

China-US Ties: Economic and Strategic Ramifications for ASEAN

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One of the major challenges which most Association of South East Asian nations (ASEAN) member states – other than those such as Cambodia and Myanmar which share close ties with China – have been facing, ever since the deterioration of ties between China and the US, is walking a tightrope between both countries. While Singapore PM Lee Hsien Loong has repeatedly made the point about not wanting to choose between China and the US, leaders of other ASEAN nations have also made a similar argument. The Malaysian PM Anwar Ibrahim after taking over as PM said that while Malaysia needed to work on strengthening ties with the US, Europe, India and the Association of Southeast Asian Nations (ASEAN), the relationship with China is 'pivotal'. Said Ibrahim: "China is an important neighbour, of course it's a priority to enhance bilateral relations with China, trade, investment and cultural."

Another challenge for ASEAN has been ensuring that the regional bloc does not get divided between countries who support China, and others who support the US. While commenting on the Indo-Pacific strategy, Lee Hsien Loong during his address at the Shangri La dialogue in 2019 said that such a vision was welcome as long as it did not: "create rival blocs, deepen fault lines or force countries to take sides."

There is a growing scepticism regarding China's aggressive behaviour in Asia and there have been differences over the South China Sea issue. In 2019, ASEAN also unveiled its own vision for the Indo-Pacific which makes references to respect for sovereignty and international law via the UN Charter and the 1982 UN Convention on the Law of the Sea (UNCLOS).

At the same time, there is no denying the fact that ASEAN countries share close economic ties with China. Only recently for instance Indonesia and China agreed to spend an extra \$1.2 billion on a high-speed rail project connecting Bandung and Jakarta. Philippines President "Bongbong" Romualdez Marcos Jr. during his Japan visit signed important agreements including one through which Japanese troops could join humanitarian exercises in the Philippines. This is being viewed as a precursor to stronger defence ties between Manila and Tokyo.

Earlier this month, during the visit of US Secretary of Defence Lloyd Austin to the Philippines, the latter had signed an agreement with US to provide access to four more military bases in the Philippines under the Enhanced Defence Cooperation Agreement (EDCA) – which was signed between both countries in 2014. The Defense Secretary dubbed the signing of this agreement as a 'big deal'. Marcos was careful

to send out a message that none of the security deals, signed with Japan or the US, is targeted at China. Said the Philippines President: “none of these actions are directed against China.”

Marcos has been able to draw investment pledges during his visits to the tune of well over \$20 billion to countries other than China. During his visit to China in January 2023, the Philippines President was able to secure pledges to the tune of \$23 billion. It would also be pertinent to point out, that Beijing is Manila’s largest trading partner and in recent years economic relations with China has increased during the Presidency of Rodrigo Duterte.

As mentioned earlier, ASEAN countries are concerned about China’s increasingly aggressive foreign policy, under Xi Jinping, many of them, however, refrain from criticizing China outright. Though ASEAN countries have begun to work closely with the US on the Indo-Pacific strategy, there is a complain that the Free and Open Indo-Pacific lacks a clear economic vision. While seven ASEAN countries – Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam have signed on to the Indo-Pacific Economic Framework (IPEF) many ASEAN countries have been looking for greater access to the US market.

Here it would be pertinent to point out, that while the China-US ties pose challenges for ASEAN countries, many countries have sought to leverage this. First, many US companies including Apple have shifted production to ASEAN countries – with the preferred destination being Vietnam, though many have shifted to other ASEAN countries including Thailand and Malaysia.

It would be pertinent to point out that Singapore is seeking to draw investments in semiconductor assembly and integrated circuit design amid the growing divide between US and China over trade and technology. Singapore Economic Development Board (EDB) Chairman Beh Swan Gin said that the Biden administration’s CHIPS and Science Act (2022) is a ‘muscular policy’ and “It has definitely made competition for investments more intensive and certainly for the type of investments that today Singapore is also aiming for.”

Second, the US has started taking more interest in ASEAN. While focusing on the security component, it is likely to further strengthen economic ties with the region under the umbrella of the Indo-Pacific strategy.

The downslide in China-US relations poses numerous challenges for the ASEAN region, however, a lot will depend upon how ASEAN states navigate those challenges. While in the realm of security, most ASEAN countries likely to strengthen ties with US, they will also seek to benefit from robust economic ties with both Washington and Beijing.

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The views and opinions expressed in this article are those of the author.

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