Sino-U.S. Strategic Competition in Southeast Asia: China’s Rise and U.S. Foreign Policy Transformation since 9/11*

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Abstract

Asia’s growing economic prosperity led by China’s rise in recent years has caused the spotlight of international relations to turn eastward. Along with rising interest in China’s development, renewed attention has also gravitated towards Southeast Asia, a region slighted in the general discussion of power in the international realm. With Southeast Asia’s growing role as the hub of regional integration and increasing market potential, observers are watchful on how the development of regional trade agreements in the area may shape international relations in East Asia, particularly with the realization of the China-ASEAN Free Trade Area. A further concern of China’s growing relations with Southeast Asia is its impact on Sino-US relations and what it entails for the balance of power in the region. The US return to Asia under the Obama administration re-engages the lone superpower with the region and Southeast Asia is an important testing ground of US cordiality towards Asia. Current US foreign policy has departed from the Bush administration’s emphasis on anti-terrorism and seeks engagement with Southeast Asia towards the goal of balancing China’s rise. This article seeks to explain and analyze the significance of Sino-US strategic competition in Southeast Asia.

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Introduction

International relations has greatly changed since the end of the Cold War. Aside from the globalization of technology, information and trade, a significant development in the new century is the formation of a multipolar international system and the gradual shift in power towards East Asia. The 9/11 incident has proved critical in bringing about a new atmosphere in the international system as the US superpower and international peace is severely challenged. The subsequent war on terror focused Washington’s attention on the Middle East while Asia’s economies developed rapidly to make the region an emerging economic powerhouse in the world.

China’s economic rise is one of the most important developments in the post-Cold War period. With rapid economic growth since the 1990s, China’s rise is the main supporting reason for the argument of shifting power to Asia; states and corporations across the world all set their eyes on China’s immense market potential. However, with communist authoritarianism still intact in Beijing, the international community remains cautious and watchful over China. Beijing has demonstrated its might in the South China Sea, the Taiwan Strait, Xinjiang and Tibet, which gives reasons for other states to ponder the intentions of a powerful China.

The Asian financial crisis serves as a critical turning point for China’s rise as Southeast Asia began to develop a favorable perception of Beijing. China’s growing relationship with the region directly affects US interests there as it sees another partner in China and no longer sees the US as the sole protector or lender of last resort. As power transition theory predicts, the international system is most unstable when the distribution of power changes; the future of China’s growing power remains a concern for regional stability. Southeast Asia serves as a testing ground for China’s increasing influence and an early warning signal for how US foreign policy should respond.

In light of the increasing weight of Sino-US relations in the new century, this article examines Beijing and Washington’s strategic interactions in Southeast Asia and explores the implications of regional competition for US foreign policy. Specifically, the authors explain the transformation in US foreign policy from Bush to Obama and suggest the prospect of US policy in consideration of the changing regional atmosphere in Southeast Asia.
Southeast Asia’s Rising Importance in International Order

In the aftermath of the Asian financial crisis in 1997, Southeast Asia became the driving force for regionalization in East Asia. Despite the European Union and the North American Free Trade Area’s success in regional integration, similar success cannot be pointed out in East Asia, where historical, ethnic and territorial conflicts abound among its members. The Asia financial crisis is the decisive factor in guiding East Asia onto the path of integration. In December 1997, the ten countries of ASEAN and China, Japan and Korea convened in Malaysia for the first “ten plus three” meeting to exchange views on the future of regional development and cooperation. The ASEAN plus three (ASEAN + 3) mechanism took shape and gradually became the heart of integration in East Asia (Lum et al., 2009: 5).

Aside from ASEAN plus three, ASEAN initiated separate dialogues with China, Japan and Korea and gave rise to the “ten plus one” (ASEAN + 1) mechanism, which runs in parallel to the “ten plus three” mechanism. East Asia began to show trends of integration with the development of ASEAN and attracted attention from the international community over the possible formation of another major regional economic entity after the EU and NAFTA. Through the “ten plus three” mechanism, China, Japan and Korea could temporarily set aside differences and disputes that hold back dialogue and cooperation in Northeast Asia.

Market power gives Southeast Asia economic significance in the world.\(^1\) Southeast Asia harbors several fast growing economies and a market of more than 500 million people. ASEAN’s total sum of GDP doubled between 2004-2010, growing from USD 715 billion to USD 1800 billion for an increase of 2.5 times (The ASEAN Secretariat 2008: 34; The ASEAN Secretariat, 2011a). In terms of trade, ASEAN’s total amount of trade also doubled between 2003-2009, growing from USD 825 billion to USD 1537 billion (The ASEAN Secretariat 2008: 60; The ASEAN Secretariat, 2011a). In the fourth ASEAN + 3 summit (2000), China’s ex-premier Zhu Rongji proposed joining with ASEAN to advance free trade in the region. The signing of the Framework Agreement on Comprehensive Economic Cooperation in 2002 between China and ASEAN officially put the China-ASEAN FTA (CAFTA) in motion (Tian 2010: 208). The CAFTA market has a population of almost two billion people and a total sum of production of $7.7 trillion. The region is the largest free trade area in terms of population while trailing only NAFTA and the EU in terms of economic scale.

Since 9/11, Southeast Asia has gained strategic significance under the US global war on terrorism. Penetrated by international terrorists, the so called “New Crescent” region that

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\(^1\) Southeast Asia is defined as the ten countries that make up the region: Indonesia, Philippines, Singapore, Malaysia, Thailand, Burma, Vietnam, Cambodia, Laos and Brunei.
spreads out across the Philippines, Indonesia, Singapore, Malaysia, Thailand and Burma has become a new hotbed for terrorism and a serious challenge for regional security (Chen, 2006: 32; Chen, 2007: 71; Chu, 2008: 26). Terrorism in Southeast Asia is dominated by fundamentalist groups such as Jemmah Islamiyah, Front Pembela, Laskar Jihad, Abu Sayyaf, New People’s Army and the Kumpulan Mujahidin Malaysia. Even though the goals between terrorist organizations and revolutionary groups in Southeast Asia are different, the common need for survival contributes to the formation of a cooperative network that has brought about a relatively high level of threat against regional stability (Dillon, 2004: 1-5). This network is connected with domestic religious and ethnic contradictions that exacerbate the sensitive issues of internal peace and stability. In addition, separatist movements and identity problems further strike at the nerves of countries in the region (Lohman, 2007: 1-9; Rabasa, 2001: 4-10).

At the same time, with energy security becoming an important issue in the new century, Southeast Asia’s strategic location began to stand out. Southeast Asia lies at the intersection of the world’s two most heavily traveled sea-lanes. The east-west route connects the Indian and Pacific Oceans while the north-south one links Australia and New Zealand to Northeast Asia. Both routes are economic lifelines by which China, Japan and Korea receive critical inputs like oil and other natural resources and export finished goods to the rest of the world (Solkosky et. al., 2000: 10-11). Nearly all shipping from the Middle East to the Pacific must go through three straits or “chokepoints” in the region: the Strait of Malacca, Sunda Strait and the Straits of Lombok and Makassar (Rahman and Tsamenyi, 2010: 316-317). The so called sea lines of communication (SLOC) greatly affect the outflow of critical natural resources from the Middle East abroad and generate great power competition over control of the maritime lifelines.

**China Rising**

China’s rapid economic rise is arguably one of the most important phenomena of the new century. Since Deng Xiaoping’s adoption of open door policy in 1978, China has moved onto the path of economic development and gradually caught international attention in the post Cold War period. New York Times reporter Nicholas Kristof (1993: 62-63) recognized the phenomenon as early as 1993 and points out that China is growing at an approximate GDP rate of 9% per annum. Adjusted for purchasing power, China stands as the second largest economy in the world after the US with USD 9.872 trillion in GDP (2010) (WTO, 2011). China’s total export has grown from USD 1,400 million in 2005 to over USD 1,500 million in 2010 (WTO, 2011).
An aspect of concern in China’s rising economic power is how the country will use its new found influence. With an authoritarian regime still intact, the People’s Liberation Army continues to exert strong influence in the decision making process of the PRC (Shirk, 2007). Moreover, China’s policy remains immovable with regards to territorial issues that are deemed as its “core interests” (hexin liyi) such as Taiwan, Tibet, Xinjiang and the South China Sea, and has demonstrated its rigid stance by making strong military gestures accordingly. China belongs to the nuclear group and announces its official defense budget USD 77.9 billion in 2010 (adjusted for purchasing power) (Global Security). Growing military budget is a notable trend in China’s rise in power, with defense spending growing approximately 40% from 2000 – 2008.

Aside from increased economic and military power, China’s soft power influence has increased as well. Observers have argued that the rise of China is not simply an expansion of hard power but also accompanied by tremendous efforts to develop soft power (Huang and Ding, 2006: 23). In a provocative work, Joshua Kurlantzick (2007) describes how China expresses global influence through soft power (the “charm offensive”) and points out the demand for US response to the phenomenon. The root of China’s rising soft power may be traced back to the Asian financial crisis, when China gained international acclaim for stabilizing its currency to the benefit of Southeast Asia. By keeping the renminbi from devaluation, China helped to curb further economic damage that may exacerbate the challenging situations in Southeast Asian economies (Goh, 2004: 12-13; Lum et. al., 2008: 2).

In 2007, CCP leader Hu Jintao (2007) proclaimed in his address to the 17th Communist Party Congress that China must “enhance culture as part of the soft power of our country...a factor of growing significance in the competition in overall national strength.” Concrete evidence of China’s expanding soft power can be seen in the learning fever for Chinese known as Zhongguore and the continuing expansion of state sponsored Chinese learning centers across the world. According to the Office of Chinese Language Council International (Hanban), the official department in charge of the promotion of Chinese learning abroad, by the end of 2010, 322 Confucius Institute and 369 Confucius Classrooms have been established across the world, spanning 96 countries and regions (Hanban, 2011).

In addition to great economic leaps and growing capability that can be observed from China’s rise, perhaps Beijing’s biggest impact on regional order is its peaceful ideology. In response to the China threat theory, former vice principal of the Party School of the Central
Committee of the CCP Zheng Bijian introduced the concept of “peaceful rise” (heping jueqi) at the 2003 Boao Forum. Zheng (2005) states that “the only choice for China under the current international situation is to rise peacefully, namely, to develop by taking advantage of the peaceful international environment and at the same time, to maintain world peace through its development.” Despite China’s peaceful proposal, the international community remained skeptical about Beijing’s intentions, which prompted China to propose the twin concepts of the “harmonious worldview” (hexie shijieguan) and “good neighbor foreign policy” (mulin waijiao) (Chao and Hsu, 2009: 4-8).

The Effect of China Rising on China-Southeast Asia Relations

Following the guidance of the harmonious worldview, China has adopted good neighbor policy towards its surrounding regions. China abides by the “five principles of peaceful coexistence” (hepinggongchu wuyuanze) as its policy foundation for shaping a peaceful international environment (Bert, 2003; Tian, 1993: 11). Under the guidance of the “five guidelines of regional cooperation” (quyuhezuo wuxiangzhidao) and consensus to set aside problems, China has set out to resolve residual historical problems in Southeast Asia through negotiations. The effects of China rising on Southeast Asia can be observed in political and economic advancements in bilateral relations.

In terms of foreign relations, China has improved its relations with other states through the establishment of various kinds of cooperation partnership and adopted peaceful negotiations as a mean to resolving border disputes. Foreign Minister Qian Qichen’s appearance in ASEAN’s foreign minister meeting in 1991 represents the first formal contact between China and ASEAN (Tian, 1993: 36). China entered as a consulting partner of the ASEAN Regional Forum in 1994 and gradually advanced into a dialogue partner in the following year. In 2003, ASEAN and China established the “strategic partnership for peace and prosperity” and agreed to jointly pursue political, social, security and regional cooperation (Zhang, 2010: 218). In the 2004 ASEAN-China summit, both parties agreed on the action plan to implement the joint declaration on strategic partnership.

In terms of economic relations, bilateral trade blossomed after the Asian financial crisis. China’s import from ASEAN increased from 12.4 billion USD in 1997 to 154.6 billion USD in 2010 (Tsai et. al., 2011: 35). In terms of export to ASEAN, the sum increased from 12.7

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2 The Five Principles of Peaceful Coexistence are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.
billion USD in 1997 to 138.2 billion USD in 2010 (Tsai et. al., 2011: 35). Even though China was only ASEAN’s fifth largest trading partner, fifth largest export market and third largest source of import in 2005, China’s trade with ASEAN ($202.5 billion) surpassed trade between US and ASEAN ($171.7 billion) in 2007, making China the largest trade partner of ASEAN (Niu, 2009: 326). It is clear that China and ASEAN have moved closer in terms of economic relations. Observers expect the growth in bilateral trade to continue as the CAFTA and other agreements such as the Greater Mekong Sub-region (GMS) development plan are realized.

**U.S. Foreign Policy Transformation in Southeast Asia**

After 9/11, Washington shifted its foreign policy emphasis to the task of anti-terrorism. Washington seemed to have begun to realize its neglect towards Southeast Asia in its strategic agenda, and decided to bring Southeast Asia back onto its strategic radar and to regard the region as a second front in the war on terrorism (Banlaoi, 2003: 102-103; Mauzy and Job, 2007: 635; Tan, 2010: 26). In the past three decades prior to US return to Southeast Asia, many analysts viewed the region as “marginal to security in Asia” and US policy in the region has been deemed as “policy without strategy” (Banlaoi, 2003: 102).

US adoption of the so called “benign neglect” policy in Southeast Asia is an action that defines Washington’s strategic and geopolitical priorities in the Asian theatre (Mauzy and Job 2007: 626-630). As more attention has been placed in the Taiwan Strait and the Korean Peninsula since 1949, US-Southeast Asia relations seem to be a mere branch of Washington’s hub and spoke strategy in Asia without a coherent set of US objectives and corresponding measures to be taken in the region. With China’s rise in recent years, the US has begun to direct more attention in Southeast Asia. China’s rise has caused Washington to initiate a set of strategy centered on Beijing’s potential challenge to its strategic interests in Asia, which is reflected in the transformation in the focus of US foreign policy (Limaye 2004: 87-89).

**Counter Terrorism under the Bush Administration**

As a result of Al Qaeda’s attack against the US, heavy emphasis on anti-terrorism can be observed in US foreign policy in the Bush administration. The US National Security Strategy 2002 report (NSS 2002) clearly states that Washington’s goals in Southeast Asia are to strengthen alliances to defeat global terrorism and work to prevent attacks; to work with
others to defuse regional conflicts; to prevent enemies from threatening the US, allies and friends with weapons of mass destruction; and to expand the circle of development by opening societies and building the infrastructure of democracy (U.S. White House, 2002). In addition, the report points out that Thailand, the Philippines and Singapore are important in assisting the US to develop a mix of regional and bilateral strategies to manage change in Southeast Asia.

In NSS 2006 released in the second term of the Bush administration, even though Washington’s security aims in Southeast Asia remain unchanged for the most part, the report admits that the US needs to build upon a foundation of sound bilateral relations with key states in the region in order to forge new international initiatives and institutions that can assist in the spread of freedom, prosperity and regional security (U.S. White Housea, 2006: 40). Washington is committed to continue to support political reform in the region in order to combat terrorism. The National Strategy for Combating Terrorism 2006 explains the long term strategy for the US is to advance “effective democracy” and respect for human rights and dignity (U.S. White House, 2006b: 1). On the other hand, in the short term, the US aims to prevent attacks by terrorist networks; to deny weapons of mass destruction to rogue states and terrorist allies who seek to use them; to deny terrorists the support and sanctuary of rogue states; to deny terrorists control of any nation they would use as a base and launching pad for terror; and to lay the foundations and build the institutions and structures needed to carry on the fight against terror (U.S. White House, 2006a: 1).

Strategically, the US policy aim of anti-terrorism translated into the search for closer relations with Southeast Asia. In September 2005, Deputy Assistant Secretary of State, Bureau of East Asian and Pacific Affairs, Eric John (2005), points out that the US actively seeks improved relationships with the Philippines, Thailand and Singapore (traditional allies) and opportunities to advance cooperation with Indonesia and Malaysia and promote closer ties with Vietnam, Cambodia, Laos, Brunei and East Timor (non-traditional allies). In addition, John (2005) emphasizes that the US has continued to look for ways to help regional states that have sovereign responsibilities over sea lanes in Southeast Asia to ensure security of the vital Strait of Malacca trade route. Aspiring to security cooperation under the Asia Pacific Economic Cooperation (APEC) framework, the US seeks the significant degradation of terrorist capabilities, elimination of sanctuaries for terrorism and institutionalized regional cooperation. In the following year, Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill (2006) continues to point out that US ties with ASEAN is an extension of very dynamic bilateral ties with partners in the Southeast Asia
region. Hill (2006) asserts that being a founding member of ARF and APEC, US remains deeply involved in multilateral mechanisms of the region to promote peace and development, expand economic opportunity, fight corruption, provide security and ensure the health of citizenry.

Under the influence of guidelines to actively improve and strengthen cooperation with Southeast Asia and construct institutions such as a global coalition against terrorism, the Bush administration began to change Washington’s traditional foreign policy of “benign neglect” towards Southeast Asia (Mauzy and Job, 2007). With anti-terrorism deemed as a priority in foreign policy, after success in the counter terrorist war in Afghanistan, the US shifted its attention to consider Southeast Asia as a second front in the global war on terrorism. As a result, the US increased its influence in the region by making an effort to improve and strengthen relations with countries in the region and provide support for counter terrorism activities. In 2002, former US Secretary of State Colin Powell and the ten member countries of ASEAN signed the Joint Declaration for Cooperation to Combat International Terrorism, a sign of the formal entry of US influence into Southeast Asia and US determination on counter terrorism.

Set against the goals of combating terrorist networks and preventing Southeast Asia from becoming a breeding ground for terrorist operations, the US has enhanced military cooperation and held joint military exercises with the countries of Southeast Asia. US military cooperation is reinforced with the Philippines, Thailand and Singapore after 9/11. Succeeding the Visiting Forces Agreement that provides a legal framework for US-Philippine joint military actions, Manila agreed to re-open Clark Air Base and Subic Bay Naval Base for US use in the fight against terrorism and both sides currently hold large scale annual military exercises (De Castro, 2003). Since 2002, the US has held several large scale joint anti-terrorist military exercises titled “Cobra Gold” with Thailand and Singapore. Washington and Singapore furthered their relationship by agreeing to the establishment of “Closer Cooperation Partnership in Defense and Security” in 2005, which includes cooperation in counter terrorism, anti-proliferation, joint military exercise, joint military training, policy dialogue and exchange in defense technology (Tan, 2010: 30-33).

During the Bush administration, trade cooperation was overshadowed by the emphasis on security cooperation. In 2002, the US initiated the “Enterprise for ASEAN Initiative” (EAI) to develop closer economic relations with Southeast Asia (U.S. Trade Representative, 2002). Under the initiative, Southeast Asian countries could promote trade liberalization according to their respective schedule and finally achieve the goal of FTA negotiations with the US. In
addition to liberalization, the US requires that any potential FTA partner should be a member of the WTO and must sign the Trade and Investment Framework Agreement (TIFA) with Washington. Since 2002, Myanmar, Cambodia, Vietnam, Thailand and Singapore have concluded TIFA with the US. In 2006, US trade representative Susan Schwab and ASEAN trade officials concluded TIFA, which set the ground for potential US-ASEAN FTA (U.S. Trade Representative, 2006). However, aside from the US-Singapore FTA reached in 2003, little progress was made in US economic relations with Southeast Asia in this period.

Obama Administration’s Return to Asia

Since Barack Obama’s victory through the slogan of “change” in the 2008 US presidential election, US politics entered a new era. Faced with limited success in overtures in Afghanistan and Iraq, domestic economic and financial difficulties and a rising China, the Obama administration has adopted the approach of “change” towards its strategy in Southeast Asia and overall foreign policy. In her first official visit abroad in February 2009, Secretary of State Hillary Clinton visited Japan, Indonesia, South Korea and China (Liao, 2011: 35). In most cases, newly inaugurated secretaries in the past travel to Europe or the Middle East in their first state visit abroad and in traditional trips to East Asia, stops are made only in China, Japan and South Korea. Inclusion of visits to the ASEAN secretary office and Indonesia not only reveals the US new foreign policy focus on the establishment of tighter relationships with countries in Asia, it also reveals the importance of Southeast Asia for US national interest (Sutter, 2009: 24).

Clinton’s trip to Asia defines the Obama administration’s determination to return and pay more attention to the region. In the Suntory Hall speech made on his state visit to Japan in 2009, Obama (2009) confirmed the new foreign policy focus on Asia by stating that “as a Asia Pacific nation, the US expects to be involved in the discussions that shape the future of this region, and to participate fully in appropriate organizations as they are established and evolve.” By declaring the US as an Asia Pacific nation, Obama aimed to assert US legitimacy in Asia and Washington’s right to participate in regional affairs. Since the first state visit to Asia in 2009, Clinton visited the Asia Pacific at least eight times by the end of 2010 while Obama visited the region again in 2010, attended the leader meetings between US and ASEAN and plans to attend the East Asia summit in 2011. In contrast to US absence from two out of three most recent ARF meetings in the Bush administration and US absence from the US-ASEAN Summit in 2007 (which marks the thirtieth anniversary of US-ASEAN relations) (Shen, 2009), the Obama administration has demonstrated strong initiative towards Southeast Asia.
Moreover, Clinton’s state visit also reveals the new administrations divergence in policy orientation from the Bush administration. In contrast to the previous administration’s stronger approach that rests on the use of power, the Obama administration emphasizes dialogue, cooperation and development with other countries in the world. The main goal of the Obama administration’s foreign policy is emphasized as the maintenance of US diplomatic influence and military power, reconstruction of the US image, and maintenance of national security and global leadership (Obama, 2008). Since inauguration, Obama has expressed the US will return to Southeast Asia and more voluntarily and actively seek the reinforcement of bilateral relations with ASEAN states in joint response to global financial crises, climate change, terrorism and other issues (Marciel 2009).

Even though some observers (Mauzy and Job, 2007) have pointed out that the Bush administration had adjusted the policy of benign neglect before 9/11 and slowly returned to Southeast Asia through increased contact and cooperation, while others (Nawawi, 2005: 11) have emphasized Southeast Asia’s important role in the Bush administration’s strategic arrangement, many scholars think otherwise, holding the view that the US has always lacked a clear and coordinated policy in Southeast Asia. As the US Council of Foreign Relation’s report in May 2001 points out, Washington has chronically neglected the strategic region of Southeast Asia and lacks a clear and coherent strategy towards the region (Kerrey, 2001: 20-21, 48-49, 53-54). Tommy Koh (2004) also points out that many countries in Southeast Asia are anxious over US strategy and feel that China may replace US influence in the region. Therefore, it is clear that US foreign policy has taken on a new course under the Obama administration and Asia has increased in priority in Washington’s strategic agenda.

**Sino-U.S. Competition and Southeast Asia’s Response**

It is no surprise that China’s rise in recent years has driven the US to undertake actions in response. For Washington, its relationship with Beijing continues to be dominated by the anxiety over China’s future development. Along with observers across the world, the US policy circle and experts continue to debate Beijing’s intention with its new found power and status in the international system and counter strategies Washington should adopt in light of the development (Lum, 2010: 3; Mearsheimer, 2010; Shi, 2010; Zhao, 2005). China remains a riddle for the US, as Washington needs Beijing’s support and cooperation on issues such as North Korea, anti-terrorism and climate change, yet Washington continues to be anxious and remains watchful over China’s intention to establish a new world order (Art,
A new world order entails the decline of US political and economic influence in the world, possible changes to the Bretton Woods system and the sharing of power with at least another great power (China). As the so-called G-2 proposal fell short due to China’s reluctance to enter into the partnership, the US has reasons to speculate over Beijing’s intentions (Lu, 2010: 299).

In other words, Sino-US relations are perhaps the most important set of relations in the near future and nearly all other sets of state relations can be considered under the Sino-US framework. Southeast Asia is the first testing ground of Sino-US relations in the new century as the impact of China’s rise is most profoundly demonstrated in the region. Coupled with ASEAN’s great power balancing strategy, competition between Beijing and Washington is likely to be unavoidable. The Obama administration’s return to Asia may be seen as the initial step towards a clear set of US foreign policy in Southeast Asia with China as the central concern. The US and China are currently engaged in growing economic and strategic competition in Southeast Asia.

**Economic Competition**

In terms of Sino-US economic competition in Southeast Asia, developments can be examined through the angle of regional integration. As a result of the early harvest programme agreed between China and ASEAN after the Asian financial crisis, trade has greatly increased, with China currently serving as ASEAN’s biggest trade partner excluding trade among ASEAN members (The ASEAN Secretariat, 2011b). In contrast, the US is ASEAN’s fourth biggest trade partner behind China, EU and Japan and barely makes up 10% of ASEAN’s total trade, which stands in marked contrast with Washington’s leading status in trade with ASEAN in 2007 (The ASEAN Secretariat, 2011b). In addition, according to ASEAN figures, ASEAN import from China contributes to 17% of total trade while import from the US contributes to 12% of total trade in 2009 (The ASEAN Secretariat, 2011b). With the realization of the CAFTA in 2010, Washington may begin to feel the pressure of economic competition in the region as Beijing pulls away. In Southeast Asia, the US has only established free trade with Singapore, which does not make up a great portion of total US trade.

In response to China’s growing influence in Southeast Asia, the Obama administration proclaimed Washington’s decision to enter into the Trans-Pacific Partnership (TPP) agreement following the strategy to return to Asia. In the Suntory Hall speech, Obama (2009) hints at the new foreign policy initiative by stating that “the US will be engaging with
the Trans-Pacific Partnership countries with the goal of shaping a regional agreement that will have broad-based membership and the high standards worthy of a twenty first century trade agreement.” Also known as the Transpacific Strategic and Economic Partnership or P-4 agreement, TPP negotiations began in 1998 among the US, Australia, New Zealand, Singapore and Chile and took shape as the P-4 in 2005 with New Zealand, Singapore, Chile and Brunei (Fergusson and Vaughn, 2009). The US announcement to join the TPP renewed international attention on the agreement, which has been neglected due to the focus on ASEAN’s development towards regional integration.

The TPP basically follows Washington’s long term conception for regionalization in Asia that is centered on APEC, which brings together the US, Canada, Australia, South America and other Pacific Rim countries towards trade liberalization in the Asia Pacific. The US has expressed support for the establishment of a Free Trade Area of the Asia Pacific (FTAAP) and many countries in the region have also expressed their support for the US initiative (Lewis, 2011). Washington’s TPP proposal brings in yet another alternative to the multiple developments towards regionalization in Asia, which is currently centered on ASEAN plus three with China as the dominant player. TPP’s “broad-based membership” implies that any country that recognizes and agrees to conform to the goals of the agreement may join the partnership. The partnership abides by the so called “open regionalism” concept, which suggests space for the addition of new members to the agreement in contrast to “closed regionalism” advocated by many East Asian countries (especially China). As the US continues to demonstrate itself as an economic power in the world despite domestic problems, ASEAN countries may choose to “hedge” between Washington and Beijing by continuing its support for ASEAN plus while entering into the TPP at the same time (Liu, 2010: 12; Sheng, 2010: 73). Malaysia, Vietnam and Brunei are currently set to enter the TPP. It is apparent that the US intends to increase its influence in Southeast Asia through the TPP and challenge China’s expanding influence in the region.

**Strategic Competition**

Besides efforts towards the increase in regional economic influence, the US has also made advances towards the balancing of China’s rising influence in Southeast Asia. Aside from clear economic implications, the TPP also embodies a strategic dimension that corresponds to the traditional US hub-and-spoke strategy in Asia (Song and Li, 2008). With China’s economic rise encouraging the development of a stronger and more confident PLA, the TPP serves the strategic function of providing the critical security assurance that ASEAN needs. As ASEAN Secretary General Surin Pitsuwan points out, “the United States is the only
country that can provide a sense of security in Southeast Asia.” (Asia Foundation, 2009) Once the US succeeds in bringing Southeast Asia into the TPP, coupled with the traditional allies of Japan and South Korea, a solid line of defense under US leadership would appear once again and guard against the China threat.

On the other hand, following Clinton’s initial state visits to East Asia, the US and ASEAN reached the “Treaty of Amity and Cooperation in Southeast Asia (TAC)” in Thailand in July 2009. Washington’s action may be seen as a late response to Beijing’s improving relations with ASEAN, with China reaching the TAC with ASEAN in 2003. By achieving the TAC, the US was accepted by ASEAN to join the East Asia Summit and to participate in the ASEAN Defense Ministry Meeting. The US-ASEAN TAC ultimately led to the formation of the ASEAN Defense Ministers’ Meeting-Plus Eight (ADMM+8) or “ASEAN plus eight” that brings together Australia, China, India, Japan, New Zealand, South Korea, Russia, the US and the ten countries of ASEAN in discussion over regional security (Kesavapany, 2010; Thayer, 2011). The plus eight mechanism serves as a balance of power strategy for both ASEAN and the US. Specifically, for Washington, ASEAN plus eight provides a forum for open discussions over regional security with Beijing and a way to tie down China’s regional ambitions through multilateral institution (Liao, 2011: 44).

Meanwhile, the South China Sea has developed into an intense hot spot in Sino-US relations in recent years (Tan, 2010). Since the 1990s, China and many Southeast Asian countries have laid claims over territories and waters in the South China Sea. The rich supply of oil and gas in the South China Sea makes the region an area of potential conflict in the age of energy competition. On the other hand, as most Southeast Asian countries are limited in territory and resources, sovereignty in the South China Sea would undoubtedly increase the international status of most countries in the region. In 2002, China and other claimants to disputed islands in the South China Sea reached agreement on the Conduct of Parties in the South China Sea, which greatly reduced tensions in the region (Zhang, 2010: 227).

Despite agreement on conduct in the South China Sea, mounting tensions have developed again in recent years due to China’s increasing capability. Beijing’s interest in the South China Sea is to subordinate the region under its influence and have its domination recognized and accepted by the international community (Vaughn and Morrison, 2006; Ott, 2006; Percival, 2007). Once Beijing controls the South China Sea, China may achieve easier access to the critical sea lanes further south and possibly put Southeast Asia under its influence. As some observers point out, China may be exerting its
own Monroe Doctrine in Southeast Asia, which would seek to expel any non-Asian (and Japanese) military presence from the region and create a strategic environment in which countries in the region understand that they were not to make any major decisions affecting Chinese interests or the region without first consulting and obtaining the approval of Beijing (Ott, 2006: 7).

At the 17th ARF held in Vietnam in July 2010, US Secretary of State Hillary Clinton stated Washington’s continued commitment to the importance of regional peace and stability, maritime security, unimpeded commerce and freedom of navigation in Southeast Asia. Clinton announced that the peaceful resolution of competing sovereignty claims to the South China Sea is a US “national interest” and Washington “supports a collaborative diplomatic process by all claimants for resolving the various territorial disputes without coercion.” (Thayer, 2011) US call for peaceful resolution of disputes in the South China Sea has generated repeated protests and warnings from China to stay out of the disputes. As China’s vice foreign minister Cui Tiankai points out, “regarding the role of the US in this, the US is not a claimant state to the dispute, so it is better for the US to leave the dispute to be sorted out between the claimant states.” (Wong, 2011) With China supposedly claiming South China Sea as its “core interest,” a clash of interests seems likely to develop between Washington and Beijing in the near future if both sides cannot come to terms through negotiation.

Southeast Asia’s Response

It is important to point out that as Southeast Asia is composed of ten states that share different relationships with China and the US, different economic and geopolitical considerations have caused states in the region to adopt variant strategies and policy responses, which adds to the complexity of Sino-US competition in Southeast Asia. Before the Asian financial crisis, relations between many Southeast Asia and China remained cool or distant due to ethnic and political tensions. In Malaysia and Indonesia, the ethnic tension between local Chinese communities and the indigenous people strained the relationship between the Southeast Asian states and China (Hung and Lee, 2011). On the other hand, China’s invasion of Vietnam in 1979 also strained relations between Beijing and Hanoi that continues to be expressed in random border conflicts and territorial disputes in the South China Sea (Tsai, 2010: 102). In terms of the bipolar atmosphere during the Cold War period, communist China caused the Philippines and Thailand to move closer to the US while Singapore maintained at arms length with China (Hung and Lee, 2011).
The changed environment after the end of the Cold War ushered in an international atmosphere that places strong emphasis on economic growth and development. Collapse of the bipolar system eventually gave rise to a relaxed political atmosphere conducive for cooperation such as the CAFTA and GMS. With the unpleasant experience of western structural reforms in the Asian financial crisis, Southeast Asia has gradually developed goodwill towards a booming China. Yet Southeast Asia’s recognition of Beijing is far from absolute, as fear of the implications of China’s rise continues to dominate debates in the region. Southeast Asia is acknowledged by many observers as adopting a balancing strategy between the major powers in order to maintain its independent voice in the international community (Tow, 2004; Roy, 2005; He, 2008; De Castro, 2010). As Roy (2005: 305) succinctly puts, “Southeast Asian states as a group employ two general strategies to protect themselves against domination by a strong China [and US]: engagement and hedging.” Southeast Asia can also be described as adopting a strategy of “equi-balancing,” which involves the small or weak power accepting, facilitating, and pitting the big powers against each other in an international situation where they will eventually square off with each other in the process” (De Castro, 2010: 358).

While Southeast Asia continues to pursue economic exchange with China, many states within the region have also sought stronger security relations with the US to guard against the “China threat.” The hedging strategy of many Southeast Asian states is essentially realized as engaging Beijing economically while maintaining security cooperation with Washington. While the CAFTA became officially in force in 2010, the rosy atmosphere in trade did not spillover to quell Southeast Asia’s suspicion against China. Corresponding with Washington’s plan to re-engage Southeast Asia, many countries in the region participated in joint military exercises with the US in the same year. In February, Thailand, Indonesia and Singapore were among fourteen countries that participated in the US-led “Cobra Gold” joint military exercise held in Thailand (Liu and Wu, 2010: 107). The Cobra Gold was a watershed to a series of joint military exercises carried out between the US and Southeast Asia, including joint naval exercise with Vietnam, “shoulder to shoulder” military exercise with the Philippines and “Cooperation Afloat Readiness and Training” (CARAT) with Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand (Liu and Wu, 2010: 35). As Liu and Wu (2010: 35) points out, “even though these military exercises do not all designate China as the virtual enemy, US military cooperation with these states suggest the formation of the ‘first island chain,’ a subtle strategic line of defense aimed at containing the expansion of China’s influence into the Asia Pacific.”
In addition to increased military cooperation between the states of Southeast Asia and the US that demonstrate a hedging strategy at work, tensions in the South China Sea further highlight an intricate balance of power at play in Southeast Asia. While Vietnam, the Philippines and Malaysia have all laid separate sovereign claims in the South China Sea, these states seem to act towards the common interest of Southeast Asia when the issue is viewed in relation to China’s threat. Specifically, as one of the key claimants in the issue, Vietnam sought to upgrade disputes in the South China Sea onto the regional level by making the claim that sovereign disputes in the region is a common threat to ASEAN (Liu and Wu, 2010: 48). While the Philippines and Malaysia have voiced their support for Vietnam’s approach, as the self-acknowledged third party to the dispute, Indonesia has also voiced its claim to serve as mediator on the South China Sea issue (Liu and Wu, 2010: 48-49). The US return to Southeast Asia further complicates the situation by bringing a major power to the issue. With Vietnam and Malaysia expected to enter the TPP and the Philippines being a traditional ally of the US, even though Washington does not have a direct claim over sovereignty in the South China Sea, its presence in the region may give rise to bandwagoning among Southeast Asian states against China. However, the above mentioned development may occur while trade relations continue to grow between ASEAN and China under the CAFTA.

Conclusion

Through a brief survey of the developments in East Asia, it is clear that Southeast Asia is fast becoming a key site of friction in relations between Beijing and Washington. As China’s economy continues to grow, the spread of Chinese influence into Southeast Asia may be inevitable, as the region seems to be a convenient outlet for China’s expansion towards the Pacific. Towards the north, Taiwan remains a threat for the PRC, which greatly fears the implications of a successful independence movement on the island, while US alliance with both Japan and Korea form a rigid line of defense in Northeast Asia against China’s rise.

However, for the US, the expansion of Chinese power into Southeast Asia is not merely behavior that is similar to the Monroe Doctrine, but may be the first steps towards the establishment of regional hegemony with its own sphere of influence. The CAFTA and China’s leadership role in the current progress of regional integration already hint at the potential power of China’s rising capability and confidence. Moreover, in contrast to China’s soaring economic growth, the US was heavily impacted upon by domestic financial crisis in 2008 and is still in the process of recovery. One sees a developing trend of China rising and
US decline, which implies important consequences for the future distribution of power in the international system. As China’s increasing economic power is translated into political, military and cultural influence, the important question for Washington is to consider how far China’s rise will go and at what expense to international order.

China’s expanding influence in Southeast Asia may be a precursor to more serious challenges against US interests in Asia. By insisting that Washington limits its activities in the South China Sea, it seems that Beijing intends to consolidate its influence in the region. If China can successfully keep the US from increasing its presence in Southeast Asia, ASEAN’s balancing strategy might be disrupted and Beijing could attain a position of hegemony. With ASEAN as the center of regional integration, under China’s leadership, East Asia may become a regional bloc with the US role greatly diminished. How the United States’ more proactive approach to improving relations with Southeast Asia will affect the structure of East Asian politics is unclear. As long as China continues to expand in power and the US continues to invest efforts in response to China’s rise, Southeast Asia will be the critical region where Sino-US competition will unfold.

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