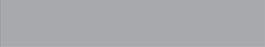


# The Epicentre of a Global Conflict

The Rivalry between America and China  
in Southeast Asia

Sergio Grassi





# The Epicentre of a Global Conflict

The Rivalry between America and China  
in Southeast Asia

Sergio Grassi

October 2020

The analysis was originally published in German on 1 September 2020 in the magazine Neue Gesellschaft/Frankfurter Hefte.

# Introduction

There's a proverb that recently has been cited often again in Southeast Asia, and it goes like this, "When elephants are fighting, the grass suffers." Sino-American relations will play a central role in efforts to craft a framework for global order; ideally, the duo should help bring stability and structure to international politics. Yet during the past few years, and especially since the outbreak of the corona pandemic, they have come to symbolise the dysfunctionality of international understanding. Instead of engaging in urgently needed cooperation, they are battling more tenaciously than ever to augment their power and shape the world order. Southeast Asia is the epicentre of this conflict, which is playing out all across the globe. There, the affected countries continually endeavour to avoid having to cast their lot with one or the other of the two great powers, although they are under increasing pressure to do just that.

Under the United States' (US) President Donald Trump, who has been acting erratically, the centre of gravity of American interests and challenges has shifted even further toward Asia. In the US, there is bipartisan agreement that China's rise constitutes the greatest challenge to the country's position of power within the international system. Accordingly, both the Trump administration and the Democratic camp (although with more nuance) view China as a revisionist actor that in the long run will strive to become the preeminent global power at the expense of the US. In sum, the real increase of Chinese power, increasing Chinese muscle-flexing, mercantilist economic practices and Trump's

political style have all helped to provoke some drastic rethinking about how to deal with the Middle Kingdom. By this time, the competitive element in the relationship has come to overshadow the cooperative aspect. That competition has become obvious in many areas, including ideology, economic and trade policy, technology, and military affairs.

Whereas Trump has cast doubt on the value of multilateralism ever since he took office, ironically enough it has been Beijing—usually committed to bilateralism—that has put itself forward as multilateralism's presumed guardian. However, during the past eight years, the Chinese leadership under Xi Jinping has made it abundantly clear that it has no intention of moving toward convergence with the Western-liberal world order. At the same time, under Xi, the People's Republic has abandoned its decades-long self-restraint in foreign policy and—in the form of the Belt and Road Initiative (BRI)—has launched the greatest current geopolitical and geoeconomic project in the contemporary world. The BRI merges China's foreign policy with its economic-technological goals, while displaying its evolution from a regional to a global superpower. Initially, BRI infrastructure investments stirred worries in Washington because they would enable Beijing to gain strategic advantages, for example through the expansion of ports and high-speed rail lines. Yet increasingly it is investments under the aegis of the "digital silk road" that have become the focal point of Washington's security concerns.

# From the world's workshop to the land of high-tech

As far as the Americans are concerned, the increasingly prominent industrial and digital policy components of the BRI go hand in hand with both the Made-in-China 2025 campaign, which they have strongly criticised, and its complement, the Internet Plus strategy. What matters to Beijing here is to encourage more indigenous innovation and technology, and to become a leader in the manufacture of quality products, since that would give the country control over value chains and data, as well as technological independence. In this regard, the BRI undergirds the structural transformation of the Chinese economy, as it evolves from the world's workshop into its leading high-tech country. The BRI will also move China ahead in getting its own technical and regulatory standards established in third-country markets, thereby carving out spheres of influence in technological policymaking. By virtue of its "China Standards 2035" programme, Beijing has come up with a plan specifically designed to gain influence over international standardisation procedures. Institutions and technological path-dependency are to be shaped and consolidated in part to serve the interests of Chinese firms. Thus, in the future, they will have to pay fewer licensing fees to US and European technology patent holders.

Aside from bilateral deals (an approach left over from the cooperative element), decision-makers in Washington, following the "United States Strategic Approach to the People's Republic of China," are putting considerable emphasis on limiting investment and imposing export controls that cover strategic technology, ostracising technology leaders like Huawei, "reshoring" US companies with production facilities in China, restructuring global value chains, and decoupling crucial economic linkages (the competitive element). The "China hawks" in the Trump administration see the progress being made in Chinese industrial and technology policy as a strategic power factor endangering the US's industrial base and its capacity to innovate, and thus—in the final analysis—the prerequisites for its military pre-eminence. The corona crisis and crisis management in both the US and China have further multiplied the geopolitical friction points in their bilateral relationship rather than—as many experts had hoped—leading to a rapprochement and greater cooperation. Thus, the quest for more resilience and protection from fragile supply chains triggered by the pandemic may be reinforcing the effects of "nearshoring" and reshoring, while the accompanying propaganda duels deepen tensions.

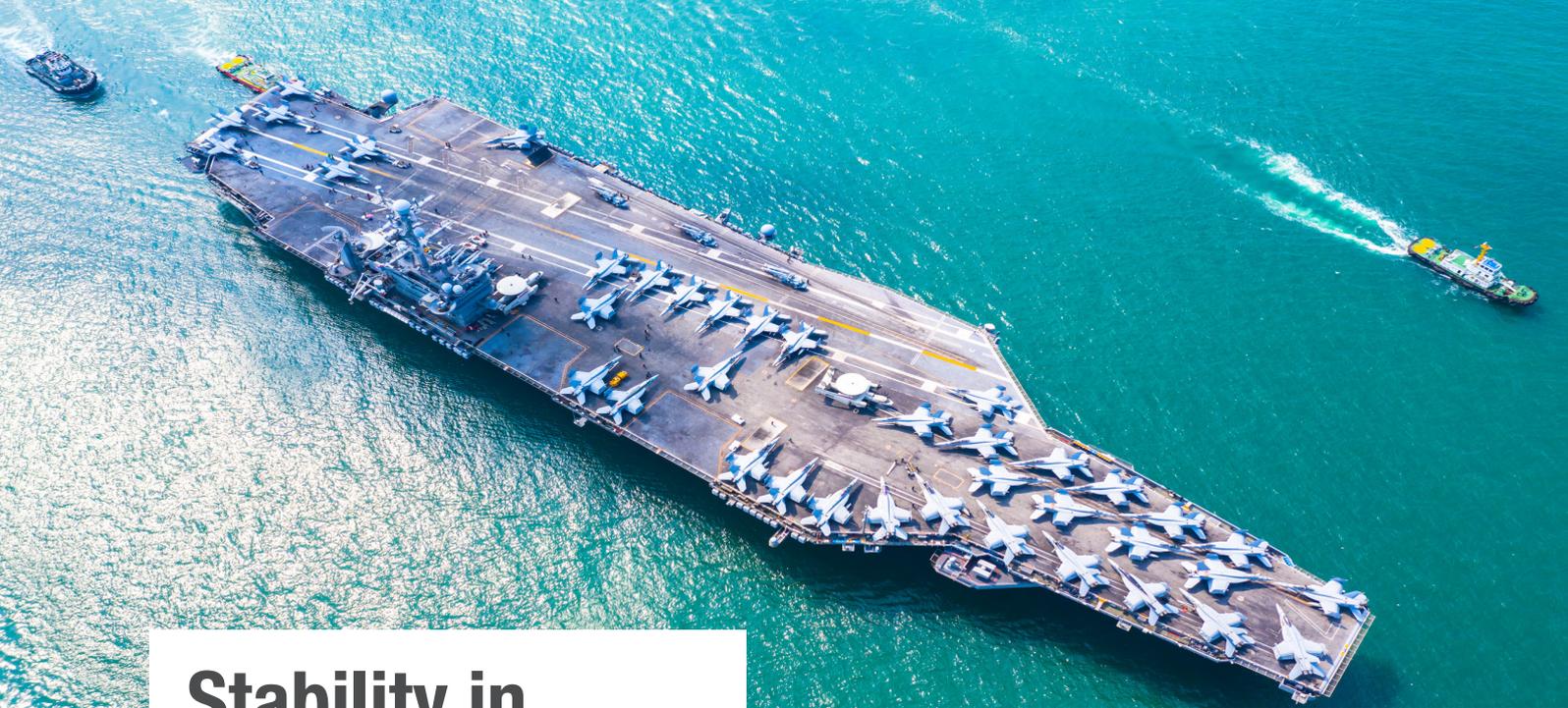
Southeast Asia is the epicentre of the Sino-American global conflict and the crucial geopolitical linchpin in the Indo-Pacific region. It is the location of the Straits of Malacca, one of the world's most important maritime trade routes; moreover, the countries in this region must find a place to stand between the spheres of influence of the dominant powers on many issues,



including especially trade and technology policies. According to some predictions, the regional bloc Association of Southeast Asian Nations (ASEAN) will become the world's fourth largest economic area by 2030. At this point, it is hoped that the region might profit from the relocation of Chinese firms. Last but not least, the risk of a military conflict in Southeast Asia is comparatively great.

There have been numerous incidents between the US and Chinese military forces in the South China Sea during the last few years, especially since Beijing began in 2010 to define that marine region as one of its "core interests" and to advance such interests in more assertive ways. Many observers around the world, but especially in neighbouring

states, fear that, in the worst-case scenario, such an incident might spin out of control, leading to a military conflict. There are numerous maritime territorial disputes between China and its neighbours. But, in addition to those, the American insistence upon freedom of navigation (as manifested in the "US-Indo-Pacific Strategy") is colliding with China's quest to carve out an exclusive zone of influence and security in Asia while limiting as far as possible the ability of the US to intervene there. The US's most recent response to the latter has been the "Pacific Deterrence Initiative," which allocated an additional of more than six billion US dollars exclusively to the US military in the Indo-Pacific in 2021 and 2022.



## Stability in jeopardy

Image source: [istockphoto.com/AvigatorPhotographer](https://www.istockphoto.com/AvigatorPhotographer)

China's assertive conduct in the South China Sea is provoking resistance not only in the US, but also in the affected countries of Southeast Asia. Accordingly—and despite their ambivalent relationship to the US—the latter are grateful for American “Freedom of Navigation and Overflight” operations in the South China Sea. Meanwhile, they themselves have been negotiating with Beijing over rules of conduct in the region for years. As long ago as 2016, the Philippines launched legal proceedings. The Permanent Court of Arbitration in the Hague judged Beijing's territorial claims over the South China Sea (the “nine-dashed line”) to be illegal, based on the United Nations (UN) Convention on the Law of the Sea (UNCLOS). In mid-2020, Indonesia's government too sent a letter of complaint to the UN Secretary General António Guterres in which it invoked this same verdict. In early January of 2020, Indonesian President Joko Widodo, defying Beijing's protests, visited the Natuna Islands, which belong to Indonesia, and re-stationed some additional military forces there, because in past years frictions had arisen repeatedly over rights to surrounding fisheries. At the

36th ASEAN summit in late June 2020, Vietnam's Prime Minister Nguyen Xuan Phuc, who also currently chairs ASEAN, criticised the fact that violations of international law were still going on and that the stability of certain regions was being jeopardised while the world was trying to manage its fight against the pandemic. Then, in April 2020, after a Vietnamese fishing boat had been sunk, apparently by Chinese coast guard, Washington sent a warning to Beijing not to exploit the corona crisis to gain territory in the South China Sea.

## ASEAN centrality

In the midst of these events, the countries of Southeast Asia (with a few exceptions) have been at pains not to submit unilaterally to the spheres of influence of either Beijing or Washington. On one hand, they do not want to incur economic disadvantages; on the other, neither do they wish to become pawns in a great-power conflict. Instead,



Image source: [istockphoto.com/primeimages](https://www.istockphoto.com/primeimages)

they would prefer to stand their ground and assert their rights as actors to shape events based on their own institutions and designs. Thus, it is not surprising that they appeal to the unity of the region, reaffirm the “centrality of ASEAN” to ensure their own security and recently have called for greater resilience against pressure from external powers. One expression of their assertion of sovereignty, their wish to shape events and their reaction to other countries’ Indo-Pacific strategies (not to mention worries about the potentially negative consequences for their region of an escalation of the Sino-American rivalry) is a plan entitled the “ASEAN Outlook on the Indo-Pacific,” presented in June 2019 by ASEAN and pushed by its largest member-state, Indonesia.

## US prestige on the wane

A further vital interest of the ASEAN countries is in free trade treaties, especially the ratification of the Regional Comprehensive Economic Partnership (RCEP), which includes not only the ten ASEAN member countries but also China, Australia, New Zealand, Japan and South Korea. Assuming that the agreement is concluded in the second half of 2020, it would give rise to the world’s largest trading bloc, representing half of the world’s population and a third of its collective gross product. The US is explicitly excluded from RCEP and thus far has not offered the

region any alternative arrangement. In this way, Trump's withdrawal (via executive order) from the already negotiated Transpacific Partnership (TPP), shortly after he took office in January 2017, handed Beijing a windfall. This is the case because RCEP inevitably would tie the ASEAN countries more tightly to their giant neighbour, China, in respect to economic policies. And although the debate, and the awareness of risk associated with it, so far have not advanced very far in most Southeast Asian countries, when it comes to deciding on long-term, path-breaking technologies and standards such as those concerning the 5G network, it will be increasingly difficult for them to maintain their resolve not to decide in favour of one side or the other.

In interviews with experts in Southeast Asia, Beijing's support for the countries of that region during the pandemic is described as quicker, as well as better coordinated and more extensive, than that of Washington. Basically, the prestige of the US in this region has been further diminished during the corona crisis. Meanwhile, Beijing is working on its tattered image and has announced that it wishes to reinvigorate the idea of a "health silk road." The goal is to create a "common destiny for humanity" alongside the "common destiny in cyberspace." In any case, there is much to be said for maintaining a good relationship between the countries of Southeast Asia and China. There are economic benefits to be gained from the

size of China's market, the investment potential of development and infrastructure banks controlled by China, and quite simply from that country's geographical proximity to Southeast Asia. However, China's tough demeanour in the South China Sea stirs fears in Southeast Asia. In January 2020, a Singapore think tank known as the ISEAS-Yusof Ishak Institute published an empirical study carried out in all ten ASEAN countries entitled *The State of Southeast Asia:2020*. The opinion surveys in this study revealed that, if the respondents were compelled to choose between the two superpowers, 53.6 per cent would opt for Washington. Also, 71.9 per cent of those questioned said they were worried about China's increasing economic influence in the region, while 85.4 per cent expressed concern about its growing political-strategic clout there.

By contrast, 38.2 per cent and 31.7 per cent of the respondents, respectively, said they would welcome greater engagement by third parties like Japan and the EU in the ASEAN region. On the other hand, the EU ought to have a major interest in getting involved more deeply in economic policymaking there and supporting the freedom of navigation while seeking to de-escalate conflicts in the South China Sea. In this respect, much could be said in favour of developing a specifically European Indo-Pacific strategy, one that could be initiated by Germany (among others) and be open to dialogue with China.

## About the author

**Sergio Grassi** heads the Friedrich-Ebert-Stiftung's office in Jakarta, Indonesia and is likewise responsible for the FES's work in Malaysia and the regional Economy of Tomorrow project.

## Imprint

© 2020 Friedrich-Ebert-Stiftung  
Indonesia Office  
Jl. Kemang Selatan II No. 2A  
Jakarta 12730, Indonesia

Responsible:  
**Sergio Grassi** | Resident Director

Phone: +62 21 719 37 11  
E-mail: [info@fes.or.id](mailto:info@fes.or.id)  
Website: [www.fes-indonesia.org](http://www.fes-indonesia.org)  
Facebook: Friedrich-Ebert-Stiftung Indonesia Office

Commercial use of all media published by the Friedrich- Ebert-Stiftung (FES) is not permitted without the written consent of the FES

Friedrich-Ebert-Stiftung (FES) is the oldest political foundation in Germany. The foundation is named after Friedrich Ebert, the first democratically elected president of Germany.

The Singapore-based Friedrich-Ebert-Stiftung (FES) Office for Regional Cooperation in Asia coordinates activities in the region that connect global and country programmes. Through regional activities, it creates synergies between the work by FES on national and global level, responding to the challenges of globalization, labour mobility and regional integration.

FES established its Indonesia Representative Office in 1968 and has since 2012 been in cooperation with the Coordinating Ministry of Human Development and Culture of the Republic of Indonesia. In order to pursue social justice in politics, the economy and in the society as one of FES leading principles worldwide, FES Indonesia has been conducting various activities in recent years to support the Social Security Reform, Welfare State, and Social Economic Development in Indonesia as well as promoting Indonesia as a reference to other countries in the region and at the international level for democratization, socio-economic and peaceful development.