

*International Institutions and
Global Governance Program*



U.S. President Barack Obama meets leaders at the Association of Southeast Asian Nations summit on February 16, 2016. (Kevin Lamarque/Reuters)

INSIGHTS FROM A CFR-LOWY INSTITUTE WORKSHOP

Southeast Asian Perspectives on U.S.-China Competition

June 23, 2016

*In April 2016, the Council on Foreign Relations' International Institutions and Global Governance program and the Australia-based Lowy Institute for International Policy held a workshop on Southeast Asian perspectives on U.S.-China competition. The workshop was made possible by the support of the Robina Foundation. The views described here are those of workshop participants only and are not CFR, Lowy Institute, or Robina Foundation positions. **The Council on Foreign Relations takes no institutional positions on policy issues and has no affiliation with the U.S. government.** In addition, the suggested policy prescriptions are the views of individual participants and do not necessarily represent a consensus of the attending members.*

WORKSHOP TAKEAWAYS

- Disputes with China in the South China Sea present a challenge for Southeast Asian countries, which are seeking to shape Chinese behavior while maintaining the solidarity and centrality of the Association of Southeast Asian Nations (ASEAN) in the region. These two goals may not be reconcilable.
- The reputational cost of not approving the Trans-Pacific Partnership (TPP) would be extremely high for the United States, because many policymakers in Southeast Asia regard the trade deal as symbolic of U.S. commitment to the region.
- Southeast Asian borders are porous, and Southeast Asian states' capacity to police the illicit flow of goods and people—including terrorists—across these borders presents governance and security challenges. Assistance from Washington and Beijing could help address these challenges.
- Rather than succumb to pressure to choose between the United States and China, ASEAN members should wield their collective influence to constrain the U.S.-China rivalry through regional rules and institutions, and to channel competition toward productive ends.

INTRODUCTION

Competition between the United States and a rising China has shaped the contours of global politics, security, and economics since the beginning of the twenty-first century. However, the perspectives of Southeast Asian countries, where this great power rivalry has far-reaching consequences, are often overlooked. To acquire a more nuanced understanding of Southeast Asian views of U.S.-China competition across a range of issues—including maritime disputes, trade and investment, and transnational security challenges—the Council on Foreign Relations and the Lowy Institute for International Policy convened prominent scholars, think tank representatives, and current and former government officials for a workshop in Singapore on April 3–5, 2016.

TEACHING ELEPHANTS TO DANCE

As one workshop participant noted, many Southeast Asian states see themselves as akin to the grass in the African proverb, “When two elephants fight it is the grass that suffers.” However, in some Southeast Asian states, the participant noted, elephants can be taught how to dance.

In February 2016, U.S. President Barack Obama hosted the leaders of the ten member states of ASEAN in Sunnylands, California, for the first-ever U.S.-ASEAN Leaders Summit, following two terms of steadily increasing diplomatic outreach with ASEAN under Obama. The meeting underscored Washington’s growing interest in fostering stronger economic ties with, maintaining security in, and exerting greater influence over Southeast Asia, a region that is central to the U.S. “rebalance” to Asia. According to some workshop participants, the summit also signaled that the United States respected the principle of ASEAN “centrality,” according to which ASEAN, not external powers, should play the primary convening role in regional diplomacy.

However, growing competition between the United States and China in Southeast Asia, along with shifts in domestic politics in both countries, has cast doubt on ASEAN's centrality. The United States has served as a guarantor of security in Southeast Asia since World War II, with the U.S. Seventh Fleet securing maritime routes throughout the region. But the populist wave in U.S. domestic politics, the end of the Obama administration, and the precarious fate of the TPP trade agreement led many workshop participants to question the long-term commitment of the United States to the region. Meanwhile, China's meteoric economic rise and revanchism in the South China Sea have eroded U.S. primacy in Southeast Asia. As a result of China's recent actions, Beijing has lost many of the gains made during its charm offensive in the 1990s and early 2000s. With China asserting itself more forcefully across the region, some participants argued that Beijing could improve relations with Southeast Asia by approaching it more respectfully as its "front door" region, rather than a "backyard." Another participant noted that Southeast Asian states have the luxury of picking friends, such as the United States, but not neighbors; cooperating with China is a necessity, not a choice.

DISPUTES IN THE SOUTH CHINA SEA

Nowhere is U.S.-China competition more visible than in the South China Sea, the site of long-standing [territorial disputes](#) between China and Brunei, Malaysia, the Philippines, and Vietnam. China's construction, expansion, and militarization of artificial islands in the sea have drawn criticism from the United States. Concerned that leaving Chinese claims unchallenged will set a troubling precedent, Washington has undertaken several freedom of navigation operations and doubled down on its security commitments to allied Southeast Asian claimants.

Absent careful management, the disputes in the South China Sea could poison China's relations with its neighbors or lead to armed conflict.

Several participants cautioned against viewing Southeast Asia exclusively through the lens of the South China Sea. Yet, many agreed that, absent careful management, the disputes could poison China's relations with its neighbors or lead to armed conflict. The impending ruling of the Permanent Court of Arbitration at The Hague, where the Philippines has [filed a case](#) against China under the United Nations Convention on the Law of the Sea (UNCLOS), could prompt a new approach from Beijing or it could encourage increased Chinese assertiveness.

One participant characterized developments in the South China Sea as a complex interplay of law, history, and power. Legally, maritime disputes are governed by UNCLOS, which enumerates the rights, responsibilities, and jurisdictions of states in their use and management of the world's oceans. Some states claim that historical rights override the law of the sea, although this position is not the majority view among international lawyers. According to the Chinese narrative, participants noted, the disputed areas of the South China Sea were historically Chinese territory but were lost during China's "century of humiliation."

As a resurgent power, China now aims to reclaim its historical greatness, symbolized by supremacy in its historic waters, the South China Sea. Such appeals to law and history are further complicated by the broader struggle for power between the United States and China. Some participants argued that, from the U.S. perspective, China's aggressiveness in the South China Sea has stoked concerns that Beijing is

unwilling to accept the established rules of international order. However, another participant noted, China regards the U.S. rebalance to Asia as a “disguised form of containment,” which runs counter to Beijing’s efforts to reclaim a role commensurate with its size and historical greatness.

As one participant pointed out, ASEAN operates on the basis of consensus and often reflects the “lowest common denominator” of positions among its ten members. Meanwhile, Malaysia—a claimant that prefers to maintain a low profile—and Indonesia have sought to play a bridging role between ASEAN and China. However, China’s recent large-scale reclamation activities in the Spratly Islands and fishing activities in the maritime jurisdiction of Malaysia and Indonesia have made it increasingly difficult for Kuala Lumpur and Jakarta to ignore increased Chinese assertiveness.

Many participants voiced concerns that the Permanent Court of Arbitration’s imminent ruling could heighten tensions. If the tribunal rules that China’s claims have no basis in international law, Beijing has two options. On the one hand, China could react defiantly, accelerating its land reclamation and declaring an air defense identification zone over the South China Sea. Such moves could increase the likelihood of a clash between China and the Philippines, raising the prospect of a broader regional conflagration involving the United States, with which the Philippines has increasingly close defense ties. On the other hand, China could react to the ruling in a more constructive fashion by pursuing confidence-building measures with other claimants. Although China has said it will not abide by the ruling of the tribunal, some participants urged Beijing to nevertheless clarify the nature of its claims within the South China Sea. China could also convene a meeting of Southeast Asian coastal states to promote environmental conservation and biodiversity in the South China Sea and help restore fish stocks that are being dangerously depleted by rampant illegal, unreported, and unregulated fishing. Other participants suggested that Beijing might negotiate with rival claimants on joint development projects in the disputed waters, which would build trust while yielding shared economic benefits.

However, the majority of participants remained pessimistic that the South China Sea disputes will be resolved in the near future. Many participants maintained that concluding negotiations on the long-delayed Code of Conduct for the South China Sea remains the best option, though others raised doubts as to whether this was politically feasible. Another suggested that, as an interim solution, China and ASEAN, with U.S. support, should expand the [Code for Unplanned Encounters at Sea](#)—a nonbinding framework that aims to facilitate international naval communication and prevent escalation—to include nonmilitary vessels. More broadly, many participants encouraged China to look forward. Rather than dwell on overcoming its century of humiliation, said one participant, China should aspire to create “a new century of prosperity.”

REGIONAL TRADE AND INVESTMENT ARCHITECTURE

Southeast Asia is one of the most economically vibrant regions in the world. For decades, ASEAN states have reaped the fruits of economic relations with the United States and China. However, mounting competition between Washington and Beijing over trade and investment has increasingly affected Southeast Asia, a region that both powers consider central to their economic policies.

Mounting competition between Washington and Beijing over trade and investment has increasingly affected Southeast Asia.

A pillar of the U.S. rebalance to Asia is the Trans-Pacific Partnership, an ambitious free-trade agreement that encompasses twelve states—including ASEAN members Brunei, Malaysia, Singapore, and Vietnam—and aims to reduce tariffs, uphold intellectual property rights, and strengthen environmental and labor standards. Although some participants questioned whether the agreement will yield significant economic benefits to

Southeast Asian members, most agreed that TPP has become symbolic of Washington's commitment to the region. Participants underscored that Southeast Asian parties to TPP have invested considerable political capital in the trade agreement's success. If the U.S. Congress votes against ratification of the trade deal, the United States would suffer a high reputational cost.

Running parallel to TPP is the Regional Comprehensive Economic Partnership (RCEP), a trade agreement encompassing all ten ASEAN members plus Australia, China, India, Japan, New Zealand, and South Korea. RCEP does not offer as extensive a liberalization agenda as TPP, making its conclusion in the next year more likely. Participants noted that, though China has touted RCEP as an alternative model to the TPP, it is unlikely to deepen signatories' economic integration with China in the way TPP might deepen integration with the United States and raise standards. Chinese President Xi Jinping has also spearheaded the One Belt, One Road initiative, which aims to channel hundreds of billions of dollars into infrastructure projects spanning Eurasia, and the Asian Infrastructure Investment Bank, a new regional development bank launched by China in 2015 that is perceived as a rival to the U.S.-dominated World Bank and the Japan-dominated Asian Development Bank.

One participant portrayed the competing economic visions of the United States and China as a question of “hardware” versus “software.” On the one hand, China's approach relies heavily on the “hardware” of infrastructure: roads, railroads, ports, and bridges. The United States, on the other hand, emphasizes “software,” such as intellectual property, education, and training. The U.S. and Chinese approaches are often portrayed as competing models, which implies that developing countries have to pick one over the other. However, workshop participants emphasized that Southeast Asia needs both hardware and software; countries should not be forced to choose.

TRANSNATIONAL SECURITY IN SOUTHEAST ASIA

Southeast Asia faces an array of transnational security challenges, from trafficking in persons and illicit goods to cyber threats and piracy, but none has received more attention than terrorism. Workshop participants stressed that the terrorist threat has evolved with the advent of the self-declared Islamic State, its sophisticated propaganda, and its aggressive recruitment on social media. Hundreds of fighters from Indonesia, Malaysia, Singapore, and other Southeast Asian nations have traveled to the Middle East to join the Islamic State and other jihadist groups. The January 2016 terrorist attacks in Jakarta, modest in scope, evince the desire of Islamic State affiliates to launch attacks in the region, but also their current relative lack of capacity.

Several participants said that there is enormous opportunity for cooperation among the United States, China, and ASEAN on counterterrorism, because the Islamic State and other terrorist

organizations are a “common enemy” threatening the interests of all countries. As the global reach of the Islamic State demonstrates, border protections alone are insufficient to combat threats that transcend national boundaries. This is particularly true in Southeast Asia, where, in the words of one participant, security challenges are “inherently transnational,” given the region’s intricate network of land and maritime borders.

In addition, participants noted challenges related to migration and human trafficking, particularly the repatriation of individuals that Beijing categorizes as terrorists. Despite objections from the United Nations, the U.S. government, and prominent human rights organizations, Thailand recently repatriated to China approximately one hundred asylum-seeking Uighurs—Muslim, Turkic-speaking people from China’s restive Xinjiang Province. Participants said that the Uighur issue has become a “sticking point” in relations between China and the Southeast Asian countries through which fleeing Uighurs travel, but it is also indicative of the fact that Southeast Asian nations do not have the capacity to effectively manage regional migration.

Participants also warned that Southeast Asia’s myriad initiatives to counter extremism remain poorly coordinated. Weak interagency cooperation is symptomatic of broader governance challenges, which, according to one participant, are the ultimate drivers of violent extremism. Moreover, several participants noted that the threat of Islamic State terrorism in Southeast Asia has already compelled some governments to further entrench draconian counterterrorism laws, which could be counterproductive for human rights and governance in the region. When the United States and China provide capacity-building assistance in Southeast Asia, they should ensure that they do not unwittingly exacerbate weak governance and interagency competition.

THE FUTURE OF ASEAN

Participants broadly agreed that ASEAN should not only maintain its “strategic autonomy” amid U.S.-China competition but also leverage its centrality in efforts to steer Washington and Beijing away from confrontation. To realize these objectives, participants emphasized, ASEAN needs bold ideas and reinvigorated leadership. Some questioned the viability of ASEAN’s commitment to “egalitarian multilateralism,” noting that the absence of decisive leadership within the group will only invite China or the United States to fill the power vacuum. Another participant noted that, despite rhetoric to the contrary, ASEAN has always been hierarchical—something reflected in the yawning economic gap between the most developed (Singapore and Brunei) and least developed (Laos and Myanmar) Southeast Asian countries. Some participants suggested that Singapore and Indonesia could specialize in leadership roles according to their comparative advantage, though others argued that no single country can provide the public goods necessary to strengthen regional security and prosperity.