DON’T MAKE US CHOOSE
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EXECUTIVE SUMMARY

U.S.-China rivalry has intensified significantly in Southeast Asia over the past year. This report chronicles the unfolding drama as it stretched across the major Asian summits in late 2018, the Second Belt and Road Forum in April 2019, the Shangri-La Dialogue in May-June, and the 34th summit of the Association of Southeast Asian Nations (ASEAN) in August. Focusing especially on geoeconomic aspects of U.S.-China competition, the report investigates the contending strategic visions of Washington and Beijing and closely examines the region’s response. In particular, it examines regional reactions to the Trump administration’s Free and Open Indo-Pacific (FOIP) strategy. FOIP singles out China for pursuing regional hegemony, says Beijing is leveraging “predatory economics” to coerce other nations, and poses a clear choice between “free” and “repressive” visions of world order in the Indo-Pacific region.

China also presents a binary choice to Southeast Asia and almost certainly aims to create a sphere of influence through economic statecraft and military modernization. Many Southeast Asians are deeply worried about this possibility. Yet, what they are currently talking about isn’t China’s rising influence in the region, which they see as an inexorable trend that needs to be managed carefully, but the hard-edged rhetoric of the Trump administration that is casting the perception of a choice, even if that may not be the intent. In Southeast Asia, this approach is likely to be self-defeating for U.S. interests as countries look to the future, estimate China’s economic footprint in 20 or 30 years, and calculate their likely interdependencies and opportunities with Beijing. Ultimately, U.S. allies and regional partners prefer to have constructive relations with both the United States and China. They are also resisting U.S. pressure to distance themselves from Beijing.

Remarks by regional leaders are instructive on these points. In a bold keynote address at the Shangri-La Dialogue, Singapore Prime Minister Lee Hsien Loong cautioned that the “world is at turning point” as U.S.-China tensions continue to grow. He said proposals for “Indo-Pacific cooperation” are welcome if they are inclusive and deepen regional integration, but they shouldn’t undermine ASEAN arrangements or “create rival blocs, deepen fault lines or force countries to take sides.” For his part, Indonesian President
Joko Widodo has called for a vision of the Indo-Pacific that includes China, declaring that ASEAN and China have no choice but to collaborate. Even Australia, the staunchest of U.S. allies, has said it won’t take sides between Washington and Beijing: “Our relationships with each of these major partners are different, and they’re both successful,” Prime Minister Scott Morrison said when visiting Singapore in November 2018. “Australia doesn’t have to choose and we won’t choose.”

Given these realities and regional reactions, this report argues that the Trump administration should tone down the rhetoric and recalibrate its strategic and diplomatic approach to Southeast Asia — lest the region responds in ways that marginalizes the United States over time. In the area of infrastructure, for instance, the administration should accelerate and operationalize plans to coordinate with longstanding partners to foster a sustainable economic model based on transparency and high environmental standards. Yet, the objective shouldn’t be to confront China’s Belt and Road Initiative, but rather to develop a compelling alternative and then re-engage China from a position of strength. The report outlines a series of additional policy recommendations, ranging from support for homegrown regional initiatives to engaging China directly on select issues like climate change.

Finally, at a broader level, the report asks what Southeast Asia can tell us about U.S. China policy and U.S.-China relations in the world more generally. While Southeast Asia isn’t unique in having to navigate U.S.-China competition, it is instructive because it is experiencing China’s rise more acutely than other regions, and is seen by Beijing as a testing ground for its role as a major power in the wider world. In this evolving geopolitical context, the United States needs to be tough with China when it defies international law, violates human rights, or carries out unfair trade practices. U.S. policy should also recognize, however, that some level of cooperation is in America’s interest as we confront existential global challenges. At the same time, Washington should engage other nations on their own terms based on a positive economic and political agenda, rather than approaching them as derivative of U.S. competition with Beijing. That is the best way for the United States to remain a Pacific power that is respected and influential in Southeast Asia and beyond.

INTRODUCTION

President Trump’s trade war with China has been monitored closely by the countries of Southeast Asia, which find themselves at the heart of escalating competition and rivalry between Washington and Beijing. Great power competition isn’t all bad for Southeast Asia since it can provide opportunities to hedge and secure benefits from rival camps. But when I travel to the region, I hear a common refrain: “Don’t make us choose.” This refrain has grown louder and more acute as U.S.-China rivalry has sharpened, seemingly careening toward a new Cold War, as witnessed at the summit meetings in Singapore and Papua New Guinea in November 2018. The Asia-Pacific Economic Cooperation (APEC) summit in Port Moresby ended in disarray as U.S. and Chinese delegations sought to rally other nations to side with their country. Taking the stage at APEC just after Chinese President Xi Jinping, who made the economic case for China’s Belt and Road Initiative (BRI), Vice President Mike Pence said the United States “offers a better option,” not a “constricting belt or a one-way road.”
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U.S.-China rivalry is rooted not just in dueling speeches or the current trade war, but in sharply different visions for Southeast Asia and the broader Asia-Pacific region. The newest variable in this mix, launched in late 2017, is the Trump administration’s Free and Open Indo-Pacific strategy. As reflected in the December 2017 National Security Strategy and January 2018 National Defense Strategy, FOIP identifies China as a strategic competitor that aims to achieve “Indo-Pacific regional hegemony.” The administration confirmed this regional strategy in June 2019, at the time of the Shangri-La Dialogue in Singapore, when it issued a comprehensive Indo-Pacific Strategy Report asserting that China seeks to “reorder the region to its advantage by leveraging military modernization, influence operations, and predatory economics to coerce other nations.” In his speech at Shangri-La, then-Acting Secretary of Defense Patrick Shanahan said, “We want a different future — a more promising future, one where small nations need not fear larger neighbors.”

Such a posture has merit in the face of China’s aggressive behavior in Southeast Asia, particularly its island-building activities in the South China Sea, but it also carries serious risks for U.S. policy going forward. Just as China’s economic power is rising exponentially in the region, is it actually prudent to be encouraging Southeast Asian countries to choose between the United States and China? The administration should adjust this approach — based on a cold calculation of America’s strategic interests — otherwise the region could respond in ways that marginalizes the United States over time. In fact, complete alignment with U.S. foreign policy is neither possible nor necessary in Southeast Asia. The administration should instead help to promote a strong, independent, and resilient region, so countries don’t actually feel the need to choose. Ultimately, in the context of China’s rise, that will be the most effective way of achieving a time-honored goal of U.S. Asia strategy: preventing the emergence of a dominating hegemon, thereby sustaining America’s role as a Pacific power and making the region safe for American pursuits like trade and investment.

CHINA’S VISION: A COMMUNITY OF COMMON DESTINY

China’s vision for the region came into clearer focus in 2013 when Xi Jinping began prioritizing a highly-proactive form of “peripheral diplomacy,” also known as “neighborhood diplomacy,” with the goal of turning China’s neighborhood areas into a “community of common destiny.” This marked a decisive shift away from Deng Xiaoping’s “hide and bide” strategy and China’s longstanding prioritization of major powers. Beijing couches its “common destiny” concept in terms of inclusiveness and win-win cooperation, but it also seems designed to integrate neighboring countries into a Sino-centric network of economic, political, cultural, and security relations — not unlike the pre-modern tributary system, although the analogy can be overdrawn. While Xi’s predecessor, Hu Jintao, began using the “common destiny” terminology in 2007 to describe cross-Strait ties and in later discussions of China’s peripheral diplomacy, Xi doubled down and made it the hallmark of his foreign policy for the region.

Economic statecraft is fundamental to this evolving foreign policy doctrine. Increasingly, China is employing a combination of economic inducements and coercion to advance its strategic objectives in the region. It does so through a host of new institutions and projects, notably BRI and the Maritime Silk Road Fund, and even mobilizing overseas Chinese to help carry out these initiatives, realize their “dream,” and support the “great rejuvenation of the Chinese nation.”
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Source: CIA World Factbook
As Xi’s signature initiative, BRI is by far the most visible platform for achieving the community of common destiny. With a total estimated value of over $1 trillion, BRI is an ambitious effort to strengthen infrastructure, trade, and investment links between China and other countries — first in Asia and now globally. Xi Jinping announced $64 billion in new deals at the Second Belt and Road Forum for International Cooperation in Beijing in April 2019. Prominent projects in Southeast Asia include hydropower dams, oil and gas pipelines, and Beijing’s extensive railway plans to connect the southwestern city of Kunming not just to Laos and Thailand, but eventually to Singapore through Malaysia. Although exact figures are difficult to pin down, Indonesia, Malaysia, and Vietnam consistently rank as the top recipients of Chinese capital for infrastructure development in Southeast Asia, with Indonesia leading the list at $93 billion, and Vietnam and Malaysia receiving $70 billion and $34 billion respectively.

In addition, China is developing new sub-regional initiatives, such as the Lancang-Mekong Cooperation (LMC) mechanism, to coordinate BRI projects and advance its economic and political ambitions in mainland Southeast Asia. Established in 2015 among the six countries that comprise the Greater Mekong Subregion (Cambodia, China, Laos, Myanmar, Thailand, and Vietnam), the LMC promotes cooperation across a range of economic and cultural domains, but the driving force is infrastructure and especially hydropower. Beijing has set aside over $22 billion under the mechanism to support projects focusing on technological connectivity and industrial development as well as trade, agriculture, and poverty alleviation. China is now Cambodia’s largest financial backer by a wide margin, pumping in $12.6 billion in 2017 alone. In Laos, Beijing is bankrolling the $7 billion China-Laos railway project, extending almost 260 miles from the Chinese border to Vientiane, a project that amounts to almost half the country’s GDP. Vientiane is also accepting an increasing number of Chinese loans to build dams along the Mekong. According to the Center for Global Development, Laos is now among eight countries with the highest debt ratio among the 68 countries funded under BRI.

Not surprisingly, Laos and Cambodia appear to be the first (and thus far only) countries to sign bilateral action plans with Beijing that officially endorse China’s regional vision of a community of common destiny, increasingly translated as a “community of shared future.” Both action plans were inked in Beijing during the Second Belt and Road Forum in April. In the Cambodian version, titled “Action Plan 2019-2023 on Building China-Cambodia Community of Shared Future,” the two countries committed to undertake 31 measures in the five domains of politics, security, economics, people-to-people relations, and multilateral cooperation. They also agreed to promote ties between China and the Association of Southeast Asian Nations (ASEAN) by building a “community of common destiny” in the region generally.

China’s growing influence in the Mekong Subregion is driving a wedge between mainland and maritime Southeast Asia within the broader institutional framework of ASEAN. These divisions are potentially more problematic than splits arising from the highly

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publicized territorial disputes between China and four ASEAN claimants in the South China Sea. In this connection, sentiment is growing in the region that because ASEAN focused so much on the “sea,” it forgot about the “land” — with the latter having more serious repercussions for ASEAN unity over the long run. Land and sea are interlinked of course: China’s growing economic sway has led some Mekong countries, notably Cambodia and Laos, to take more accommodating positions vis-à-vis China when the South China Sea is discussed at ASEAN summits and related deliberations.

Within China, Southeast Asia is widely seen as a key target area for Xi’s foreign policy ambitions. During interviews I have conducted with nearly two dozen foreign policy experts in China, Southeast Asia was consistently described as a “showcase” and “pilot area” for peripheral diplomacy, and a “good place to learn and practice the ways of becoming a great power.” Having stabilized its land borders in earlier periods, Beijing sees maritime regions like Southeast Asia as the best opportunity for increasing its economic reach and expanding its naval power. Thus, compared to other subregions on the periphery, Southeast Asia is viewed as the most important, effective, and accessible gateway for China’s global expansion in the future.

AMERICA’S VISION: A FREE AND OPEN INDO-PACIFIC

The Trump administration’s vision, embodied in FOIP, is a direct response to China’s more assertive approach to the region. At its root, FOIP is a maritime security strategy that offers a counterbalance to Chinese activities in Asia, from military expansion in the South China Sea to economic development of Indian Ocean logistics bases as part of BRI. In its current usage, “Indo-Pacific” was first put forward by Japanese Prime Minister Shinzo Abe in 2007, when he spoke of a “dynamic coupling” of the Indian and Pacific Oceans in a 2007 speech to the Indian parliament. The term is associated with an informal quadrilateral security dialogue, known as “the Quad,” comprised of Japan, Australia, India, and the United States. Following a period of abeyance, the Quad has made a comeback since the Trump administration launched FOIP; it has convened three times at the assistant secretary level since November 2017.

The substantive content of FOIP has emerged slowly since 2017 through an assortment of speeches, fact sheets, and op-eds written by administration officials. The approach was first mentioned in a September 2017 speech on U.S.-India relations by then Secretary of State Rex Tillerson, who suggested the democracies of India, Japan, Australia and the United States cooperate to promote a rules-based order and growing prosperity in a free and open Indo-Pacific region. Subsequently, in a speech at the APEC CEO Summit in Danang, Vietnam in November 2017, President Trump called for countries to work together to promote a peaceful, prosperous, and free Indo-Pacific region. He also offered thinly veiled criticisms of China by referring to the predatory industrial policies of “other countries,” noting that the U.S. is seeking friendship and does not dream of domination.

A year later, in a November 2018 op-ed in the Washington Post, Vice President Pence wrote that the administration’s “Indo-Pacific strategy” rests on the three pillars of prosperity, security, and transparent and responsive government. Shortly thereafter, as Pence concluded his participation in the ASEAN and APEC summits in Singapore and Port Moresby, the State Department issued a fact sheet on “Advancing a Free and Open Indo-Pacific” that echoed these themes — affirming that the U.S. approach focuses on economics, security, and governance. In the security realm, for instance, it noted that
the United States had provided more than $500 million in security assistance to Indo-Pacific nations, double the figure from the previous year, and U.S. companies had sold $9.42 billion worth of defense goods and services in the region in the preceding 12 months.\textsuperscript{27}

FOIP was codified more comprehensively at the Shangri-La Dialogue in June 2019, when the Pentagon released its Indo-Pacific Strategy Report focusing on preparedness, partnerships, and promoting a networked region. The report states that the Indo-Pacific is the “single most consequential region for America’s future” with over half of the world’s population, seven of the 10 largest standing armies, nine of the 10 busiest ports, and other important features. It underscores Washington’s commitment to a safe, secure, prosperous and free region, and sets out four “common principles” that all countries in the region should uphold:

1. Respect for sovereignty and independence of all nations;
2. Peaceful resolution of disputes;
3. Free, fair, and reciprocal trade based on open investment, transparent agreements, and connectivity; and
4. Adherence to international rules and norms, including those of freedom of navigation and overflight.\textsuperscript{28}

The report devotes considerable attention to Southeast Asia—including the strengthening of alliances with Thailand and the Philippines, expanding the U.S. partnership with Singapore, and deepening relations with emerging partners like Vietnam, Indonesia, and Malaysia. It also discusses ways to sustain and enhance engagement with Cambodia, Laos, and Brunei.\textsuperscript{29} Ultimately, the goal is to channel U.S. alliances and partnerships into a networked security architecture to uphold the international rules-based order.\textsuperscript{i}

China is singled out for its aggressive and predatory behavior as noted earlier, particularly its militarization of the South China Sea. Beijing undermines the international system from within, according to the report, “by exploiting its benefits while simultaneously eroding the values and principles of the rules-based order.” It also uses economic leverage, influence operations, and “implied military threats to persuade other states to comply with its agenda,” while seeking “regional hegemony” as a prelude to “global preeminence” over the long-term.\textsuperscript{30}

This hardening of official thinking toward China is reflected in other remarks and messages coming out the administration. In October 2018, Vice President Pence offered a devastating critique of Chinese behavior, both domestically and internationally, in a speech at the Hudson Institute. Although crafted largely for an American audience, Pence also sought to rally global support behind U.S. efforts to confront China, warning others

\textsuperscript{ii} FOIP resembles the Asia “pivot” or Rebalance policy of the Obama administration in several respects. In addition to seeing the Asia-Pacific as the world’s political and economic center of gravity, for instance, the Rebalance sought to strengthen U.S. alliances in the region; deepen relations with emerging partners like India and Vietnam; and enhance networking among U.S. allies and partners. But the policies are fundamentally different in at least two ways. First, Obama sought to build a constructive relationship with China, finding a balance between cooperation and competition, whereas Trump seems to focus exclusively on competition. Second, Obama favored multilateral approaches to regional economic engagement, exemplified in his administration’s efforts to negotiate and conclude the Trans-Pacific Partnership (TPP), whereas Trump rejected TPP in favor of bilateral trade deals. For background on Obama’s Rebalance policy, see “Fact Sheet: Advancing the Rebalance to Asia and the Pacific” (The White House, November 16, 2015), https://obamawhitehouse.archives.gov/the-press-office/2015/11/16/fact-sheet-advancing-rebalance-asia-and-pacific.
nations of the historical lesson that “a country that oppresses its own people rarely stops there.” Six months later, Kiron Skinner, then director of the State Department’s Policy Planning Staff, described U.S.-China rivalry as a clash of civilizations with racial overtones. At a security forum in Washington D.C., she characterized U.S. competition with China as “a fight with a really different civilization and a different ideology, and the United States hasn’t had that before.” She said the Cold War constituted “a fight within the Western family,” whereas this is “the first time that we will have a great power competitor that is not Caucasian.” Significantly, the Trump administration has never publicly repudiated Skinner’s remarks despite their inflammatory nature, to say nothing of the historical inaccuracies.

While these speeches and remarks aren’t formally part of the administration’s Indo-Pacific strategy, they have reverberated through the region and created a narrative that U.S. China policy has hardened for the long term. In addition, they are increasing anxieties among officials and policy experts that a global showdown is looming, and Washington wants them to choose.

The notion that countries need to choose isn’t limited to the security domain; it also informs American foreign aid policy. In public remarks made in June 2018, USAID Administrator Mark Green outlined a “clear choice” when comparing the current great power competition to the dawn of the Cold War: “Just as the creation of the Marshall Plan offered war-torn Europe a clear choice for their path to economic growth,” he said, “the emergence of China’s mercantile authoritarian assistance programs ... offers a clear choice for nations around the world.” Subsequently, in December 2018, Green discussed “two very different competing models” of development and relief in the world: “One approach, the authoritarian approach, is really predatory lending dressed up as assistance.” He contrasted this to the American approach, which “moves countries from being recipients to partners to fellow donors. It’s based upon the notion of a hand-up not a hand-out, and it helps position countries to grasp their own future.”

FOIP was mostly devoid of economic content in its early formulation, beyond offering the possibility of bilateral trade deals that few countries seem to want. However, at an Indo-Pacific Business Forum in July 2018, Secretary of State Michael Pompeo announced $113.5 million in new U.S. economic initiatives that aim to improve digital connectivity and cybersecurity, strengthen energy security and access, and promote sustainable infrastructure development.

Four months later, at the Asia summits in November 2018, the administration announced a new U.S.-ASEAN Smart Cities Partnership, with an initial U.S. contribution of $10 million. It also highlighted the Better Utilization of Investment Leading to Development (BUILD) Act, signed into law in October 2018, which establishes a new U.S. International Development Finance Corporation and doubles U.S. development finance capacity to $60 billion worldwide. Additionally, the U.S. Overseas Private Investment Corporation (OPIC) signed a Memorandum of Understanding (MOU) with the development finance agencies of Japan and Australia to “catalyze Indo-Pacific investment projects that produce quality infrastructure, increase connectivity, and promote sustainable economic growth.” The three countries have picked a $1 billion liquified natural gas project in Papua New Guinea as their first case for joint financing under the MOU. They plan to abide by the Group of 20 (G-20) principles for “quality infrastructure investment,” adopted at the G-20 summit in Osaka in June 2019, and sent a joint delegation to Indonesia in August to explore other potential projects.
Japan is by far the biggest infrastructure player among the three countries participating in the MOU, and it still outpaces China in Southeast Asia. In fact, Japanese-backed projects in the region’s six largest economies — Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam — are valued at $367 billion, compared to China’s tally of $255 billion. Notably, more than half of Japan’s total ($209 billion) goes to one country, Vietnam, where Tokyo is financing a $58 billion high-speed railway between Hanoi and Ho Chi Minh City. Washington recently joined Tokyo in supporting the Japan-U.S. Mekong Power Partnership (JUMPP), which will develop regional electricity grids with an initial U.S. commitment of $29.5 million.

From Washington’s perspective, the goal of these economic initiatives is to incentivize private sector-led financing of infrastructure in the region, especially with like-minded partners, while helping host countries evade the risks often associated with foreign infrastructure borrowing. The administration is pursuing these goals with individual countries in Southeast Asia as well. In 2018, USAID sent a team of technical experts to Myanmar on a pilot program to scrutinize contracts, identify bad deals, and empower the country to negotiate better terms with Chinese agencies and companies. The State Department is reportedly interested in sending such teams to other countries where BRI is prominent.

COMPARING ECONOMIC STRENGTH

While these new economic initiatives should be commended, it is necessary to ask: How do they stack up against Chinese initiatives and what are the future economic trend lines? To be sure, U.S. economic engagement continues to be robust in Southeast Asia. The United States exports about $75 billion in goods and $31 billion in services to ASEAN countries on an annual basis, and ASEAN has received approximately $329 billion in cumulative foreign direct investment (FDI) from the United States — more than the U.S. has directed to China, India, Japan, and South Korea combined. Washington also disbursed over $800 million in foreign assistance to ASEAN countries in 2018. This includes support for the Lower Mekong Initiative (LMI), a decade-long partnership between the United States, Cambodia, Laos, Myanmar, Thailand, and Vietnam to advance sustainable economic growth in this critical subregion.

Meanwhile, however, Chinese economic engagement is growing fast and has surpassed U.S. levels in several areas. In fact, China has been ASEAN’s largest trading partner for over a decade. ASEAN’s total annual bilateral trade with China is currently valued at $591 billion, compared to about $272 billion with the United States.

China continues to rank third in annual foreign direct investment in ASEAN, behind the United States and Japan, but Chinese investment is quickly approaching U.S. levels if FDI from mainland China is combined with FDI from Hong Kong. (A significant percentage of Hong Kong FDI originates in mainland China.) Chinese FDI is also more dispersed throughout Southeast Asia than U.S. FDI, which is highly concentrated in Singapore. In addition, these figures do not include the billions of dollars Beijing is lending to the region through its powerful development banks under BRI. Although Washington has committed $29.5 million to the JUMPP as noted above, and recently announced $14 million to counter transnational crime and trafficking under the LMI, these commitments pale in comparison to the $22 billion that China has earmarked for the Mekong subregion under the LMC. Beijing is also expanding its foreign aid program in Southeast Asia, and has become the leading donor to several countries in the region. In Cambodia, for instance, it reportedly provides nearly four times as much bilateral aid as the United States.
Finally, China is the largest source of tourists from outside the region, with over 25 million Chinese tourists visiting ASEAN countries in 2017, compared to just over four million from the United States.\textsuperscript{48} As a labor-intensive industry, tourism gives significant leverage to China because many people could lose their source of income if Beijing were to curtail the number of its citizens visiting a country in Southeast Asia — as happened in 2014, when Vietnam experienced a sharp drop in Chinese tourists after territorial disputes heated up in the South China Sea.\textsuperscript{49}

It is true that China’s rising economic influence has generated unease and pushback across the broader region, with countries like Malaysia, Pakistan, and the Maldives re-examining their economic relations with Beijing as concerns grow over contract terms, corruption, and possible debt traps exemplified by Chinese investment in the Hambantota International Port in Sri Lanka.\textsuperscript{50} In the Malaysian elections last year, former Prime Minister Mahathir Mohamad defeated Najib Razak, in part, by openly campaigning against Chinese influence. He then cancelled a $20 billion railway project funded by China, called the East Coast Rail Link, citing his country’s inability to pay. But now Malaysia has renegotiated with Beijing, reduced the cost by about a third, and the project is back on. The Malaysians are also voicing support for BRI and courting additional Chinese investment, particularly for less developed areas along the planned railway route.\textsuperscript{51}

\textbf{ASEAN countries are getting smarter in the way they’re managing BRI and negotiating with China.}

As seen at the Second Belt and Road Forum in April 2019, China is also showing a capacity to learn from its implementation mistakes, make adjustments, and preempt criticism from the region going forward. It strongly courted Southeast Asian participation in the forum. Of the 36 heads of state and government who attended, nine came from ASEAN countries — a quarter of the overall total.\textsuperscript{iii} Singapore Prime Minister Lee Hsien Loong and his Thai counterpart, Prayuth Chan-ocha, attended for the first time, and the ASEAN leaders also convened their own mini summit in Beijing. At the forum, Xi Jinping sought to reassure skeptics that BRI will deliver sustainable economic growth, and the participating leaders released a joint communique confirming their shared commitment to advance high quality, consultative, green, and sustainable cooperation under the BRI framework.\textsuperscript{53} Xi also promised to reform the initiative in specific ways. To make BRI more

\textsuperscript{iii} President Jokowi was the only ASEAN leader to miss the forum, likely because it coincided with his reelection bid in Indonesia. He was represented by Vice President Jusuf Kalla. See Shannon Tiezzi, “Who Is (and Who Isn’t) Attending China’s 2nd Belt and Road Forum?,” The Diplomat, April 27, 2019, https://thediplomat.com/2019/04/who-is-and-who-isnt-attending-chinas-2nd-belt-and-road-forum/.
sustainable, for instance, China released a BRI Debt Sustainability Framework, similar to those of the World Bank and International Monetary Fund, to help partner countries make financial decisions and manage debt. In addition, Xi pledged to “launch green infrastructure projects, make green investment and provide green financing.”

In short, there appears to be a mutual learning dynamic at play that could make BRI more resilient and enduring in Southeast Asia over the long term. While suspicions remain and reforms will be difficult to implement, especially given the decentralized nature of BRI, the forum established a new tone for the initiative that was broadly welcomed by Southeast Asian leaders. The Indonesian delegation signed 23 cooperation agreements at a meeting held on the sidelines of the summit. For his part, Malaysia’s Mahathir Mohammad even said: “I am fully in support of the Belt and Road Initiative,” a dramatic reversal from his earlier characterization of BRI as a “new version of colonialism.”

Although China’s economic growth is slowing, possibly affecting Beijing’s ability to expand its overseas loans and investments in the future, the Chinese economy is generally expected to exceed the size of the U.S. economy in the coming decades. The impact will be particularly acute in China’s own neighborhood. In this connection, it is useful to consult the Lowy Institute’s Asia Power Index to gauge how Chinese economic power compares to the United States in the region, both now and in the future. The Index ranks 25 countries and territories in terms of their ability to influence regional trends, and defines “power” as the capacity of a state or territory to direct or influence the behavior or other states, non-state actors, and the course of international events. It evaluates state power through 126 indicators across eight thematic measures: military capability and defense networks, economic resources and relationships, diplomatic and cultural influence, as well as resilience and future resources.

In the 2019 edition of the Index, released in June, the United States claimed the top spot in four of the eight measures and remained number one in overall power — with an overall score of 84.5 compared to 75.9 for China. However, a different pattern is emerging in the economic domain and specifically in the measure of current economic resources, calculated by examining GDP at purchasing power parity, international leverage, technological sophistication, and global connectivity. China has ascended to the top position of this measure for the first time, as depicted in Figure 1, edging out the United States by a score of 93 to 92.5. The countries are shown graphically as octagons for visual effect, with a different color and facet assigned to each of the eight measures of power.
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FIGURE 1: CURRENT ECONOMIC RESOURCES (2019)


This trend is expected to become more pronounced in the future, as reflected in Figure 2, which estimates the economic size and capabilities of China and the United States in 2030. China’s score is a perfect 100 whereas the United States has fallen to 81.1. To arrive at this estimate, Lowy uses forecast GDP at purchasing power parity in 2030 and the Beckley formula for estimating economic power (i.e., multiplying forecast GDP by forecast GDP per capita). This is a sub-measure of the Index’s broader measure of future resources, calculated in terms of estimated economic, defense, and broad resources in 2030, as well as working-age population forecasts for 2045. The United States also ranks second to China in this wider measure.

FIGURE 2: FUTURE ECONOMIC RESOURCES (2030)


Most striking, however, is what is happening right now in the realm of economic influence, as reflected in the Index’s measure of current economic relationships — or the “capacity to exercise influence and leverage through economic interdependencies,” measured by assessing trade relations, investment ties, and economic diplomacy. This measure goes beyond static resources to examine what countries are actually doing...
with their resources to exercise influence. Here, as seen in Figure 3, China scores 97.5 compared to 67.6 for the United States. In other words, Beijing has already opened up a 30-point lead over Washington in the exercise of economic soft power in Asia.

**FIGURE 3: CURRENT ECONOMIC RELATIONSHIPS (2019)**

Source: “Asia Power Index,” The Lowy Institute, 2019, [https://power.lowyinstitute.org/](https://power.lowyinstitute.org/).

**SOUTHEAST ASIA RESPONDS**

Given these economic trend lines, it is no wonder that the region doesn’t want to choose between the United States and China at a diplomatic or strategic level. While most ASEAN governments deeply appreciate the U.S. contribution to regional security, these shifting economic realities mean that few if any are in a position to align exclusively with one country or the other. There is of course a diversity of responses among ASEAN countries both to China’s rise and to the intensification of great power rivalry in the region, as individual states seek to hedge, balance, and bandwagon in different formulations—depending on geography, economic opportunity, threat perceptions, historical experience, and other factors. In the current environment, however, a new kind of “like-minded” grouping of countries appears to be emerging on the scene: namely, countries that don’t want to be forced to choose too starkly between Washington and Beijing, preferring instead to focus on regional stability, multilateral cooperation, economic growth, and sustaining an open trading environment.

Remarks by Singapore Prime Minister Lee Hsien Loong are instructive on this point. In a bold keynote address at the Shangri-La Dialogue on May 31, when U.S.-China rivalry one again took center stage, Prime Minister Lee channeled the anxieties of the region and cautioned that the “world is at turning point” as great power tensions continue to grow. He encouraged Washington and Beijing to work together, reconcile their differences, and refrain from creating conditions that force other countries to choose. Lee doled out advice to both countries as well. He said China should resolve maritime disputes in accordance with international law rather than by force or the threat of force, and should ensure that BRI brings long-term benefits to partners and doesn’t turn the region “into a closed bloc centered on a single major economy.” Alongside these comments, however, he acknowledged that it is natural for China to aspire to become a maritime power, while also characterizing BRI as “a constructive mechanism for China to be positively engaged with the region and beyond.”
Prime Minister Lee was more direct with Washington in his address, observing that it had the most difficult adjustment to make as the preeminent power. He lamented that Americans now talk openly of containing China, and spoke worriedly about a hardening of attitudes — citing the recent references to a “clash of civilizations,” and noting that Washington had explicitly targeted “foreign adversaries” in a presidential executive order on securing supply chains involving information and communications technology (otherwise known as the Huawei ban). With regard to proposals for “Indo-Pacific cooperation,” he said Singapore supports open and inclusive platforms that deepen regional integration and strengthen existing cooperation arrangements centered on ASEAN. Such proposals shouldn’t undermine these arrangements, he warned, or “create rival blocs, deepen fault lines or force countries to take sides.”

Resistance to choosing sides in the Indo-Pacific isn’t limited to Singapore or other ASEAN states. Even Australia, the staunchest of U.S. allies, has said it won’t take sides between Washington and Beijing: “Our relationships with each of these major partners are different, and they’re both successful,” Prime Minister Scott Morrison said when visiting Singapore in November 2018. “Australia doesn’t have to choose and we won’t choose.” Subsequently, in a major foreign speech delivered in June 2019, Morrison said it “is in no-one’s interest in the Indo-Pacific to see an inevitably more competitive U.S.-China relationship become adversarial in character.” His remarks reflect Australia’s vulnerability to unchecked rivalry between the United States, its most important strategic ally, and China, its largest trading partner.

For his part, Indonesian President Jokowi has called for a vision of the Indo-Pacific that includes China, declaring that ASEAN and China have no choice but to collaborate. Unhappy with the existing Indo-Pacific visions, Indonesia has led Southeast Asian efforts to develop a more ASEAN-centric approach. These efforts became reality on June 23, 2019, when ASEAN released its “ASEAN Outlook on the Indo-Pacific” (AOIP) at the 34th ASEAN Summit in Bangkok. “This outlook represents the centrality and force of ASEAN,” Jokowi said at the summit, citing concerns that the U.S.-China “trade war is growing into a multi-front war” with potentially serious consequences for regional stability.

Key themes emerging from the AOIP document are inclusiveness, economic development, connectivity, and “ASEAN Centrality” — the notion that ASEAN provides the central platform within which regional institutions are anchored. To this end, the document called for an “inclusive regional architecture” while emphasizing that ASEAN-led mechanisms like the East Asia Summit (EAS) should serve as platforms for dialogue and implementation of Indo-Pacific cooperation. Such cooperation should focus on priority areas like sustainable economic development, the core theme of Thailand’s chairmanship of ASEAN in 2019, including efforts to promote a green economy and combat climate change.
DON'T MAKE US CHOOSE: SOUTHEAST ASIA IN THE THROES OF US-CHINA RIVALRY

ASEAN leaders clasp hands on stage during the opening ceremony of the 34th ASEAN Summit at the Athenee Hotel in Bangkok, Thailand, June 23, 2019. REUTERS/Athit Perawongmetha

Analysis from regional policy experts reflect similar concerns that the U.S. Indo-Pacific strategy is not only anti-China, but is dismissive of ASEAN — despite regular statements from the Trump administration voicing support for ASEAN Centrality. These concerns have been exacerbated by the return of the Quad, triggering worries about where ASEAN fits in. But the main sentiment, as reflected in the economic discussion above, is simply that “China is here”: It is already the dominant economic partner for Southeast Asia, and that position is expected to keep growing over time.68

A 2019 survey report by the ISEAS-Yusof Ishak Institute is revealing about how the region perceives China’s economic influence.6iv When ISEAS asked policy experts, businesspeople, and other stakeholders across ASEAN “which country/regional organization has the most influence economy in Southeast Asia,” 73.3% replied China and only 7.9% said the United States, as depicted in Figure 4. ASEAN and Japan came in at 10.7% and 6.2% percent, respectively. Moreover, 42% of respondents said China also had become the most influential in political and strategic matters, compared to 30.5% for the United States, challenging conventional wisdom that Beijing holds economic sway while Washington wields greater influence in the political-strategic domain.

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iv The ISEAS survey, conducted from November 18 to December 5, 2018, used the purposive sampling method and canvassed views from 1,008 Southeast Asians who are regional experts and stakeholders from the policy, research, business, civil society, and media communities. In this sense, the survey aims to present a general view of prevailing attitudes among people who are well positioned to inform or influence public policy, not Southeast Asian societies at large. See The State of Southeast Asia: 2019 Survey Report (Singapore: ASEAN Studies Center, ISEAS-Yusof Ishak Institute, January 2019), https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2019.pdf.
Don’t Make Us Choose: Southeast Asia in the Throes of U.S.-China Rivalry

Figure 4: In your view, which country/regional organization has the most influence economically in Southeast Asia?

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>0.1%</td>
</tr>
<tr>
<td>Russia</td>
<td>0.1%</td>
</tr>
<tr>
<td>European Union</td>
<td>1.7%</td>
</tr>
<tr>
<td>Japan</td>
<td>6.2%</td>
</tr>
<tr>
<td>United States</td>
<td>7.9%</td>
</tr>
<tr>
<td>ASEAN</td>
<td>10.7%</td>
</tr>
<tr>
<td>China</td>
<td>73.3%</td>
</tr>
</tbody>
</table>


This appreciation of China’s growing influence doesn’t translate into trust, however. Nearly half (45.4%) of survey respondents thought China “will become a revisionist power with an intent to turn Southeast Asia into its sphere of influence,” and 47% felt BRI “will bring ASEAN members states closer into China’s orbit.” At the same time, 35% of respondents acknowledged that BRI provides much “needed infrastructure funding for countries in the region” — a recognition, perhaps, that Southeast Asian economies will need $210 billion a year in infrastructure investment from 2016 to 2030 just to keep up the momentum of economic growth, according to Asian Development Bank estimates.

Unfortunately for Washington, China’s loss isn’t America’s gain in the trust department. In the ISEAS survey, 50.6% percent of respondents said they had “little confidence” (36%) or “no confidence” (14.6%) in the United States to “do the right thing” in global affairs. The authors of the ISEAS report attribute these negative views to the Trump administration’s withdrawal from the Paris Agreement on climate change and its “sustained railing against free trade and disdain for multilateralism.” Sixty-eight percent of respondents also indicated that U.S. engagement with Southeast Asia had either decreased (51.2%) or decreased substantially (16.8%) under Trump, while only 17.2% thought the U.S. Indo-Pacific concept offers “a viable option for a new regional order.”

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v China achieved a similar score as the United States in the ISEAS survey, with the majority of respondents (51.5%) having either little (35.5%) or no confidence (16%) that Beijing will “do the right thing.” Not surprisingly, Southeast Asian views of China and the U.S. varied considerably from country to country, with Vietnam being the most consistently favorable to Washington, and Laos being the most consistently inclined toward Beijing.
RECOMMENDATIONS FOR U.S. POLICY

China also presents a binary choice to Southeast Asia and almost certainly aims to create a sphere of influence through economic statecraft and military modernization. Many Southeast Asians are deeply worried about this possibility as the above survey results confirm. Yet, what they are currently talking about isn’t China’s rising influence in the region, which they see as an inexorable trend that needs to be managed carefully, but the hard-edged rhetoric of the Trump administration suggesting that they have to choose. Although Secretary Pompeo recently said in Australia that Washington isn’t asking nations to choose, “because that’s not how we operate,” this hardly seems credible to Southeast Asian leaders in the context of withering U.S. criticism of China. Indeed, at the same press event in Sydney, Secretary of Defense Mark Esper reiterated the administration’s standard talking points that China is “weaponizing the global commons using predatory economics and debt-for-sovereignty deals.”

These criticisms now span the globe. In a December 2018 speech on the administration’s New Africa Strategy, then-National Security Advisor John Bolton appeared to draw language straight from the FOIP playbook — proclaiming that China is undertaking “predatory actions” under the BRI framework to advance its ultimate goal of global dominance. More recently, in April 2019, Pompeo slammed China during a three-day South American tour. During a stop in Chile, he said China often “injects corrosive capital into the economic bloodstream, giving life to corruption and eroding good governance.” He also referred to China and Russia as “pretended friends” who use debt traps and “spread disorder in your home,” whereas “the United States will stand by you.”

In Southeast Asia, this approach is likely to be self-defeating for U.S. interests as ASEAN nations look to the future, estimate China’s economic footprint in 20 or 30 years, and calculate their likely independencies and opportunities with Beijing. Given these realities, the Trump administration should recalibrate the mix of diplomatic tools it employs in the region to ensure that Southeast Asia remains receptive to America’s security role, and safe for American trade and investment, far into the future. Below are some suggested next steps.

Tone down rhetoric at 2019 EAS and APEC summits in Thailand and Chile

The United States should stand up for its values and call out China when it violates international law in the South China Sea or threatens expressions of democracy in Hong Kong or elsewhere. But the administration’s constant demonization of China isn’t serving U.S. interests: It creates a negative “G-2” scenario, or the impression that Washington is fomenting a new Cold War, that could marginalize Washington and play into Chinese hands. This is particularly true in the economic domain, where China is beginning to accommodate Southeast Asian concerns about BRI while the administration continues to brand China as an economic predator. Such criticisms may be broadly convincing to the American policy community, but they are condescending and unpersuasive to the nations of Southeast Asia, which have been managing relations with China for centuries and have their own economic interests to advance with Beijing. The EAS and APEC summits in late 2019 present an opportunity for the administration to tone down its hard-edged rhetoric and recalibrate its economic diplomacy in the region. These efforts can start at the East Asia Summit in Bangkok in early November, followed shortly thereafter by the APEC CEO Summit in Santiago.
**Support homegrown regional initiatives in Southeast Asia**

The United States should support ASEAN efforts to promote a regional vision based on inclusiveness, prosperity, and ASEAN centrality. That ASEAN released its own concept in June — the ASEAN Outlook on the Indo-Pacific, as discussed above — reflects a discomfort with already-existing formulations. Washington should go beyond broad diplomatic support and champion the Outlook’s emphasis on sustainable development in particular. For instance, Thailand is in the process of establishing an ASEAN Centre for Sustainable Development Studies and Dialogue while serving as ASEAN chair this year. The new mechanism is designed to shape regional development standards, facilitate engagement with external actors, and track development finance and debt. It will also coordinate with other programs in the region, such as the ASEAN Institute for Green Economy in Myanmar and the Sustainable Development Solutions Network in Indonesia, Malaysia, and the Philippines. U.S. support for these initiatives would demonstrate Washington’s commitment to ASEAN in concrete terms while enhancing ASEAN’s capacity to develop viable economic strategies for the region.

**Deepen bilateral relations with emerging partners like Vietnam**

In addition to supporting regional initiatives, the United States should deepen relations with emerging partners in the region — a key objective of both FOIP and the Rebalance to Asia policy that preceded it. In recent years, U.S. relations with Vietnam have expanded considerably owing to growing trade ties, strong people-to-people relations, and a common concern over China’s actions in the South China Sea. Highlights include the establishment of a “comprehensive partnership” in 2013 and the dramatic visit of a U.S. aircraft carrier to Danang in 2018. As a next step, Washington should aim to establish a “strategic partnership” with Hanoi before the end of 2020. This wouldn’t be about ganging up on China or forcing Vietnam to choose sides. The Vietnamese already abide by a multi-directional foreign policy doctrine, and strive to maintain stable relations with Beijing due to their economic exposure and geographic position. They have even established a “comprehensive strategic cooperative partnership” with China, the highest-level category in Vietnam’s diplomatic pecking order. But a U.S.-Vietnam strategic partnership would signal that U.S. relationships are innovative and growing in Asia, and America is committed for the long run. It could also facilitate multilateral infrastructure cooperation with an important country in mainland Southeast Asia, as described below.

**Accelerate and operationalize infrastructure coordination with allies and partners**

Washington should increase cooperation with longstanding partners, such as Japan, Australia, and Singapore, to support sustainable infrastructure development in Southeast Asia based on high governance and environmental standards. To its credit, the Trump administration signed an MOU with Japan and Australia to catalyze infrastructure investments in the Indo-Pacific, as discussed earlier, and the three countries are now moving forward with a $1 billion energy project in Papua New Guinea. It also joined Tokyo to support the Japan-U.S. Mekong Power Partnership, and is planning to collaborate with Singapore’s *Infrastructure Asia* initiative to promote infrastructure development in the region. Leveraging these new platforms and building on the project in Papua New Guinea, the administration should quickly operationalize the BUILD Act to facilitate investments and loans in Southeast Asia,
especially in mainland Southeast Asian countries like Cambodia, Laos, and Vietnam. Partnerships are difficult to implement and MOUs often languish with little activity or output. The United States shouldn’t miss this opportunity to compete with China, produce benefits for American investors, and demonstrate high standards and best practice in collaboration with key regional partners.

**Appoint a U.S. special envoy for infrastructure and base the envoy in the region**

To help galvanize cooperation with allies and partners in Southeast Asia, the Trump administration should appoint a special infrastructure envoy and post that person to the U.S. embassy in Singapore. Although the United States isn’t in a position to match the infrastructure resources of other major powers, the envoy could play a valuable role by facilitating implementation of infrastructure cooperation agreements, identifying opportunities to build consortums to compete for projects, and serving as the senior U.S. representative at infrastructure deliberations in the region. Under the right circumstances, the envoy could also explore openings for dialogue with China on these issues.

**Dialogue with Beijing and engage Chinese regional institutions**

While coordinating with each other, the United States and its partners should also consider engaging China if constructive opportunities arise. Japan is already taking steps in this direction. During an official visit to Beijing in October 2018, Prime Minister Shinzo Abe announced that Japan and China had agreed to create a “new framework” to jointly move ahead with infrastructure projects in third countries and strengthen cooperation efforts ranging from finance to innovation. Such cooperation is emerging in the Eastern Economic Corridor (EEC) of Thailand, an economic zone spanning three provinces along the eastern seaboard south of Bangkok, where Chinese and Japanese businesses are participating in the development of a high-speed rail network and a smart city project with official support. Meanwhile, the early experience of the Asian Infrastructure Investment Bank (AIIB), established in 2016, suggests that engaging Chinese-led institutions can produce tangible benefits by helping to improve transparency and environmental practices. Although the United States stayed out, most major donors decided to join AIIB and now populate its board. Subsequently, the AIIB has agreed to partner with other development banks, such as the World Bank and Asian Development Bank, on two-thirds of its projects to date — requiring that it operate by the same high standards as those banks follow.

**Re-engage China directly on select issue like climate change**

Finally, the United States should consider engaging China in discrete issue areas like climate change and disaster response. While President Trump continues to deny the science of climate change, his administration has issued a National Climate Assessment that confirms global warming is now affecting the United States more than ever — from crop failures in the Midwest to flooding along the coasts — and is projected to cause hundreds of billions of dollars in damage to the U.S. economy in the coming decades. When the U.S. government is ready to return to climate mitigation as a policy priority, it should re-engage with Beijing to help combat climate change in Southeast Asia, a maritime region that is particularly vulnerable to global warming. For instance, Washington could work with Beijing to establish a multi-donor trust fund at the World Bank, to which
third countries could apply for climate support, or simply encourage co-financing from regional development banks to address this issue. Such initiatives would not only send a reassuring signal to the region that U.S.-China cooperation is possible, but would leverage the substantial resources of a foreign power to address an existential threat to the American homeland. Ironically, this could be the Trump doctrine in its purest form.

SUMMARY AND CONCLUSIONS

The United States already makes significant contributions to Southeast Asia through trade and investment, security assistance, foreign aid, and people-to-people programs such as the Young Southeast Asia Leaders Initiative (YSEALI). The above recommendations would reinforce and expand these efforts by addressing fundamental issues that ASEAN leaders and policy experts are especially worried about at the current time: regional architecture as ASEAN centrality is under threat, economic development at a time of escalating geoeconomic competition, and environmental challenges as climate change endangers livelihoods throughout the region. These initiatives would not only elevate American standing in the region, but would promote regional resilience as well as strong, independent countries that don’t feel the need to choose. They would also bolster ASEAN’s ability to navigate great power competition, while limiting conditions that enable China to throw its weight around, isolate individual countries, and exercise effective pressure tactics in the region.

At a broader level, it is also worth asking what Southeast Asia can tell us about U.S.-China policy and U.S.-China relations in the world more generally. It is also worth asking what Southeast Asia can tell us about U.S.-China policy and U.S.-China relations in the world more generally. These questions aren’t limited to Asia after all: From Latin America to Africa, the Trump administration is depicting China as a predator nation and warning other countries to limit their economic engagement with Beijing. But while Southeast Asia isn’t unique in having to navigate U.S.-China competition, the region is instructive because it is situated in China’s own backyard. It is not only experiencing China’s rise more acutely than other regions, but is seen by Beijing as a testing ground for its role as a major power in the wider world.

Here are a few policy lessons to consider.

First, Southeast Asian countries are resisting U.S. pressure to distance themselves from China, preferring to have constructive relations with both countries. Such behavior is likely to become more prevalent in other regions as China continues to expand its economic and trade links throughout the world. Many countries — 144 — already have more trade with China than with the United States, including 50 in Africa and all Asian countries except Bhutan and Afghanistan. For now, these countries will try to find ways to side with Washington on some issues and China on others, so the choice won’t necessarily add up to an all-or-nothing proposition in geopolitical terms. But such tactical maneuvering will almost certainly become more complex and difficult over time.

Witness the current “tech war” surrounding the use of Huawei technology. In Southeast Asia today, Vietnam appears to be siding with Washington in barring Huawei (perhaps for its own reasons), whereas Malaysia, Thailand, and the Philippines are open to deploying Huawei’s 5G technology into their domestic networks. As U.S. treaty allies,
however, Thailand and the Philippines could find it increasingly difficult to install Huawei equipment while simultaneously maintaining security ties with the United States, since these technology decisions may cause Washington to restrict intelligence sharing in the future.  

Second, the Trump administration is pursuing its current China policy at considerable risk. The idea of a broad-gauged decoupling of the U.S. and Chinese economies, unimaginable even two years ago, seemed closer to reality when President Trump threatened in August 2019 to use his emergency powers to force American companies out of China. Decoupling is the nightmare scenario for ASEAN countries because it could impose a wider choice, preventing them from navigating U.S.-China competition issue by issue. It could also enhance the region’s economic interdependence with China if supply chains fragment and then realign in China’s favor — potentially boxing out American businesses, increasing China’s soft power, and inadvertently contributing to a Chinese sphere of influence over time.

For the U.S. economy, the economic risks are significant in Southeast Asia alone. Almost 42,000 U.S. companies export to ASEAN, and these exports presently support about 590,000 jobs in the United States. (American companies are already disadvantaged because the United States isn’t part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, under which participating countries can trade with each other at preferential rates that U.S. exporters don’t enjoy.) The risks could spread further if the Trump administration continues to apply its current China policy across the world. Indeed, when Trump travels to Santiago in November for the APEC summit, he should know that China is now the top trading partner of Chile, as it is of Brazil, Peru, and Uruguay. He should also know that 77% of Chileans have a positive image of China, according to a recent public opinion survey, whereas only 61% have a positive image of the United States.

Third and finally, the central lesson from Southeast Asia is that America’s current China policy is unsustainable and in need of adjustment. Simply put, the current policy is jeopardizing U.S. relations with allies and partners by putting them in untenable diplomatic positions. Looking ahead in Asia, it is time for the United States to behave again as a confident nation that is secure in its own values and principles, not as a reactive power whose actions and diplomatic statements come in response to China’s every move. In the area of infrastructure, for instance, the United States should work with longstanding partners to promote a sustainable economic model based on transparency and high environmental standards. The objective shouldn’t be to counter BRI and create a bifurcated region, but to develop a compelling alternative and then reengage China from a position of strength.

The United States needs to be tough with China when it defies international law, violates human rights, or engages in unfair trade practices. Yet, whether the goal is responsible competition, clear-eyed coexistence, or just finding the right balance between competition and cooperation, U.S. policy should also recognize that some level of cooperation is in America’s interest as we confront existential global challenges. At the same time, Washington should engage other nations on their own terms based on a positive economic and political agenda, rather than approaching them as derivative of U.S. competition with Beijing. That is the best way for the United States to remain a Pacific power that is respected and influential in Southeast Asia and beyond.
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2 Mike Pence, “Remarks by Vice President Pence at the 2018 APEC CEO Summit, Port Moresby, Papua New Guinea” (Port Moresby, Papua New Guinea, November 16, 2018), https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-2018-apec-ceo-summit-port-moresby-papua-new-guinea/. The full quotation is: “Know that the United States offers a better option. We don’t drown our partners in a sea of debt. We don’t coerce or compromise your independence. The United States deals openly, fairly. We do not offer a constricting belt or a one-way road. When you partner with us, we partner with you, and we all prosper.” For Xi Jinping’s speech, see “Full Text of Chinese President Xi’s speech at APEC CEO Summit,” Xinhua, November 17, 2018, http://www.xinhuanet.com/english/2018-11/17/c_137613904.htm.


7 For a description of this goal and strategy, see Kurt M. Campbell, The Pivot: The Future of American Statecraft in Asia (New York: Twelve, 2016), 134.

8 Peripheral diplomacy (zhoubian waijiao) is increasingly translated as “neighborhood diplomacy,” presumably to make it sound more palatable to neighboring countries. According to Lu Shengguang, Director of the Southeast Asian Studies Center at Yunnan University, “The use of ‘neighborhood diplomacy’ to interpret the concept of ‘peripheral diplomacy’ may be more accurate and neutral, and can reduce the hint of ‘centralism’ that the term ‘periphery’ contains, and also be easier for neighboring countries to accept.” See “再议‘周边外交’的概念与理念” [“Re-considering the Definition and Concept of ‘Peripheral Diplomacy’],” 世界知识 [World Affairs] 12 (June 2017), 73.

9 As Rush Dushi points out, the “hide and bide” strategy was never intended to be permanent, and the Chinese Communist Party began moving away from the strategy before Xi Jinping became China’s top leader in 2012. See “Hu’s to Blame for China’s Foreign Assertiveness,” The Brookings Institution, January 22, 2019, https://www.brookings.edu/articles/hus-to-blame-for-chinas-foreign-assertiveness/.


20 For example, this sentiment is expressed by Bilahari Kausikan in “Regionalism in Southeast Asia: ASEAN’s Future and Japan,” (speech, Tokyo, Japan, February 8, 2018). See also Francis Chan, “China’s Growing Influence,” Straits Times, April 26, 2016, https://www.straitstimes.com/asia/chinas-growing-influence.


28 Indo-Pacific Strategy Report, 1, 3-6.

29 Ibid., 28-30, 36-40, 44-45.

30 Ibid., 7-9.


34 The full quotation is: “And so, I would argue that just as the creation of the Marshall Plan offered war-torn Europe a clear choice for their path to economic growth, the emergence of China’s mercantile authoritarian assistance programs, I think, in clear contrast to that which unifies all of us who took part of Tidewater, it also offers a clear choice for nations around the world.” See “U.S. Agency for International Development Administrator Mark Green’s Remarks at the Brookings Institute’s ‘The Marshall Plan’s 70th Anniversary and the Future of Development Cooperation’ Event” (remarks, Washington, D.C., June 5, 2018), https://www.usaid.gov/news-information/press-releases/jun-5-2018-administrator-mark-greens-remarks-brookings-institute.

35 The full quotation is: “Let’s be clear. There are two very different competing models of development and relief in the world. One approach, the authoritarian approach, is really predatory lending dressed up as assistance. It lures borrowers with promises of easy money but then straddles them with unsustainable debt. It ties up strategic assets. It ties up resources for years to come. Some have called it debt diplomacy. Others have called it loan-to-own assistance. Our approach, the American approach, on the other hand, moves countries from being recipients to partners to fellow donors. It's based upon the notion of a hand-up not a hand-out, and it helps position countries to grasp their own future.” See “U.S. Agency for International Development Administrator Mark Green’s Remarks at the U.S. Global Leadership Coalition 2018 Tribute Dinner” (Washington, D.C., December 5, 2018), https://www.usaid.gov/news-information/press-releases/dec-6-2018-usaid-administrator-mark-green-usglc-2018-tribute-dinner.


37 “Advancing a Free and Open Indo-Pacific Policy.”


Denotes “spent” assistance to ASEAN countries, as calculated from www.foreignassistance.gov, accessed on September 18, 2019.


56 Lowy Institute, Asia Power Index, accessible at https://power.lowyinstitute.org.

57 Bilahari Kausikan has noted Southeast Asian countries simultaneously “balance, hedge and bandwagon” as the situation requires — an instinctive response that has been “honored by centuries of hard experience” and is now “embedded in our foreign policy DNA” (see Bilahari Kausikan, “Dealing with an Ambiguous World — Lecture III: ASEAN & US-China Competition in Southeast Asia” (Singapore: IPS-Nathan Lectures, March 30, 2016), 24-25, https://lkyspp.nus.edu.sg/docs/default-source/ips/mr-bilahari-kausikan-s-speech7d7b0a7b46bc6210a3aaff0100138661.pdf?sfvrsn=cec7680a_0). For his part, David Shambaugh has identified six clusters of ASEAN countries to describe their response to China’s rise and relative closeness to Beijing. As of 2017, these were: capitulationists (Cambodia); chafers (Laos and Myanmar); aligned accommodationists (Malaysia and Thailand); tilters (Brunei and the Philippines); balanced hedgers (Singapore and Vietnam); and an outlier (Indonesia). See Shambaugh, “U.S.-China Rivalry in Southeast Asia: Power Shift or Competitive Coexistence,” International Security 42, no. 4 (Spring 2019), 100-103.


61 Ibid.


64 Comments made by President Jokowi at the ASEAN-China Summit in Singapore in November. See: “Indonesia Invites China to Join Indo-Pacific Cooperation” (Secretariat Kabinet, Republik Indonesia, November 14, 2018), https://setkab.go.id/en/indonesia-invites-china-to-join-indo-pacific-cooperation/.
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66 The Pentagon’s Indo-Pacific Strategy Report says the “United States continues to support ASEAN centrality in the regional security architecture, and the U.S. free and open Indo-Pacific strategy seeks to further empower it” (p. 46). For a discussion of ASEAN centrality, see Amitav Acharya, “The Myth of ASEAN Centrality,” Contemporary Southeast Asia 39, no. 2 (August 2017).


69 ADB estimate cited in Michelle Jamrisko, “China No Match for Japan in Southeast Asia Infrastructure Race.”

70 Amy Searight points out that China is adept at creating false binary choices (see Otto Kreisher, “Southeast Asian Nations Wary of Choosing Sides in Rift Between U.S., China”). As my Brookings colleague Ryan Hass cogently observes, Beijing “would like to maximize its influence and minimize Washington’s throughout the region. In instances where interests clash, such as over trade and maritime disputes and America’s alliance relationships, Beijing would like regional governments to side with it. Beijing also would like to lock in trade agreements and investment patterns that place China at the center and the U.S. on the outside.” See Hass, “The Case for Continued American Leadership in Asia,” Seattle Times, December 29, 2017, https://www.seattletimes.com/opinion/the-case-for-continued-american-leadership-in-asia/.


73 The full quotation is: “China, Russia — they’re showing up at the doorstep, but once they enter the house, we know the debt traps. They will use debt traps, they will disregard rules, and they will spread disorder in your home. Thankfully, you all, South America, is not buying it. You should know that the United States will stand by you.” Remarks made in Santiago, Chile. See Michael R. Pompeo, “Seizing the Opportunity for Freedom in the Americas” (speech, Santiago, Chile, April 12, 2019), https://www.state.gov/remarks-on-u-s-latin-american-policy/.
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80 For a debate on the pros and cons of appointing such an envoy, see China’s Belt and Road: The New Geopolitics of Global Infrastructure Development, 17-18.


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90 East-West Center, ASEAN Matters for America / America Matters for ASEAN, 2019, 18. The CPPTT also makes it more cost effective to situate supply chains within CPPTT countries rather than outside of them.


92 For critical analysis of U.S. China policy and the possible ways forward, see Kurt M. Campbell and Jake Sullivan, “Competition without Catastrophe: How America Can Both Challenge and Coexist with

93 Ryan Hass and Mira Rapp-Hooper, “Responsible Competition and the Future of U.S.-China Relations.”

94 The notion of clear-eyed coexistence is discussed in Kurt M. Campbell and Jake Sullivan, “Competition without Catastrophe.”
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