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DON'T MAKE US CHOOSE SIDES:

Southeast Asian Perspectives of U.S. Strategy and Presence in the Region

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About the Centre on Asia and Globalisation

The Centre on Asia and Globalisation (CAG) was established at the Lee Kuan Yew School of Public Policy, National University of Singapore, in 2006. The Centre is dedicated to conducting in-depth research on developments in the Asia-Pacific and beyond. CAG's mission is to provide accurate, independent, and high-quality analysis on issues of regional and global significance for academia, decision-makers, commentators, and the general public.

The Centre's research agenda is focused on two broad areas: the prospects of regional and global order; and the future of economic globalisation. Current projects include the future of regional order in Southeast Asia, the interplay between regional orders and global order, China-India relations, China's arrival on the global stage, connectivity in continental and maritime Asia, Asia in the world economy, and the future of trade and financial globalisation.

Since the Centre's establishment, it has developed collaborative networks and relationships with research institutes in Australia, China, India, Japan, Russia, South Korea, the UK, and the United States as well as other countries in Europe and Southeast Asia. Through these collaborations, CAG aims to provide opportunities to facilitate constructive and substantive exchanges among leading experts on vital issues of international politics.

About the Cover

The cover picture is a portion of Dutch cartographer Nicolas Visscher's 1657 map of the East Indies, *Indiae Orientalis, nec non Insularum Adiacenum Nova Descriptio*.

Executive Summary

Intensifying competition between the U.S.-and China has resulted in considerable concern in Southeast Asia, particularly the securitization of economic relationships, the prospect of military conflict affecting the region, and diminished prospects for Southeast Asia's future ability to garner benefits from both powers. Southeast Asian states are acutely aware of the risks of great power competition, including its potential impact on their relationships with China, and their ability to leverage the United States as an off-shore balancer. The United States plays a critical global role, diplomatically, militarily, economically, and culturally but Southeast Asian perceptions of the U.S. are often framed in terms of comparison with China, or in the context of U.S.-China competition, presenting both challenges and opportunities for the United States. There is widespread agreement in Southeast Asia that the U.S. needs to gain a greater understanding of local perspectives, particularly their nuance and diversity as states act to maintain a balance of power in the region. Issues that are critical to Southeast Asian states are often transnational, and transregional, sometimes underscored by different perspectives between maritime and continental Southeast Asia.

Southeast Asian states are suspicious of both China and the United States, sceptical of China's motives and hegemonic ambitions, and uncertain about U.S. reliability and the sustainability of its commitment to the region. Distrust, coupled with geographic, cultural, and ideological diversity in the region sometimes leaves it struggling to articulate what the region wants from the U.S. as a whole, resulting in disparate messages, or entreaties framed as negative proscriptions, rather than positive prescriptions. It is clear what the region does not want – to choose sides – but there is little consensus on that the region wants, other than for the U.S. and China to get along.

Diplomacy

The United States' diplomatic and national interests in Southeast Asia are far greater than leveraging the region as part of a successful competitive strategy to counter China. For Southeast Asian states, a worst-case scenario is Washington only perceiving Southeast Asia's value in the context of U.S.-China competition – a theatre of competition - which would likely lead Washington to aggressively pressure Southeast Asian states to choose sides and bandwagon to counter China's rise. That outcome is avoidable, providing Southeast Asian states continue to exercise their own agency and pursue their current strategies of inclusivity, and remain comfortable reassuring the U.S. of the future potential for the development of bilateral relations based on their own merits. Southeast Asian states will need to avoid resistance to deepening relations with the U.S. because of fears how Beijing might react, which could result in the very zero-sum polarization they seek to avoid.

For the U.S. to succeed in maintaining its current level engagement and influence in the region, it will need to be sensitive to Southeast Asian concerns about the consequences of U.S.-China competition, their distress over the prospect of choosing sides, and how it can meet the complex (and not always well articulated) expectations of the United States. Southeast Asian states have four dogmatic expectations of the United States which should

inform U.S. strategies for regional engagement. First is that the U.S. will act with restraint when managing U.S.-China relations, believing that China is pursuing its legitimate interests, even if Beijing's approach is a cause of friction. Second, that Washington will continue to contribute to regional security and stability, including through its sustained military presence, while also seeking to reassure China. The third expectation is that Washington will exercise economic leadership in the region as a major investor and trading partner. The fourth is that the U.S. will support ASEAN centrality and actively participate in the ASEAN process, attending summits and functional meetings.

While it is not incumbent on the United States to meet all expectations of it, understanding those expectations, developing strategies and programs based on them, as well as providing empathetic assurances that enhance mutual understanding would be the foundation of an effective strategy for the region. Understanding regional perceptions of risk from U.S.-China relations is another variable for Washington to consider. One key risk is the role of ethnic Chinese populations in Southeast Asian states, their influence on domestic policy-making, and how U.S.-China relations affects them.

Military

The United States is the leading military cooperation partner in Southeast Asia, though the most meaningful U.S. military relationships are spread unevenly in the region, concentrated primarily in Singapore and the Philippines. China's military presence is much less significant, with Beijing's most notable efforts focused on the least developed ASEAN members, Myanmar, Cambodia, and Laos. This polarization of security cooperation partnerships within ASEAN presents risks which Southeast Asian states will attempt to mitigate by encouraging the U.S. and Chinese to engage in dialogue and refrain from forming blocks within the region.

Southeast Asian countries are increasingly concerned about the potential for a U.S.-China conflict, particularly over Taiwan following China's militaristic response to Nancy Pelosi's Taiwan visit in August 2022. Southeast Asian states are unified in their desire to avoid being drawn into a cross-Strait conflict, but it is increasingly clear that the consequences of a cross-Strait conflict cannot be avoided by Southeast Asia.

The broadest opportunity for U.S. military cooperation in Southeast Asia is to contribute to the conditions for peace and stability by providing support to individual states to build their autonomy without exacerbating local security dilemmas. Enabling Southeast Asian states to better secure their territorial waters and protect economic interests in their EEZs is likely the greatest contribution to regional stability that U.S. military cooperation can make. The U.S. provides considerable support to Southeast Asian maritime countries to improve their maritime domain awareness in pursuit of this objective, including the Maritime Security Initiative (MSI) established in 2015 and implemented by the U.S. Department of Defense.

Trade and Economics

Southeast Asian states' determination not to choose sides is perhaps most vehement in economic matters. For the least developed ASEAN economies, they lack a choice, either due to U.S. sanctions precluding trade and investment, or poor governance which makes those economies unattractive to U.S. companies. For the more developed, larger economies of Indonesia, Thailand, Singapore, Vietnam, Malaysia and the Philippines, being able to trade with and attract investment from both China and the United States is critical for their continued national development. Economic disruption stemming from U.S.-China competition is perhaps the greatest risk to Southeast Asia, as it could undo decades of development and exacerbate domestic social and political stability.

The United States has missed a major strategic opportunity to extend its influence and presence in the region by opting out of trade agreements involving ASEAN economies, despite sparse bilateral agreements such as the U.S.-Singapore FTA. There are still reservoirs of goodwill towards the U.S. economic presence in the region however, which Washington can continue to leverage despite China's dominant economic position. U.S. foreign direct investment and the reputation of American companies earn Washington influence and access, even if U.S. companies are independent of the government, unlike their Chinese counterparts.

Southeast Asian partners are particularly worried about the prospect of decoupling between the U.S. and China disrupting their trade and economic relationships, as well as prospects for future growth, but there are potential opportunities for regional partners to benefit from evolving U.S. industrial policy. While there are concerns about the loss of jobs and investment from home-shoring trends, friend-shoring will undoubtedly continue as global companies and capital seek efficient markets with lower costs of production, and fewer political risks than China. Not meeting Southeast Asian expectations for economic engagement lessens the United States' overall attractiveness and credibility as a reliable partner in the region.

Conclusion

Hedging is not unique to Southeast Asia. Other small states and medium powers around the world are wary of the pitfalls of worsening U.S.-China relations and its effect on U.S. strategy and presence around the world. Successful, resilient countries will identify opportunities alongside the risks, however. Southeast Asian states have yet to conclude that great power competition is in fact a potential benefit to them. Competition prevents either the U.S. or Beijing from dominating the region, albeit with risks that competition could be unstable or at times violent. A unipolar hegemonic order as an alternative paradigm would provide stability, but it would also likely diminish autonomy and agency (the ability to make choices, not just avoid them), and it increases the risk that economic benefits would not be equally shared between the Southeast Asian states and the hegemon. Southeast Asian states should therefore be incentivised to facilitate a balance of power and degree of competition, so long as it contributes to security and prosperity.

Introduction

Following three decades of relative stability and economic growth since the end of the Cold War, the past ten years have been characterized by steadily intensifying strategic competition between the United States and the People's Republic of China (PRC) which threatens to undo the decades of peace and prosperity that have benefitted Southeast Asia. China's reform and opening model generated rapid economic growth since joining the WTO in 2001 contributing to substantial economic benefits for Southeast Asia as well as the U.S., underwritten by a robust U.S.-led security network that enabled nations to spend liberally on domestic development, rather than international security. Southeast Asian states effectively balanced their relationships between the United States and China, garnering economic and security benefits from both. Xi Jinping came to power in 2012 ushering in what Chinese leaders call a "new era," ending Deng Xiaoping's reform and opening period. Under Xi, China's foreign and domestic policies have steadily evolved, with the Communist Party of China (CPC) taking on a greater, more visible role in policy-making and supervision of China's government, society, and economy.

Many Asian and European countries are responding to China's more assertive foreign policy, economic nationalism, and expanding military power by strengthening their security alliances with the U.S., diversifying their economic relationships, and engaging in other hedging and balancing behaviours. Tensions between China and the U.S. have resulted in intensifying competition and the securitization of economic relationships. These trends are causing considerable concern in Southeast Asia, about the future of their relationship with China, the risks of escalating U.S.-China tensions including the prospect of military conflict, and the implications of these possible outcomes for each Southeast Asian state's strategy to balance relations between the U.S. and China so they can continue to garner benefits from both powers.

For Southeast Asian states, the impact of U.S.-China competition plays out primarily in three sectors: diplomacy and international security; military cooperation; and trade and economics. Areas where Southeast Asian states can enhance their resilience and increase cooperation exist in each sector including opportunities for cooperation in climate change which is arguably a diplomatic, security, and economic issue. Ultimately, the key factor is the agency of Southeast Asian states and how they choose to exert themselves to preserve their autonomy and maintain their freedom of manoeuvre in the face of what they see as risk and pressure from the U.S. and China. As each Southeast Asian state exercises its own agency and develops balancing or hedging strategies, the consistent theme expressed by them is clear, "don't make us choose sides."

This report is the outcome of a project sponsored by the United States Institute of Peace to explore and understand Southeast Asian perspectives of U.S. strategies and presence in Asia, analysing diplomatic, economic, and security dynamics, and how regional states are responding to intensifying U.S.-China competition. The views expressed in this report are the author's alone and do not reflect the views of the United States Institute of Peace or the Lee Kuan Yew School of Public Policy at the National University of Singapore.

Diplomacy and International Security

The United States plays a critical global role, diplomatically, militarily, economically, and culturally but Southeast Asian perceptions of the U.S. are often framed in terms of comparison with China, or in the context of U.S.-China competition. It is important to note that Southeast Asian states are diverse, and understandably have diverse outlooks on governance and development, and they lack a common perspective on the U.S. and China. There are some key consistencies between them, however, and broad generalities can be made about how they perceive the U.S. and U.S.-China competition as it affects them.

There is widespread agreement that the U.S. needs to gain a greater understanding of Southeast Asian perspectives, particularly their nuance and diversity as states act to maintain a balance of power in the region. Issues that are critical to Southeast Asian states are most often transnational, and transregional, sometimes underscored by different perspectives between maritime and continental Southeast Asia. Issues are sometimes framed in terms of the relationship between individual Southeast Asian states and the closer power, China. For example, water security issues, especially the Mekong River's politics are becoming more significant, exposing competing or diverging Southeast Asian interests, asymmetric relationships with China, and the complex role of the United States as an off-shore balancer.

Southeast Asian states are suspicious of both China and the United States, sceptical of China's motives and hegemonic ambitions, and uncertain about U.S. reliability and the sustainability of its commitment to the region. Southeast Asian distrust in both powers is rooted in the long history of U.S.-China conflict during the cold war which played out devastatingly in the region. Distrust, coupled with geographic, cultural, and ideological diversity in the region sometimes leaves it struggling to articulate what the region wants from the U.S. as a whole, resulting in disparate messages, or entreaties framed as negative proscriptions, rather than positive prescriptions. It is clear what the region does not want – to choose sides – but there is little consensus on that the region wants, other than for the U.S. and China to get along. The inability to leverage the Association of Southeast Asian States (ASEAN) to gain diplomatic or strategic clarity adds to U.S. misperception. Individual states struggle to articulate their value proposition to the United States, particularly what they themselves value, and what they are willing to commit to in exchange for greater commitments from the two powers. Essentially, Southeast Asian states are much clearer about what they do not want, than what they do want from the U.S. and China. This stands in contrast to more cohesive approaches to intra-ASEAN issues and bilateral relations between ASEAN members, where long-standing norms are inculcated in member's behaviours. Southeast Asian states invest considerable effort to build resiliency to avoid being forced to choose sides, while also pressing the U.S. and China to invest more in their relationships bilaterally, taking advantage of opportunities offered by either or both powers.

Even as Washington and Beijing seek to reassure Southeast Asian states that they do not ask them to choose sides, countries in the region feel pressure to side with one or the other on critical issues, or else are concerned about potential costs of being perceived to side with one over the other. Dominant narratives in the region tend to reinforce polarity, such as the common trope that the U.S. is the region's security provider, while China is the region's

economic partner. Reality is much less bi-polar. In Singapore, for example, the U.S. is the largest foreign direct investor, a major private sector employer, and a rapidly growing export destination for Singapore's manufactured products. Japan's foreign direct investment exceeds China's in Southeast Asia. As China's economy and foreign trade slows and manufacturing capacity shifts back to the U.S., Japan, and new economic centres in Southeast Asia such as Vietnam, U.S. markets and companies in the region will become increasingly important economic partners for Southeast Asian states. China retains considerable economic clout, of course, and it is still the top trading partner of countries throughout the region. China's investments in infrastructure, the attractiveness of Belt and Road projects, and trade in goods and services, especially tourism are particularly attractive for Southeast Asian states, and all are key areas of competitive advantage for Beijing compared to the U.S. or developed European economies. Economics is not the only determinant of diplomatic alignments, however, and in some ways it can lead to intense competition between Southeast Asian states, rather than greater multilateral alignment.

The diversity of Southeast Asian perspectives and dependencies leads to states pursuing bilateral strategies, rather than insisting on binding multilateral approaches – perpetual calls to increase the importance of ASEAN centrality notwithstanding. Opportunities for establishing more consistent norms for engaging the U.S. are undermined by individual states prioritizing their autonomy from one another over compromise towards a common approach. The U.S. opportunity is to recognize and understand competing forces and interests within Southeast Asia, continue to rhetorically embrace vague regional concepts such as ASEAN centrality to build trust, while continuing to strengthen bilateral relationships in tangible ways.

China's growing size and power create some discomfort for Southeast Asian neighbours, particularly China's ready willingness to use diplomatic, economic, and military coercion in response to political differences since Xi Jinping came to power in 2012. Southeast Asian states consider China's rise inevitable, its proximity a reality, and Beijing's resolve to exert its influence is unquestioned. While China's rise has potential economic benefits for Southeast Asian states, particularly China's willingness and capacity to invest in politically important infrastructure projects, Beijing's assertive foreign policy and growing military power projection capabilities are an increasing cause for concern amongst Southeast Asian states. While ASEAN brings benefits to its members, no credible Southeast Asian interlocutor would argue that the ASEAN organization is able to counter China's diplomatic or economic coercion, or its power projection capabilities to protect its individual members. ASEAN is not and never intended to be a collective security body.

Support for multilateralism is still a key aspect of Southeast Asian state strategies, including leveraging ASEAN's inclusive, consensus-based approach to engaging the U.S., China and other external powers. The Southeast Asian approach to multilateralism and multipolarity is focused on inclusivity that enmeshes the power poles into ASEAN and the region, gaining their inputs without allowing them to dominate the whole. The strengthening of U.S. security alliances, Japan's growing military capabilities in support of the U.S.-Japan alliance, and emergence of new multilateral security relationships, such as AUKUS and the US-Japan-ROK trilateral, as well as Australia's increasing importance in security groupings are both

reassuring and discomfoting for Southeast Asian states which sees the new security dynamic as either a comforting hedge against China's power, or a potential trigger that goads China towards greater external aggression. ASEAN's vision for inclusiveness seeks to avoid a cold war bipolarity which would necessitate the most absolute of alignment akin to choosing sides. The trend of U.S.-China competition and the securitization of trade and investment - de-risking - illustrates those concerns and represents a potential worst-case scenario for Southeast Asian states who fear a hard choice between security and prosperity.

Southeast Asian perspectives of U.S. support for multilateral groupings involving extra-regional actors that are not exclusively security focused are mixed. The establishment of the Quadrilateral Security Dialogue (QUAD) made up of the U.S., Australia, Japan, and India has evoked diverse reactions from Southeast Asian states which are beginning to appreciate that the QUAD's is not an alliance to contain China as it shifts away from harder aspects of security and deepening multilateral military cooperation towards broader conceptions of stability including infrastructure and public health. Whereas AUKUS is undoubtedly a security grouping intended to increase Australia and the UK's relevance in Asia and the strategic crossroads of Southeast Asia, the strengthening of the Australia-Japan security relationship creates a pole that bisects Southeast Asia, integrating Australia more deeply in Northeast Asia. The relevance of Northeast Asian security relationships (and security risks) to Southeast Asia is rising, particularly in light of the deterioration of the cross-Strait relationship and perceptions that the risk of conflict over Taiwan is increasing. Southeast Asian states, however, are unlikely to systematically draw Northeast Asian states into regional architectures such as the ASEAN Regional Forum to actively contribute to deterrence-based military cooperation, though there are ample bilateral security cooperation opportunities for the U.S., and Japan (and to a lesser extent Australia) to build capacity and enhance the ability of Southeast Asian states to bolster their own security, particularly in the maritime domain. Japan's contributions of maritime law enforcement vessels to Cambodia, Indonesia, Philippines, Malaysia, and Vietnam are a prime example of Southeast Asian states leveraging Japan's interest in enhancing Southeast Asian maritime security, revealing Japan's vision for regional stability and security beyond the scope of competition with China.

The United States' interests in Southeast Asia likewise are far greater than leveraging the region as part of a successful competitive strategy to counter China. For Southeast Asia a worst-case scenario is Washington only perceiving Southeast Asia's value in the context of U.S.-China competition, which would likely lead Washington to aggressively pressure Southeast Asian states to choose sides. That outcome is avoidable, providing Southeast Asian states continue to exercise their own agency, their current strategies of inclusivity, and remain comfortable reassuring the U.S. of the future potential for the development of bilateral relations. Southeast Asian states will need to avoid resistance to deepening relations with the U.S. because of fears how Beijing might react, which could result in the very zero-sum polarization they seek to avoid.

For the U.S. to succeed in maintaining its presence and influence in the region, it will need to be sensitive to Southeast Asian concerns about the consequences of U.S.-China competition, their distress over the prospect of choosing sides, and how it can meet the complex (and not always well articulated) expectations of the United States. Southeast Asian states have four

dogmatic expectations of the United States which should inform U.S. strategies for regional engagement. First is that the U.S. will act with restraint when managing U.S.-China relations, believing that China is pursuing its legitimate interests, even if Beijing's approach is a cause of friction. Second, that Washington will continue to contribute to regional security and stability, including through its sustained military presence. The third expectation is that Washington will exercise economic leadership in the region as a major investor and trading partner. The fourth is that the U.S. will support ASEAN centrality and actively participate in the ASEAN process, attending summits and functional meetings. While it is not incumbent on the United States to meet all expectations of it, understanding those expectations, developing strategies and programs based on them, as well as providing empathetic assurances that enhance mutual understanding would be the foundation of an effective strategy for engaging the region. Understanding regional perceptions of risk from U.S.-China relations is another variable for Washington to consider. One key risk is the role of ethnic Chinese populations in Southeast Asian states, their influence on domestic policy-making, and how U.S.-China relations affects them. Southeast Asian states also have a well-developed sense of sovereignty, and well-founded concerns about foreign interference which is often channelled through diaspora communities. Internecine violence was a feature of the cold war, sparking fears that the intensification of U.S.-China competition could ignite quietly simmering racial tensions, thereby undoing extensive investments cultivating racial harmony and decades of relative peace. Equally ominous is the risk that U.S.-China tensions could create conditions that exacerbate other domestic fault lines, including social mobility, wealth disparities, and risks that could stem from decoupling and economic disruption caused by U.S.-China relations. Assigning blame to either Beijing or Washington as the root cause of U.S.-China risks is meaningless, but recognizing, reducing, and mitigating those risks to Southeast Asia will be a competitive advantage for either or both powers.

Military Cooperation

The United States is the leading military cooperation partner in Southeast Asia, though the most meaningful U.S. military relationships are spread unevenly in the region. China's military presence is much less significant, with Beijing's most notable efforts focused on the least developed ASEAN members, Myanmar, Cambodia, and Laos. This polarization of security cooperation partnerships within ASEAN presents risks which Southeast Asian states will attempt to mitigate by encouraging the U.S. and Chinese militaries to engage in dialogue, and refraining from forming blocks within the region.

The U.S.-Singapore military relationship is exceptionally substantial, with Singapore's Air Force operating several U.S.-made weapon systems including F-16s, F-15s, and eventually F-35 fighters, conducting joint training in the region, as well as training and stationing Singapore fighter and Army helicopter squadrons in the U.S. The U.S. Navy maintains a presence in Singapore to provide logistics support to U.S. forces transiting the region, and Singapore's Navy bases regularly host visiting U.S. vessels on port calls, including U.S. aircraft carriers moored to purpose-built piers. The U.S.-Philippines alliance is undergoing a renaissance, as Manila responds to Beijing's assertiveness in the South China Sea by expanding joint training and access to bases throughout the country, as well as long-standing support for Manila's campaign against domestic insurgents. The U.S.-Thailand relationship is moribund, however, with Washington reluctant to engage Bangkok following the 2014 coup, and neither side perceiving tangible benefits from the alliance. China is filling this vacuum left by the U.S., expanding joint training and exercises with Thailand, and increasing arms sales including a 2017 order for three Yuan-class submarines. The U.S. is seeking to maintain or improve its security relationship with other Southeast Asian states, including Indonesia, Vietnam, and Malaysia, but those countries prioritize autonomy and balance cooperation with the U.S. with their interest to maintain a positive relationship with China, limiting the potential gains Washington can make.

Southeast Asian countries are increasingly concerned about the potential for a U.S.-China conflict, particularly over Taiwan. U.S. Speaker of the House Nancy Pelosi's visit to Taiwan in August 2022 resulted in a show of force by the People's Liberation Army (PLA) which included the launch of multiple ballistic missiles over Taiwan with some landing in Japan's Exclusive Economic Zone (EEZ). Beijing announced six military closure areas surrounding Taiwan which some analysts characterized as a blockade exercise. One closure area centred in the Bashi Channel separating the Philippines from Taiwan, with the closest point of the closure area only 25 miles (22 nm) from the shores of the Philippines' closest island. This show of force by the PLA closely following the Russian invasion of Ukraine in February 2022 made the prospect of a conflict in Northeast Asia conceptually tangible for Southeast Asians, particularly in light of China's support for Russia's invasion and joint China-Russia exercises in the Pacific. Unable to ignore a crisis on their periphery, the ASEAN Foreign Ministers issued a [statement](#) in the midst of the August 2022 show of force, calling for "maximum restraint" and avoiding provocative actions. Southeast Asian states are unified in their desire to avoid being drawn into a cross-Strait conflict, but it is increasingly clear that the consequences of a cross-Strait conflict cannot be avoided by Southeast Asia. Southeast Asian states have considerable interests in Taiwan, which is home to almost 1 million

migrants from Southeast Asia. Taiwan is a major trading partner and investor in Southeast Asia, as well as a key link in global supply chains that rely on components and materials from Southeast Asian-based firms. Southeast Asia's mantra to avoid choosing sides is conspicuously challenged by the military risk posed by a cross-Strait conflict embroiling the U.S. and China, but also by Beijing's One China principle, which explicitly requires Southeast Asian states to choose China.

U.S. security cooperation with Southeast Asian states can therefore not be predicated on choosing sides, or taking a side in a cross-Strait conflict. Southeast Asian states are unwilling to take credible or tangible measures to deter Beijing from using force to settle its differences with Taiwan. Southeast Asian states aligning through ASEAN have struggled to work together to deter China from using force against ASEAN members in their own territorial disputes in the South China Sea. Russia's invasion of a sovereign country on its border and Beijing's willingness to use force against its neighbours over territorial disputes presents a bleak security paradigm for Southeast Asian states unwilling to bandwagon with the United States to deter China or form a collective security arrangement of their own to band together to oppose aggression against individual Southeast Asian states. This dilemma makes it difficult for Southeast Asian states to clearly articulate to the United States their security concerns (which often leaves unspoken perceived threats from their own Southeast Asian neighbours) and their expectations for security cooperation from the U.S. to provide security and stability, without provoking China.

The broadest opportunity for U.S. military cooperation in Southeast Asia is to contribute to the conditions for peace and stability by providing support to individual states to build their autonomy without exacerbating local security dilemmas. Enabling Southeast Asian states to better secure their territorial waters and protect economic interests in their EEZs is likely the greatest contribution to regional stability that U.S. military cooperation can make. The U.S. provides considerable support to Southeast Asian maritime countries to improve their maritime domain awareness in pursuit of this objective, including the Maritime Security Initiative (MSI) established in 2015 and implemented by the U.S. Department of Defense. US\$475 million have been spent since 2016 on partners throughout the region. In addition to providing training and exercises, logistics and maintenance support, and intelligence platforms, the MSI has funded the provision of Scan Eagle surveillance UAVs to Malaysia, Indonesia, Philippines and Thailand, as well as Coast Guard vessels to the Philippines.

For Washington, the maritime security cooperation objective has several advantages. Enabling partners to better defend their territorial waters and maritime economic rights supports a core indicator of government legitimacy, and is consistent with universal respect for sovereignty among Southeast Asian states. Ensuring littoral states can protect their maritime economic resources is at the heart of international law and Southeast Asian partners' interests in economic development and the preservation of sovereignty. Importantly, U.S. interests in building Southeast Asian maritime domain awareness and law enforcement capacity are shared by other Asian states, particularly Japan, Australia, and South Korea who have also provided complementary maritime domain awareness and maritime law enforcement capabilities such as patrol ships and aircraft to several Southeast Asian countries.

Southeast Asian states are reluctant to cooperate with the United States, especially militarily to deter China from using force against Taiwan or other states, fearing that deterrence efforts would be perceived as destabilizing, either as a provocation that Beijing feels it needs to retaliate against, or inciting Beijing's determination to use force just as Speaker Pelosi's visit to reassure Taiwan did. Southeast Asian states are effectively conditioned to avoid confronting Beijing, or being seen to align with other powers against China. Southeast Asian responses to the establishment of AUKUS reflect this perspective, underscoring a key difference in opinion of the most effective way to deter conflict. This gap between Northeast and Southeast Asian security outlooks leaves Southeast Asian decision-makers without agency, and ill-equipped to prepare for, or deal with the potential consequences of a conflict involving China. Supporting Southeast Asian states to build military capacity to defend their territorial waters and protect their EEZs from encroachment enhances the effectiveness, credibility, legitimacy, and agency of Southeast Asian governments, which ultimately are the key U.S. interests in Southeast Asia, not cajoling small states to align with Washington to confront China.

Trade, Economics, and Climate Change

Southeast Asian states' determination not to choose sides is perhaps most vehement in economic matters. For the least developed ASEAN economies, they lack a choice, either due to U.S. sanctions precluding trade and investment, or poor governance which makes those economies unattractive to large, legitimate U.S. companies. For the more developed, larger economies of Indonesia, Thailand, Singapore, Vietnam, Malaysia and the Philippines, being able to trade with and attract investment from both China and the United States is critical for their continued national development. Economic disruption stemming from U.S.-China competition is perhaps the greatest risk to Southeast Asia, as it could undo decades of development and exacerbate domestic social and political stability. Perceptions and expectations of U.S. economic engagement in the region, as well as accusations of U.S. responsibility for economic disruption caused by U.S.-China competition is a key aspect of Southeast Asian viewpoints of the U.S., as well as their strategies for economic engagement with the U.S. and China. Not meeting Southeast Asian expectations for economic engagement lessens the United States' overall attractiveness and credibility as a reliable partner in the region.

While U.S.-China competition in the economic space is closely followed and discussed, the dramatic changes in China's political economy in the new era since Xi Jinping came to power in 2012 are a major factor reshaping China's trade relations and the global economy which receives relatively less attention. The expanding role of the Communist Party of China under Xi Jinping and the marginalization of the private sector reflect a significant shift in the Party's strategy prioritizing ideological and political security over economic engagement, creating a difficult investment environment for foreign companies operating in China. Absolute censorship, vague national security and counter-espionage laws, protectionist industrial policy such as Made in China 2025, massive subsidies to State Owned Enterprises and national champions, and the lack of an independent legal system are key political risks that have amplified under Xi Jinping, contributing to an even more uneven playing field for foreign companies.

Other factors unrelated to U.S.-China competition have also affected geo-economics. Rising labor costs and industrial policies in China aiming to move manufacturing up the value chain have driven manufacturers to open greenfield factories in Southeast Asian markets with lower production costs, such as Vietnam. Favourable government policies and investment in priority industries such as electric vehicles and steel has led to over-capacity and fears of products being dumped in developed economies. Xi Jinping's draconian approach to COVID control, opaque and unpredictable policy-making in Beijing have soured many global investors in the financial sector on China, leading them to seek safer investments elsewhere. While U.S.-China tensions are certainly a political risk that investors have been long considering, off-shoring and financial outflows from China long preceded rising U.S.-China tensions. Geo-capital outpaced geo-politics.

These trends will impact Southeast Asian economic relationships with both the U.S. and China, most notably the shifting centre of gravity for large manufacturers moving to Southeast Asia as major companies implement "China-plus-one" strategies based on

maintaining a China assembly plant to serve the Chinese market, and Southeast Asian plants for global markets. Intra-ASEAN trade will likely benefit from its free-trade agreement as China's dominance of the hub-and-spoke trade architecture wanes and new manufacturing and assembly hubs emerge.

Regional trade agreements will undoubtedly retain their importance, particularly their political symbolism including the Regional Comprehensive Economic Partnership (RCEP), and the Comprehensive and Progressive Agreement for a Trans-Pacific Partnership (CPTPP). RCEP in particular plays a particularly significant role. RCEP consolidates the ASEAN+1 Free Trade Agreements into a comprehensive, regional framework which will likely deepen integration of trade and supply chains as they shift to Southeast Asia. Despite China's touting of its participation and support for RCEP, it is ASEAN-centric, but it importantly also integrates Japan and South Korea into a regional framework with China since the major Northeast Asian economies lack bilateral FTAs.

The United States has missed a major strategic opportunity to extend its influence and presence in the region by opting out of trade agreements involving ASEAN economies, despite sparse bilateral agreements such as the U.S.-Singapore FTA. There are still reservoirs of goodwill towards the U.S. economic presence in the region, however which it can continue to leverage despite China's dominant economic position. U.S. foreign direct investment and the reputation of American companies earn Washington influence and access, even if U.S. companies are independent of government, unlike their Chinese counterparts.

Southeast Asian partners are particularly worried about the prospect of decoupling between the U.S. and China disrupting trade and economic relationships, and the prospects for economic development, but there are potential opportunities for regional partners to benefit from evolving U.S. industrial policy, such as the CHIPS and Science Act and the Inflation Reduction Act. While there are concerns about the loss of jobs and investment from home-shoring movements, friend-shoring will undoubtedly continue as global companies and capital seek efficient markets with lower prices of production, and fewer political risks than China. U.S. industrial subsidies might revive its moribund manufacturing sector, but they will be far from sufficient to entice multinational companies to depart Southeast Asian markets. U.S.-led initiatives such as the Indo-Pacific Economic Framework (IPEF), which includes Australia, Brunei, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the United States, and Vietnam is a potential platform for like-minded countries to make progress on sticky trade issues in its various "pillars" such as establishing standards for digital trade, but it lacks the gravitas and political attractiveness of CPTPP and RCEP. Washington's commitment to IPEF is tenuous as well, due to popular opposition to trade agreements in both political parties.

ASEAN economies embrace regional trade frameworks because they cannot rely on ASEAN itself. ASEAN can set norms and make agreements, but it cannot enforce them. ASEAN still plays an important role, however. Its consensus based-approach levels the broader economic playing field and creates equity, particularly in transnational economic issues, preventing large or wealthy countries like Indonesia or Singapore from dominating the group. This levelling arrangement also nullifies the ability for external powers to co-opt the group,

keeping it open and inclusive, and therefore able to achieve its goal of ASEAN centrality. ASEAN's limits are often obvious, however. ASEAN plays no role in fiscal or monetary policy, or exchange rate policy for any of its members, which consider those issues to be a core aspect of their sovereignty. ASEAN therefore does not play a limiting role, but instead an enabling one manifested by its convening power and ability to set an agenda for the U.S. and China to constructively engage all 10 ASEAN members.

ASEAN does play a potentially meaningful role in addressing climate change, though its centrality is questionable. ASEAN's value is in setting agendas for international cooperation and bringing together countries with differing views to find common ground and reach consensus where possible. The U.S. regained its credibility with ASEAN members in climate change cooperation following the inauguration of President Biden in 2021, enabling the development of the ASEAN-U.S. Environment and Climate Work Plan and meaningful participation at the ministerial level between the U.S. and ASEAN climate and environment officials. ASEAN presents the U.S. with abundant opportunities to deepen its engagement with the region and expand collaboration in a broad range of issues relevant to economic development including green energy and technology. U.S. mini-lateral relationships provide another opportunity for regional engagement, whether through bilateral frameworks involving the U.S. and Japan, Australia, South Korea and other partners, or in multilateral frameworks such as QUAD-ASEAN cooperation which could address economic and development issues including public health, food security, and critical minerals for energy transition. Multilateral approaches in these sectors would reassure Southeast Asian states of their autonomy and agency in external cooperation with diverse partners, mitigating the risks of having to choose, or be seen as choosing between either the U.S. or China.

Conclusion: Southeast Asian Independence and Agency

Hedging is not unique to Southeast Asia. Other small states and medium powers around the world are wary of the pitfalls of worsening U.S.-China relations and its effect on U.S. strategy and presence around the world. Successful, resilient countries will identify opportunities alongside the risks, however.

Southeast Asian states have yet to confidently conclude that great power competition is in fact a potential benefit to them. Competition prevents either the U.S. or Beijing from dominating the region, albeit with risks that competition could be unstable or at times violent. A unipolar hegemonic order as an alternative paradigm would provide stability, but it would also likely diminish autonomy and agency (the ability to make choices, not just avoid them), and it increases the risk that economic benefits would not be equally shared between the Southeast Asian states and the hegemon. Southeast Asian states should therefore be incentivised to facilitate a balance of power and degree of competition, so long as it contributes to security and prosperity.

Southeast Asian states can leverage opportunities presented by the United States and other regional partners to enhance their autonomy and exercise their agency. Recognizing that Northeast Asian security dynamics affect Southeast Asian interests, broadening their perspective and how they define their interests in the larger region would further invest and enmesh external partners and contribute to the multipolar stability that the region seeks. ASEAN's [Outlook on the Indo-Pacific](#) (AOIP) announced at the 2019 ASEAN Summit is a positive, though tentative step in that direction.

Outspoken support for international law in the settlement of disputes is the most meaningful and impactful exercise of agency for Southeast Asian states, projecting their influence far beyond their borders in support their own autonomy and interests in the face of great power competition. Continuing to pursue a Code of Conduct in the South China Sea with China, with the longer-term objective of peacefully resolving China's maritime territorial disputes are a critical undertaking. Importantly, Southeast Asia's commitment to resolving inter-ASEAN maritime territorial disputes in the Gulf of Thailand and the South China Sea (as well as the Cambodia-Thailand terrestrial dispute) based on international law is a powerful signal to external powers about Southeast Asian states' commitment to preserving their autonomy. Singapore's peaceful resolution of territorial disputes with Malaysia, as well as Singapore's outspoken opposition to Russia's invasion of Ukraine demonstrate resolve to apply international law and its principled support for autonomy and sovereignty both locally and globally. Demonstrated support for international law, and the utilization of multilateral mechanisms for dispute resolution are a powerful demonstration of agency and autonomy, sending a clear signal to great powers that small states are empowered stakeholders who will resolutely preserve their own interests in the face of external pressure.

A key manifestation of Southeast Asian commitment to autonomy is the insistence on the principle of ASEAN centrality, which is a clear exertion of agency. ASEAN's inclusivity and specific mechanisms for engaging external partners, and the success of those mechanisms such as the ASEAN Defense Ministers Meeting-Plus and other ASEAN-plus groupings

represent a successful approach to managing U.S.-China competition. Singapore's sponsorship of the annual Shangri-La Dialogue is a prime example of small-state agency shaping great powers, further demonstrating the utility and practicality of bilateral approaches coexisting comfortably with ASEAN-centrality. Southeast Asian states will undoubtedly continue to find ways to leverage bilateral and multilateral engagements to their benefit. Likewise, Southeast Asian states will need to consider how they will adapt to changing regional dynamics and the evolution of mini-lateral groupings such as the QUAD and looser trilateral groupings involving Japan, ROK, Australia and the United States. Opportunities abound for Southeast Asian states to exercise their agency to increase dialogue with the United States and other countries in various bilateral and mini-lateral configurations to shape the U.S. approach to the region in ways that benefit themselves.

Southeast Asian states have opportunities to pursue both hard and soft strategies to preserve their autonomy and agency. Domestic hard strategies include building capacity of institutions and improving good governance. External hard strategies include actively and publicly asserting international rights, speaking up when the rights of other ASEAN members are infringed, and forming coalitions with traditional and non-traditional allies to assert those rights. This is distinct from ideological alignments or alliances against others akin to the dreaded choosing of sides. Instead, Southeast Asian states should make clear when they are choosing themselves, and choosing to assert themselves in defense of their own rights and interests, rejecting accusations that they are acting on behalf of any other interest or country. Soft strategies include investments in domestic resilience, including countering foreign influence or interference, mobilization of civil society to preserve autonomy and build local and national institutions. Diplomatic efforts to leverage multilateralism and cooperative mechanisms to develop and strengthen norms that preserve autonomy are well established, but require continued investment and refinement to keep pace with evolving challenges. Strengthening ASEAN to address the risks presented by intensifying U.S.-China competition through norm-setting and capacity building in member states is the ultimate expression of commitment to autonomy and a powerful demonstration of agency.

Thucydides' history of the Peloponnesian War is often invoked in Southeast Asia by small states empathising with their forebears navigating power politics between the Aegean great powers Athens and Sparta. The most quoted lament, "the strong do what they can and the weak suffer what they must," was uttered by interlocutors from Melos confronted by the Athenian army issuing them the ultimatum to join the Delian alliance which they led. Geographically situated on the border between Sparta's Peloponnesian alliance and Delian territory, the Melians chose neutrality, insisting that they not choose sides, fearing the consequences. Athens refused to accept Melos' declaration of neutrality and laid siege to the city, occupying it a few months later, killing the city state's men, enslaving the women and children, then sending Athenian colonists to re-populate the city. International security dynamics have changed since 416 BC, however. International law has replaced the gods, missiles have replaced arrows, and great powers today offer assurances and benefits as enticement to align, rather than threats of annihilation. Regardless, Southeast Asian states appreciate Melos' dilemma and the risks of being caught between great powers and entanglement in their alliances, underscoring their steadfast commitment to not choose sides.

About the author



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From 2011 to 2018, he was the Director for China, Taiwan and Mongolia in the Office of the Secretary of Defense where he was responsible for supporting the Secretary and managing military-to-military relations. He was previously the Director of China Studies and Starr Senior Fellow at the Center for the National Interest in Washington, D.C. Prior to joining the Center, he was the National Director of the China-MSD HIV/AIDS Partnership in Beijing, a 5 year, \$30 million HIV/AIDS program established by Merck & Co. and the Chinese Ministry of Health. Mr. Thompson served previously as Assistant Director to the Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS). He also was the president of a Washington, D.C. company that manufactured snack food in Qingdao, China. He lived in Shanghai from 1993 to 1998 where he was the General Manager of a U.S. freight forwarding and logistics firm, overseeing offices in Beijing, Shanghai, and Nanjing.

Mr. Thompson studied Chinese language at Beijing University in 1990, and was a graduate student in 1992 at the Johns Hopkins University-Nanjing University Center for Chinese and American Studies in Nanjing, China. He graduated cum laude with a B.A. in Asian Studies from Hobart College in 1992, and was elected to Phi Beta Kappa. In 2004, Mr. Thompson received an M.A. in Government, with a concentration in Homeland Security, from Johns Hopkins University.



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