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U.S.–China–Southeast Asia Relations:

Challenges and Opportunities for Regional Cooperation

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This report was written by the authors based on materials of the U.S.–China–Southeast Asia Triangular Relations workshop in Bangkok, Thailand. It reflects the views of the authors and not necessarily those of the other conference participants, The Asia Foundation, or any other institution.

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Introduction

Mr. John J. Brandon
The Asia Foundation

Competition between the United States and a rising China has shaped the contours of global economics, politics, and security since the beginning of the 21st century, and Southeast Asia is becoming the most important arena for this strategic competition.

Both Washington and Beijing have considerable strategic and economic stakes in Southeast Asia. For the United States, the region's sea-lanes are crucial to the free movement of trade and military forces between the Pacific and Indian Oceans and constitute an important lifeline for America's allies in the region—Japan, South Korea, the Philippines, and Australia. The countries of the Association of Southeast Asian Nations (ASEAN) are collectively the United States' fourth-largest trading partner and a major destination for American foreign investment.

Southeast Asia is also the most strategically important to China of all its regional neighbors. China is heavily dependent on crude oil shipped through the Strait of Malacca and the South China Sea. In 2020, ASEAN surpassed the European Union to become China's largest trading partner. Southeast Asia figures prominently in China's ambitious Belt and Road Initiative, which is affecting virtually every dimension of Southeast Asian societies—from shipping to agriculture, the digital economy to tourism, and politics to culture. And Southeast Asian nations, feeling China's growing influence, have become much more economically dependent on China over the past 25 years.

It would be a mistake, however, to conclude that Southeast Asian nations are mere pawns in this Sino-U.S. competition. While ASEAN may speak at times with multiple voices, its 10 member nations agree that the region does not wish to choose sides. To varying degrees, Southeast Asian nations are engaging, hedging, and balancing their interests between the United States and China. By and large, they want the United States, working through ASEAN, to deepen its engagement and leadership in the region, but there seems to be no coherent consensus on what this engagement and leadership should look like. Consequently, maintaining its diplomatic balance while navigating the Sino-U.S. rivalry will be an ongoing challenge for ASEAN.

The essays in this report reflect views about U.S.–China–Southeast Asia triangular relations drawn from a workshop that took place on May 15-16, 2024, in Bangkok. In partnership with the Center for Security and Strategy (CISS) at China's Tsinghua University and the Thailand Development Research Institute (TDRI), The Asia Foundation convened 21 distinguished scholars, think tank representatives, and government officials from the United States, China, and Southeast Asia to explore this central question: What are the top priorities and concerns of the United States, China, and Southeast Asia in the coming decades? Inevitably, the workshop was also drawn to related issues—among them changes and alliances in China, the United States and ASEAN, the status of "ASEAN centrality," the politicization of trade and investment in the region, the roles that China and America intend to play, and Southeast Asia's expectations from its relations with the United States and China.

This report, U.S.–China–Southeast Asia Relations: Challenges and Opportunities for Regional Cooperation, offers American, Chinese, and Southeast Asian perspectives from the workshop's two days of discussions. The report's authors—Dr. David M. Lampton, Hyman Professor Emeritus at Johns Hopkins School of Advanced International Studies (SAIS), Dr. Da Wei, Director of the Center for International Security and Strategy (CISS) at Tsinghua University in Beijing, and Dr. Kuik Cheng-Chwee, Professor of International Relations and Director of Asian Studies at the University of Malaysia—offer insights and recommendations for future policymakers in Washington, Beijing, and Southeast Asian capitals.

Since its founding 70 years ago, The Asia Foundation has maintained the conviction that the broader cause of U.S.–Asia relations is best served by candid dialogue. Identifying points of mutual understanding and acknowledging points of difference enable government officials and private-sector leaders on both sides of the Pacific to craft policies with the greatest chance of success, both domestically and internationally. The Foundation believes that perspectives on both sides of the Pacific must be heard if solutions to common problems are to be found. The Foundation's extensive relationships and comprehensive development programs provide extraordinary access to U.S. and Asian leaders, both in and out of government, who can provide these perspectives.

The Asia Foundation extends its thanks to Dr. David M. Lampton, Dr. Da Wei, and Dr. Kuik Cheng-Chwee for the essays they have contributed to this report. We would also like to thank Dr. Da Wei and Dr. Kirida Bhaopichitr, Director of the Thailand Development Research Institute's Economic Intelligence Unit, for serving, respectively, as the workshop's Chinese and Thai cochairs. Additional thanks are due to all the workshop's distinguished participants for their thoughtful contributions to the two-day discussion. Their names appear in this report's appendix.

This report was written by the authors based on materials presented at the workshop in Bangkok. It reflects the views of the authors and not necessarily those of the other conference participants, The Asia Foundation, or any other institution.

Special thanks to our international relations program officer Vanessa Crawford, in Washington, for her faultless attention to detail in helping to organize the workshop in Bangkok, and to Nikki Penn, Poonsook Pantitanonta, Don Pathan, Jitrsinee Jiamsakul, Manassinee Moottatarn, Pitchanuch

Supavanich, and Thomas Parks for their contributions to the workshop's success. Thanks also to John Rieger for editing this report.

Lastly, the Foundation expresses its gratitude and appreciation to The Carnegie Corporation of New York for generously supporting this project.

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Big Power Securitization, Industrial Policy, and Ideological Trends:

Implications for U.S.–China–Southeast Asia Cooperation

Dr. David M. Lampton
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Introduction

Cooperation among the United States, China, and Southeast Asia is important, whether we consider the national interests of each party or developments in the broader global system. Everyone pays at least lip service to the proposition that active cooperation in the region, or at a minimum the absence of kinetic strife, would promote world peace, economic development, social betterment, and global ecological sustainability. And yet, producing the conditions of cooperation necessary for these desirable outcomes is proving increasingly difficult. Why? What is to be done?

Three driving trends in big-power behavior make achieving U.S.–China–Southeast Asia cooperation increasingly difficult: comprehensive securitization of big-power ties; dramatically declining free trade impulses, more industrial policy, and at least selective decoupling between China and the United States; and ideological friction driving Washington and Beijing further apart. As big-power relations become more comprehensively antagonistic, that reality feeds destructive nationalism and unaccommodating politics in both countries.

Southeast Asia is often caught in the middle. In the worst case, because of the region's internal diversity, not all Southeast Asian countries would necessarily align the same way if forced to choose between Washington and Beijing, jeopardizing the hard-won regional integration of the last 50-plus years.

Southeast Asia seeks to avoid being sucked directly into strife by playing the ambitions of one big power against the other. This is an old game, but with higher stakes than at any time since the last Cold War. Each nation and society has its distinctive ways of playing the game, and each attaches importance to regional organizations that provide some measure of collective strength in the face of the U.S.-China competition.

Both big powers view Southeast Asia as extremely important to their respective futures, both economically and in terms of national security. Each big power believes that if the other achieves more presence in the region, it will necessarily come at the expense of its own interests and values. For America, Southeast Asia is part of the Indo-Pacific that Washington has defined as a

region of singular importance in successive strategic documents extending back to the early days of the Obama Administration (2010). Since then, Washington has sought to shift its commitment of military and economic resources in the direction of East and Southeast Asia, but with only modest success due to America's proliferating entanglements elsewhere in the world. Those entanglements include: the Ukraine War and its dangers of escalation with Russia; the Middle East broadly and Gaza specifically; Afghanistan until 2021; and the ongoing struggle with Iran and the terrorism it spawns regionally and globally.

For its own part, China, has a long historical connection to Southeast Asia, which also has immediate importance to Beijing's economic and strategic vision of itself as the economic hub of Asia. The People's Republic of China (PRC) has direct security interests in Southeast Asia, whether one considers territorial disputes, economic investment, supply chain security, transport diversification, or trade growth. Taiwan, a point of conflict in Southeast Asia, greatly bears on the legitimacy of the PRC in its internal politics. Since it backed down in the Taiwan Strait in 1996, Beijing has vowed to never let that happen again. If things go kinetic in the Taiwan Strait, stability and prosperity in Southeast Asia will be casualties.

Neither Washington nor Beijing is inclined to be accommodating towards the other in Southeast Asia. Consequently, Southeast Asian nations must seek ways to gain from the big-power competition on the one hand while not getting caught in the gears of the contest on the other. Looking within Southeast Asia, each country has its own distinctive approach to walking this strategic tightrope, maximizing benefits, and reducing risks.

To constructively address this growing, multifaceted set of challenges, The Asia Foundation, in collaboration with the Center for International Security and Strategy (CISS) at Tsinghua University and the Thailand Development Research Institute (TDRI), convened a two-day meeting in mid-May 2024 in Bangkok. This essay summarizes my own takeaways concerning trends, problems, and paths forward in the quest to increase cooperation and avoid severe conflict in Southeast Asia. This dialogue was especially important at this time because, overall in U.S.-China relations, such opportunities for thoughtful dialogue are too infrequent.

Critical Contexts

Southeast Asia since World War II has been a remarkable social and economic success story, whether one looks at GDP growth per capita, the degree of urbanization, education levels, or average life expectancy—now greater than 70 years at birth in all but two of ASEAN's ten member countries. And while this success has been broad-based, each country's quest has followed its own distinctive path.

China is ASEAN's number one trading partner in goods; the United States is a close number two; and the EU, Japan, the Republic of Korea, Taiwan, and Hong Kong occupy positions three through seven, each relationship representing over $100 billion annually in two-way trade. Put succinctly, the increasingly outward-oriented economies of Southeast Asia do not wish to choose among these trading partners, even as those partners themselves are gravitating towards two strategically antagonistic blocs—the U.S. bloc being the larger of the two, but China having the advantage of proximity, more diverse and direct physical connectivity,

growing foreign direct investment (FDI) in the region, and an active Chinese diaspora there. The fact that the United States was Southeast Asia's largest source of FDI in 2018–2022 ($73.4 billion), and that China was second ($68.5 billion), reinforces the desire in Southeast Asia not to have to choose between the two.

As one dialogue participant put it, ASEAN's position used to be "like a child stuck in a custody battle of parents—they just want Mommy and Daddy to get along." But now, that position has shifted: "We're more like teenagers who want Mommy and Daddy to give us what we need but also leave us alone—but continue to give us money."

Yet, despite Southeast Asia's almost uniform preference not to choose between powers, the U.S.-China competition is forcing itself upon them. Both Beijing and Washington are ever mindful of the region's strategic importance, sitting astride crowded trade routes and natural resources, and with increasingly capable workforces that are becoming increasingly integral to global supply chains. Southeast Asia is undergoing rapid urbanization and developing increasingly strong middle-class societies and thriving markets. In 2020, ASEAN became the world's fifth-largest economy, after the United States, China, Japan, and Germany (in that order). Beijing and Washington each fear the dominance of the other in this important region.

There is another critical context in which several Southeast Asian countries operate—the double-standard foreign policies of both Beijing and Washington. ASEAN has three Muslim-majority countries, Indonesia, Malaysia, and Brunei, and they look at the treatment of their co-religionists by China (in Xinjiang) and the United States (in the Middle East) with disquiet, the biggest current shock being connected to Israel's prosecution of the war in Gaza with huge Palestinian civilian casualties. As one participant put it:

> **"It is not enough to talk about helping Southeast Asian countries to maintain the rules-based order in places like the South China Sea when international law is being trampled in the Middle East. It is also not enough to talk about a win-win relationship with other countries when the territorial interests of small countries are ignored [by China] or, worse, met with shows of force."**

A final context, less often observed, is the complex web of security and defense supply networks in the region. While the United States has its well-known security treaties with Japan, the Republic of Korea (ROK), Thailand, Australia, and the Philippines, the PRC has its growing strategic relationship with Russia, which is becoming more active throughout the region, one example of which is provided by increasingly expansive Sino-Russian military exercises; Vietnam has increasingly intimate security ties with Washington; Cambodia and Myanmar have analogous arrangements with Beijing, including growing intelligence and basing arrangements. In some instances, Chinese entities sell weapons to nonstate actors in Southeast Asia, as in Northern Myanmar. To make things more complex, Washington also provides defense equipment to Vietnam through direct commercial sales, while China sells weapons to Thailand, a U.S. ally.

Southeast Asian countries sometimes chafe under the pressure from China and Washington. As one Cambodian interviewee

put it to me some years ago, Phnom Penh sometimes wishes it were not so dependent on the PRC, but there is no prospect that Washington will provide economic support to Cambodia given U.S. human rights concerns. In another case, even though Thailand is a U.S. ally, Washington periodically imposes sanctions on Bangkok for its human-rights behavior, particularly under periods of military dominance in Bangkok. Meanwhile, Bangkok has purchased modern weapons systems from Beijing.

On the economic development front, when it comes to government-to-government relations, Beijing is seen as more constructively involved than Washington in infrastructure building throughout the region. Beijing's Belt and Road Initiative and its Global Development Initiative are two cases in point.

One participant summed up the anxiety about security developments in the region–widely shared, although each Southeast Asian country would apportion blame differently between Washington and Beijing:

> **"For me, the U.S. security alliances are here to stay, and they will become more intense, with increased potency in terms of striking capabilities, and exhibit a stronger security bond among their members, as America continues to view China as an adversary. My only concern is that the U.S.-led mini-lateralism [more varied security relationships with more countries] is gaining momentum; multilateralism is in decline ... and [all this] weakens the role of ASEAN.... This affects Southeast Asia as regional countries try to avoid being pulled too far into either power's orbit."**

As one American participant put it, these "basic geo-social realities must be managed by all three [ASEAN, the United States, and China]; they are not problems to be solved."

Three Sources of Friction

The Bangkok Conference offered insight into the principal drivers of big-power conflict and its implications for Southeast Asia, and suggested ideas for cooperative pathways forward. One participant rightly said, "The U.S. worries about being passed by China, while China worries about being contained. Southeast Asia is a beneficiary of globalization, and it is concerned about maintaining its [economic success], identity, and autonomy in a situation of global rivalry."

Comprehensive securitization

When nations feel their fundamental security is threatened by another entity, this rises to the top of their national agendas. Chinese and American responses to this perception of threat, however, do not stay confined to the bilateral military domain. Rather, the initial security threat and response tend to metastasize into the economic, cultural, educational, and diplomatic domains and to other countries. What begins as a bounded, military, bilateral action-reaction process becomes "comprehensive securitization," which reverberates throughout the region and the globe, as we are seeing not only in Southeast Asia but also in Latin America, Africa, Europe, the Pacific Island states, and the Middle East.

Manifestations of the military securitization of the Sino-American relationship include: rapidly rising military budgets, accelerated weapons development, and growing big-

power military deployments throughout the region; the increasing tempo of military operations in the South China Sea, in the Taiwan Strait, and on the Korean Peninsula; the formation of new alliances or quasi-alliances such as the QUAD, AUKUS, and the "Partnership without Limits" between Moscow and Beijing; and conspicuous Chinese military planning for wartime mass casualty events. Alarming to the PRC, the scope of cooperation in existing U.S bilateral security alliances in Asia is growing, especially with respect to the Philippines, Japan, and the ROK.

Issues of concern to Southeast Asia that are lurking just over the horizon include the securitization of space and low earth orbit, artificial intelligence, and Sino-American cyber-competition, with its potentially dire implications for the security of global communications and basic societal infrastructure ranging from financial and health records to power grids. Just consider the July 2024 disruption of global computer networks by a flaw in a CrowdStrike software patch—and this was just a private company, not a malevolent state or nonstate actor!

These threats and developments do not remain isolated in the military sphere—they spread in turn to economics. America and China are each now trying to insulate their economic, social, and technological systems from the other, leading to export controls, attempts to achieve self-reliance in key goods from silicon chips to personal protective equipment, and efforts to increase supply chain reliability and develop alternative markets and production sites. Because neither the United States nor China is able to unilaterally hobble the other, they seek to enlist others in the effort by means of tariffs, the imposition of sanctions, and third-party enforcement of prohibitions on key exports.

Military and security competition almost instantly bleeds into the realm of education and culture as well. Chinese students in some STEM fields and from military or intelligence institutions are prohibited from enrolling in U.S. institutions of higher education. Moreover, for reasons displaying dubious logic, Washington in 2020 terminated the Fulbright program in China, a long-standing program providing access to the PRC for American students, scholars, and researchers. Beijing, for its part, has ended Western access to research sites and archives that were previously open. Both sides are mounting efforts to root out foreign spies. Interaction among NGOs has been narrowed since 2016–17 amidst a flurry of accusations in both societies that they are "influence operations." Since American NGOs in China often conducted multilateral programs involving the United States, China, and Southeast Asian countries, this theater of multilateral activity has necessarily been affected. The Bangkok Conference was a welcome exception to this general trend.

Declining free-trade impulses and more industrial policy

Several useful presentations at the Bangkok Conference provided a panorama of what one presenter called "securitization of regional economic relations."

Among the U.S. measures affecting Southeast Asia are: export and re-export controls on chip technology; prohibitions against dealing with Iranian, Russian, and Chinese firms sanctioned by Washington; U.S. legislative restrictions on the transfer of "sensitive" data to China; restrictions on providing or dealing in "intelligent systems" such as automated cranes and railway equipment that could be remotely controlled; the imposition of tariffs on Chinese-origin

goods; and tariffs on steel, aluminum, and other critical materials.

China has not been slow to react, and many responses have been adopted with varying degrees of transparency. Beijing's ever-tightening espionage laws and administrative edicts, for example, interfere with the due diligence investigations of foreign firms doing business there. Reciprocal, punitive tariffs have been imposed on countries that impose tariffs on China, and Beijing sometimes simply prohibits imports from certain firms or countries. There are PRC export controls on critical materials and specific products such as drones. There are prohibitions on the movement of data outside of China. And China seeks to make up for weakening bilateral trade with the United States in certain goods by accelerating exports and investments elsewhere, setting off cries of dumping and "overcapacity."

One of the many ironies in this entire process is that in the name of fighting China's planned economy and nonmarket behavior, both political parties in the United States are advocating what can only be described as industrial policy.

In short, the United States and China are in a tit-for-tat economic and technological contest that spills over into Southeast Asia and much of the rest of the world. As one presenter put it, in paraphrase, the region's reaction has been to strengthen ASEAN, expand relationships, and exploit tensions. Irrespective of which U.S. political party wins the 2024 general election, Washington's policies are likely to continue and indeed intensify, with priority attached to economic security measures, no likelihood of tariff relief, and the continued embrace of industrial policy by both U.S. political parties.

For Beijing's part, there is no sign that policies of opening and reform such as we saw in the 1980s and 1990s are about to be revived by General Secretary Xi Jinping. Instead, Xi seems to be doubling down on state-led growth, self-reliance, and regional dominance, a conclusion reinforced by the Third Plenum of the Chinese Communist Party in mid-July, 2024, a critical meeting that took place one month after the Bangkok Conference. Nonetheless, looking a decade or two further down the track, the possibility of policy change in the PRC should not be excluded, because many in the PRC question the wisdom of Beijing's current course, domestically and internationally.

Increasing ideological conflict

The Bangkok Conference did not dwell on this domain of friction and its spillovers into Southeast Asia. All that needs to be said here is that in its domestic political discourse the United States describes the nature of the competition between America and China as a "struggle between democracy and autocracy." Moreover, political discourse in the United States increasingly refers to the Chinese Communist Party, not the Chinese government, the Chinese people, or China. To Chinese ears, this framing sounds like support for regime change. For its part, China is increasingly aligned with Russia, the DPRK, and Iran in a multifaceted assault on the post–World War II "rules-based order."

Once the U.S.-China relationship is cast as a contest between incompatible visions or political orders, mutual accommodation becomes extremely difficult. Instead, Beijing and Washington seek to enlist other countries and regions to their respective sides in the contest, and Southeast Asia is not insulated from the consequences of this dynamic.

What Is To Be Done?

As one participant summarized, we are "in a multimodal world; power should be measured in terms of influence rather than in terms of capacity to coerce."

The Bangkok Conference offered suggestions to improve the currently deteriorating situation: moves that Southeast Asian countries can collectively and individually make; initiatives that America and China could adopt either singly or together; and efforts that would involve Southeast Asia, America, and China acting in concert.

Possible Southeast Asian responses and initiatives

These actions are anchored in the fact that Southeast Asian countries have both individual and collective agency. They need not suffer passively the actions of the two big powers. The nations of Southeast Asia should:

- Emphasize partnerships in the region, rather than alliances and quasi-alliances.
- Push more vigorously for a regional code of conduct.
- Strengthen ASEAN, the ASEAN Regional Forum, and other regional organizations.
- Encourage joint, big-power involvement in practical areas such as public health, agricultural cooperation, disaster relief, and climate-change mitigation.
- Continue to promote and strengthen ASEAN centrality, not least with respect to regulation of the Malacca Strait.
- "Just say no" to harmful big-power policies and initiatives, and energetically reject the idea of "Asia for Asians," as one regional participant put it.
- Continue to expand free-trade arrangements within ASEAN, and use this as leverage to compel more cooperative big-power economic behavior.
- Welcome multinational and consortium participation in infrastructure projects in the region.

Sino-American policies, joint and individual

- Both China and America should explicitly agree that balance and stability in Southeast Asia is their shared purpose.
- Washington should increase its economic and development participation in the region. The United States is, for instance, only the number five investor in Thailand.
- Beijing should work to restore credibility to sovereignty as an overriding principle of its foreign policy.

Concluding Thoughts

As we approach the 70th Anniversary of the Bandung Conference of April 18–24, 1955:

1. The United States and China will have to improve their strategic relationship before many problems affecting Southeast Asia can be effectively managed.
2. If the Taiwan or South China Sea issues deteriorate into open, kinetic Sino-American conflict, Southeast Asian countries will not be able to insulate themselves.
3. Southeast Asian countries have agency, and they need to coordinate their policies more effectively.
4. America should not pursue a policy of seeking political change in China, but it should hold onto the thought that such policy and other change is possible in the next decade or two.
5. Washington needs to become more effective in its economic statecraft in Southeast Asia.
6. China needs to reassure the region that it will not act as an arrogant big brother.
7. Big-power, Sino-American competition is not a constructive policy framework for Southeast Asia.

One participant provided a fitting thought with which to end, a quote from President Abraham Lincoln: “I walk slowly, but I never walk backwards.”

China-ASEAN-U.S. Relations:

The Need to Reactivate Open Regionalism

Dr. Da Wei
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In the 35 years since the end of the Cold War, the Asia-Pacific region has become one of the world's great success stories. When the Asia-Pacific is mentioned, people immediately think of peace, rapid economic development, and open regionalism. The Asia-Pacific miracle has been a joint creation of China, the United States, and the nations of ASEAN. The foundation of this success lies in each country placing economic development at the top of its domestic agenda, and a consensus among them on security issues that shelves disputes, minimizes conflicts, and transcends differences. The countries in the region have established a complex network of strategic dialogues, political communication mechanisms, and functional cooperation frameworks. In a context where mutual recognition among major powers was relatively low, ASEAN, composed of small and medium-sized countries, substantively promoted reconciliation and convergence within the region and gradually established an open regionalism.

Unfortunately, in the past decade, the Asia-Pacific concept has been eclipsed by the concept of the "Indo-Pacific." The Indo-Pacific itself is merely a geographical area, combining the rapidly growing and highly promising regions of India and the Indian Ocean with the Asia-Pacific region (which indeed has its rationale). International relations in the past 10 years have shown, however, that the Indo-Pacific concept represents geopolitical competition, tense relations among major powers, and the formation of geopolitical blocs. China, the United States, and ASEAN countries are all, to varying degrees, in a state of tension and unease over this characterization of regional interests.

We are faced with a crucial and difficult choice: should we continue to follow a model of regional cooperation based on consensus, equality, and economic development, or will we be distracted by major-power competition, military threats, and differences on security that threaten to rekindle the tense and confrontational geopolitics of the past and could lead to conflict and war in the region? Should we continue to uphold the spirit of equal respect, insist on inclusive development, open cooperation, harmonized connectivity, and mutually beneficial

integration, gradually building a regional framework of mutual benefit, pluralistic coexistence, and shared destiny? Or will we allow the region to be divided along the lines of different political systems, ideologies, and great-power alliances, resulting in forced alignments, bloc confrontations, and regional fragmentation?

Different paths will lead to different outcomes, and the choice lies in the hands of China, the nations of ASEAN, and the United States. At the workshop on "Prospects and Challenges for the United States, China and Southeast Asia Relations" held by the Asia Foundation in Bangkok in May 2024, participants agreed on these issues. Scholars from all sides averred that ASEAN should not be torn apart by the tense bilateral relations between China and the United States. Many also hoped that ASEAN countries can play some role in easing China-U.S. relations.

Challenges and Opportunities

From the perspective of Chinese scholars, this region faces a number of challenges and several opportunities.

One challenge is the fragmentation and division brought by closed-bloc politics. Chinese scholars generally criticize the United States and its allies for promoting the "Indo-Pacific strategy," establishing or upgrading various exclusive, mission-oriented "partnership clubs," undermining the existing regional order, building military alliances, reviving bloc politics, and constructing a hegemonic system. This approach threatens the regional cooperation framework centered on ASEAN and harms the overall, long-term interests of countries in the region.

A second challenge is the economic slowdown that has stifled regional vitality and undermined development achievements. Influenced by factors such as de-globalization, trade protectionism, the pandemic, and the war in Ukraine, the stability of global supply chains has been shaken, bringing high inflation and financial disorder in multiple countries and damaging regional recovery prospects. As the macroeconomic policies of the United States and Europe gradually "normalize" in an era of higher interest rates, changes in global capital markets and international exchange rates have caused the debt burden of some developing countries in the Asia-Pacific region to soar, revealing fiscal security risks and exacerbating income inequality, with some countries falling into crisis.

A third challenge is the compounding impact of various traditional and nontraditional issues that weaken regional security. Unresolved territorial and maritime disputes in the region are used as geopolitical levers, leading to more complex and intertwined conflicts. Signs of an arms race are emerging, exacerbated by great-power competition and emerging regional hotspots. The development paths of some countries remain uncertain, and their internal politics are frequently volatile. Some countries lack infrastructure and human resources, and as they undergo political and social transitions, they lack the capacity to effectively address nontraditional issues such as grassroots poverty, natural disasters, and transnational crime.

At the same time, this region has several significant opportunities.

One opportunity is the unstoppable collective rise of Asian economies. An estimated 2.4 billion new people will enter the global middle class between now and 2030,

and the majority of them will live in the Asia-Pacific region. Countries such as the United States, China, India, Indonesia, and Vietnam have considerable growth potential. Industrial development based on new technologies such as artificial intelligence, big data, robotics, the Internet of Things, and the Fourth Industrial Revolution will provide a broader platform for growth and development, further strengthening regional supply chains.

Another opportunity lies in the still-unbroken consensus among regional countries to seek peace, pursue development, and promote cooperation. In the China-U.S.-ASEAN workshop in Bangkok, all participants rejected the temptation to take sides. Not only did ASEAN countries oppose it, but Chinese and American participants also clearly believed that ASEAN should not be forced to take sides.

A third opportunity lies in the revitalization of the regional cooperation mechanisms that have been constructed over many years. The Regional Comprehensive Economic Partnership (RCEP), in which both China and ASEAN are involved, has created the largest free-trade area in the world. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is another high-level, free-trade mechanism, and China has officially applied to join.

Towards an Open Regionalism

In November 2024, the United States will hold a pivotal election. Regardless of who wins, the emergence of a new administration in Washington could open new opportunities for the United States, ASEAN, and China to adjust their respective policies and reduce the level of competition and confrontation. The task before China, ASEAN, and the United States is to reactivate the endangered concept of "open regionalism."

Open regionalism means first that China, the United States, and ASEAN countries are part of the same shared region, rather than two opposing regions. This principle should be established first at the conceptual level. The three parties should strive to uphold the principle of mutual openness and build our region into one where countries are closely interconnected. This will require that China and the United States limit their competitive relationship to a certain level. The key will be for the two great powers to acknowledge that they must coexist within the same international system. While the United States may seek to compete with China, it should not aim to exclude China from this system. Similarly, China needs to clarify that, although it is dissatisfied with specific U.S. policies, it does not intend to overthrow the existing international order.

Open regionalism is built on the reality of a "multi-centric" Asia-Pacific, a region where multiple forces coexist and interact. The future of the Asia-Pacific must be created collectively by the countries in the region; there can be no structure centered on any single country, nor will there be an "Asia-Pacific/Indo-Pacific century" that belongs exclusively to any one side. Neither China nor the United States can monopolize this region; instead, they should each be prepared to play their role and to explicitly support ASEAN and its member countries in playing their roles, contributing to a region with multiple "centers."

> **Open regionalism is essentially multilateralism, providing a framework for Asia-Pacific countries to jointly address global challenges. From pandemics to climate change, from economic recovery to countering terrorism and transnational crime, from digital governance to the development and application of emerging technologies, close cooperation among countries is required.**

China, the United States, and ASEAN countries each have their strengths, and the existing cooperation frameworks are well-established. All should set an example by fostering a spirit of cooperation to tackle global challenges, enhance regional resilience, and explore global lessons in effective governance.

The Approach We Can Adopt

China aims to align its Belt and Road Initiative and its medium- to long-term economic and social development plans with the ASEAN Community Vision 2025, the Indo-Pacific Outlook, the Eastern Economic Corridor plan, Indonesia's Global Maritime Fulcrum vision, Vietnam's National Strategy for the Fourth Industrial Revolution by 2030, Thailand's Thailand 4.0 strategy, and other strategic initiatives.

Promoting the "ASEAN way." China firmly supports ASEAN unity and community-building, ASEAN's centrality in the regional architecture of Southeast Asia, and a greater role for ASEAN in regional and international affairs. China not only hopes that ASEAN will play a central role in regional cooperation, but also hopes that the "ASEAN way"—which emphasizes consensus, equal footing, transparency, noninterference in internal affairs, and consideration of all parties' comfort levels—can become the regional approach for the Asia-Pacific/Indo-Pacific. China's support for ASEAN centrality is not a strategy to win favor or disguise ambition. Since China's rise is bound to cause concerns in the United States and regional countries, supporting ASEAN centrality is, in fact, a way to reduce regional concerns about China. China's attitude is sincere. The "ASEAN way" is also very close to Chinese cultural values, so China feels very comfortable with this approach and will undoubtedly continue to support it.

Building a regional framework. China is committed to working with ASEAN and other regional partners to support mechanisms such as China-ASEAN 10+1 cooperation, the East Asia Summit, the Lancang-Mekong Cooperation, and the ASEAN Regional Forum. China also welcomes the United States and other countries around the world to play roles within these mechanisms.

Managing U.S.-China competition. Without the normalization of U.S.-China relations that began in the early 1970s, and the subsequent cooperation between the two countries, the post–Cold War rise of ASEAN and the Asia-Pacific would not have been possible. In the future, China and the United States must coordinate their relations in the Asia-Pacific region, which will then provide a basis for smoother relations with ASEAN. Scholars from ASEAN countries repeatedly emphasized this point in our China-U.S.-ASEAN workshop discussion in Bangkok. China, the United States, and ASEAN are all

part of this region and benefit from peace and stability in the Asia-Pacific/Indo-Pacific.

> **When the new U.S. administration takes office in 2025, China and the United States should reconsider how to define their relationship, explore whether it is possible to move beyond the strategic competition framework, and take steps to gradually de-securitize U.S.-China relations.**

This would involve narrowing the scope of competitive relations, deemphasizing strategic competition in favor of normal, economic competition and avoiding the view that U.S.-China relations are an all-encompassing, life-and-death struggle. The aim should be to gradually steer the relationship toward competition on specific issues, while maintaining normal relations and effective cooperation on others.

What Can China Do?

Providing strategic assurance. China can establish comprehensive bilateral consultation and strategic dialogue platforms with ASEAN countries–including diplomatic and defense "2+2" dialogues–to enhance mutual strategic assurance. Additionally, China can reactivate its efforts to sign the China-ASEAN Treaty of Good-Neighborliness, Friendship, and Cooperation.

Striving for common prosperity. China can encourage and support Chinese enterprises to reasonably transfer industries to ASEAN countries and consider implementing the "three zeros" (zero tariffs, zero barriers, zero subsidies) for certain ASEAN countries. By building the China-ASEAN Free Trade Area 3.0, China can guide cooperation from traditional trade to new economic sectors such as cross-border finance, the digital economy, satellite navigation, and services. China should actively pursue its accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA). Using platforms such as the Global Development and South-South Cooperation Fund, the China-UN Peace and Development Fund, the Global Development Promotion Center, and the Global Development Knowledge Network, China can implement more "small yet beautiful" and "dense yet precise" sustainable livelihood and human-resource development projects in less-developed ASEAN countries. China can work jointly with allied countries to formulate and implement rules to promote software interoperability and facilitate the lawful, orderly, secure, and free flow of data within the region.

Promoting infrastructure connectivity. China should advance the APEC Connectivity Blueprint (2015–2025) and complete the initiatives and targets jointly established by all parties before 2025, thereby promoting a fully connected and integrated Asia-Pacific. Ensuring the implementation of major infrastructure connectivity projects under the Belt and Road Initiative, China can actively plan with Thailand and Malaysia to accelerate the construction of the Pan-Asian Railway Network. Supporting Chinese enterprises in establishing international logistics bases in ASEAN countries, China can apply digital technology to various aspects of cross-border sales, transportation, storage, and settlement of goods, promote integrated logistics development, and facilitate deep embedding and integration of industrial and value chains.

Additionally, China can establish a regional water resource management mechanism to manage conflicts of interest, eliminate unfair practices, and promote the equitable and harmonious sharing of water resources.

Sharing security risks. China can strengthen military exchanges and cooperation with ASEAN countries, enhance cooperation on confidence-building measures in border areas, and promote maritime security dialogue and cooperation. Continuing to support ASEAN's efforts to establish a nuclear-weapon-free zone, China should maintain communication and consultations, actively engage in nonproliferation cooperation, and be ready to sign the Protocol to the Southeast Asia Nuclear-Weapon-Free Zone Treaty. Following the principles of widely recognized international law, such as the 1982 United Nations Convention on the Law of the Sea (UNCLOS), China can engage in maritime cooperation to jointly safeguard freedom of navigation and the security of sea-lanes. Fully and effectively implementing the Declaration on the Conduct of Parties in the South China Sea, China should strive to reach a consensus on the Code of Conduct in the South China Sea as soon as possible, providing a framework for managing differences, advancing cooperation, and jointly governing the South China Sea. China can also enhance coordination in areas such as navigation safety, oil and gas exploration, fisheries, and marine ecology, providing public goods and establishing functional cooperation mechanisms among the coastal states.

Jointly addressing global challenges. China can implement the United Nations 2030 Agenda for Sustainable Development; support the exchange of poverty-alleviation experiences; ensure funding, factor allocation, basic public services, and talent deployment; mitigate regional poverty; and promote balanced regional development. Practical cooperation on plant and animal disease control, soil health, preservation of agricultural heritage, and trade in agricultural services can enhance food security. Adhering to the principle of "common but differentiated responsibilities," while fulfilling its new, nationally determined contributions for lowering carbon emissions, China can collaborate with the United States and ASEAN countries to address climate change. Strengthening the sharing of information on disasters such as earthquakes, typhoons, volcanoes, mudslides, and regional floods, China can actively engage in humanitarian disaster relief cooperation.

Enhancing people-to-people exchanges. China can implement more measures to facilitate the movement of people, accelerate the post-pandemic recovery of tourism, and support the construction of the ASEAN Travel Corridor. Honoring its commitment to provide 100,000 training and seminar slots to developing countries worldwide, China should allocate a significant portion of these slots to ASEAN countries. Promoting student exchanges and joint training programs among universities in the region, China should actively improve its policy competitiveness in areas such as visas and post-graduation work rights. China can also promote people-to-people connectivity through short-term youth exchange programs such as study tours, summer camps, and volunteer activities.

U.S.–China–Southeast Asia Triangular Relations:

Maximizing Cooperation and Minimizing Tension

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This paper offers a Southeast Asian perspective, drawn from the deliberations of the Bangkok workshop in May 2024, on U.S.–China–Southeast Asia triangular relations.

Southeast Asia is diverse, and national perspectives vary widely on the issues of the day, but as similarly situated states, sandwiched between two competing superpowers, the 10 members of the Association of Southeast Asian Nations (ASEAN) inevitably share some similar views. Here we examine some of the differences and similarities in Southeast Asian views of U.S.-China competition.

The states of ASEAN, considered individually or collectively, are the weakest partner in U.S.–China–Southeast Asia triangular relations, and the Southeast Asian perspective is thus a worldview of the weak among the strong. But this worldview is watchfully prudent, underpinned by a survival-seeking pragmatism. As big-power competition escalates and international uncertainties grow, this Southeast Asian pragmatism is marked by a readiness for dialogue and cooperative engagement despite any differences or disagreements with other actors.

This paper is presented in three parts. The first examines Southeast Asia's top priorities and shared concerns about the growing U.S.-China competition. The second illuminates the economic and security dimensions of this triangular relationship. Southeast Asian states see economics and security as interconnected. As the relatively weaker partner, they see both danger and opportunity in the evolving competition between these two more powerful actors. The third identifies Southeast Asian preferences—what they want from the United States and China, what they do not want, and what they most fear from the intensifying big-power rivalry.

Southeast Asia's Top Priorities and Concerns

Southeast Asia is extremely heterogeneous, with broad differences in ideology, ethnic and religious identity, and levels of development

across the region. The 10 states of ASEAN–soon to be 11 with the expected accession of Timor-Leste–have different views on many international and regional issues. Examples abound. On the Palestine-Israel conflict, the Muslim-majority countries of Brunei, Indonesia, and Malaysia have the most open and vehement position among ASEAN states in supporting the Palestinian cause and condemning Israel's relentless, brutal attacks in Gaza. On disputes in the South China Sea, the claimants Brunei, Malaysia, the Philippines, and Vietnam, and the littoral state of Indonesia and the maritime trade-dependent Singapore, are much more vigilant about maritime peace and security than Cambodia, Laos, and Myanmar. In addressing the ongoing crisis in Myanmar, the democratic countries of Indonesia, Malaysia, the Philippines, and Thailand have taken a more activist and inclusive approach than other ASEAN members. Southeast Asian states also vote differently in the United Nations–on the Russian invasion of Ukraine, for example–and maintain different alignment patterns. The Philippines has traditionally been closer to the United States, for example, whereas Cambodia and Laos have forged closer ties with China, especially in recent years.

These differences notwithstanding, the small and medium-sized ASEAN states do share a number of priorities and concerns, particularly when it comes to their posture towards the great powers. Many of their shared policies and propensities can be attributed to their shared historical experience. Virtually all Southeast Asian states have suffered centuries of Western colonialism and decades of Cold War politics. For them, the U.S.-China rivalry is not a new phenomenon, but just the latest round of big-power politics in the anarchic international system.

In addition to historical memory, the shared priorities of Southeast Asian states reflect structural and domestic concerns. Because of their relative vulnerability, ASEAN states tend to view the United States and China warily, as powerful outside actors who can harm or help them in more than one way. And because of their weaknesses as socio-politically divided or economically developing nations, their leaders tend to be preoccupied with domestic priorities and challenges. They learn to live with difficult realities when they must, while seeking to leverage those external realities to tackle pressing problems at home.

These internal and external conditions compel all ASEAN states to be always thinking and acting in survival-seeking mode. Their survival instincts, in turn, push them to be acutely concerned about the highly uncertain state of world politics, particularly the often-volatile relationship between the United States and China. As the giants intensify their long-term contest for global influence and support, the militarily weaker states of Southeast Asia feel the heat more than others. In part, this is because of their geographical proximity to two potential hotspots, the South China Sea and the Taiwan Strait. It is also because the major powers have extensive economic and security interests in Southeast Asia, whose strategic location straddles the critical sea-lanes of the Indo-Pacific. The weaker and smaller states well understand that Southeast Asia will be among the first to suffer if these geopolitical hotspots lead to war between the superpowers.

Facing these realities, Southeast Asian states thus view global power dynamics with great vigilance. Today they see three trends unfolding:

1. U.S.-China competition is likely to intensify in the coming decades. This will be so both in the high-politics domains of military and maritime affairs and in the low-politics realms of economic exchange, connectivity development, critical minerals, supply chains, and high-tech cooperation such as 5G wireless, artificial intelligence, submarine cables, and semiconductor chips. In the twenty-first century, geopolitics is geoeconomics, and vice versa.

2. The emerging geopolitical and geoeconomic dynamics will be marked not only by the growing U.S.-China rivalry, but also by the increasing involvement of next-tier powers both in and out of Asia. These include Australia, India, and Japan, who together with the United States form the Quadrilateral Security Dialogue–the "Quad"–as well as the European powers and the other "likeminded" nations such as the United Kingdom (which joined the United States and Australia to form the AUKUS security pact in 2021), South Korea (one of the "Indo-Pacific-4" or IP4 along with Australia, Japan, and New Zealand), and Canada. Driven in large part by long-term concerns about an increasingly assertive China (and to some extent by an increasingly uncertain U.S. commitment to Asian security), these nations have issued their respective documents on the "Indo-Pacific" since the revival of the Quad in 2017. All of them have increased their diplomatic and strategic activity across the Indo-Pacific, pursuing economic and foreign policy goals that converge largely, but not completely, with those of the United States. All of them have been eyeing Southeast Asia as a focus of their Indo-Pacific policies.

3. As the two superpowers and the next-tier powers step up their presence and pursuit of partnerships across the military and non-military domains–bilaterally, mini-laterally, and multilaterally–to win the hearts and minds of regional states, Southeast Asia will remain the center of courtship and competition for this century's geopolitical Great Game. Indeed, as more powers and players compete in this courtship, ASEAN is becoming a more crowded geopolitical theatre than ever. These trends confront Southeast Asia with both challenges and opportunities.

The Triangular Economic-Security Nexus

In the eyes of Southeast Asian states, blandishments and pressures are two sides of the big-power courtship coin. This is especially so as economic and security concerns have become intertwined in the competing powers' statecraft. For the big powers, security goals color economic initiatives (e.g., the U.S. "decoupling" policy; European "de-risking"; China's mercantilist statecraft), just as economic ends necessitate security means (e.g., the U.S. hub-and-spokes alliance system, China's increasingly assertive maritime actions).

For smaller states in the ASEAN region, economic opportunities at times have a security price, just as security benefits often come with an economic cost. And these costs are rising as the superpowers step up their competition.

Hence, while Southeast Asian states have generally welcomed the developmental benefits of China's rise, including opportunities from the Belt and Road Initiative (BRI), some are worried about the associated security risks. Vietnam and Singapore, for instance, excluded China's Huawei from their 5G wireless deployments, largely due to their concerns about digital security. Southeast Asia is also ambivalent about some aspects of U.S. statecraft. ASEAN states understand, for example, that the U.S. push for economic decoupling from China could mitigate the twin risks of economic coercion and dependency, but they worry that this could have broader geopolitical ramifications.

> **Southeast Asian states see decoupling as neither desirable nor feasible, because if and when the U.S. decoupling agenda expands beyond the economic and technological domains, the process is bound to turn economic bifurcation into geopolitical polarization.**

If that happens, the pressure from both powers to take sides will grow, increasing tensions and exacerbating the already tense security situation in maritime Asia. ASEAN states want diversification, not decoupling. This position has not changed, even after decoupling was repackaged as "de-risking" by European countries, who, like ASEAN states, are skeptical about the feasibility of decoupling.

Such prudent assessments and apprehensions can be observed in Southeast Asian responses to other aspects of the U.S.–China–Southeast Asia triangular relationship. For example, in the wake of the U.S.-China trade war and the United States' subsequent decoupling policy, many multinational companies began to implement a "China plus one" strategy by diversifying their economic operations beyond China. Southeast Asia has emerged as a top beneficiary of this trend, as companies relocate their production plants to the ASEAN region. But while countries like Vietnam and Malaysia have gained more investments in semiconductors and other sectors, Southeast Asian states are concerned that these benefits may be short-lived, and that their economies will suffer from the next Washington policy change.

The triangular interactions take place not just bilaterally but also multilaterally. Southeast Asian states are the institutional hosts of several multilateral institutions. These include the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and the ASEAN Defense Ministers' Meeting-Plus (ADMM-Plus), of which the United States and China are among the members, as well as the ASEAN Plus Three (APT), of which China is one of the founding members (alongside ASEAN, and U.S. allies Japan and South Korea). These multilateral platforms signify and sustain the "centrality" of ASEAN in regional affairs, but they also expose the member states to the pushes and pulls of the competing powers. The ASEAN-based institutions function side by side with the big powers' own initiatives–China's BRI, for example, and the United States' Indo-Pacific Economic Framework (IPEF). At times they converge with the big powers' preferred mechanisms aspirations–e.g., the Expanded ASEAN Maritime Forum (EAMF) and the Regional Comprehensive Economic Partnership (RCEP)–and at times they compete with the big powers' economic and military statecraft–e.g., the U.S.-led alliance networks and China's bilateral inducement with individual states.

While embracing the benefits from triangular interactions, Southeast Asian countries see multiple risks and potential dangers from the evolving economy-security nexus embedded in the U.S.-China rivalry. Dependency and over-reliance are top concerns, especially for countries like Laos and Cambodia, which rely on Chinese capital for infrastructure investments and economic development. Some of the foreign-backed infrastructure and connectivity ventures in the region involve massive loans, unfavorable terms, and lack of transparency, raising concerns about debt burdens and fiscal sustainability. But there are other potential dangers associated with big-power gamesmanship. Almost all ASEAN states are concerned, to varying degrees, about the following risks:

- *Entrapment.* As U.S.-China tensions grow and their power relations become more unpredictable, Southeast Asian countries fear entrapment in a great-power war over Taiwan or the South China Sea. As much as the ASEAN states would like to benefit economically and strategically from big-power competition, they also realize that such competition could get out of control, escalating to armed confrontation and engulfing smaller countries with tension, instability, and violent conflict.

- *Polarization.* The U.S.-China downward spiral has raised fears in Southeast Asia of a "Cold War 2.0." If that happens, inter-state relations will become polarized, one camp against another. It won't happen overnight, but in stages. It might happen, for example, if economic and technological bifurcation leads to strategic bifurcation, and if strategic bifurcation escalates into geopolitical polarization of two rival blocs, forcing most states to take sides on all domains. This is not yet the situation today, but there are worrisome early signs. There is growing talk about "democracies versus autocracies." Southeast Asian states are increasingly uneasy about such black-and-white narratives, seeing the danger of ideological divisions. There are also growing pressures from the great powers on smaller countries' policy decisions. Washington pressed its allies and partners, including those in Southeast Asia, not to partner with Huawei on 5G technology. Many in the region saw this pressure as the strong imposing their will on the weak, moving closer to bifurcation and potentially polarization. Anxiety is also growing in Southeast Asia that some ASEAN states may become proxies of big-power rivalry, as the Philippines is moving deep into the U.S.-led alliance system, while Cambodia is seen by some as tilting towards China (an impression reinforced by China's role in Cambodia's Ream Naval Base).

- *Marginalization.* As the Quad and AUKUS have gained momentum and second-tier Asian and European powers have rallied to the Indo-Pacific narrative, Southeast Asian states have worried that these non-ASEAN initiatives may undermine ASEAN's role in regional affairs. Many in Southeast Asia, even those who value the regional role of the United States and other Western powers, have voiced concerns about the long-term implications of non-ASEAN mini-lateralism for ASEAN cohesion and centrality.

What Southeast Asia Wants: A Watchful Wish List of the Weak

> **The ASEAN states, as a group of small and medium-sized sovereign actors, all want peaceful, productive, and pragmatically balanced relationships with both the United States and China. If these relationships become imbalanced, they will be unsustainable.**

This macro-level stance determines the micro-level substance of what Southeast Asian states want from the two superpowers, what they do not want, and what they most fear.

The list may seem wishful, but the imperative is essentially a watchful one. As relatively weak, survival-seeking actors, Southeast Asian states know that they must be realistic and not naïve. Based on their historical memories and more recent experiences with big-power politics, they realize that they can advocate goals and shape the process, but they cannot independently determine eventual outcomes. The structure of peaceful inter-state relations is often beyond any single state's preferences. It is subject to system-level dynamics, particularly actions and reactions among the strongest powers in the system. But Southeast Asian states are determined to keep pressing for a pragmatic, dignified coexistence for all, especially when situations become tense and unpredictable.

What ASEAN states want:

- A peaceful and stable external environment.
- Constructive competition, not conflict. Let big powers compete to collaborate, not compete to fight, especially in Southeast Asia. Competition is ok, but not conflict and not confrontation.
- Pragmatic cooperation between the superpowers. The United States and China join hands in collaborating on regional and global challenges, especially climate change, artificial intelligence, transnational crime, and other transboundary problems that no country can tackle alone.
- Prudent and restrained coexistence between the superpowers.
- Productive and inclusive triangular ties. Concurrent and mutually beneficial partnerships between Southeast Asia and both superpowers.
- Mutually reinforcing bilateralism and multilateralism within the trilateral ties.
- Active support from the big powers, not just lip service, for ASEAN centrality. ASEAN centrality is good for all. RCEP, the largest free-trade agreement in the world, would not have been possible without the ASEAN-led cooperative platforms.

What ASEAN states do not want:

- Southeast Asian states being pressured to take sides.
- Southeast Asian states being pulled into competing spheres of influence that undermine ASEAN.
- Southeast Asian states being dominated by any hegemonic power.
- ASEAN being sidelined, or ASEAN centrality being eroded.

What ASEAN states fear most:

- Hot war between the two superpowers.
- Becoming entangled in a big-power armed conflict.
- Being used as a proxy by one power against another.

To conclude, the foregoing watchful wish list of the weak should provide a foundation on which the United States and China can maximize cooperation, minimize tension, and avoid armed confrontation. Conflict and war are not inevitable. More pragmatic and concerted efforts must be made through bilateral, mini-lateral, and multilateral channels to achieve the goals of all states: peace, prosperity, and dignified coexistence for all.

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