leverage over its neighbors in the BRI framework to achieve political or strategic goals through pressure or incentives. China might develop further influence over the region through the path-dependent characteristics of BRI projects, such as financing infrastructure projects in ASEAN states. China's economic clout could lead to broader geopolitical dominance in the region if other regional powers perceive its ascendance is being achieved through the BRI, which might lead to an arms race among the other powers of the region.

As a response, United States president Joe Biden has pushed the G7 allies to launch an ambitious upcoming global infrastructure initiative named "Partnership for Global Infrastructure and Investment" (PGII) on June 26<sup>th</sup>, 2022, aimed at investing in infrastructure projects in low- and middle-income countries based on four key priorities: climate and energy security, digital connectivity, health and security, and gender equality and equity [7]. Moreover, one of PGII's flagship projects is aimed at financing a "smart power program" in Southeast Asia, which includes states that China has been working to strengthen its alliance for almost two decades.

### 3.3 Interference with China's Standardization

Economically, the PGII is unlikely to compete directly with the BRI. Since it is too early to tell whether it can attract that private capital effectively, and besides, even with the combined investments from the BRI and PGII, the current investment trend is nowhere near the estimated \$15 trillion global infrastructure gap by 2040, as shown in figure 1 [8].

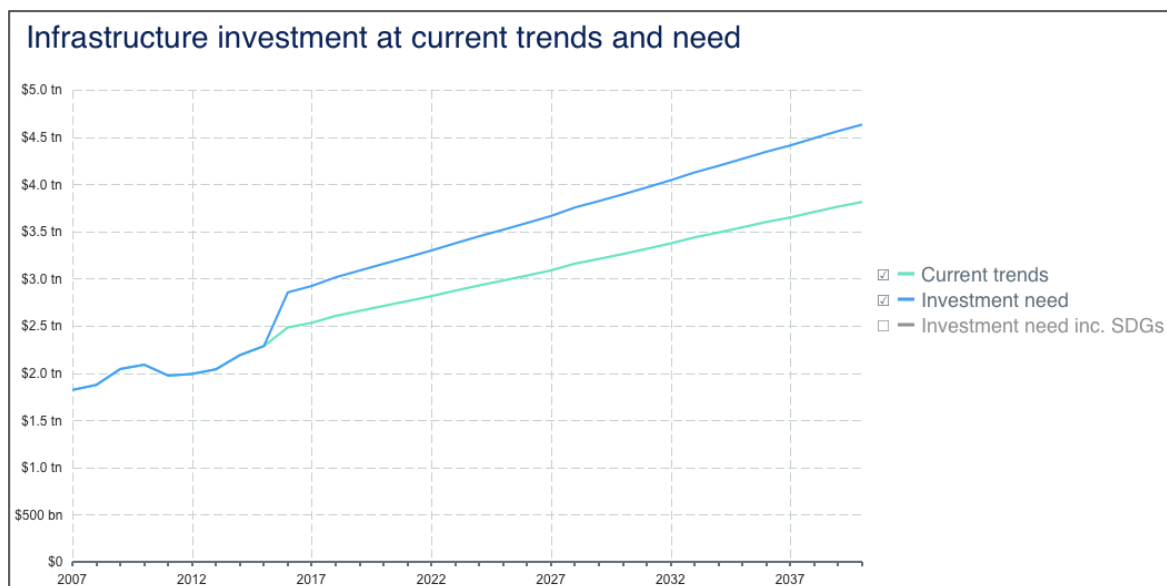


Figure 1. Infrastructure investment at current trends and need [8]

Politically, however, if successfully implemented, the PGII infrastructure projects could interfere with China's attempts to consolidate its regional integration in Southeast Asia and further promote its own regional agenda to maintain a balance of power. For instance, the PGII's flagship Southeast Asia Smart Power Program, with an expected \$2 billion budget, is aimed at investing in the Southeast Asian regional power systems and deploying clean energy technologies [9], which would likely interfere with China's standardisation process, and shift ASEAN states' dependence away from China.

#### 4. Increased Market Competition

According to estimates from the Asian Development Bank (ADB), by 2030, developing Asia will need to invest \$1.7 trillion per year in infrastructure, including transport and energy, to meet its infrastructure gap [10]. Therefore, at the regional level, the ASEAN states would welcome any initiative to help alleviate their financial burden and fast-track their regional development.

The introduction of PGII into the global infrastructure market will undoubtedly increase competition for incumbent players such as China's BRI. Though it remains to be seen whether PGII's quality projects will be capable of attracting private equity from around the world, as its predecessor, "Build Back Better World" (B3W), failed to do so since private investors tend to avoid long-term investments. Nonetheless, if PGII is successful, a healthy and effective regional infrastructure competition between BRI and PGII will put additional pressure on both to improve their offerings. In the long run, it might help improve the overall quality of infrastructure and cooperation across the region and result in more innovative and efficient infrastructure investments that ultimately benefit the public and private sectors in the ASEAN states, giving more leeway for member states to negotiate and pursue their domestic political agendas.

#### 5. Summary

This paper analyses and critically examines how China's motive for investing heavily in renewable energy infrastructure projects with its Southeast Asian neighbors is to safeguard its energy security in the future and to strengthen regional integration through standardizing ASEAN energy infrastructures, which China is building under the green BRI. The United States' motive behind one of its flagship energy projects from the PGII in the Southeast Asian region is to maintain a balance of power by containing the potential geopolitical implications that might arise from China's regional expansion. Figure 2 presents the nexus between the actors. In which the United States aims to interfere with China's current process of infrastructure standardization by multilaterally cooperating with its allied states in the G7 group. Lastly, suppose the PGII gets successfully implemented. In that case, the increased competition introduced in the infrastructure market could increase the quality and cooperation offered by the BRI, giving more leeway for ASEAN states to negotiate.

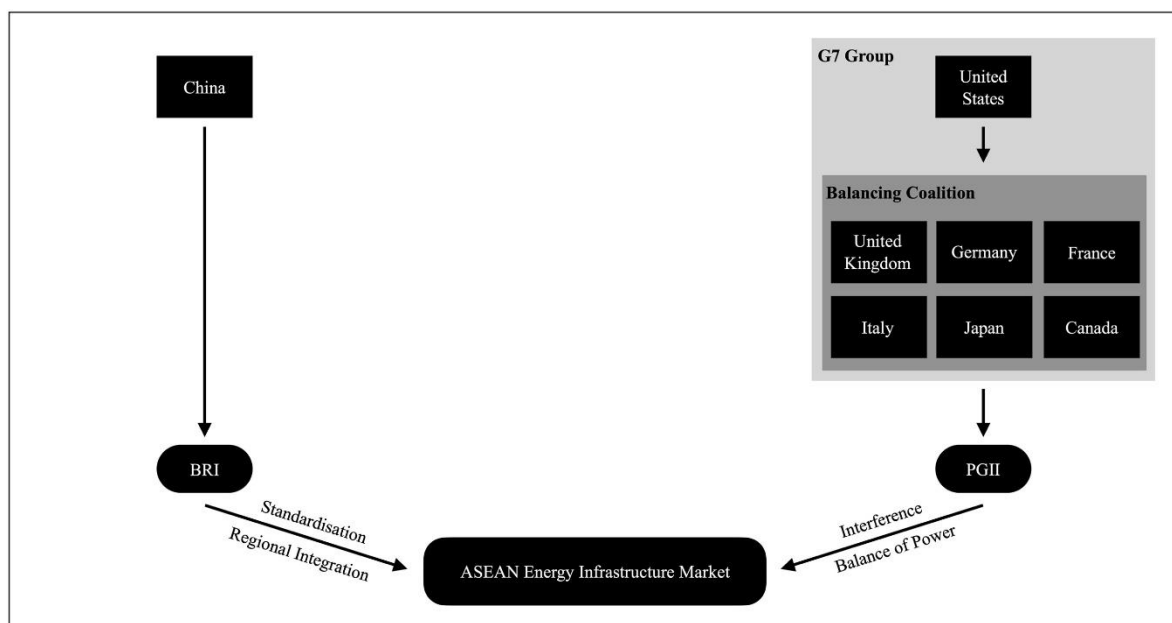


Figure 2. Nexus Between the Actor

This paper left out that Italy, which is part of the G7 group, is also an affiliated state who signed a memorandum of understanding (MOU) under China's BRI. In conjunction with German Chancellor

Olaf Scholz's controversial visit to China in November 2022, Germany has deepened its economic ties with China [11]. Therefore, it further questions whether the United States balancing coalition could effectively carry out the PGII.

Since the PGII is still in its preliminary stages, with its project details vague, it is hard to predict the precise implications that its practical application might generate. Therefore, this paper should have mentioned that the financial actors, such as the multilateral development banks, might influence this balancing dynamic. However, suppose the PGII gets successfully implemented. Further research should focus on how its flagship projects have impacted the ASEAN energy infrastructure market and whether it is competitive enough to compete with China's BRI.

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