

US-CHINA COMPETITION FOR SOUTHEAST ASIA: IMPLICATIONS FOR INDIA

Dr Joshy M Paul

Research Fellow, Centre for Air Power Studies



The bilateral US-China trade war has now become a geopolitical concern for Southeast Asia due to its potential ramifications for the region. China is seeking to attain an upper hand over the US in military technology and systems, while the US is trying to prevent China from gaining such a position and launched decoupling from China a few years ago. At the same time, both have been wooing Southeast Asia to take either side to bolster their position in Asia. On the other hand, Southeast Asia

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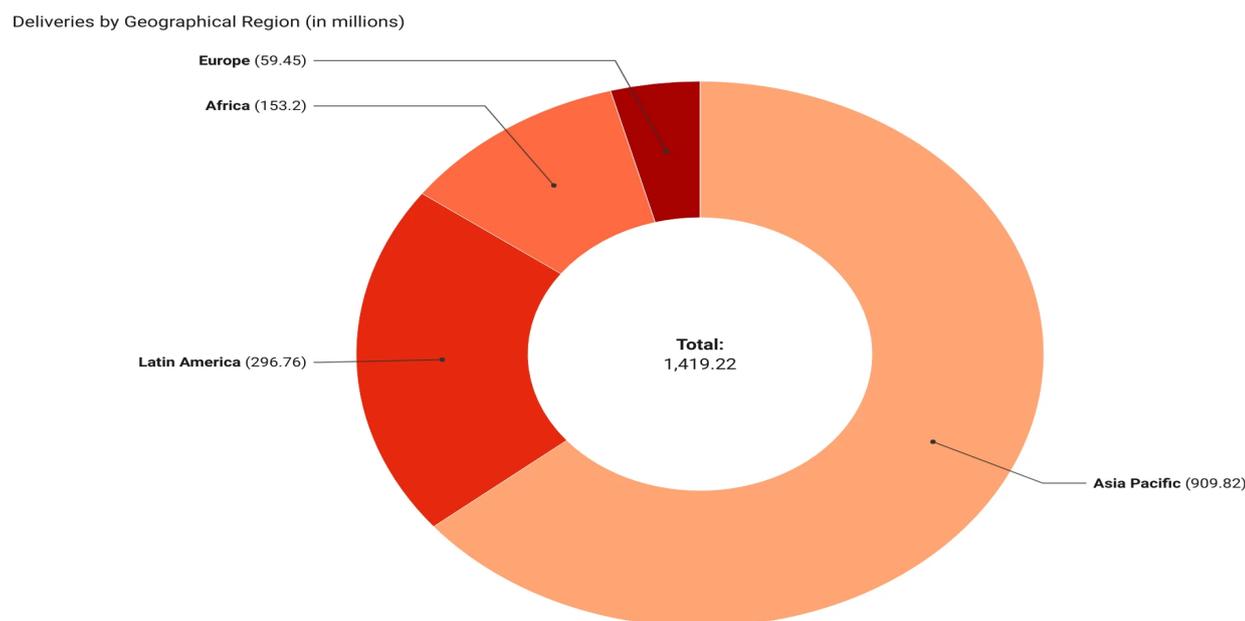
takes a balancing stance on the rivalry; it continues its increasing economic cooperation with China while relying on American military power for regional stability. In the latest Boao Forum held in March 2023 in China's southeastern city of Boao, the Southeast Asian leaders expressed their anxiety about the 'spillover effects of the great power rivalry' between the US and China.¹ The Malaysian and Singaporean Prime Ministers opined at the forum that US-China tension is the 'most worrying' factor in the region and called for 'healthy competition' between the two instead of 'zero-sum rivalry'.²

China's Economic Inroads into Southeast Asia

The economic interaction between China and Southeast Asia has been growing strongly, both in terms of trade and investment. With free trade agreements and a market access strategy by Beijing, the Chinese market has become more attractive to Southeast Asia than the US. When the region grappled with the COVID-19 pandemic, China considered the contagion an opportunity to enhance its 'feel-good' diplomacy and proved to be a 'friend-in-need' for Southeast Asia. It responded to the needs of the region through

diplomatic, medical, and material support, and China's vaccine assistance helped the region stem the spread of the disease.³ Of the total global vaccine donations delivered by China, two-thirds went to Asia, and five of the ten top recipients were Southeast Asian nations (Fig 1).⁴ Beijing describes the China-Southeast Asia cooperation to fight the pandemic as a 'new type' of cooperation in international relations and an 'exemplary model' of how China views its neighbourhood under Xi Jinping.⁵

Fig 1: China's vaccine deliveries by geographical regions (in Millions) by December 2022.



Source: "China COVID-19 Vaccine Tracker", December 28, 2022, https://bridgebeijing.com/our-publications/our-publications-1/china-covid-19-vaccines-tracker/#China8217s_Vaccines_Across_Regions. Accessed on April 20, 2023.

The 'China-Plus One' strategy adopted by Beijing to counter the US decoupling from China has helped attract large-scale Chinese investments into the Southeast Asian region. Under this strategy, Chinese companies retained their production facilities inside China to cater to domestic demands while setting up production centres in Southeast Asian countries, especially Thailand, Malaysia, and Vietnam, for the international market.⁶ As a result, Southeast Asia became China's largest trading partner in 2022, replacing the European Union with 14.6 per cent of its total foreign trade.⁷ By July 2022, China-ASEAN bilateral investment exceeded US \$340 billion and was expected to increase further with the implementation of the Regional Comprehensive Economic Partnership (RCEP).⁸

The US, with the Indo-Pacific Economic Framework (IPEF), is also wooing Southeast Asia to isolate China economically from the global supply chain network. The IPEF is a network of 12 countries from the Indo-Pacific region, excluding China, for "a free, open, fair, inclusive, interconnected, resilient, secure, and prosperous Indo-Pacific region".⁹ It primarily focuses on four areas: trade, supply chains, clean energy, taxes, and anti-

corruption. However, through IPEF, the US wants to maintain its leadership in the region. Daniel Kritenbrink, Assistant US Secretary of State for East Asian and Pacific Affairs, said in March that “the next 50 years is going to be written in Southeast Asia, and our relationship with ASEAN will shape the future that we all want to see”.¹⁰ However, the IPEF doesn’t offer greater access to the US market for Southeast Asian products, so it has received a lukewarm response from the region.¹¹ As a result, Washington is going ahead with the ‘America first’ policy and is a less attractive economic power for Southeast Asia.

On the other hand, China has become more attractive than the US in terms of market access for Southeast Asian products. For instance, a recent Asia Power Index survey by Australia’s Lowy Institute argues China tops the list for economic and diplomatic influence on Southeast Asia, even though the US tops six out of eight measures of the power index.¹²

Southeast Asia’s Military Reliability with the US

Despite China’s economic inroads into Southeast Asia and becoming Southeast Asia’s largest economic partner, Beijing’s stance on various territorial disputes brings the region closer to the US militarily. Countries such as Thailand, Indonesia, Singapore, Philippines, and Vietnam maintain close security cooperation with the US and believe that the US military presence is a ‘public good’ for the region.¹³ The regional countries believe that the US military preponderance is the only factor that can hold China back from military adventurism against the regional countries over the South China Sea (SCS) dispute. They are worried about China’s creeping assertiveness in the SCS, especially the ‘grey-zone’ tactics of Beijing. The ‘grey-zone’ tactics could help Beijing gain control of the waterbody, which not only reduces the scope for a military clash between China, and other claimant states but it prevents US intervention in support of the regional strategic partners. The US’ external security umbrella has helped the region sustain ‘ASEAN centrality’ in regional multilateral mechanisms that have been accepted across the spectrum. Summits like the East Asia Summit and the ASEAN Regional Forum take place in Southeast Asia only.

To withstand China’s military action, the regional countries have been enhancing their defence capabilities in recent times with fighter aircraft and submarines sourced from foreign countries. Even though the US is still the largest supplier of arms to the region, Southeast Asian countries have widened their sources of arms to include France, Russia, Israel, and South Korea (Fig 2).¹⁴ Singapore, in 2020, decided to purchase 12 Lockheed Martin F-35B Joint Strike Fighters to replace the older F-16CD fighter jets, and the F-35B delivery will start in 2030.¹⁵ Recently, Manila and Washington have agreed to allow the US military access to four new bases in Philippine territory—three on the main island of Luzon, close to Taiwan, and one in Palawan province in the South

China Sea (SCS)- as part of the 2014 Enhanced Defense Cooperation Arrangement (EDCA) between the two.¹⁶

Besides, the US has committed US \$80 million in investments to improve infrastructure at the five current bases: the Antonio Bautista Air Base in Palawan, Basa Air Base in Pampanga, Fort Magsaysay in Nueva Ecija, Benito Ebuena Air Base in Cebu, and Lumbia Air Base in Mindanao.¹⁷ To this understanding, China warned

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Manila against closer defence ties with the US and becoming a 'chariot of geopolitical strife'.¹⁸ However, the current Philippine President, Ferdinand Marcos Jr., has been attempting to lean towards the US to counter China's maritime assertiveness in the SCS, a major shift from the policy of his predecessor Rodrigo Duterte, who wanted close ties with China.

Fig 2: Major arms importers from Southeast Asia and their main suppliers, 2018–22

Rank	Importer	Share of global arms imports (%)		Per cent change from 2013–17 to 2018–22 (a)	Main suppliers and their share of importer's total imports (%), 2018–22					
		2018–22	2013–17		1st		2nd		3rd	
20	Singapore	1.3	1.4	-14	France	52	USA	26	UK	7.6
21	Thailand	1.0	0.7	-1.1	South Korea	33	China	14	USA	15
23	Philippines	0.9	0.5	64	South Korea	42	Israel	22	USA	15
24	Indonesia	0.9	2.7	-69	South Korea	32	USA	26	France	12
27	Vietnam	0.8	2.8	-72	Russia	55	Israel	16	Belarus	10
30	Myanmar	0.8	0.8	-3.0	Russia	42	China	29	India	14

Figures show the change in the volume of the total arms imports per importer between the two periods.

Source: "SIPRI Fact Sheet: Trends in International Arms Transfers, 2022", March 2022, https://www.sipri.org/sites/default/files/2023-03/2303_at_fact_sheet_2022_v2.pdf. Accessed on April 30, 2023.

India's Defence Partnership with Southeast Asia

The Southeast Asian nations see India and Japan as other reliable strategic partners to balance China's aggressiveness in the region and seek assistance to bolster their defence capabilities. The countries have been enhancing their aerial capabilities to withstand the Chinese military dominance in the region. Countries like the Philippines, Vietnam, and Malaysia have sought aerial systems and equipment from India, including training for their air force personnel. In December 2022, India and Vietnam started negotiations for the purchase of India's BrahMos cruise missiles to counter the threat from China.¹⁹ Besides, India has agreed to set up capacity-building facilities at the

Air Force Officers Training School in Vietnam for the Vietnamese armed forces. The Indian Air Force has also provided training for enhancing air reconnaissance capacity to the personnel of the Malaysian Air Force using Russian-made Su-30 MKM aircraft. India's defence aircraft maker, Hindustan Aeronautics Limited, has signed an MoU with Malaysia's Ministry of Defence to set up an office in Kuala Lumpur for upgrading Su-30 MKM and British Hawk aircraft.²⁰ Last year, India and the Philippines inked a US \$375 million contract for the BrahMos shore-based anti-ship missile system to be used against the enemy's territorial aggression in the SCS.²¹ Indonesia has evinced interest in establishing joint defence production facilities with Indian companies in the Indonesian territory to boost Jakarta's defence preparedness amid China's expansionism towards the Indonesian territorial waters in the SCS. In lieu of China's attempt to embrace low-income Southeast Asian countries to prevent ASEAN's 'jointness' to withstand China on territorial disputes, India is enhancing its cooperation with Cambodia to avoid Phnom Penh's overdependence on China.²² Even though the contest is in the maritime domain in Southeast Asia, deterrence is taking place in the aerial domain, and India's increased presence in Southeast Asia's defence market will help to thwart China's attempt for geopolitical dominance in Southeast Asia.

Conclusion

In the US-China rivalry for regional supremacy, Southeast Asia plays its cards carefully to maintain its importance in the geopolitical framework of the Indo-Pacific. It wants to maintain its centrality in the Indo-Pacific geopolitical framework by closely working not only with China and the US but also with other regional stakeholders such as India, Japan, Australia, and Russia. India, too, gives ASEAN centrality in its Indo-Pacific strategy, which was announced by Indian Prime Minister Narendra Modi in his 2018 Shangri-La Dialogue in Singapore.²³ Southeast Asia's leaning towards either side will lead to a strategic loss for India. In their efforts to enhance deterrence against China, India can be a major defence partner for countries like the Philippines, Vietnam, and Singapore. If India's 'Make in India' programme in the defence sector has to succeed, it has to find a market for India-made arms, and Southeast Asia can be a good market for the Indian defence industry.

Notes:

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- ¹² “Lowy Institute Asia Power Index 2013 Edition”, Lowy Institute, <https://power.lowyinstitute.org/>. Accessed on April 28, 2023.
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Centre for Air Power Studies

P-284, Arjan Path, Subroto Park, New Delhi 110010

Tel: +91 11 25699130/32, Fax: +91 11 25682533

Editor: Dr Shalini Chawla e-mail: shaluchawla@yahoo.com

Formatting and Assistance: Ms Mahima Duggal, Ms Radhey Tambi and Mr Rohit Singh

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