

## The Southeast Asian Crucible

### What the Region Reveals About the Future of U.S.-Chinese Competition

By David Shambaugh

As President-elect Joe Biden and his incoming administration begin to fashion a strategy to manage the intensifying competition between the United States and China, they need to pay close attention to Southeast Asia. The contest with China is now playing out all over the world and across all functional domains—diplomacy, commerce, security, influence operations, ideology, values, education, science and technology, and more. The competition in these realms in Southeast Asia represents a microcosm and a harbinger of how it might develop elsewhere in the world. The outcome there will at the very least affect the rest of the vast Indo-Pacific region, which has become increasingly central in international affairs.

In recent years, several Southeast Asian states have appeared to be “bandwagoning” and establishing closer alignments with Beijing. Many experts and officials in the region and elsewhere detect a shift in the balance of power and influence, one that distinctly favors China over the United States. But observers should not overstate this trend or expect it to continue indefinitely. China does not yet dominate Southeast Asia, and it will not inevitably do so in the future. With the right policies and approach, Washington can counterbalance Beijing while advancing its own interests and contributing to stability, security, and development in the region.

#### WHY SOUTHEAST ASIA MATTERS

The stakes are high in Southeast Asia. It is a dynamic and sprawling region, spanning 1.7 million square miles: more than 3,000 miles from east to west and over 2,000 miles from north to south. The region is composed of 11 countries, ten of which are members of the Association of Southeast Asian Nations (ASEAN). With a combined population of 636 million people, Southeast Asia is one of the most heavily and densely populated areas on the planet. The demographic dimension is matched by the scale of its religious and cultural diversity, as 240 million Muslims, 140 million Buddhists, 130 million Christians, and seven million Hindus live in Southeast Asia. It is also a politically pluralistic region, containing five different types of political systems, ranging from Leninist party-states to full democracies. Economically, Southeast Asia has experienced the fastest growth of any region in the world since the global financial crisis of 2008. Today its members collectively constitute the sixth-largest economy in the world, with an aggregate nominal GDP of \$2.8 trillion in 2018.

The area’s strategic importance is grounded in geography. The Strait of Malacca and the South China Sea are the most heavily traversed sea-lanes in the world; every year, approximately 50,000 vessels, 40 percent of the world’s merchandise trade, and 25 percent of the world’s oil supplies pass through them. This helps explain the growing security sensitivities in the region. In particular, the buildup of China’s military outposts in the South China Sea has fueled a sense of danger and strategic fluidity. Partly as a result, in recent years, every ASEAN state except Cambodia and Laos has increased its spending on defense and military procurement.

ASEAN celebrated its 50th anniversary in 2017. Although frequently criticized for its shortcomings, the organization nonetheless has much to be proud of—not least the absence of war among its members since the end of the Cambodia-Vietnam conflict in the mid-1990s. ASEAN has also been quite successful in addressing transnational security challenges such as piracy, human trafficking, smuggling, organized crime, pandemics, and environmental pollution. The organization prides itself on the “ASEAN Way”: decisions reached by consensus, noninterference in one another’s internal affairs, and voluntary cooperation. Those norms have helped the group bond but have also severely impeded the organization’s ability to tackle tough issues and take action when needed. A particularly glaring weakness has been its inability to mediate territorial disputes in the South China Sea or to stop China’s militarized island building in those waters.

The region is no stranger to great-power competition. As a consequence, its countries are practiced in the art of strategic hedging and are predisposed to neutralism and nonalignment, owing to their colonial histories. On the other hand, several Southeast Asian states have opted for traditional defensive realist tactics, adopting policies of alliance formation or strategic alignment with larger powers. Since the mid-1990s, ASEAN has adopted a proactive and inclusive approach of engaging external powers in multilateral dialogues and meetings. Some observers criticize such forums as mere “talk shops” that accomplish little and produce largely nonbinding agreements. Insofar as these mechanisms are intended to be confidence-building measures that bind the powers more closely to the region, however, they must be deemed at least formally successful.

## STUCK IN THE MIDDLE

Although the strategic competition between China and the United States has been brewing for some time in Southeast Asia, the maneuvering between Washington and Beijing intensified significantly after U.S. President Barack Obama launched his “pivot” policy toward Asia in 2011, which stimulated Beijing to increase its own presence in the region. The strategic maneuvering between the two rivals continued to grow throughout the Trump years. For its part, China has stepped up its involvement in the region, especially through its vaunted Belt and Road Initiative (BRI), which seeks to considerably expand Beijing’s already extensive commercial and economic links. China has also increased its diplomatic outreach, cultural exchanges, and influence activities throughout the region. The challenge for all the region’s countries is to navigate increasingly close relations with Beijing without becoming overly dependent. As a senior Thai diplomat told me in Bangkok: “It is too late for us Thais to escape China’s embrace—we are just trying to keep from being smothered by it.”

Most Southeast Asian states see practical utility in moving closer to Beijing, and thus far they have experienced no real consequences from Washington for doing so. As one senior official in Malaysia’s Ministry of Foreign Affairs explained to me, “We do not have an ideological approach to China, just pragmatic and transactional. China needs friends and we are in a position to be friends. What are the costs for us of getting close to China? What can America do about it?”

This bandwagoning trend is real and significant—but it should not be exaggerated. Indeed, several factors could contribute to its reversal in the years to come. First, Beijing is quite capable of overreaching and overplaying its hand by becoming too demanding and exploitative. Evidence of this behavior can already be found in Chinese interactions with Indonesia, Laos, Malaysia, Myanmar, Thailand, and Vietnam. Even in China’s client state of Cambodia, there is simmering discontent in society over the influx of Chinese investment in land purchases, gambling meccas, and construction projects. The Indonesian government is very concerned about the 30,000 Chinese laborers in the country as well as China’s excavation of minerals from Kalimantan and Sumatra. In 2011, Myanmar abandoned the construction of a Chinese-financed dam on the Irrawaddy River that had provoked consternation over the risks it posed to the environment and that would have displaced tens of thousands of villagers. Likewise, in 2017, Malaysia froze most of its BRI projects because of concerns over excessive debts and costs, corruption, unneeded infrastructure, and compromised sovereignty. Such instances reflect Beijing’s inattention and lack of understanding of local sentiments, and similar reactions seem likely elsewhere.

Beijing’s tin ear results from Chinese officials and diplomats living in their own propaganda bubbles and echo chambers, unattuned to how China is viewed in the region. Beijing’s intelligence agencies also have a questionable understanding of the region, as they tend to focus on commercial and political elites and the Chinese diaspora rather than on understanding local suspicions and discontent, civil society, political trends, ethnic politics, and the complicated particularities of Southeast Asian societies.

Most Southeast Asians have deeply ingrained postcolonial identities; they are quick to react to larger powers seeking to establish asymmetric relationships and acting with arrogance. They also still have fresh memories of China’s subversive policies and actions in the region during the 1960s and 1970s, when Beijing actively supported communist insurgencies in every country in the region. And Southeast Asian governments and publics remain acutely sensitive to China’s historical support for members of the Chinese diaspora in the region—especially in Indonesia, Malaysia, the Philippines, and Vietnam, where they are increasingly the targets of Beijing’s influence operations.

## AN UNDERAPPRECIATED POWER

As China expands its footprint in the region, many observers believe that American power and influence is weak and diminishing rapidly. This is a misperception. The cultural, economic, and security footprint of the United States across Southeast Asia remains massive. In most dimensions, it is even larger than China’s.

To be sure, Washington’s inconstant diplomatic attention is one of the weakest links in the U.S. position in the region, as senior U.S. officials rarely show up in the region. But in other spheres, the United States possesses across-the-board strengths. Its military presence and network of security partners run wide and deep. Its soft power—particularly in popular culture and education—remains strong. Its commercial presence is long-standing and huge: over 4,200 U.S. companies now operate in Southeast Asia. Taken together, the countries of ASEAN are now collectively the United States’ fourth-largest trading partner worldwide, accounting for approximately \$350 billion in trade in 2018.

That figure does not rival China's \$587.8 billion in trade with ASEAN countries in 2018, but it is hardly insignificant. More impressive and less appreciated is the cumulative amount of U.S. direct investment into ASEAN countries, which now totals \$329 billion—more than China, Japan, and South Korea combined. On an annual basis, U.S. direct investment in the region is almost double that of China: \$24.9 billion and \$13.7 billion, respectively, in 2017, according to ASEAN.

When the U.S. position in Southeast Asia is examined empirically and measured comprehensively, Washington's comparative advantages and intrinsic strengths become clear. What is more, public opinion surveys reveal a reservoir of positive perceptions of the United States among many Southeast Asian publics (although, paralleling a global trend, there has been a significant decrease during the Trump era). Yet the strength of the U.S. position would be a surprise to anyone who consumes only regional media, which perpetuates the pervasive narrative that China is the dominant power in Southeast Asia. In reality, China is an overestimated power and the United States is an underappreciated one.

#### DON'T COUNT WASHINGTON OUT

Of course, it would be a mistake to assess the region's likely trajectory by considering only Beijing and Washington. ASEAN and its individual member states have the capacity to recalibrate, to some extent, their external linkages. ASEAN is not a passive party; it has its own agency and has historically proved itself adroit at maneuvering and hedging. The question this time around is: Given Beijing's increasing strength and influence in the region and the episodic quality of Washington's attention, will ASEAN be able to maintain its autonomy and flexibility—or will Beijing progressively erode it?

Middle powers elsewhere in Asia could help ASEAN avoid being caught in a pincer between China and the United States. Japan, in particular, is an important economic and soft-power player in Southeast Asia, and Tokyo has recently been ramping up its security cooperation with several ASEAN states. India is also rapidly expanding its position in Southeast Asia, commensurate with Prime Minister Narendra Modi's "Act East" policy. South Korean President Moon Jae-in has also unveiled a "southward policy" for his country in the region. Given Australia's proximity and trade links with the region, Canberra considers itself to have a special relationship with many ASEAN members. Even Russia is attempting to play a greater role in the region. These actors further complicate the regional chessboard and make Chinese dominance less likely.

Thus, despite Southeast Asia's apparent gravitational shift toward China, the die has not yet been cast. One of the United States' comparative advantages in its competition with China (in Southeast Asia and elsewhere) is China itself. Beijing's hubristic bullying, sanctimonious "wolf warrior" public diplomacy, propaganda bubble, inattention to local concerns, and inability to take criticism constructively all serve to undermine China's power and influence. In many instances, the best thing for Washington to do is to simply let Beijing overreach and alienate others. If the Biden administration makes the region a priority and reengages with purpose and consistency (which is what Southeast Asians seek), then China can be counterbalanced—and Southeast Asians can enjoy the best of both worlds.

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