



The Future of Southeast Asia in the Vortex of the US-China Rivalry

By

Axel Feivel Hutapea, Aradhya Anand Gupta

Students at Jakarta Intercultural School

firstnameaxel@gmail.com

aradhya.agupta30@gmail.com

Introduction

Over the past decade, the strategic dance between China and the United States (US) has intensified across Southeast Asia (SEA), shaping economic policies, military alliances, and regional dynamics. From Myanmar's alignment with Beijing to the Philippines' strategic tilt towards Washington, the region showcases a spectrum of allegiances driven by internal and external pressures. Just like in a tug of war, where two teams pull on opposite ends of a rope to win, the competition between China and the US for influence in SEA is ongoing and fierce; it remains to be seen how these two major powers will try to shift the balance in its favor and tug the region further into its fold. Although ostensibly, the increasing division in SEA is unfavorable, individual countries are likely to successfully leverage their position to reap benefits from the two rivals, ultimately counterbalancing the US and China's influence in the region.

US-China Engagement in Southeast Asia

In the past few years, China and the US have aggressively increased their engagement with Southeast Asian countries through economic diplomacy. Under President Biden's leadership, the Indo-Pacific Economic Framework (IPEF) Agreement was established to ensure supply chain resilience and increase trade in goods with the US.¹ Although IPEF is not exclusive to Southeast Asian countries, seven of the most critical players in the region are signatories of the trade deal. Other initiatives such as the US-ASEAN Connect have also been notable in increasing the US engagement in SEA. This program has delivered tangible outcomes ranging from enhancing health systems to accelerating digital transformation.² The 2023 Asia Society Policy Institute report indicates that President Biden's economic initiatives in SEA are an attempt to reduce the reliance of Southeast Asian countries on Chinese economic influence,



a valid concern for the US as China's Belt and Road Initiative has flown a total of US\$739.65 billion to Southeast Asian nations.³ With the rise of the Chinese economic presence in the region, many countries have redirected their economic policy towards China, which benefits them more than any other foreign actors. Regarding economic engagement, China and the US have both made significant attempts to increase their influence in SEA.

The same case can also be made in the realm of defense. In October 2018, the first China and ASEAN joint military exercise was conducted, symbolizing the region's warming relations with China.⁴ Similarly, the US engaged with Southeast Asian countries through military drills specializing in regional maritime security, a key priority for the region as outlined by the ASEAN Maritime Outlook in August 2023. In defending its maritime territorial interests that have been violated by China's aggressive imposition of the nine-dash line, military exercises with the US symbolize ASEAN's deterrence to China's proposal of the ASEAN-China Code of Conduct, which aims to limit access to foreign warships in the South China Sea.⁵ China and the US have major stakes in the region, and their solid military presence creates even more fragility, decimating hopes of greater stability in SEA.

The ASEAN Conundrum

Like mistaking diverse gems for a single stone, the tendency to lump all Southeast Asian countries together overlooks their individual foreign policy priorities, which creates distinct opportunities for China or the US to engage based on each nation's unique internal dynamics. Myanmar, for example, under the leadership of the military junta, is critically focusing its resources on de-escalating conflicts by ethnic armies. China took the opportunity to become the dominant force. In 2023, the ceasefire of the three largest ethnic armies—Arakan Army, Myanmar National Democratic Alliance Army, and Ta'ang National Liberation Army—was negotiated by the Chinese government.⁶ On the other hand, the Philippines has made it clear that China's claim on the South China Sea violated its national security. President Marcos, since his first year in office, has made a solid case to side with the US by giving the US access to four new military bases as a counterbalance to China's concerning actions, according to the US Department of Defense.⁷ Different Southeast Asian countries tend to "pick a side" in the US-China rivalry in accordance with internal needs, making the region even more politically divided.

As an organization, ASEAN faces divisions amongst the stances of its member states, which limits its ability to leverage benefits from either the US or China, and it needs help finding common ground between these two big giants of the world today. In McKinsey's ASEAN report, Kishore Mahbubani and





Rhoda Severino highlight that ASEAN has served as an effective platform for discussions ranging from environmental issues to tourism in ASEAN states, which can be measured by the thousands of meetings held yearly under the ASEAN umbrella.⁸ However, these developments are primarily domestic, so their purpose and effectiveness in communicating with nations beyond those in the economic alliance is debatable.

The people of ASEAN have continuously changed views on the increasing engagement of China and the US in their country. The latest report by the ISEAS-Yusof Ishak Institute sheds light on a significant shift in SEA's geopolitical preferences.⁹ For the first time in the five-year history of the annual survey, China has emerged as the preferred partner over the US among ASEAN nations, with seven out of the ten member states indicating a higher inclination towards China than in the previous year. The substantial increases favoring China in Laos and Malaysia are particularly noteworthy, indicating the largest shifts of 29.5% and 20.3%, respectively. This shift may be attributed to the controversial US position on the war in Gaza, which is an important factor for Southeast Asian respondents. Above that, the wars in Gaza and Ukraine have caught major attention from the US, making other foreign policy priorities, such as those in SEA, to become secondary. China has taken advantage of this by increasing its presence in SEA through defense and trade deals in recent years. However, the picture is far from uniform, as the Philippines, Singapore, and Vietnam have seen a decline in preference for China. These differing sentiments ultimately mean that Southeast Asian nations continue to be divided on their regional view of the benefit of influence from the two rivals. Although this data highlights public sentiment and not government actions, public sentiment often flows into legislative chambers and is reflected in a country's foreign policy intentions.¹⁰ This clearly illustrates how public sentiment can be an indicator as a preface or the result of growing influence in a given Southeast Asian country.

Winning the Game

Despite a fractured ASEAN, the growing rivalry between the US and China does benefit Southeast Asian nations. According to the Financial Times' fDi Markets tracker of cross-border investment, the US is the largest investor in capital projects in SEA, having spent \$74.3 billion on plant development and other projects between 2018 and 2022.¹¹ China invested \$68.5 billion during the same period, coming in second. In the long term, these investments will boost Southeast Asian economies by building vital industries. More importantly, Southeast Asian countries have individually been able to leverage benefits for themselves, balancing security guarantees and training from the US while enjoying economic and trade benefits from the mass producer that China is. This is the case for many ASEAN members, such as





THC INSIGHTS

No. 47 / 28 June 2024
www.habibiecenter.or.id

Indonesia, Vietnam, and Singapore. Although a polar rivalry does shadow the Southeast Asian region, the astute maneuvering of Southeast Asian nations to strategically align themselves means that the US and China will bear the primary losses. The ball is thrown back and forth between these two countries as SEA scores on both sides.

What's Next?

The US-China rivalry puts Southeast Asian countries in a unique spot. They pragmatically have three options: consistently side with the US, with China, or leverage their position to open engagement with both rivals. No matter what each country's position is, the situation has made the region more divided than ever before. Each country has different national interests and foreign priorities shaped by circumstances such as public opinion and external threats, making a diverse approach to the US-China rivalry inevitable. Although the issue will hardly unite Southeast Asian countries, individual states can have flexible ways to maintain a balance of power and avoid becoming overly dependent on either the US or China. Some countries have critically engaged in the defense realm with the US and can still receive infrastructure projects and financial services from China. Such approaches aim to deter China's territorial aggressiveness in the South China Sea while ensuring that US goods and services do not dominate domestic markets. However, despite these efforts, China has continued to assert its claims through new ways such as the recent introduction of the 10-dash-line—an expansion of the 9-dash-line, after the installation of the US's naval base in the Philippines. In navigating the intricacies of geopolitical tensions, Southeast Asian nations are poised to strategically navigate their relationships with the US and China, ensuring that neither power unduly influences their sovereignty.





Endnotes

- 1 Andreyka Natalegawa & Gregory Poling, "The Indo-Pacific Economic Framework & Digital Trade in Southeast," Center for Strategic and International Studies (CSIS) (2022), https://www.jstor.org/stable/pdf/resrep41411.pdf?refreqid=fastly-default%3A8e4885ae0580833cd5d53e16406e295c&ab_segments=0%2Fbasic_phrase_search%2Fcontrol&origin=&initiator=search-results&acceptTC=1
- 2 In fact, US diplomats attribute the US contribution of 42 million safe vaccine doses and US\$200 million in emergency health aid to this initiative. See U. S. Mission to ASEAN, "Enhancing Health Systems," 1 April 2022, <https://asean.usmission.gov/enhancing-health-systems/>
- 3 Han-Koo Yeo & Wendy Cutler, "Strengthening Regional Supply Chain Resiliency Through The Indo-Pacific Economic Framework (IPEF)," Asia Society Policy Institute Issue Paper (May 2023), https://www.jstor.org/stable/pdf/resrep50875.pdf?refreqid=fastly-default%3A0f08d09df2cd7822279f1de1fd6d3482&ab_segments=0%2Fbasic_search_gsv%2Fcontrol&origin=&initiator=search-results&acceptTC=1
- 4 Since then, the number has increased unprecedentedly, with a peak of 14 exercises in 2023 alone, according to a report by Singapore-based think tank ISEAS-Yusof Ishak Institute. See Anthony Cordesman, Arleigh Burke, & Max Molot, "China and the U.S.: Cooperation, Competition And/or Conflict an Experimental Assessment," Center for Strategic and International Studies (CSIS) (2019), https://www.jstor.org/stable/pdf/resrep22586.34.pdf?refreqid=fastly-default%3Acf93630d76d7cf929085c0f0b4892cc&ab_segments=0%2Fbasic_phrase_search%2Fcontrol&origin=&initiator=search-results&acceptTC=1
- 5 Michael Cox, Munir Majid, Hanim Hamzah, Nicola Casarini, Yu Jie, Pauline Loong, Jinny Yan, Kelvin Tay, Sufian Jusoh, & Thitinan Pongsudhirak, "China's Belt and Road Initiative (BRI) and Southeast Asia," (CIMB ASEAN Research Institute & LSE Ideas, October 2018), <https://www.lse.ac.uk/ideas/Assets/Documents/reports/LSE-IDEAS-China-SEA-BRI.pdf>
- 6 "Myanmar Military, Ethnic Guerrilla Groups Agree to Immediate Cease-Fire," Voice of America, 12 January 2024, <https://www.voanews.com/a/myanmar-says-military-ethnic-guerrilla-groups-have-agreed-to-an-immediate-cease-fire-/7437044.html>
- 7 David Vergun, "New EDCA Sites Named in the Philippines," U.S. Department of Defense, 3 April 2023, <https://www.defense.gov/News/News-Stories/Article/Article/3350297/new-edca-sites-named-in-the-philippines/#:~:text=1>
- 8 Kishore Mahbubani, Rhoda Severino, Chandran Jeshurun, Ananda Rajah, K Sandhu, Sharon Siddique, Joseph Tan, & Pushpa Thambipillai, "ASEAN: The Way Forward," (McKinsey&Company, 2014), <https://www.mckinsey.com/~media/McKinsey/Industries/Public%20Sector/Our%20Insights/ASEAN%20The%20way%20forward/ASEAN%20The%20way%20forward.pdf>
- 9 Sharon Seah, Joanne Lin, Melinda Martinus, Kristina Fong, Indira Aridati, Pham Thi Phuong Thao, & Damon Chee, The State of Southeast Asia: 2024 Survey Report (Singapore: ISEAS - Yusof Ishak Institute, 2024), <https://www.iseas.edu.sg/wp-content/uploads/2024/03/The-State-of-SEA-2024.pdf>
- 10 For example, the people of Laos prefer China over the US in terms of economic engagement. This is reflected in the elected government's position to allow China's implementation of several infrastructure contracts, such as the China-Laos railway, which costs \$6 billion and whose venture is held 70% by three Chinese companies. Anjali Bhatt, "Laos Is Not in a Chinese 'Debt Trap' – but It Is in Trouble," The Diplomat, 27 April 2023, <https://thediplomat.com/2023/04/laos-is-not-in-a-chinese-debt-trap-but-it-is-in-trouble/>
- 11 Kenya Akama & Yuji Nitta, "U.S. And China Butt Heads over Investment in Southeast Asia." Nikkei Asia, 2 December 2023, <https://asia.nikkei.com/Spotlight/Datawatch/U.S.-and-China-butt-heads-over-investment-in-Southeast-Asia#:~:text=The%20U.S.%20is%20the%20leading>





THC INSIGHTS

THC Insights are timely and policy-relevant analysis of current political, economic and socio-cultural issues affecting Indonesia and the region. The expert observations and recommendations are produced by contributors at The Habibie Center. Disclaimer: The opinions expressed in this article are those of the author and do not necessarily represent those of The Habibie Center.

The **Habibie Center** was founded by Bacharuddin Jusuf Habibie and family in 1999 as an independent, non-government, non-profit organisation. The vision of The Habibie Center is to create a structurally democratic society founded on the morality and integrity of cultural and religious values. The mission of The Habibie Center are first, to establish a structurally and culturally democratic society that recognizes, respects, and promotes human rights by undertaking study and advocacy of issues related to democratization and human rights, and second, to increase the effectiveness of the management of human resources and the spread of technology.

Contact:

The Habibie Center

Jl. Kemang Selatan No. 98, Jakarta 12560

Tel: +62 21 781 7211 | Fax: +62 21 781 7212

Email: thc@habibiecenter.or.id

Website: www.habibiecenter.or.id