

South-East Asia: A Hotspot in Great Power Rivalry

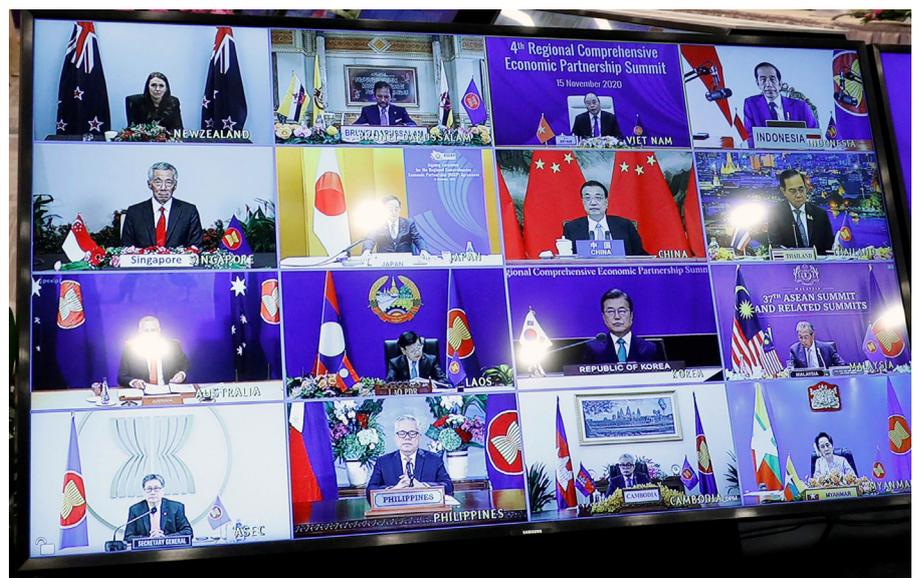
In South-East Asia, the emerging great power China is challenging the supremacy of the US, which is clinging to its leading role in the region. Although the countries of South-East Asia agree that the great power conflict is harming them as individual countries and as a region, they are, nevertheless, seeking mainly selective, country-specific solutions in response to their shrinking room for maneuver.

By Linda Maduz and Simon Stocker

In South-East Asia, the escalating US-China conflict is clearly moving into the spotlight. China and the US have incompatible goals and ideas about the political order and view each other as potential military opponents. In the competition for influence over the countries in the region, technology and infrastructure policy are playing an increasingly important role alongside security and trade. These different policy areas are becoming inextricably linked.

The new US president, Joe Biden, will come up against a South-East Asia that has aligned itself strongly with China in economic terms over the past few years while still relying on the US as an important strategic partner. America's Asia policy has been anything but straightforward during past US presidencies – for example, one of the first official acts by Biden's predecessor, Donald Trump, was to formally withdraw the US from the Trans-Pacific Partnership trade deal (TPP), which had been an achievement of the Obama presidency. By contrast, China has been able to gradually strengthen its position in the region and is now the dominant trading power and an important investor.

The power shift in South-East Asia poses risks to the stability of the region. While the economic order of South-East Asia is increasingly oriented toward China, the se-



ASEAN heads of state attend the 37th ASEAN Summit remotely in November 2020.
Nguyen Huy Kham / Reuters

curity order will remain dominated by the US for the foreseeable future. Due to the ever more open great power conflict, the countries of South-East Asia (see map) are increasingly having to make difficult choices and are unable to develop relations with China and the US simultaneously as they once did.

This not only challenges the countries of the region individually, but also collectively.

They share a strong interest in a rule-based order, which they see as the foundation for peace, stability, and economic growth. China's desire to expand has, among other things, fueled numerous conflicts in the South China Sea over the past decade, but the unilateral approach of the US during the Trump presidency also ran counter to this interest. Although the Association of South-East Asian Nations (ASEAN) provides an established, joint platform, South-

East Asian countries are increasingly looking for country-specific solutions or partnerships with countries outside the region in the struggle to respond to great power rivalry. The focus is on Australia, India, Japan, and, increasingly, on potential European partners.

US-Asia Policy: *Quo Vadis?*

The Trump presidency weakened American influence in South-East Asia and the confidence of countries in US leadership. The TPP free trade deal – abandoned by Trump in February 2017 – was the centerpiece of the “Pivot to Asia”, which was the strategic US shift towards the Asia-Pacific region that his predecessor, Barack Obama, had sought from 2011. In contrast to Obama, Trump largely stayed away from high-level ASEAN summits. He threatened trade partners with a trade balance surplus such as Vietnam, Malaysia, Thailand, and Indonesia with punitive tariffs.

In contrast to trade policy, US relations with South-East Asia are marked by greater continuity in the area of security and military cooperation. Since World War II,

The countries of South-East Asia increasingly find themselves in a predicament.

the US has provided the security architecture in South-East and North-East Asia by means of its bilateral partnerships. As American allies, the Philippines and Thailand are a part of this architecture. However, their formal defense alliances with the US, which were concluded in the early 1950s, are less comprehensive and significant than those of Australia, Japan, and South Korea. The US has also maintained a decades-old, in-depth security cooperation with Singapore, which includes annual joint military exercises.

From now on, Biden has the task of positioning the US in an international political environment shaped by major geopolitical shifts and the disruptive behavior of his predecessor, while responding to new priorities in the process. China is seen as a strategic competitor across party lines and has been defined as such in official US strategy documents since 2017. The trade conflict started by Trump quickly evolved into a multidimensional strategic rivalry between the US and China, with both major powers seeking to influence third countries. The new protectionist stance also enjoys broad support and could hold Biden

The Role of the EU

The EU has **not yet decided on a strategy for South-East Asia**. Given the mutual economic dependence, as well as the common interest in a rule-based international order, **European engagement seems increasingly necessary**. France was the first EU member state to put forward its own strategy in 2019 and as Paris has territories in the region, direct national interests are also at the forefront here. In this context, France **stresses strategic partnerships with local actors** and arms exports. Last Fall, Germany and the Netherlands also submitted their own policy paper for the region. Both underlined the fact that a mere spectator role would be a disadvantage for the EU.

The term “Indo-Pacific” does not have a clear definition and this **could be an opportunity for the EU** to emerge as a shaping force with its own approach. As the US FOIP policy is mainly aimed at containing China, it was never an option for the EU to follow the American course. However, given the increasingly significant differences between Brussels and Beijing, a strategy of equidistance does not seem to be an option for the EU either. The EU might thus develop **its own approach**. One focus here could be areas that are not seen as priorities by other actors, such as **climate policy**. France will probably put the issue on the agenda during its EU Council Presidency in 2022, at the latest.

back with regard to negotiating and concluding free trade agreements, which are of increasing geopolitical importance – especially in South-East Asia.

The US under Biden is expected to revert to the multilateral path and try to resume a leadership role in international policy areas such as climate policy or global health policy, including the coronavirus pandemic – a role that was also vacated in South-East Asia under Trump. Biden’s government will again seek increased cooperation with allies, old and new partners in all world regions in all policy areas, especially with regard to China.

China Cements Its Power

China has achieved a coup by concluding the Regional Comprehensive Economic Partnership (RCEP) free trade agreement at the end of 2020. The creation of the world’s largest free trade area to date includes all ten ASEAN countries, China, Japan, and South Korea. China was already ASEAN’s most important trading partner before this and *vice versa*. Chinese direct investment in the ASEAN area nearly tripled between 2010 and 2017, but did not match investment from ASEAN countries and Japan. China has also become an important creditor, especially for the smaller countries in South-East Asia. Cambodia and Laos’ debt today amounts to over 25 per cent of their economic output.

China’s approach in South-East Asia is characterized by a mixture of expansionism and a quest for security through stable partnerships. China’s 21st century approach to geopolitics focuses heavily on the sea. There are security priorities in addition

to the economic aspects. Since 2012, Beijing has aimed to become a great power at sea and now has the largest navy in the world when it comes to fleets. China has historic territorial claims in the South China Sea. Although these claims were rejected as unlawful by the Court of Arbitration in the Hague in the case of the Philippines against China in 2016, China is still pursuing its objectives *de facto* through naval maneuvers, artificial islands and administrative arrangements and taking the resulting conflict with Brunei, Indonesia, Malaysia, the Philippines, and Vietnam in its stride. China sees the South China Sea as its sphere of influence and brazenly rejects the US-led call for freedom of navigation in the South China Sea.

China’s original reasons for the Belt and Road Initiative (BRI) launched in 2013 also included its geostrategic calculation to try and avoid conflicts in South-East Asia, and especially the rivalry with the US, and to expand westwards. In the meantime, however, the BRI has become a global investment and infrastructure program. With BRI and other cooperation initiatives that China has increasingly initiated since Xi Jinping came to power in 2012, it is intensifying its economic and political relations both globally and in the region. These cooperation formats, which are so important for South-East Asia, include the Asian Infrastructure Investment Bank and the Lancang-Mekong Cooperation. (see [CSS Analysis 272](#))

Increasing Pressure

Although Trump did not give South-East Asia the same attention as Obama, he did attempt to consider the growing strategic importance of South-East Asia in the US-China conflict and rolled out a number of

initiatives. The US is reaffirming its regional commitment with the American version of the Free Open Indo-Pacific (FOIP), which has been promoted since 2017. The US strengthened its efforts in security cooperation as part of the FOIP policy. In practical terms, this involved reviving the multilateral security dialogue started in 2007 with Australia, India and Japan, as well as intensifying freedom of navigation operations in the South China Sea. The US is also trying to counter China's influence with initiatives in development cooperation, infrastructure financing and technology development.

The countries of South-East Asia increasingly find themselves in a predicament. China's expansion in the South China Sea is leading to an escalation of territorial conflicts. South-East Asia's increasing economic dependence on China is fueling fears that China will also try to use its economic weight to reshape the region's security order. However, the confrontational stance by the US towards China and attempts to draw South-East Asian allies and partners to its side – for example with the 5G Clean Network Initiative directed against Huawei – do not help the interests of those countries either. Moreover, the US FOIP policy has only partially addressed the real needs of the respective states in South-East Asia to date.

Weaker “Hedgers”

South-East Asian countries are adopting different strategies as they try to walk a line between the two great powers. Chinese influence is obvious in the South-East Asian mainland states of Laos, Cambodia, and Myanmar. However, while these countries depend heavily on Chinese investment, aid, and diplomatic support, they should not be seen as satellite states of Beijing. They also employ hedging strategies against China. In 2011, for example, the then President of Myanmar, Thein Sein, bowed to huge social pressure and suspended work on the Myitsone Dam championed by China. Even though they have less geopolitical muscle, Cambodia and Laos should therefore also be able to avoid difficult decisions in a similar way in future, for example, with regard to China's much-criticized Mekong dam projects.

Two US allies, Thailand and the Philippines, have recently adopted stronger stances towards China. Thailand was an important partner of Washington in the



region after the Cold War. After the military coup in 2014, relations with the US deteriorated and Thailand concluded several arms deals with China, including purchasing three submarines. The military junta sees China as a reliable partner and cooperates with China on numerous BRI projects. Even though the US and Thailand still conduct regular military exercises, the structures of the respective armed forces

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are well coordinated, and the U-Tapao Airfield is an important US hub in the region, Thailand no longer seems to be a model ally for the US. At the same time, there is growing mistrust of China in Thailand due to delayed BRI projects.

Stronger “Hedgers”

The President of the Philippines Rodrigo Duterte suspended visitation rights for US troops last year and has previously stressed that he wants to seek closer military cooperation with China. Experts assume, however, that this is unlikely to be a long-term trend and that the country will have a less

China-friendly attitude after the end of Duterte's tenure in 2022, meaning the disputes over border demarcations in the South China Sea are also likely to occur again.

Indonesia, Singapore, Vietnam, and sometimes Malaysia too are trying to find the most independent positions possible between the US and China, and this means accepting certain conflicts. Despite strong trade and investment ties with China, these countries are increasingly seeking diplomatic and military cooperation with the US and other external actors, such as Australia, India, or Japan, as they are very concerned about China's increasingly assertive behavior in the South China Sea and its growing economic influence. Malaysia's long-time former prime minister, Mahathir Mohamad, even ran a successful election campaign in 2018 based on criticizing Chinese influence. He also subsequently cancelled a USD 20 billion BRI rail project which was seen as too expensive, and the costs for Malaysia were reduced by a third after renewed negotiations. Indonesia is also becoming ever more skillful in its dealings with China.

Indonesia, Vietnam, and Malaysia have also begun to develop their navies and coast guards and strengthen their deterrence capabilities. Rearming naval forces

has been a cornerstone of the Indonesia's President Joko Widodo's plan, which aims to preserve maritime sovereignty. Vietnam and, to a certain extent, Singapore are expanding their strategic relations with India, Japan, and France. For this reason, Viet-

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namese submarine troops are being trained by the Indian Navy, which uses the same submarines. In addition, Australian and French warships regularly dock in Vietnam for refueling or maintenance.

ASEAN, Tested To the Limit?

Founded in 1967, the regional organization still stands for the preservation of a rule-based order and the strengthening of multilateral cooperation. ASEAN is also an intermediary for building trust between non-member states. This inclusive approach leads to a multi-layered regional security architecture. In the ASEAN Regional Forum, 27 countries exchange views on security-related issues. In ASEAN+3, the ten ASEAN countries are joined by China, Japan and South Korea, and by Australia, India, and New Zealand in ASEAN+6. China's resurgence has proved a major challenge to ASEAN unity despite numerous diplomatic forums, changing not only ASEAN's relationship with China, but also ASEAN states' relationships with each other.

China is a natural partner in important areas of ASEAN cooperation. According to

the G20 Global Infrastructure Outlook, there will be a USD 600 billion infrastructure financing gap in South-East Asia by 2040. BRI projects are expected to improve networking in the region and serve as a basis for further economic growth. China is active in education and public health in the Mekong countries and it also wants to help in the areas of digitalization and urbanization and supports the ASEAN countries with its digital BRI Initiative and the construction of so-called "Smart Cities". However, these pledges are also tarnished by the fear that the region will become increasingly China-centric and ASEAN will lose its central position. At the same time, the ASEAN countries do not want to be used by the US to contain China either and they do not want to be obliged to commit to the FOIP, for example.

As ever, the ASEAN countries see China as their most important economic partner and the US as an important security guarantor. In addition, Japan is an important source of investment and India has a promising sales market. The best-case scenario would be to see the continued commitment of all actors, as the region has done well out of this equidistance strategy in recent years. Likewise, increased European involvement could prove to be of interest (see info box). However, the question is whether ASEAN has already reached the limits of regional cooperation. In the past, ASEAN showed a certain appetite for further integration. This was long considered a strength of the organization, because it meant that conflicts could be avoided. However, China's growing influence seems to be increasingly paralyzing ASEAN.

Overcoming the Dilemma

South-East Asian countries are trying to protect their interests individually and as a region with different strategies – in the complex context of American-Chinese rivalry. Lower labor costs and an advantageous age distribution are allowing ASEAN countries to reduce their economic dependence on China, while cooperating with other countries. China's sometimes confrontational behavior also offers the US the opportunity to engage more and substantially deepen partnerships. Europe can also play a part in this, while ASEAN countries would benefit from having a united front and coherent communication of their joint interests. A dialogue on how to deal with rivals China and the US would be key in the first instance. This way, the various South-East Asian interests can be weighed up and prioritized and any misleading perceptions of supposed threats can be allayed with the aim of strengthening cooperation among the states.

For more on the Belt and Road Initiative: Trade and Security in Eurasia, see [CSS core theme page](#).

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