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China cementing its hold over Southeast Asia

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Chinese Foreign Minister Wang Yi held a meeting with foreign ministers from the Association of Southeast Asian Nations (ASEAN) on June 7 at Chongqing in southwest China to mark 30 years of the China-ASEAN relationship. This was their first face-to-face meeting since the Covid-19 pandemic struck, and it took place amidst the ongoing tussle between the US and China over trade issues and freedom of navigation in the Indo-Pacific. China is strengthening its position in Southeast Asia through foreign direct investment and trade opportunities under the Belt and Road Initiative (BRI), and also through “health silk road”,¹ bolstering its image as a responsible health leader in the region. China has promised to “step up joint research on vaccine production and procurement,” reducing the financial burden on regional countries to vaccinate their entire citizens, even as it continues to criticise the American stand on the issue of vaccination of developing countries.

On the other hand, the Biden administration is following a policy of 'strategic estrangement' with the ASEAN region.² The US's Asia policy focuses on strengthening its alliances with traditional partners such as Japan and South Korea, containing China's assertiveness, facilitating the Quad (comprising the US, Japan, India, and Australia) to become a viable regional balancing mechanism against China, strengthening democracy and acting against human rights violations. Washington was purportedly irked by ASEAN's handling of the Myanmar military coup. The US wanted ASEAN to suspend Myanmar, but the group welcomed the junta's representative to its last summit meeting, which provided legitimacy for the junta. This was viewed as a result of China's influence within ASEAN as Myanmar is a close ally of Beijing.

In the foreign ministers' meeting, both parties decided to push forward discussions for a code of conduct (CoC) in the South China Sea. In 2013, both parties agreed to start formal negotiations for a binding code of conduct in the South China Sea, and in 2017, a framework on CoC was agreed on in the China-ASEAN foreign ministers meeting, followed by a Single Draft Negotiating Text (SDNT) which was approved in 2018.³ Since then there has been no improvement on the CoC, while China is strengthening its military positions in the South China Sea with the militarisation of islands and coercive intimidation towards other disputants. However, both parties are wary of a military clash and keep restraint from escalating the dispute. In the statement released a day after the meeting stated both parties agreed to “enhance and promote maritime security, uphold the freedom of navigation in and overflight above the South China Sea, exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability.”⁴

China is utilising a lack of cohesiveness among the ASEAN countries on regional security issues to its advantage and is engaging bilaterally with regional countries on territorial disputes. Earlier

Cambodia and Laos sided with China, now Thailand has also leaned towards Beijing. In the meeting China has proposed a "comprehensive strategic partnership" with ASEAN, matching the same with the European Union signed in 2003, on defence and foreign affairs. China has already reached bilateral comprehensive strategic partnerships with individual countries such as Vietnam, Laos, Cambodia, Myanmar and Thailand on trade and related aspects.

Southeast Asia has attained high priority in China's 21st century strategic initiative BRI and accounted for 36 per cent of China's overall BRI investments worth \$46.54 billion in 2020.⁵ BRI investments in Southeast Asia grew from \$16.8 billion in 2014 to \$29.3 billion in 2019, accounting for 27.6 per cent of all BRI investments worldwide.⁶ Importantly, two of the four economic corridors that connect the Land and Maritime Silk Routes; China-Myanmar Economic Corridor (CMEC), and China-Indochina Peninsula Economic Corridor, are passing through Southeast Asia. Under BRI, China earmarked \$460 million for China-ASEAN Maritime Cooperation Fund, ostensibly to promote maritime security and environmental protection, and has committed approximately \$740 billion investments in Southeast Asia for various projects.⁷

Last year, Southeast Asia became the largest trading partner of China, replacing the European Union, and the Regional Comprehensive Economic Partnership (RCEP), signed in December 2020, which comprised of ASEAN members, China, Japan, South Korea, Australia, and New Zealand could help Chinese economic consolidation in the region. Southeast Asia has become a major beneficiary of the US-China decoupling and China's subsequent "China+1" strategy to counter US trade restrictions on Chinese companies. Under the "China+1" strategy, Chinese companies retain production in China for the local market, while moving some capacity elsewhere, overwhelmingly to the ASEAN region, to serve the US and other increasingly restricted markets. As a result, China accounts for 40 per cent of foreign direct investments in Southeast Asia's manufacturing sector, up from 10 per cent a few years ago.⁸ This has helped an economic integration between China and Southeast Asia and has allowed China to maintain its control over the global supply chain, despite the pandemic and the US-China trade war.

Even though territorial dispute in the South China Sea is a major regional security issue between China and ASEAN, it has not affected China's political and economic hold over the region. Territorial disputes are slowly taking a back seat in China-ASEAN relations, while economic integration is increasingly becoming a driving force in regional affairs. China looks for creating an economic-cum-political periphery, similar to the western Hemisphere for the US in the post-World War II era, in its surrounding which is necessary to project its power to match a global great power.

However, Southeast Asian countries are concerned of China's increasing influence in the region. Traditionally, ASEAN is closer to Washington than that of Beijing. According to a survey by the Singapore-based ISEAS Yusof-Ishak Institute conducted after Biden took over, 61.5 per cent of Southeast Asian respondents preferred aligning with the United States over China.⁹ Southeast Asian elites fear that China's increasing sway on regional issues would affect 'ASEAN centrality' which is the central phenomena of Asian multilateralism. To balance China, they enhance strategic cooperation with India and Japan and countries such as Singapore, Indonesia, Vietnam and the Philippines have signed 'strategic partnership' agreements with them. In a way, China's intention would not be as smooth as it expects to establish its hold over Southeast Asia.

Notes

¹ Ngeow Chow-Bing, "COVID-19, Belt and Road Initiative and the Health Silk Road: Implications for Southeast Asia", Friedrich-Ebert-Stiftung, Jakarta, October 2020. <http://library.fes.de/pdf-files/bueros/indonesien/16537.pdf>

² Richard Heydarian, "Why Biden has been a disappointment to Southeast Asia so far", *South China Morning Post*, June 8, 2021. <https://www.scmp.com/comment/opinion/article/3136344/why-biden-has-been-disappointment-southeast-asia-so-far>

³ Viet Hoang, "The Code of Conduct for the South China Sea: A Long and Bumpy Road," *The Diplomat*, September 28, 2020. <https://thediplomat.com/2020/09/the-code-of-conduct-for-the-south-china-sea-a-long-and-bumpy-road/>

⁴ *The Strait Times*, "Asean, China pledge to exercise restraint in South China Sea, gloss over Myanmar crisis", June 8, 2010. <https://www.straitstimes.com/asia/east-asia/asean-china-pledge-to-exercise-restraint-in-south-china-sea-increase-vaccine>

⁵ Kaho Yu, "The Belt and Road Initiative in Southeast Asia after COVID-19: China's Energy and Infrastructure Investments in Myanmar," *ISEAS Perspective: 2021/39*, <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2021-39-the-belt-and-road-initiative-in-southeast-asia-after-covid-19-chinas-energy-and-infrastructure-investments-in-myanmar-by-kaho-yu/>

⁶ Ibid.

⁷ Jinny Yan, "China's Belt and Road Initiative (BRI) and Southeast Asia", CARI ASEAN Research & Advocacy , 30 October 2018. <https://www.cariasean.org/publications/chinas-belt-and-road-initiative-bri-and-southeast-asia-publication/the-bri-in-southeast/#.YMC4RvkzbIX>

⁸ Frederic Neumann, "As production shifts from China to ASEAN, Asia's supply chains remain stronger than ever", *South China Morning Post*, June 7, 2021. <https://www.scmp.com/comment/opinion/article/3135941/production-shifts-china-asean-asias-supply-chains-remain-stronger>

⁹ Richard Heydarian, "Why Biden has been a disappointment to Southeast Asia so far", *South China Morning Post*, June 8, 2021. <https://www.scmp.com/comment/opinion/article/3136344/why-biden-has-been-disappointment-southeast-asia-so-far>