



Strategic Competition and Security Cooperation in the Indo-Pacific

EDITED BY
CARL BAKER





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Introduction

Carl Baker

There is a growing acceptance among countries in the Indo-Pacific region that strategic competition between the United States and China is changing perceptions about security and the adequacy of the existing security architecture. While some have characterized the competition between the two as a new Cold War, it is clear that what is happening in the region is far more complex than the competition that characterized the original Cold War between the United States and the Soviet Union. First, the economic integration that has taken place since the early 1990s makes it much more difficult to draw bright ideological lines between the two sides. Further, the Asian context of the emerging competition is one where the two competitors have grown to share power. As the dominant military power, the United States has been the primary security guarantor in Asia and beyond. China, on the other hand, has emerged over the past decades as the primary economic catalyst in Asia and beyond. Currently, each side seems increasingly unwilling to accept that arrangement.

To understand how we got here, it is useful to look at the evolution of the Asian security environment since the end of the original Cold War. The emergence of the unipolar world order dominated by the United States in the early 1990s has had a significant impact on security relationships in Asia. Without a serious global competitor, the United States was in a position of being both the ultimate security guarantor through its bilateral alliances and the eager promoter of a liberal economic order that it saw as bolstering its position as the world's leading economic power. In practical terms, the arrangement in Asia evolved into a relatively stable security environment. The forward deployment of US military forces, which largely remained after the Cold War ended, minimized the risk of military confrontation in regional hotspots including Korea, Taiwan, East China Sea, and South China Sea. Meanwhile, the effort to integrate China into the global economic order facilitated its role as the engine for regional economic growth. Southeast Asian states became the source for raw materials and components for China, which assembled them for export to the United States and Europe.

The Association of Southeast Asia Nations (ASEAN), meanwhile, began developing a range of extra-regional platforms such as the ASEAN Plus 3 (APT), East Asia Summit (EAS), ASEAN Regional Forum (ARF), ASEAN Defense Ministers' Meeting Plus (ADMM-Plus), and the Expanded ASEAN Maritime Forum (EAMF) to promote dialogue with the key

regional powers. The motivation for creating these institutions was partly out of concern for the emergence of great power competition and partly out of an interest in promoting regional cooperation to facilitate economic development and respond to transnational security problems in Southeast Asia. This institutionalization process, often referred to as ASEAN centrality, became a guiding principle for security interactions involving ASEAN member states.

This broad division of focus—the US and its military alliance system serving as the primary security guarantor and ASEAN serving as the promoter of economic integration and non-traditional security cooperation—provided a relatively stable security environment, although there have been important perturbations. In the economic realm, the Asian financial crisis in the late 1990s led to the creation of regional institutions to fill in where the global financial institutions failed to provide the support needed to stabilize Asian currency and financial markets. The global financial crisis in the late 2000s reaffirmed the need for regional financial institutions and solidified China's centrality as the economic hub of Asia. In the security realm, China's assertion of maritime rights in the East China Sea and South China Sea challenged US security dominance over maritime spaces and ASEAN's limited influence in resolving the Korean and cross-Strait conflicts led some to question its capacity as a facilitator for security dialogue beyond the confines of Southeast Asia.

By the late 2010s, the military competition between the United States and China was becoming increasingly difficult to ignore. The United States and its allies and partners saw China's increasingly aggressive claims and activities in the East China Sea and South China Sea as part of an area denial/anti-access military strategy designed to eliminate the United States as the sole military power inside the so-called first island chain. China, meanwhile, viewed the US decision to expand the scope of its military dominance from the Asia-Pacific to the Indo-Pacific along with the emergence of US-led mechanisms such as the Quadrilateral Security Dialogue, the Australia-UK-US Partnership (AUKUS), and the US-Australia-Japan Strategic Dialogue as a military containment strategy. While ASEAN sought to find ways to maintain a role in minimizing the differences, the increased tension again highlighted its limited role in shaping regional security relationships beyond the confines of the 10 ASEAN member states.

The late 2010s and early 2020s also saw increased competition in the economic realm. While China continued to consolidate its position as the primary trade partner of most countries in the region as it joined the Regional Comprehensive Economic Partnership, the United States walked away from its commitment to join the Trans-Pacific Partnership Agreement. Further, China broadened its role as the economic and financial fulcrum for Asia as it created new institutions associated with economic development such as the Belt and Road Initiative in 2013 and the Asian Infrastructure and Investment Bank in 2016. Meanwhile, the United States and its partners struggled to find a counter to China's approach to economic development. The most recent aspect of the emerging economic competition has been the battle for technology supremacy. For the United States, the concern is largely focused on maintaining its dominance in what it terms "emerging and foundational" technologies. For China, the focus has been on developing indigenous capacity through initiatives such as "Made in China 2025" and its "military-civil fusion" strategy.

As strategic competition between the United States and China has intensified, both sides continue to build narratives about the benefits of their vision for the future and the dangers the other side represents to global order. The US National Security Strategy, released in October 2022, states that the United States will "pursue a free, open, prosperous, and secure world" while describing China as a revisionist power and "the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it." The Chinese foreign ministry spokesperson responded to the new US strategy in a press briefing stating, "We oppose the outdated Cold War mentality and zero-sum mindset." In his opening speech at the 20th Communist Party of China National Congress, Xi Jinping indirectly confirmed the US NSS assessment, stating that, "China's international influence, appeal and power to shape the world has significantly increased." In its alternative narrative, China has introduced a range of alternatives including the "global development initiative" and the "global security initiative," portraying itself, in the words of one of its "wolf warrior diplomats," as being at the center of the global movement focused on "bolstering universal

peace, advancing global development and promoting a stable international order."¹

“While both the United States and China acknowledge the need for regional cooperation to achieve their vision, each sees itself as the natural leader of the envisioned future world order.”

While both the United States and China acknowledge the need for regional cooperation to achieve their vision, each sees itself as the natural leader of the envisioned future world order. Emphasizing the importance of working with "allies and partners," the broad US vision as stated in the NSS is to "work in common cause with those who share our vision of a world that is free, open, secure, and prosperous." With specific reference to the Indo-Pacific, the NSS states that the US will "further reinforce our collective strength by weaving our allies and partners closer together—including by encouraging tighter linkages between likeminded Indo-Pacific and European countries. Meanwhile, China, which regularly seeks to identify itself as part of the "global South," has sought to portray its vision as more inclusive and broadly beneficial. Foreign Minister Wang Yi, speaking at the December 2022 Symposium on the International Situation and China's Foreign Relations, emphasized that despite "attempts by some country to bring bloc confrontation to Asia and disrupt peace and stability in the region, China has stayed committed to the principle of amity, sincerity, mutual benefit and inclusiveness and the policy of good-neighborliness and friendship."

The ASEAN member states have responded to the growing US-China competition by collectively insisting that it does not want to be in a position of having choose sides. Meanwhile, ASEAN continues to portray itself as an important mechanism for preventive diplomacy and regional integration. In the November 2022 Chairman's Statement of the 40th

¹ Vuyo Gxekwa, The Global Development Initiative: How Useful and Prudent is Xi Jinping's Global Development Initiative for Advancing the

Wellbeing of Humanity? Oct. 20, 2022. http://za.china-embassy.gov.cn/eng/sgxw/202210/t20221020_10788973.htm

and 41st ASEAN Summits, ASEAN “reaffirmed our commitment to maintaining Southeast Asia as a region of peace, security, and stability and further strengthening peace-oriented values... [and] reiterated the importance of maintaining an ASEAN-centred regional architecture that is open, transparent, rules-based and inclusive.” While both China and the United States continue to reassure the ASEAN member states that they recognize ASEAN centrality, the growth of security-focused institutions that go beyond ASEAN’s ambit make those reassurances sound increasingly hollow beyond the confines of Southeast Asia.

In an effort to understand the dynamics and potential effects of US-China strategic competition on the security environment in the Indo-Pacific, Pacific Forum with support from the Carnegie Corporation of New York and in collaboration with the Rajaratnam School of International Studies, conducted a workshop in Singapore in December 2022. Early versions of the papers included in this volume were presented at the workshop. The individual authors address perceptions, manifestations, and impacts of the competition and implications for the region with a specific focus on security cooperation.

The volume begins with Drew Thompson’s assessment of the re-emergence of major power competition in Southeast Asia. He argues that the increased tension between the United States and China, driven largely by Xi Jinping’s centralization of power and efforts by the US to create what it views as “guardrails to increase mutual understanding and reduce the chance of misperception and miscalculation,” has created a great deal of anxiety in Southeast Asia. Individual states in the region have sought to avoid entanglement, while seeking to take advantage of each side if possible. As long as neither of the great powers are able to dominate all aspects of national power, Southeast Asian countries “will remain deeply committed to hedging and seeking to balance relationships and gain benefits from both powers.”

Thitinan Pongsudhirak examines the re-emergence of the securitization of national economies of major states after nearly three decades of globalization and economic interdependence. He argues that the emerging struggle between the US-led and Western-based alliance system and the China-centric global network of nations represents a return to the ideological fight that the Soviet Union put up against

the West and lost. China as its logical successor and Russia as its residual state are now challenging the West. What has changed is China’s economic ascendancy. The outcome will depend on how China exercises its newfound power and how the US-led alliance system responds. Meanwhile, ASEAN states have become more divided as well and have increasingly relied on bilateral and unilateral solutions to regional problems. As the global order continues to unravel, Pongsudhirak anticipates a more bifurcated future and a growing risk of geoeconomic and geopolitical conflict.

Staying on the theme of economic aspects of security, Brad Glosserman outlines the evolution of economic security and the framing of economic activity as a form of national security. He argues that the current focus on economic resilience and indispensability has led to a new emphasis on protecting markets, ensuring supply chain resilience, and seeking technological dominance. The major implication of this expanded view of economic security, which he refers to as the “new national security economy,” is that protection of economic goods and technologies will extend beyond military applications to include a wide range of economic assets.

Hoo Tiang Boon’s examination of China’s quest for supremacy in quantum technology provides an excellent example of how the Chinese Communist Party views technological innovation and “self-sufficiency” as a key force multiplier in realizing China’s national rejuvenation and its emergence as a great technological power. He argues that China perceives US efforts to control access to technology as a form of containment. This perception has spurred Beijing to reassess the country’s vulnerabilities in the global technology supply chain and reinforced its commitment to pursuing dominance in quantum technology, especially in its military applications.

One of the most visible impacts of the emerging strategic competition in the Indo-Pacific has been on the security and economic architecture. Existing institutions are being tested and new institutions have been created to cope with perceived shortcomings of existing architecture. Tom Wilkins examines the renaissance of “unilateral” forms of security cooperation, many based around the US and its alliance network that seek ways to build cooperative arrangements focused on region-wide security concerns. He argues that this development potentially undermines ASEAN’s claim to “centrality” as states elect to go beyond its suite of multilateral

dialogue fora to concentrate on the practical challenges of strategic competition.

Focusing on regional economic institutions, Prashanth Parameswaran argues that the proliferation of economic institutions has blurred the distinction between economic and security realms, decentered the regional landscape away from multilateralism, and granularized the competition between the United States, China and other powers. Following an explanation of these impacts, he concludes that new institutions need to demonstrate their value to regional needs, that entrepreneurial countries should continue to develop sectoral agreements to address emerging challenges, and that ASEAN needs to play a stronger leadership role in managing the evolving dynamics of economic institutional development and strategic competition. Asia's role as a global economic catalyst has made it a key region in the competition for economic influence. In her examination of China's economic development efforts, Gong Xue focuses on analyzing the Belt and Road Initiative (BRI) and Asian Infrastructure Investment Bank (AIIB). While BRI has been primarily a unilateral effort by China, the AIIB has been multilateral in its perspective and has adopted standards similar to those used by other multilateral development banks. After outlining the key features of these initiatives, Gong argues that effective management of development assistance cooperation could actually reduce tensions, a process in which multilateral development banks and smaller regional economies would play an important role. While the United States and others (especially Japan and Australia) have sought to counter China's initiatives, they have struggled to match the scope of China's initiatives.

“ASEAN needs to play a stronger leadership role in managing the evolving dynamics of economic institutional development and strategic competition.”

The two final papers in the volume focus on the prospects for cooperation in the context of the strategic competition that has swept through the

region over the past decade. Kei Koga argues that since the end of the Cold War ASEAN-led institutions facilitated security cooperation while the US alliance system served as a deterrent to potential challengers to regional hegemony. However, China's emergence as a regional power has challenged this arrangement, making region-wide cooperation more difficult and resulting in efforts by the US and China to create coalitions as part of the strategic competition. Hence, ASEAN member states' resistance against having to choose between the two. In this context, Koga suggests three potential scenarios for regional cooperation:

- Intensification of US-China rivalry where both would compete in building a coalition against the other, which would stifle region-wide cooperation;
- US-China competition would expand to become more global, which would allow ASEAN to retain influence at the sub-regional level;
- Fragmentation of security cooperation where neither the US or China could build a dominant coalition, which would leave ASEAN with a lesser role and enhance the role of bilateral relations and multilateral institutions.

To avoid these negative scenarios, Koga argues that regional powers, including ASEAN, should communicate more closely with each other to clarify institutional division of labor so that each regional framework can have a clear strategic role.

With the specific focus on ASEAN's role in security cooperation, Raymund Quilop begins by arguing that the current lack of trust between the United States and China will make region-wide security cooperation nearly impossible and will at best lack substance. Despite this bleak outlook, he believes that ASEAN, by remain steadfast to its principle of inclusivity, can continue to provide the basis for cooperation in the region. Quilop concludes by arguing that even if some see the existing ASEAN efforts to address the emerging US-China competition as inadequate, ASEAN states will continue to focus on deepening intra-ASEAN cooperation and encouraging dialogue through its engagement with the broader Indo-Pacific community via the ASEAN-based mechanisms.

A common theme throughout the discussion that followed the paper presentations in Singapore is that

strategic competition between the United States and China is very much a byproduct of the roles they have played in the region since the end of the Cold War. The United States has emphasized the need to deter “revisionist powers” from predatory lending practices, aggressive maritime activities, expansive territorial claims, intellectual property theft, illegal trade practices, violations of human rights, etc. For its part, China has emphasized its role as the catalyst for economic activity and as being at the center of progressive and beneficial regional and increasingly global developments while criticizing US efforts as representing a containment strategy and for maintaining a “Cold War mentality.” Meanwhile, even as ASEAN member states as a group fear the potential effects of great power competition, individually they continue to believe that their own sovereignty is not under threat and to seek ways to benefit from the seams created by the strategic competition.

As several authors conclude in this volume, the prospects for region-wide security cooperation seem unlikely given the emergence of coalition-building efforts in the form of new multilateral institutions. However, it is also important to avoid extrapolating using straight-line projections. The clear challenge is to prevent competition from becoming conflict and to use multilateral mechanisms to build a sustainable regional order that holds individual states accountable and promotes power sharing.

1

Southeast Asia Faces Its Boogeyman - Great Power Competition Returns to Southeast Asia in the 21st Century

Drew Thompson

Strategic competition – The boogeyman is back

Intensifying US-China competition is deeply distressing for Southeast Asian states because it evokes traumatic memories of the past, poses uncertainty about the future, and threatens to reverse hard-won social and economic development gains earned over the last 30 years. Like the proverbial boogeyman, the specter of US-China competition is corporeal, manifesting itself in difficult lose-lose choices already imposed on smaller states by either Washington or Beijing. It is also ethereal in the knowledge that great power competition is already deeply entrenched, comprehensive, and likely to be a feature of the strategic landscape for decades to come. Southeast Asia survived a generation of violence and foreign interference during the Cold War, making the prospect of the return to open conflict between the US and China both plausible and a visceral concern.

Contemporary strategic competition between the US and China is decidedly different than the US-USSR Cold War, with unique underlying causes and dynamics that make historical comparisons flawed and problematic. While elements of competition between the United States and China existed in various forms following the collapse of the Soviet Union, the degree has increased and the scope has expanded since Xi Jinping came to power in 2012, heralding what the Communist Party of China (CPC) describes as a “new era.”

The new era beginning with Xi Jinping’s appointment as secretary general of the CPC ushered in significant changes to the governance of China, particularly the increased presence and authority of the CPC over all aspects of Chinese society, economy, and polity. Independent civil society has been eliminated while the CPC has exerted authority over the entirety of the media, culture, and education systems, and has sought to dominate the economy through oversight of private sector companies and state-owned enterprises. By establishing and invigorating a framework of CPC-led committees and commissions, which he heads, Xi Jinping has ensured the Party dominates the government, essentially reducing the State Council to an implementing agency for the aloof and secretive CPC. The CPC’s internal political discourse has evolved under Xi Jinping as well, affecting both the way China is ruled, and the way it interacts with the outside world. Since 2012, the Party has perceived itself as facing increased risk from both internal and

external forces. References to various risks in Xi’s many speeches and subsequent analysis by CPC ideologues have increased steadily since 2012. Identified internal risks include rampant financial corruption as well as ideological corruption stemming from the expansion of the CPC under Jiang Zemin and Hu Jintao, which diluted the Party’s ideological cohesion with the addition of entrepreneurs and private sector business people more interested in building business relationships than achieving socialism. External risks include a range of economic, societal, and environmental challenges that create public dissatisfaction and lead to the phenomenon the CPC calls, “contradictions amongst the people.” Interestingly, foreign risks are discussed less than domestic risks, but foreign risks are seen by Beijing as catalyzing forces that exacerbate domestic risks. This elevated sense of risk has been reflected in the CPC’s response to threats and efforts to build ideological resiliency, marked especially by the elimination of civil society and the Party’s increased control over government. Milestone CPC risk reduction outcomes establish the parameters for the Party’s ideological security and national security, most notably the August 2013 Communiqué on the Current State of the Ideological Sphere, commonly referred to as Document Number 9, and the Holistic Security Concept introduced by Xi at a Politburo study session in April 2014.

This elevated sense of risk and omnipresent threats has justified the CPC’s strategy to make itself and the country more resilient. To provoke a sense of urgency and ensure rank-and-file cadre prioritize national security work and ensure the CPC’s political security in all sectors, the tone and tenor of deliberations have sharpened under Xi. The more frequent use of Marxist and Maoist terms and concepts, such as “struggle,” and the evocation of martial phrases framing risks and challenges as existential threats to the Party justifies robust and sometime socially disruptive responses. The adoption of Marxist dialectic processes by the CPC to shape its internal deliberations and the evocation of martial terms to motivate CPC cadre and government officials has intensified an adversarial outlook in Beijing. Risks and threats are pervasive, and relationships are defined by inherent existential, zero-sum competition, much as Marx himself characterized the struggle between capital and labor, and the superstructure with the base. Certain that both foreign and domestic forces seek the CPC’s demise (if not just the containment of the country), Beijing has embarked on a resiliency campaign focused on

preventing hostile ideology from infiltrating China and isolating its economy to withstand exogenous shocks or coercion. Industrial programs like Made in China 2025, and the dual circulation concept seek to make China's domestic economy more resilient and less dependent on foreign technology and trade while making foreign economies more dependent on China, giving Beijing greater coercive power and international leverage inducing a greater sense of security.

“Southeast Asian states are increasingly concerned about the risks they face from a deteriorating US-China relationship.”

The political changes that have taken place under Xi Jinping have induced a range of political, economic, and military reactions from Washington that taken together have resulted in a deteriorating bilateral relationship, which is at the core of Southeast Asian concerns about great power competition. Some Southeast Asian observers assess that Washington has intentionally set out to challenge China, contain it, or prevent its rise, resulting in what they see as legitimate responses by China, rather than rational reactions by Washington to the new era under Xi. Causation is hotly debated, with the so-called “Thucydides Trap” often invoked as an explanation, arguing that, like a force of nature, the established power will invariably challenge a rising one. The US-China relationship is more complex and not well explained by a historical trope, however. The Trump administration sought to re-shape the economic relationship to make it more reciprocal and expand market access in China, threatening and then imposing sanctions when a trade agreement could not be reached, inciting retaliatory actions by China, resulting in a so-called trade war. The Biden administration has focused on a two-pronged strategy, investing in much-needed infrastructure at home, and strengthening alliances and partnerships to enhance US power and shape the environment around China to constrain it and shape its behaviors. Bilateral engagement with China has thus far eschewed functional dialogues on traditional issues such as economic and security relations, emphasizing instead high-level engagements to reduce risk, seeking to create guardrails to increase mutual understanding and reduce the chance of

misperception and miscalculation. The breakdown of longstanding bilateral dialogues, such as the US-China Joint Commission on Commerce and Trade (which was established in 1983 and last convened in 2018), reflects Washington's resignation that dialogues with China have been unproductive. After years of good faith efforts to secure incremental commitments from China, the US became frustrated as China failed to follow through. The abandonment of functional US-China dialogues, and the public acrimony displayed at the high-level talks in Anchorage in March 2021 at the outset of the Biden administration underscored the depths of mistrust between the two sides and risk that the uneasy state of competition could devolve into confrontation or even conflict. This baseline, coupled with Washington's increasingly overt expressions and demonstrations of support for Taiwan culminating in House Speaker Nancy Pelosi's visit to Taiwan in August 2022 is deeply unsettling to Southeast Asian states that feel increasingly worried about the risks of US-China competition.

What are Southeast Asian concerns?

Southeast Asian states are increasingly concerned about the risks they face from a deteriorating US-China relationship. While few fear that the US and China will come into direct conflict as they did during the Cold War in Indo-China and the Korean Peninsula, the possibility of a conflict over Taiwan is an ever-present concern. Southeast Asian states are particularly focused on how to avoid entanglement in the US-China dyad, while trying to maximize benefits from each on separate terms. Faced with dilemmas, senior officials articulate their anxieties in overused metaphors about elephants and whales, punctuated by simple slogans such as the commitment to not choose sides. Official Southeast Asian statements often describe concerns and examples of disconcerting incidents involving bigger powers without even mentioning countries, much less attributing responsibility. While the pledge to not choose sides is immediately understandable to Southeast Asian publics, it is inaccurate, as well as a flawed policy prescription. Each state will inevitably make many choices based on their national interests, which does not equate to choosing sides. There is no requirement to make a single grand choice or join a camp as there was during the Cold War. The “don't choose sides” sentiment, however, reflects the deep concerns and dilemmas faced by Southeast Asian states.

Southeast Asian policy choices are complicated by public opinion, which does not always align with the government's conception of national interest. Some Southeast Asian intellectuals are immensely proud of the abstract notion of China's rise (while overlooking CPC governance shortcomings, or even the dramatic changes since 2012), seeing it as a return to a previous world order when China was the region's leading technological innovator and economic and cultural power. When Beijing's actions potentially harm the interests of Southeast Asian states, such as assertions over territorial disputes in the South China Sea or hostile influence or interference operations, governments have to tread carefully to avoid escalation pathways with Beijing, simultaneously managing disagreement from their own publics who believe the Thucydides trope, and see China in a generally positive light as well as the victim of hegemonic designs by the United States.

While US officials continually seek to reassure Southeast Asian interlocutors that Washington does not ask them to choose sides, the experience of Southeast Asian states belies the assertion. Washington's pressure on governments to eschew Huawei 5G telecommunications infrastructure exposed regional capitals to political pressure and coercion from Beijing, affirming their fears of the risks and consequences of great power competition. Southeast Asian states are fully cognizant of China's penchant to use economic and political coercion and are effectively conditioned to avoid criticizing or opposing Beijing. In the security arena, Southeast Asian concerns are heightened by the US, Japan, and Australia strengthening security cooperation to counter an increasingly powerful China. Regional reaction to AUKUS has been largely negative and seen as needlessly provocative toward China, contributing to China's sense of threat and therefore validating China's investments in military modernization. The region's prescription for ending the security dilemma is to not provoke China and accept its rise. Southeast Asian states do not share US security interests (or obligations) in maintaining cross-Strait deterrence, leading them to affirm their commitment to non-alignment, and even strengthening their own military capabilities to defend their sovereignty and prevent belligerents from accessing their territory in the event of a conflict.

The Ukraine factor

Russia's invasion of Ukraine in February 2022 was illuminating, but ultimately not measurably impactful in Southeast Asia. Singapore had the strongest response of the Southeast Asian states, speaking eloquently at the United Nations in defense of international law and norms against the use of force, and imposing unilateral sanctions on Russia, the first time Singapore had sanctioned another country outside UN processes since Vietnam invaded Cambodia in December 1978. Interestingly, Singaporean public opinion largely sided with Russia, echoing China's narrative, assigning blame to Ukraine and NATO for undermining Russia's security and provoking a rational response. This divergence of perceived interests underscores the dilemma faced by some Southeast Asian governments whose economies are dependent on China and at risk of economic and diplomatic coercion, while their populations are positively disposed to support the paradigm of a regionally dominant China.

The US-led response to the invasion has not appreciably affected perceptions of Washington's alliance commitments or military capabilities. The collapse of the Afghan government and messy US exit did not meaningfully affect US credibility in Southeast Asia, underscoring the parochial nature of both perceptions and security interests in the region. Other issues and incidents directly affecting Southeast Asia do greater harm to US credibility than security dynamics in Europe.

The US is undisputedly the leading security partner in Southeast Asia, and its ability to underwrite Ukraine's war, just as it supports Taiwan's defense needs comes as no surprise to Southeast Asian states, but security cooperation alone is not sufficient for the US to achieve primacy. Shortcomings in US diplomatic, informational, military, and economic engagement are the American Achilles heel in the region, however.

The state of US-China competition in Southeast Asia

Southeast Asian states are committed to an independent foreign policy and have no aspiration to align with either China or the US, due to inherent risks of doing so and the inadequacies of both powers. To induce bandwagoning, one power would need to

be proficient, continually attentive, and ultimately dominant in all aspects of the diplomatic, informational, military, and economic spectrum. Because neither power is able to dominate in all aspects, Southeast Asian states are deeply committed to hedging and seeking to balance relationships and gain benefits from both powers.

Diplomatic

US diplomacy with its Southeast Asia is sometimes clumsy and seen as arrogant or easily distracted by events elsewhere by Southeast Asian partners. Framing US diplomacy as a means to promote democracy alienates virtually all Southeast Asian partners, including US treaty allies. Southeast Asian state governance is an incessant kaleidoscopic evolution of shifting power balances between monarchs, militaries, oligarchical families, and powerful personalities heading amorphous political parties and coalitions lacking ideological underpinnings. US emphasis on democratic values creates an indelible rift that prevents the development of trust and US diplomatic relationships from strengthening.

and glowing propaganda coverage when they visit China, bringing home an important win and validation. Beijing is effective at conditioning Southeast Asian politicians to not challenge China, due to the certainty of diplomatic and economic coercion against those who oppose Beijing. China's diplomatic treatment of small states is far more reciprocal and responsive, and a tangible example of the US failing to effectively compete with China in Southeast Asia.

Information

The United States lags China in the region's information sphere. While US local-language media such as Voice of America is well read in some countries such as Cambodia, and of higher quality than China's foreign media outputs, Chinese propaganda is ubiquitous and pervasive, preventing US narratives from dominating. The United Front Work Department has been rejuvenated and energized by Xi Jinping and is active throughout the region, cultivating elites and the influential Chinese diaspora. Public opinion toward China is favorable among the general public and support for China is

“The United States is undisputedly the dominant military actor and security partner in the region, but the utility of US security relationships is limited, and China's security relationships in Southeast Asia are likely to grow over time.”

Protocol and appearances matter too. The awkward US-ASEAN Summit convened in May 2022 was a diplomatic step backwards when President Biden refused to meet the ASEAN Chair, or any of the other heads of state individually after they traveled across the globe at his invitation. The inability of the US to accept and respect Southeast Asian states as they are (unlike the ASEAN grouping) assures that no Southeast Asian state will align with what they see as feckless or unreliable partner.

China lavishes better diplomatic attention on Southeast Asia than the US does. Despite China's size, Beijing treats its partners as diplomatic equals regardless of their size—heads of state can reliably meet Xi Jinping on the margins of multilateral meetings or when visiting Beijing, getting democrats and dictators alike the treasured grip-and-grin photo

ensconced in key regional elite constituencies according to reliable polling conducted by US and Southeast Asian organizations. China's narratives about its rise and the historical inevitability of Beijing achieving its grand objectives is more politically penetrating than US messaging or US soft power refrains, the most successful of which are largely commercial, and not political.

Military

The United States is undisputedly the dominant military actor and security partner in the region, but the utility of US security relationships is limited, and China's security relationships in Southeast Asia are likely to grow over time.

Southeast Asian states do not perceive China as a military threat (though China can present broader security challenges, such as influence, interference and identity politics surrounding the Chinese diaspora). Southeast Asian states appreciate that security cooperation with China is a political activity and therefore seek to maintain military-to-military relations with China to achieve political benefits or avoid castigation from Beijing. The People's Liberation Army is the armed wing of the CPC after all, making engagement with them a political activity that garners a political benefit, rather than a military one, while partnering with the US brings tangible military benefits. Territorial disputes with China are seen as only one variable of a comprehensive relationship, to be balanced with beneficial economic and political relations.

Southeast Asian states partner with the United States not only to acquire capabilities for their own forces, but to manage intra-regional security dynamics and address their parochial security interests, not broader regional ones. Singapore welcomes a permanent US military presence to enhance its own deterrence, not to deter the PLA, which poses no military threat to them. The US will be challenged to leverage its security partnerships and alliances in Southeast China to deter China, or directly counter the PLA should a conflict arise. No Southeast Asian state will overtly align with the US to deter China from using force against Japan, or Taiwan, and some will be deterred from even providing passive support, such as base access. Indonesia and Vietnam will likely deny the US and its allies transit rights in the event of a Northeast Asian conflict. Indonesia has made area denial a military modernization objective, which presents challenges for Australia if they hope to project power northwards.

Economic

China is the largest trading partner for each Southeast Asian state. The region is essentially a component supplier for China, creating a hub-and-spoke manufacturing economy with China at the core. Intra-ASEAN trade is miniscule despite an ASEAN FTA, furthering economic dependence on China. China's propensity to leverage its economic relations for political gain has discouraged Southeast Asian states from diversifying their economies away from China.

The lack of a coherent trade policy is perhaps the US' greatest competitive inadequacy. The US has not compensated for this gap with a compelling narrative emphasizing its economic strengths, such as the preponderance of US-invested companies in the region (many of whose goods comprise the region's trade with China), and the positive trade balance enjoyed by US trading partners in Southeast Asia, which totaled \$140 billion in 2020.

Conclusion

The specter of US-China competition is deeply disturbing for Southeast Asian states, who are all too familiar with the risks that it brings small states. Deepening that sense of unease is the recognition that the Cold War experience does little to prepare them for the likely challenges that the contemporary dynamic presents.

The risk of certain backlash from Beijing should it be opposed, and perceived unreliability of the US cements Southeast Asia's political hedging strategy, which is deemed necessary because of perceived shortcomings of both the US and China as a reliable partner that would provide both benefits and permit small states to retain agency. Without predominance in all aspects of the diplomatic, economic, informational, and military spectrum, the US will struggle to capitalize on its regional relationships to leverage them to compete with China.

China's ability to synthesize and leverage its various advantages across the spectrum—including its willingness to use economic coercion and ability to suborn Chinese companies to support national security objectives gives China an immense advantage in the competition to influence Southeast Asia. That advantage however spurs Southeast Asian instincts to preserve their own autonomy and sovereignty by ensuring the US has the access to maintain a substantial presence in the region, thereby maintaining the balance, stability, security, and prosperity that the region desires.

2

Geoeconomics and Geopolitics in Southeast Asia

Thitinan Pongsudhirak

Economic dimensions of national security and the securitization of national economies are not a new subject. At issue is why it has been relatively dormant but is now dominant in debates and discourses over the geostrategic dynamics and directions of the nation-states. There seems to be a correlation between globalization and economic interdependence on the one hand and economic aspects of national security on the other. While global economic integration was tightening and grew in enmeshment, especially for much of the three decades from the end of the Cold War in the early 1990s, economic dimensions of national security received less attention. As globalization had an impressive run, its slowdown amid superpower rivalry and competition in recent years has placed renewed focus on national security in the context of global economic issues, sometimes referred to as “geoeconomics.” The literature on geoeconomics and economic dimensions, for example, made some forays in the 1980s amid a “trade war” between the United States and Japan, and again in the early 1990s,¹ but it was largely subsumed thereafter by books and articles delineating and extolling the trends and virtues of globalization. The securitization of national economies of major states appears to be the new geostrategic game in the global environment. Understanding the emergence and entrenchment of this new geostrategic reality requires looking into the nature of global disorder and the US-China competition, with Southeast Asia as a regional arena for the superpower contest.

More cyclicity and less linearity

The simmering geopolitical tensions between the United States and China, and Russia’s ongoing invasion of Ukraine, have turned the tide of history back to its historical norm. It is easy to see the global stage today as full of tension, confrontation, and conflict. But it is worth recalling that merely 30 years ago, the world was in a different phase where a lasting peace seemed viable. At that time, it looked like the cyclical nature of world history as alternating between war and peace could be put to an end with the right measure and mix of realization and commitment on one hand and corresponding rules and institutions on the other. The “total war” started by Nazi Germany in Europe and Imperial Japan in Asia seemed to mark a turning point. The “European Project” was the principal by-product of integration

and enmeshment that could escape the cycles of war and peace. For seven decades from the end of World War II, the curve of history was bending into a line—a linear trajectory from the cyclicity of the past. This was a period where the economic aspects of national security did not seem to matter as much as now.

Europeans know all too well the heady and giddy years of European integration. By 1992, the Maastricht Treaty had cemented Europe’s way forward from the devastation of war and the collective vision of its early post-war leaders, such as Konrad Adenauer, Robert Schuman, and Jean Monnet. Even the Danes, who opted out of single currency and defense and foreign policy arrangements, were all-in on the European Community’s lasting peace and prosperity when the Cold War ended. The resulting European Union’s linear progression had a good run until the past decade or so; its momentum halted first by “Brexit” and now the Russian aggression against Ukraine, which many liken to “Putin’s war.” This war may have galvanized and re-energized the EU’s resolve and commitment to hang tight together, reinforced by a revitalized NATO, a committed United Kingdom, and the US’ Atlantic reengagement. Yet it is inescapable that linearity is finished, as the cyclicity of history has reared its ugly head anew.

The new conflict with old roots

Russia’s invasion of Ukraine is the latest and most potent indication that history is back with a vengeance. Contrary to prophets and proponents of the “end of history” thesis just over three decades ago, the ideological struggle of the 20th century between what used to be called the “free world” versus “the Marxist-Leninist” camp is still ongoing despite the conclusion of the Cold War. This continuing struggle now features the US-led and Western-based alliance system versus the China-centric global network of nations, including Russia, that harbor shades of authoritarian governance. While the Soviet Union put up the first ideological fight and lost, China as its logical successor and Russia as its residual state are now giving the West a run for its money. China and the West are now locked into the second round of this ideological fight. How it pans out and reaches its conclusion will depend on how China exercises its

¹ Edward N. Luttwak, “From Geopolitics to Geo-economics: Logic of Conflict, Grammar of Commerce, *The National Interest*, Summer 1990; C. R.

Neu, Charles Wolf, Jr., *The Economic Dimensions of National Security*. Santa Monica: Rand, 1994.

newfound power and how the US-led alliance system responds.

The ideological battle that Marx started did not end with the Soviet demise; it continues with China's rise and resurgence. Having just celebrated the Chinese Communist Party's 100 years and General Secretary Xi Jinping's third term as president, communism is alive and well in China but with capitalist characteristics. The inherent contradictions of political totalitarianism and market capitalism make China strong and weak at the same time. No other modern state has been able to have the cake and eat it as well by imposing centralized political control at the expense of rights and freedoms while running a successful market economy that delivers better lives and standards of living for its people. The CCP-ruled Chinese state leads and drives a capitalist economy the same way that Japan, South Korea, and Taiwan pioneered in the 1960s-80s. The big difference is that these three Asian countries were US allies and partners that became irreversible Western-style democracies. China is not and will never be. In this way, China is trying to steer away from the West's debilitating flaws of concentrated wealth, political polarization, and societal dysfunction. Underpinned by economic prowess, China's ascendancy and assertion have forced the United States to compete on economic grounds, and hence Washington's sense of national security has gravitated toward trade and technological issues and the securitization of supply chains and production networks to keep China's big technology enterprises at bay.

“The US-China rivalry has too often been depicted in binary, either/or terms as if the choice and outcome move between 0 and 1. Up to a point such a binary view is useful; beyond that it becomes misleading.”

Moving forward, China's choice and its ways of being a superpower are likely to reshape the global system to its preferences. Thus, the new Cold War is structurally age-old. It continues in a grand new chapter of the previous rivalry and confrontation

from the last century. At issue is the nature of new tensions between the United States and China. The Soviet Union confronted the United States directly in proxy military battlegrounds in the developing world but eventually lost because it could not keep up with the more dynamic Western-centric capitalist development. The Soviets did not lose militarily but economically. China, on the other hand, has not been confronting the United States directly in military terms, despite its huge arms build-up. China's direct and aggressive pushback takes place on trade protectionism and technological innovation.

This face-off between the new and old East (China and Russia as the residual Soviet state) and the perennial old West is best settled through compromise and accommodation, whereby China is accorded more role and prestige commensurate with its global weight and standing, while Russia gets to retain imperial dignity and is provided a security guarantee from an expansionist European Union and the North Atlantic Treaty Organization. If denied and suppressed, China as well as Russia will likely feel resentful and agitated. The Soviets lost without a real fight. China, with Russia by its side, is likely to put up a real fight because it will not accept losing. The fight is oriented toward economic competition, eliciting a hardline US response on tariff, protectionism, and the securitization of high-tech industries and technological wherewithal.

The dynamics of the US-China binary

The US-China rivalry has too often been depicted in binary, either/or terms as if the choice and outcome move between 0 and 1. Up to a point such a binary view is useful; beyond that it becomes misleading. For example, the either/or between democratic America and autocratic China helps us to understand regime types around the world. The correlation between authoritarian regimes in developing countries being sympathetic and supportive of China is noticeable, whereas countries with more democratic forms of government have found consonance in the US' emphasis on open elections with attendant basic rights and freedoms. This US-China dichotomy is particularly applicable in Southeast Asia. Cambodia and Laos are all-in on China, with Brunei, Myanmar and Thailand leaning in the same direction. The other side comprises more-or-less democratic regimes in Indonesia, Malaysia, the Philippines, and Singapore, with Vietnam as the outlier for being critical of China on political-security

matters but dependent on Beijing for trade, investment, and overall economic partnership. In fact, as the ISEAS Survey points out annually, the broader trend is that Southeast Asian states rely on China for growth and development and look to the US for counterbalance when it comes to regional security maintenance and the prevention of Chinese hegemony.

However, the US-China binary has limits because at any given time there are other major powers engaged in Southeast Asia. No country looks only to China or the United States without diplomatic regard and economic and strategic ties with Japan, India, Australia, South Korea, and the EU, particularly substantial members such as France and Germany. Now the UK is charting its own path as a major player in the region. So the binary can be misleading because not all is about the US and China relationship. Moreover, the US-China binary can be static. China is facing difficulties overcoming COVID-19, with an economic slowdown as it has reopened. Post-COVID China is less dynamic than pre-COVID China. The “Chinese Century” speculation appears less convincing than before. The US is also divided and conflicted, with a culture war and gun violence that distract from its global superpower role. Nevertheless, while the US-China rivalry is a limited frame of analysis, there should be no doubt that the competition between the two is economic, encompassing supply chains, investment flows, technological innovation, and the relocation of US global manufacturing to friendly and allied countries (“friend-shoring”) and/or to places nearer to home (“near-shoring”) or back to the US (“reshoring”).

Implications for Southeast Asia/ASEAN

In view of prevailing geostrategic trends, the upshot for Southeast Asia is that ASEAN will become more of a motley mainland-maritime region of divergent regime types, geographically divided by the South China Sea, and less of an effective organization based on “ASEAN centrality.” For example, the Russian war has exacerbated ASEAN’s divisions. Initially, ASEAN has been divided since the infamous incident in 2012 when Cambodia, as ASEAN’s rotational chair, was unable to lead the 10-member grouping to come up with a joint statement. The sticking point was China’s maneuvers in the South China Sea that were opposed by the Philippines and Vietnam. ASEAN then became polarized around China’s assertiveness in maritime Southeast Asia. With less unity, the

bloc’s common position was further challenged by the US’ moves to counter Beijing, first under President Obama and later President Trump. The Obama response featured a geostrategic pivot/rebalance and the Trans-Pacific Partnership, a regional trade deal that excluded China. Trump went further with an all-out trade and technology war against China, projecting a “free and open Indo-Pacific” (FOIP) geostrategy to contain and constrain China. As tensions between the two superpowers intensified, ASEAN was pressed and picked apart by both sides.

By 2019, ASEAN was able to regroup up to a point. Under Thailand’s chairmanship, the grouping came up with the ASEAN Outlook on the Indo-Pacific (AOIP), which regained autonomy and latitude vis-à-vis the Trump administration’s FOIP. In 2020, under Vietnam’s leadership, ASEAN was able to sign the Regional Comprehensive Economic Partnership. But not long after regaining confidence, ASEAN was struck by Myanmar’s military coup in February 2021, and the subsequent civil war since. Southeast Asian government’s responses to Myanmar’s military dictatorship, which overthrew an elected civilian-led government under the National League for Democracy and Aung San Suu Kyi, lined up on two sides. Indonesia, Malaysia, the Philippines, and Singapore called for the return to democratic process and pre-coup conditions. The rest of the ASEAN member states were muted on the Myanmar putsch. Nearly three months later, ASEAN came up with a “Five-Point Consensus” to mediate and facilitate dialogue among all sides, to be led by an ASEAN envoy. This proposal has made little progress. The Russian war in Ukraine has become ASEAN’s newest fault line. The wedge in ASEAN unity from Russia’s war has not neatly followed earlier patterns. When it comes to China’s interests in the South China Sea and Myanmar’s coup, Cambodia is supportive of Beijing and the Myanmar military, but not so on Russia. Laos’ position appears to back all three—China in the South China Sea, Myanmar’s coup, and Russia’s aggression. Vietnam has been critical of China, silent on Myanmar’s coup, and sympathetic to Russia. Indonesia, Malaysia, the Philippines, and Singapore have aligned in their concerns about China’s role in the South China Sea, Myanmar military’s takeover, and Russia’s war in Ukraine. Thailand has been soft on China’s South China Sea belligerence and Myanmar’s coup, while taking a measured stand against Russia’s invasion.

At a time of the US' three-ocean challenge, engaged in the Indo-Pacific but back in the Atlantic to keep the Russians out of Ukraine, the Biden administration will no doubt seek to assuage concerns about US commitment and resolve in its Indo-Pacific strategy. While Washington still has China in its sight, particularly on the economic front, it will likely be consumed by the Russian war in the near future. On the other hand, ASEAN wants attention and priority but not questions about human rights and democracy. Certain ASEAN member states with autocratic regimes carry on with repression and suppression of dissent while wanting US trade, investment, and technology. Washington would like ASEAN to do something about Myanmar and its heinous military regime but ASEAN is split down the middle on what to do next. The US-ASEAN drift requires new thinking about how to cooperate between both sides and within ASEAN itself. As ASEAN becomes a nine-member bloc indefinitely, bilateral and mini-lateral approaches for doing things together becomes necessary. For Washington, its economic contest with China requires cooperation from ASEAN member states on the securitization and promotion of supply chains, production networks, investment destinations, capital flows, and Southeast Asia's potential as a market of consumers half the size of China.

The geostrategic horizon and headwinds

While Russia's profound and transformative invasion of Ukraine has fundamentally reshaped and reinforced contentious trends and contours in the geopolitics and geoeconomics of Asia, it did not set out a new direction in world politics. The international system had already been unravelling over the past decade, underpinned by the US-China geostrategic rivalry. Given deteriorating patterns and trends, the international environment is entering a dangerous territory where what seems unthinkable not long ago appears conceivable not long from now. This intensifying confrontation bears far-reaching ramifications for ASEAN, Japan, Republic of Korea, Taiwan, India, Australia, and New Zealand, among other regional states. Middle and smaller powers in the Indo-Pacific are being increasingly pressured to choose sides and to manage superpower rivalry and competition for their own sovereignty and national interest based on geoeconomics and economic aspects of national security. Yet there are deep splits among these Indo-Pacific states. Although geopolitical tensions are driven by the US-China face-

off and Russia's war in Ukraine, geoeconomic competition from energy security and free-trade agreements to natural resources and technological innovations are increasingly driving global politics toward more tension and conflict. As global prices rise and inflationary pressures surge across countries, the economic adversity being felt across the board will only enflame geopolitical tensions.

“Overall, the unfolding global disorder being driven by Russia’s revanchism, China’s belligerence, the US’ assertiveness, the EU’s greater preoccupation with its continental affairs, ASEAN’s internal divisions, and a broad fracture of interstate relations in Northeast Asia is sounding alarm bells.”

Some strategic thinkers in Washington seem to think that if there has to be a war with China, the sooner it takes place, the likelier the US will prevail. Waiting too long will allow China to gain military strength and capability that may preclude an American victory. Such dangerous thinking in the US capital is matched by China's increasing nationalism at home. Mitigating institutions and mechanisms, such as the UN, are ineffectual. The breakdown in multilateralism is further aggravated by COVID conditions that are decoupling the US-China economic enmeshment and integrated supply chains. The US was the biggest supporter of China's economic opening and entry into the World Trade Organization two decades ago but this is clearly no longer the case. The reverse is happening, whereby the US wants to be decoupled from China and to see Beijing marginalized in the world economy.

Overall, the unfolding global disorder being driven by Russia's revanchism, China's belligerence, the US'

assertiveness, the EU's greater preoccupation with its continental affairs, ASEAN's internal divisions, and a broad fracture of interstate relations in Northeast Asia is sounding alarm bells. Unless both sides of the new Cold War step back and away from the brink, the risks will grow that we will see a global conflict which we have hitherto thought not possible in our lifetimes, driven by a zero-sum economic rivalry and technological competition. Suffice it to conclude that our collective horizon is rocky with looming headwinds. History is back with a rude bang, not just in Europe and broader Asia but also in Southeast Asia. ASEAN can only be effective if it focuses more on "minilaterals." The US-China confrontation can only get worse, not better, driven partly by domestic determinants and economic insecurity. A more decoupled and bifurcated world appears in the offing. The liberal international rules-based order is breaking down, while attempts to revitalize it appears naught so far. In a more self-help world, our countries will need allies and partners to navigate the precarious path ahead.

3

Economic Aspects of National Security

Brad Glosserman

Economic security is all the rage. The COVID-19 pandemic, the war in Ukraine, and intensifying geopolitical competition have forced governments around the world to devote increasing attention to this idea. It remains undefined, however, and is in most cases an amorphous, sweeping and malleable concept, subject to self-serving interpretations of politicians and policymakers. It often provides cover for mercantilist or technonationalist policies that would otherwise violate multilateral trade rules and regulations. No country has a monopoly on the use or abuse of economic security; its adoption is widespread.

The lack of specificity surrounding economic security is confusing, given a long history of use by governments. On the other hand, that history, with its shifting interpretations and implementations, could well contribute to the flexibility and variability that marks current discussion of the concept: It has at one time or another meant just about anything. This essay will try to quickly chart that evolution, its meaning and use today, and then identify some implications for policymakers.

Simple, at the beginning

Initially, economic security was framed narrowly. Wealth was an element of comprehensive national power, an enabler of national strength. The richer a nation was, the more resources it could devote to the military. This was well captured by the Japanese phrase, “Fukoku kyōhei, or “rich nation, strong army,” a concept with origins in the Qin dynasty in China’s Warring States period, and its practice of *Fuguo Qiangbing*.

In fact, however, the Japanese policy reflected a more sophisticated and expansive orientation that appreciated how entire industries were needed to build powerful national militaries, which in turn demanded basic infrastructure to function effectively. In short, it wasn’t just economic returns that built national strength but the workings of the economy itself. This thinking guided formation of the European Coal and Steel Community, which was designed among other things to provide transparency into and reflexive cooperation when it came to the workings of the two industries most essential to arms production in Europe. Understood primarily as a vehicle for European integration, the ECSC was in fact an arms control mechanism, a unique application of the logic of economic security.

During the Cold War, the West honed this thinking, recognizing that technological advances had the ability to sharpen military capabilities and technology was diffusing in an increasingly globalized economy. Worried that their achievements could be used against them, Western governments set up strategic trade controls to prevent that from happening.

In the 1970s, Western governments were forced to recognize another dimension of economic security when OPEC launched oil embargoes against countries that were supporting Israel in its conflict with the Arab world. The ability of those governments to use their control of a vital resource to weaponize trade underscored a largely neglected dimension of security—as well as the leverage it afforded otherwise weak nations (conventionally defined. The governments on the receiving end of those sanctions apparently forgot their own embargos and the impact they had on Japan in the run up to the Pacific War.) Not surprisingly, a few years later David Baldwin would publish his masterful study, *Economic Statecraft* in 1985.

By the end of the Cold War, strategists were arguing that the end of the superpower standoff and the “victory” of Western capitalism heralded not the end of competition but its sublimation into a new form. Edward Littwak suggested that the new operative framework was “Geoeconomics,” or geopolitical competition through economic means.

During our discussion in Singapore, Mely Caballero-Anthony reminded the group that this is a distinctly Western history. Asian nations have more fully and consciously integrated economic security into their foundational understanding of national security. This has manifested in the emergence and success of the “developmental state.” For Southeast Asian nations in particular, there is a belief that there can be no national security without economic development and this has been a guiding principle of state-building and regional organization since those nations gained their independence.

Japan has internalized a more expansive notion of economic security – for good and for bad. The constraints imposed on Japan by Article 9 of its Constitution, which forbids the use of war as an instrument of state policy, obliged its postwar governments to conceptualize security more broadly and rely on a wider set of tools to obtain and protect it. Japanese governments developed the idea of

“comprehensive security” to reflect this approach, relying on government aid and assistance, as well as private sector economic engagement to build the relations needed to secure national interests. The success of this policy demanded closer ties between the state and the private sector, which was itself a distinctive version of capitalism—certainly compared to the Anglo-American variant—and a reflection of a particular conception of economic security. At times, however, Japanese policy has looked perilously close to protectionism or mercantilism.

Discussion of economic security has been supercharged in the 21st century. Concern was raised by China’s move to cut Japan’s access to rare earth elements (REE) during the 2010 standoff created by the arrest of the captain of a Chinese fishing boat who rammed Japanese Coast Guard vessels after being stopped from fishing in waters surrounding the Senkaku islands. China’s increasing resort to coercive economic diplomacy when Beijing was challenged elevated this issue among policy makers, and assumed white-hot significance as the geopolitical competition between Beijing and Washington intensified. The disruption of supply chains during the COVID-pandemic, particularly those for personal-protective equipment, revealed the fragility of global production networks, prompting a rethink of basic assumptions about globalization. (At some point, lessons learned from Japan’s March 2011 triple catastrophe will be folded into the discussion but apparently not yet.)

Old wine, small bottles?

Recent circumstances have encouraged a new framing of economic security, one that focuses on the role of economic activity as a form of national security but fairly narrowly defined. In this new world, governments are paying great attention to vulnerabilities created by extended supply chains, the result of a laser focus in management on lean and efficient production and the emphasis on just in time delivery system. For the most part, the chief concern is the resulting susceptibility to coercion if hostile governments leverage control over critical nodes in production networks.

Thus, governments rely on two key words when addressing economic security: resilience and indispensability. Resilience is a country’s ability to insulate itself from foreign pressures, or to reduce

dependence on foreign suppliers; indispensability is the ability to create products or services that are essential global production networks, or, to create that same dependence in other countries. Typical of this thinking is language in Japan’s new National Security Strategy, which declares that “Japan will ensure the self-reliance of its economic structure, as well as advantages over other countries and ultimately the indispensability of its technologies.” China shares this thinking, as was evident in President Xi Jinping’s warning in 2016 that “Our dependence on core technology is the biggest hidden trouble for us...Heavy dependence on imported core technology is like building our house on top of someone else’s walls: No matter how big and how beautiful it is, it won’t remain standing during a storm.” This yielded the dual circulation policy, which aims to increase China’s technological capability and maximize its role in global supply chains. It seeks to increase China’s independence while increasing the rest of the world’s reliance on China.

This new thinking is also evident in the shift in emphasis in the West to “free and fair trade” from the previous pursuit of open access. Many economists—and certainly those with the most influence among policymakers—had argued that a decision by governments to deny foreign companies access to their home market was ultimately harmful to them, denying their countries the efficiency of comparative advantage. That thinking has been challenged and found wanting. Increasingly, there is a recognition of the advantages created by scale and an understanding that reciprocity matters. This new approach is evident in the US approach to the Indo-Pacific Economic Partnership for Prosperity (IPEF), which makes free and fair trade its lodestar and turns its back on market access as a tool or carrot. It’s an extraordinary break with trade policy as traditionally practiced in Washington.

The embrace of economic security has also renewed attention on industrial policy. The US in particular is reassessing myths about the relationship between the public and private sector as its leadership in new and emerging technologies is challenged. The revisiting of economic history is made more palatable in the US case by a focus on “moonshots,” the special projects that have huge payoffs in both products and status. Even governments that aren’t aiming for the stars—literally—are re-evaluating the public sector’s role in stimulating innovation and ensuring that society has the talent pool—typically swimming in STEM

(science, technology engineering, and mathematics) waters—to produce.

The flipside of job creation is a periodic emphasis on maintaining jobs, even in sunset industries. This can be a reflexive tendency and is often abused via protectionism. Critics note, for example, that Japan’s new economic security legislation has, by one tally, 138 sections that call for Cabinet or ministerial orders to decide who is subject to supervision and can request them “to submit reports and documents to the extent necessary for the implementation of a series of measures....” Similarly, legislation that allows government scrutiny of foreign investment in Japan has put makers of fountain pens, run hot springs and travel agencies, and operate baseball stadiums on the list of industries subject to approval. It’s hard to see how some of them reflect national security concerns.

There has also been an expansion of issues that have been folded into the national security portfolio that are economic in nature. In some cases, this reflects technological advances that create new national vulnerabilities. For example, national infrastructure, once susceptible only to physical attack—bombings or sabotage—can now be disrupted or destroyed from afar by cyberattacks. Indeed, the entire range of cybersecurity concerns is new and deeply integrated into economic security as a result of the ubiquitous reliance on information technology. Globalization and the efficiency of global trade networks has also expanded the range of goods and services that can now be exploited for leverage.

It is tempting to include in this category such phenomenon as governments’ increasing ability to control its population, which is enabled by technology, and the resulting oppression of human rights. From the opposite perspective, technology can enable better monitoring of business practices, for example by scrutinizing supply chains for forced labor or environmental damage. In both cases, there are potential economic impacts related to security

(for that of individuals in the first case and businesses generally in the second).

Two qualifiers stand out. First, there is little indication that economic security in general has been operationalized as macroeconomic or market stability. It would seem obvious that these are pillars of national security and yet there is little discussion of them in economic security debates. Second, vulnerability is relative. The US takes as given its central role in the global economy and the power bestowed by virtue of the dollar’s role as the world’s reserve currency.

There is also a new, “negative” side of this discussion. A lesson of the Russian invasion of Ukraine is that the hope that economic engagement with potential adversaries would blunt their malign intentions is wrong. Robust trade between Russia and Europe and even Europe’s virtual dependence of Russian energy neither prevented the conflict nor kept Europe from helping defend Ukraine. Economics proved unable to keep the peace. That is a critical insight into the economic aspect of national security.

Going on offense

There is an emerging “strategic” dimension to economic security. This new assessment reflects a belief that global leadership is the product of economic success and primacy in the global economy, which in turn demands mastery of the frontiers of emerging technologies. Consider the findings of the McKinsey Global Institute, which concluded that new and emerging technologies will “affect billions of consumers, hundreds of millions of workers and trillions of dollars of economic activity across industries.” This perspective is evident in the two leading economies, the United States and China, which are contesting for the role of pre-eminent global power. But since the stakes in this competition are so high, other leading economies are affected by the fallout, direct and indirect.

“This perspective is evident in the two leading economies, the United States and China, which are contesting for the role of pre-eminent global power. But since the stakes in this competition are so high, other leading economies are affected by the fallout, direct and indirect.”

This new approach was revealed by the Trump administration, which embraced the idea of geostrategic competition with China. Significantly, the Biden administration has not reversed course and continues to engage with China on these terms. Indeed, it has doubled down.

National Security Advisor Jake Sullivan explained the administration's thinking by noting that "Preserving our edge in science and technology is not a 'domestic issue' or 'national security issue.' It's both." He went on to explain that "we have to revisit the longstanding premise of maintaining 'relative' advantages over competitors in certain key technologies. We previously maintained a 'sliding scale' approach that said we need to stay only a couple of generations ahead." But, Sullivan continued, "That is not the strategic environment we are in today. Given the foundational nature of certain technologies, such as advanced logic and memory chips, we must maintain as large of a lead as possible." The US is now alert to developments "that could undermine America's national security by blunting our technological edge." This is the context that informs the statement in the National Security Strategy that the United States will "prioritize maintaining an enduring competitive edge over the PRC." It signals the move away from "traditional national security concerns" that focused on military capabilities toward strategic competition more generally. This logic animated the October 2022 decision by the US to deny China access to the most advanced semiconductors, a move that is almost certain to be the first in a series of similar measures. The US is taking the heat for this policy but China thinks similarly. All its national development plans, Made in China 2025 among them, as well as its dual circulation policy, are intended to secure Chinese leadership in the most important emerging technologies, ensure Chinese invulnerability, and promote dependence in other countries. This is in service of Xi Jinping's oft-repeated goal of having China "lead the world in terms of composite national strength and international influence" and enjoy "a future where we will win the initiative and have the dominant position."

The new national security economy

We now inhabit "the new national security economy," a world of deep connectivity, overlaid by geopolitical competition in which the primary focus is emerging technology and the chief actors are in the private

sector. This conception takes national security in new directions because of the penetration of technology so deeply into our daily lives and because of network economics, which bestow considerable advantages on first movers and the scale they enjoy as a result.

The implications of this new world are sweeping. It demands a new appreciation of security, one that demands action not just from governments, but from businesses and individuals. If the consequences of victory—or more importantly, defeat—in the race for economic leadership are in fact strategic, then governments must discard old rule books for economic engagement and write new ones. That is happening as governments and businesses raise doubts about globalization, and begin to pursue decoupling.

"Businesses too will be affected and they will be forced to rethink the most basic ways they think and operate."

Cut-throat competition means that tactics will shift, as Sullivan argued, as governments try to maintain absolute, rather than relative, advantage. Security considerations will spread throughout society as proliferation concerns themselves proliferate to include all new technologies, not just those with military applications. Diplomatic rivalries will intensify and standard setting will become one of the most hotly contested arenas. Diplomacy will also be focused on building and sustaining multinational coalitions to create economies of scale and the largest possible bulwarks against technological leakage.

Businesses too will be affected and they will be forced to rethink the most basic ways they think and operate. As mentioned, the imperative to create more resilient supply chains will force an end to the practices of lean networks, just-in-time delivery, and the relentless search for efficiencies that squeeze every dollar, yen, won, ringgit or whatever the relevant currency is to lower bottom lines. Even more challenging will be the need to develop a new mindset when assessing transactions. Technologies can have strategic value that well exceeds their commercial value. "National strategic buyers" that value products completely

different than do market-oriented competitors will upend the most basic exchanges.

Governments and businesses are rethinking the purpose of globalization. It has reduced poverty around the world and, by lowering prices, given millions (if not billions) of people access to goods they could not have afforded. But globalization has exacerbated inequality and the Western dream that it would promote liberal democratic values and the evolution of authoritarian polities has been frustrated more often than not. The populist surge in developed economies is in many ways an outgrowth of growing inequality and the seeming shift in priority away from absolute returns in investment as well as the new attention to industrial policy could herald a transformation of the relationship between politics and labor and capital.

Successful adjustment to the new national security economy requires first recognition of this reality, which appears to be occurring, albeit in a piecemeal and often ad hoc fashion. The attention given to economic security is one expression of this transition but thus far attention and policymaking has been sporadic, mostly tactical and often short-sighted. Success will depend on several prerequisites. The first is a ground level approach that begins with a recognition that the penetration of new technologies into daily life demands a whole of society response with responsibilities for the private sector and individual citizen. This will necessitate projects akin to the civilian defense efforts of the Cold War. It will require more comprehensive information sharing between the public and private sectors to identify threats and opportunities. That in turn will require greater attention to information security within the private sector.

All this and more are contained in the “economic aspects of national security.” The world is waking up to the many dimensions of this new environment. The intensification of the geopolitical competition between China and the West and the centrality of technology to that rivalry obliges governments to rethink basics of national security policy. Staying apace of the changes is a challenge, one that it is not clear that we are meeting.

Meanwhile, there are a range of global security issues of increasing salience that demand cooperation if they are to be addressed in a meaningful way. Some

of them have considerable overlap with the economic concerns just discussed. For example, the “Green Revolution” will intensify the competition for access to the rare earths and critical materials that are essential to the new technologies that make sustainable economics possible. In other words, competition will shape efforts to solve problems that demand cooperation. Call it a paradox, an irony, or a conundrum. It is an integral part of the economic aspects of national security.

4

China as a technological power: Chinese perspectives and the quantum case

Hoo Tiang Boon

On October 16, 2020, at an event largely escaping global attention, Xi Jinping presided over a CCP (Chinese Communist Party) collective study session to discuss the esoteric field of quantum science. Attended by the entire Politburo and briefed by the eminent Tsinghua university physicist, Xue Qikun (薛其坤), the meeting sought to provide greater political guidance on the development of China's capabilities in quantum technology (量子技术). Noting that quantum technology is a disruptive technology that will be one of the driving pillars of the next industrial revolution, Xi stressed the "importance and urgency" of its advancement to the promotion of China's "high-quality development and safeguarding [of] national security." It is of profound "strategic value" to the country, Xi remarked.¹

This chapter contributes to the growing discussion on US-China technology competition by examining the PRC's drive to become a world leader in quantum technology.² This is a noteworthy subject, not least because a series of political meetings—notably the Central Committee's 5th plenum which discussed the 14th Five-Year Plan (2021-2025) and China's 2035 vision—have made clear that the CCP sees technological innovation and "self-sufficiency" as a key force multiplier in realizing China's national rejuvenation, with quantum technology identified as a core component of this ambition.³ Xi himself appears to maintain a specific interest in the technology, having been briefed on its potential at least three times since assuming power⁴ and mentioning China's quantum achievements in his 2017 and 2018 New Year messages.

It is also worthy of further study because outside of China, relatively little attention has been paid to its quantum ambitions and pursuit.⁵ US policy initiatives have largely focused on slowing down China's development in current technology such as

semiconductor chips or those with civil-military potential.⁶ This ignores Chinese advances in emerging but disruptive technologies that could allow China to dominate the future economy and the Fourth Industrial Revolution, with implications for its warfighting capabilities. Quantum technology is one such game-changing technology.

Quantum technology: A primer

Quantum science seeks to understand our reality at the level of atoms and particles. Every object is theoretically "dancing to the quantum tune," just that its operation and effect are not obvious to the human eye.⁷ Understanding the world through a quantum perspective, however, can throw up phenomena that do not necessarily square with traditional interpretations. For one, the properties of quantum particles can change according to how they are being measured. Another example is the phenomenon of superposition where quantum particles can exist in multiple states at the same time, giving rise to the quantum bit (also termed as qubits) in computing. Then there is entanglement, a situation where the properties of entangled particles are linked to each other even at great distances; a mystery that once so confounded Einstein, he termed it "spooky."⁸

It is these apparent anomalies that give quantum science the potential to evolve into new disruptive technologies—such as quantum communications, quantum computing, quantum sensors and quantum materials, to name a few—that could revolutionize how things operate in the world today. For instance, as opposed to traditional computers that operate on the basis of binary bit values (either 1 or 0), quantum computers use qubits that can be both 1 and 0 at the same time, including states of different degrees of one-ness and zero-ness. This means quantum calculations can happen exponentially faster, portending the development of computers with the

¹ Xinhua, "Xi Jinping Zai Zhongyang Zhengzhiju Dier Shi Sici Jiti Xuxi Shi Qiangdiao Shenke Renshi Tuijin Liangzi Keji Fazhan Zhongda Yiyi Jiaqiang Liangzi Keji Fazhan Zhanlüe Mouhua He Xitong Buju [At the 24th Collective Study Session of the Central Committee Politburo, Xi Jinping Emphasized the Profound Understanding of the Significance of Developing of Quantum Technology and Strengthening the Strategic Planning and System Layout of Quantum Technology]," Oct. 17, 2020, http://www.xinhuanet.com/politics/2020-10/17/c_1126623288.htm.

² It also connects to discussions on China's great power identity. For more on this subject, see Hoo Tiang Boon, *China's Global Identity: Considering the Responsibilities of Great Power* (Washington, DC: Georgetown University Press, 2018).

³ Orange Wang et al., "Five-Year Plan: China Moves to Technology Self-Sufficiency," *South China Morning Post*, Oct. 30, 2020, sec. News, <https://www.scmp.com/news/china/politics/article/3107709/five-year-plan-china-officials-flesh-out-details-plenum>.

⁴ In addition to the CPC collective study session in October 2020, other occasions include the CPC collective study session in September 2013, and Xi's visit to the University of Science and Technology of China in April 2016.

⁵ Exceptions are: Elsa Kania and John Costello, "Quantum Hegemony? China's Ambitions and the Challenge to U.S. Innovation Leadership," *Center for New American Security*, 2018: 1-46; Sharma Munish, "Decrypting China's Quantum Leap," *The China Journal* 80 (2018): 24-45.

⁶ Hoo Tiang Boon and Sarah Teo, "Caught in the Middle? Middle Powers amid U.S.-China Competition," *Asia Policy* 17, no. 4 (2022): 60-76.

⁷ Richard Webb, "Quantum Physics," *New Scientist*, n.d., <https://www.newscientist.com/term/quantum-physics/>.

⁸ Louisa Gilder, *The Age of Entanglement: When Quantum Physics Was Reborn* (Vintage Books, 2009); Anton Zeilinger, *Dance of the Photons: From Einstein to Quantum Teleportation* (Farrar, Straus and Girou Books, 2010).

potential to vastly outperform the most powerful existing supercomputer.⁹ In quantum communications, entanglement is leveraged to send information securely over vast distances. Because the attributes of particles are always connected in some form during entanglement, intrusion attempts are easily detected when these attributes change, giving rise to the possibility of building secure communication systems that are theoretically unhackable.¹⁰ Many of the modern technologies such as computers, semi-conductors and atomic energy are derived from the first quantum revolution, which took place more than a century ago. Today, scientists are speaking of a second quantum revolution, with the goal of manipulating quantum mechanics as opposed to merely making sense of it.¹¹ It is this second quantum revolution that China now seeks to be at the forefront.

China's quantum advances

Quantum science has long been identified as an important research area in China's science and technology plans. In the Xi era, this attention has further intensified. Within a year of taking the helm in 2013, Xi and the Politburo were briefed on quantum technology and its applications at the first "outdoor" collective study session in the Zhongguancun high-tech park.¹² In 2015, one of those applications, quantum computing, was identified as a key industry to be "actively promoted" as part of the Made-in-China (MIC; 中国制造) 2025 initiative.¹³ That same year, at the Fifth Plenum of the 18th Party Congress, another important application, quantum communications, was listed as one of the emerging technologies to be given national prioritization.¹⁴ The 13th Five-Year Plan (2016-2020) would further make clear the significance of quantum technology to

China, designating quantum communications and quantum computing as one of the "major programs" (重大项目) in the National Technology Innovation Plan, with the aim of achieving breakthroughs by 2030.¹⁵ Beijing's prioritization of quantum technology in its development strategy looks set to continue into the foreseeable future. Among other things, the 14th Five-Year Plan (2021-2025) stressed the need for China to develop greater "self-reliance" in core technologies, particularly quantum technology. In order to gain "first-mover advantages," China will "vigorously develop the next generation of high techs represented by intelligent and quantum technologies," asserts Director of the Department of High and New Technology Qin Yong.¹⁶

China's ambitions have led to a number of gains in quantum technology. In 2016, Chinese scientists launched the first quantum satellite in the world, also known as the Quantum Experiments at Space Scale (QUESS) or "Mozi" (墨子; after the ancient Chinese philosopher). Then in 2017, using QUESS, the transmission of entangled photons from space to earth stations more than 1,000 km apart was successfully demonstrated. That year, Chinese scientists were also able to leverage QUESS to relay cryptographic keys between Beijing and Vienna, at distances of more than 7,400 km apart. These advances, among others, represent significant progress in quantum communications, a domain which heralds the development of secure transmission systems that are practically hack-resistant. A rudimentary quantum communication network was also operationalized when a 2,000 km quantum-enabled fiber optic line was established between Beijing and Shanghai in 2017.¹⁷ Within a decade, China has become the de facto world leader

⁹ John Davidson, "Quantum Computing 101: What's Superposition, Entanglement and a Qubit," *Financial Review*, Dec. 27, 2019, <https://www.afr.com/technology/quantum-computing-101-what-s-superposition-entanglement-and-a-qubit-20191218-p5312j>.

¹⁰ Manuel Erhard, Mario Krenn, and Anton Zeilinger, "Advances in High-Dimensional Quantum Entanglement," *Nature Reviews* 1 (2020): 365–81.

¹¹ Jonathan Dowling and Gerard Milburn, "Quantum Technology: The Second Quantum Revolution," *Philosophical Transactions of the Royal Society A* 361, no. 1809 (2003): 1655–74.

¹² Zhongguo Gongchandang Xinwenwang [CPC News Network], "Zhongyang Zhengzhiju Jiti Xuexi Shouci Bandaohongqiang Wai [The Politburo of the Central Committee Conducts Collective Study Session Outside of the Red Walls for the First Time]," Oct. 1, 2013, <http://cpc.people.com.cn/n/2013/1001/c64094-23093972.html>.

¹³ "Guowuyuan Guanyu Yinfazhongguo Zhizao 2025 De Tongzhi [Announcement Regarding the State Council's Publication of the Made in China 2025]," 2015, http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm.

¹⁴ "Guanyu 'Zhonggong Zhongyang Guanyu Zhiding Guomin Jingji He Shehui Fazhan Di Shisan Ge Wunian Guihua De Jianyi' De Shuoming

[Explanations on the "CCP Central Committee's Proposals on the Thirteenth Five-Year Plan for National Economic and Social Development]," 2015,

<https://www.ndrc.gov.cn/fggz/fztlgh/gjfgzh/201605/P020191029595712120771.pdf>.

¹⁵ "Guowuyuan Guanyu Yinfazhishanwu' Guojia Keji Chuangxin Guihua De Tongzhi [Announcement Regarding the State Council's Publication of the National Technology Innovation Plan in the Thirteenth Five-Year Plan]," 2016, http://www.gov.cn/zhengce/content/2016-08/08/content_5098072.htm.

¹⁶ Cao Qingqing, "China to Include Quantum Technology in Its 14th Five-Year Plan," *China Global Television Network (CGTN)*, Oct. 21, 2020, <https://news.cgtn.com/news/2020-10-21/China-to-include-quantum-technology-in-its-14th-Five-Year-Plan-UM1KUIk80M/index.html>.

¹⁷ Renmin Ribao, "Liangzi Jishu Zhongguo Kuaijin [Quantum Technology: China Make Rapid Moves]," 2020, http://paper.people.com.cn/rmrbhwb/html/2020-10/22/content_2014375.htm.

in quantum communications, surpassing the United States.

In another key area—quantum computing—China has also made significant progress. A key technological milestone is what scientists have termed “quantum supremacy,” the point at which a quantum computer achieves a level of performance that even the most powerful of existing supercomputers are unable to compete. That feat was claimed by Chinese scientists in December 2020, with the development of the “Jiuzhang” quantum computer (九章; named after an ancient Chinese mathematical handbook). Only Google’s quantum computer, Sycamore, was reported to have achieved this feat earlier.¹⁸

These advances have been aided by a burgeoning pool of Chinese talent in quantum research, including leading experts such as Lu Chaoyang (陆朝阳), Wang Haohua (王浩华), Pan Jianwei (潘建伟) and Xue Qikun. The latter pair, Pan and Xue, are arguably the two most prominent quantum scientists in China. Labeled China’s “father of quantum” (量子之父) and named as among the top scientists in the world in 2017 by *Nature* journal, Pan and his team at the University of Science and Technology of China (USTC) are credited with designing QUASS and making significant advances in quantum communications.¹⁹ Pan is known to be involved in briefings on quantum communications to senior Chinese leaders including Xi Jinping. Xue, the Tsinghua university scholar is acclaimed for proving the world’s first quantum anomalous Hall effect (量子反常霍尔效应), a major scientific discovery lauded in Chinese state media as a “Nobel prize-level result.”²⁰ Besides Pan and Xue, increasing numbers of Chinese researchers are publishing their quantum research in top scientific journals such as *Nature*,

Science and *Physical Review*. These quantum talents are likely to thrive further when the world’s largest facility for quantum research, the US\$10 billion National Laboratory for Quantum Information Science, is completed.²¹

China’s talent base is complemented by those based in the country’s flourishing quantum industry. China’s leading technology firms such as Alibaba and Tencent have all made massive investments in quantum research, including hiring large numbers of researchers. Meanwhile, the number of companies engaged in the commercialization of quantum technologies—with the largest, QuantumCTek, worth more than 20 billion Yuan in market capitalization—has grown considerably.²² Several Chinese provinces have also taken the cue from Beijing and announced plans to develop quantum industries. In Shandong province, for example, there are plans to develop Jinan city into a hub of quantum industrial activity, becoming China’s “quantum valley” (量子谷).²³ In Anhui province, where the new national quantum laboratory is based, a Quantum Science Industry Development Fund (of 10 billion Yuan) has been established to support industries in quantum computing and communications.²⁴

China’s quantum perspectives

China’s advances in quantum technology take place alongside a flourishing domestic discussion on the subject. While most Chinese quantum writings are confined to technical journals, because of political attention and media publicity, quantum technology has entered into mainstream discourse within the country. Quantum technology and its implications are now discussed in a wide range of Chinese publications that include (but are not limited to) general magazines, party journals, state media and websites, economics and business journals, as well as

¹⁸ Deng Xiaoci and Huang Lanlan, “China’s Jiuzhang Secures Quantum Advantage over Google’s Sycamore, Billions of Times Faster: Developer,” *Global Times*, Dec. 4, 2020,

<https://www.globaltimes.cn/content/1209006.shtml#:~:text=According%20to%20a%20statement%20Pan's,times%20faster%20than%20Google's%20Sycamore;Han%20Yadong,%20Jiuzhang%20Wending%20Quli%20Woguo%20Zai%20Guoji%20Liangzi%20Jisuan%20Yanjiu%20Diyi%20Fangzhen%20de%20Diwei%20Jiuzhang%20Aspiration%20Establishes%20Our%20Country%20at%20the%20Front%20Ranks%20of%20Global%20Quantum%20Computing%20Renmin%20Ribao%20Wang,December%206,%202020,http://hi.people.com.cn/n2/2020/12/08/c231187-34462272.html>

¹⁹ Elizabeth Gibney, “Nature’s 10: Ten People Who Mattered This Year,” *Nature*, 2017, <https://www.nature.com/immersive/d41586-017-07763-y/index.html>.

²⁰ Xinhua, “Liangzi Fanchang Huoer Xiaoying: Zhongguo Shiyanshi Li Zuochu Laide ‘nuojiang Ji Chengguo’ [Quantum Anomalous Hall Effect: Chinese Laboratory Produces ‘Nobel-Level Prize Result’],” Jan. 8, 2019, http://www.xinhuanet.com/tech/2019-01/08/c_1210032942.htm.

²¹ Zhang Hui, “Scientists Develop World Leading Quantum Computing Simulation,” *Global Times*, November 5, 2019, <https://www.globaltimes.cn/content/1169073.shtml>.

²² Matt Swayne, “China’s Quantum Fever Sends Stocks Soaring as Anticipation on Five-Year Plan Grows,” *The Quantum Daily*, Oct. 26, 2020, <https://thequantumdaily.com/2020/10/26/chinas-quantum-fever-sends-stocks-soaring-as-anticipation-on-five-year-plan-grows/>.

²³ Xinhua, “Jianzhi Baiyi Chanzhi Guimo, Jinan Jiang Dazao ‘Liangzi Gu’ [Pointing to an Output Value of Tens of Billions, Jinan City Will Build ‘Quantum Valley’],” May 30, 2018, http://www.xinhuanet.com/fortune/201805/30/c_1122914029.htm.

²⁴ Xinhua, “Anhui: 100 Yi Yuan Liangzi Kexue Chanye Fazhan Jijin Qidong Yuning [10 Billion Yuan Quantum Science Industry Development Fund Starts Operation],” Dec. 13, 2017, http://www.xinhuanet.com/fortune/2017-12/13/c_1122103822.htm.

global affairs publications. Drawing on this burgeoning internal material, I flesh out the key themes that inform China's pursuit of quantum primacy. These narratives have overlapping elements, but for analytical purposes, they are presented as separate (but inter-related) categories here.

China as a technologically strong power (科技强国)

First and foremost, China's quantum narratives are situated within the broader context of the country's goal to become a "technological strong power," which calls for it to move beyond being a "big country" in science and technology to one that is "powerful."²⁵ As outlined by Beijing, this is to be achieved in a "three-stepped" (三步走) strategy with specific targets: by 2020, China should have entered into the ranks of innovative countries, with an R&D expenditure ratio of 2.5% (of the GDP); by 2035, it should have entered into the front ranks of innovative countries, with an R&D expenditure ratio of 2.8%; and by 2050, it should have completed this journey, becoming the world's "main scientific center and new innovative high ground."²⁶

These ambitions speak to an acknowledgement of the implications of technological changes for China's position in the global order. As one CASS (Chinese Academy of Social Sciences) scholar writes while citing the example of Great Britain's rise amidst its domination of the First Industrial Revolution: "history has proven that a great power's ascendancy is inescapably linked to the technology and industrial revolutions of its time."²⁷ It is assessed that China is currently in a "new round" of a global technological revolution which could "profoundly alter" the future economic and political order. *Ergo*, it behooves China to place itself at the center of this new revolution, in particular, "grasping its trends, characteristics as well as the strategic initiative."²⁸

"China's quantum narratives are situated within the broader context of the country's goal to become a 'technological strong power'"

For the CCP, one of those key trends that will undoubtedly shape the ongoing Fourth Industrial Revolution is quantum technology. While other promising technologies include artificial intelligence (AI), blockchain, big data, and biotechnology, the party sees quantum technology as the "frontier" of the new revolution as well as the "focal force" of becoming a technological power.²⁹ Moreover, it is one of the few scientific domains, particularly in quantum communications, that Beijing believes the country has developed a world-class edge; to that extent, "there is no reason for China not to strongly emphasize and promote its development."³⁰ An overlapping economic argument is that quantum technology will boost China's pursuit of "high-quality development" (高质量发展). Chinese economic planners deem that their country's economy has now entered a stage of high-quality development, where the emphasis should be on "quality as opposed to quantity" (量变到质变) in the production of goods and services to drive the next stage of growth.³¹ Aligning with the MIC2025 plan, which has evolved into an "Innovated-in-China" (中国制造) narrative, it is envisioned that quantum industries will make up a core part of China's new "high-quality" economy.³²

²⁵ Chen Jin and Wang Lu-yao, "Xin Shidai Zhongguo Keji Xingguo Zhanlue Lungang [Outline of the Strategy of Rejuvenating the Country by Science and Technology in the New Era]," *Gaige* 304, no. 6 (2019): 32–40.

²⁶ Bai Chunli, "Keji Fazhan Taishi Yu Zhongguo Keji Chuangxin [Trends in Technology Development and China's Technological Innovation]," *Shishi Baogao* 8 (2019): 34–41.

²⁷ Feng Zhaokui, "Lunxin Keji Geming Dui Guoji Jingzheng Guanxi de Yingxiang [A Discussion of the Impact of the New Technological Revolution on International Competition]," *Guoji Zhanwang* 5 (2017): 1–20.

²⁸ Zhang Sai and Liu Kui, "Mianxiang Xin Shidai de Shijie Keji Qiangguo Jianshe Lujing Tantai [Exploring the Road of Constructing a World Technological Strong Power in a New Era]," *Xue Lilun* 1 (2020): 24–27.

²⁹ Ni Hao and Ren Zhong, "Liangzi Keji Dui Zhongguo You Duo Zhongyao? Zhuanjia: Liangzi Keji Shi Shiguan Guojia Anquan He Sh Hui Jingji Gao Zhiliang Fazhan de Zhanlue Xing Lingyu [How Important Is Quantum Technology to China? Expert: It Concerns National Security and

Socio-Economic Development]," *Huanqiu Shibao*, Oct. 21, 2020, <https://world.huanqiu.com/article/40MwRNUcSEw>.

³⁰ *Ibid.*

³¹ Xinhua, "Shijie Jingji Dashijian: Zhongguo Yi Jinru Gaozhiliang Fazhan Jieduan [Big Event in the Global Economy: China Enters the Stage of High-Quality Development]," Aug. 5, 2020, http://www.xinhuanet.com/fortune/2020-08/05/c_1126328179.htm; Feng, "Lunxin Keji Geming Dui Guoji Jingzheng Guanxi de Yingxiang [A Discussion of the Impact of the New Technological Revolution on International Competition]."

³² Pan Jianwei, "Qiangzhan Xin Yilun Liangzi Geming Xianji, Yao Fahui Xinxing Juguo Tizhi Youshi [To Seize the Opportunity of a New Round of Quantum Revolution, We Must Give Full Play to the Advantages of the New National System]," *SINA*, Oct. 19, 2020, <https://finance.sina.com.cn/tech/2020-10-19/doc-iiznezxr6755957.shtml>.

Global competition, history and techno-nationalism

Another connecting assessment is that China is already in a global technology race, with implications for the broader “comprehensive national power” competition among the major powers.³³ Whoever masters the new technologies will claim the “leading advantage,” is how one *Study Times* (学习时报) article puts it.³⁴ The global competition in quantum technology is seen as emblematic of this technological race. It is not lost on Chinese analysts that countries such as Japan, the United Kingdom, Germany, France, and the United States have developed respective “strategic plans” (战略计划) on quantum technology.³⁵ The efforts of the United States are singled out as “aggressively ambitious” (雄心勃勃); Chinese analysts cite US federal plans to maintain quantum leadership, alongside the existing strengths of US tech companies such as Google, Microsoft, IBM, and Intel in quantum research and computing.³⁶

There is no reason why China cannot prevail given its record of scientific achievements. Xi alluded to this historical self-belief at the 2016 “three scientific meeting” (科技三会), noting that the “four major inventions” (四大发明) of the compass, gunpowder, printing, and papermaking had first originated in premodern China, while Chinese ancestors had bequeathed a wealth of knowledge in the agricultural, medical, astronomical and mathematical fields.³⁷

Other writings claim that China contributed more than 50% of all major scientific discoveries from 6th century BC to 17th century AD. Present in several of these discourses is a degree of techno-nationalism based on the constructed narrative of the “rejuvenation of the Chinese nation.” This reflects the perspective that China’s quantum pursuit is a matter of national (and civilisational) importance.³⁸ In a 2019 CCTV interview featuring leading Chinese scientist Pan Jianwei and his work on quantum communications, Pan spoke of using “science to repay the nation,” stating that “A true scientist is one with a sense of national mission and feeling” — advice that he would often tell his students.³⁹

Breaking out of US technological containment

There is consensus among Chinese analyses that as an extension of the China-US strategic rivalry,⁴⁰ the US has sought to technologically “contain” China. Whether through legislative or policy measures, it is perceived that Washington seeks to deprive the PRC of its “legitimate right” to technological development—a strategy depicted as “choking one’s neck” (卡脖子).⁴¹ Washington’s prohibition of access to US components (and the tools used to make them) for several Chinese tech companies, has spurred Beijing to re-assess the country’s vulnerabilities in the global technology supply chain. The 24th CPC collective study session in October 2020 (which focused on quantum science) alluded to such geopolitical risks in China’s technological development.⁴²

³³ Hoo Tiang Boon, *China’s Global Identity: Considering the Responsibilities of Great Power* (Washington, DC: Georgetown University Press, 2018).

³⁴ Li Wan, “Xinkeji Geming Gaibian Shijie Fazhan Geju [New Technology Revolution Changes Global Development Situation],” *Xuexi Shibao*, Dec. 13, 2017, <http://theory.people.com.cn/n1/2017/1213/c40531-29703386.html>.

³⁵ Lu Hao, “Ribei Qianghua Gaokeji Zhanlue Jingzheng Nengli [Japan Strengthens the Competitiveness of Its High Technology Strategy],” *Shijie Zhishi* 15 (2020): 66–67; Ni and Ren, “Liangzi Keji Dui Zhongguo You Duo Zhongyao? Zhuanjia: Liangzi Keji Shi Shiguan Guojia Anquan He Sh Hui Jingji Gao Zhiliang Fazhan de Zhanlue Xing Lingyu [How Important Is Quantum Technology to China? Expert: It Concerns National Security and Socio-Economic Development]”; Jianwei, “Qiangzhan Xin Yilun Liangzi Geming Xianji, Yao Fahui Xinxing Juguo Tizhi Youshi [To Seize the Opportunity of a New Round of Quantum Revolution, We Must Give Full Play to the Advantages of the New National System].”

³⁶ Sun Haiyong, “Meiguo Liangzi Zhanlue Dui Zhongmei Zai Keji Lingyu Jingzheng Yu Hezuo de Yingxiang [The US Quantum Strategy and Its Impact on Sino-US Relations],” *Xinxi Anquan Yu Tongxin Baomi* 9 (2019): 29–37; Ni and Ren, “Liangzi Keji Dui Zhongguo You Duo Zhongyao? Zhuanjia: Liangzi Keji Shi Shiguan Guojia Anquan He Sh Hui Jingji Gao Zhiliang Fazhan de Zhanlue Xing Lingyu [How Important Is Quantum Technology to China? Expert: It Concerns National Security and Socio-Economic Development].”

³⁷ Xi Jinping, “Wei Jianshe Shijie Keji Qiangguo Er Fendou [Strive to Construct a Global Technological Strong Power],” *Renmin Ribao*, June 1, 2016, <http://cpc.people.com.cn/n1/2016/0601/c64094-28400179.html>.

³⁸ Xi; Xinhua, “Xi Jinping Zai Zhongyang Zhengzhiju Dier Shi Sici Jiti Xuxi Shi Qiangdiao Shenke Renshi Tuijin Liangzi Keji Fazhan Zhongda Yiyi

Jiaqiang Liangzi Keji Fazhan Zhanlue Mouhua He Xitong Buju [At the 24th Collective Study Session of the Central Committee Politburo, Xi Jinping Emphasized the Profound Understanding of the Significance of Developing of Quantum Technology and Strengthening the Strategic Planning and System Layout of Quantum Technology].”

³⁹ Hefei Weichidu Wuzhi Kexue Guojia Yanjiu Zhongxin [Hefei National Laboratory for Physical Sciences at the Microscale], “Gaige Xianfeng, Dianran Qingchun Mengxiang [Pioneering Reform, Lighting up Youthful Dreams],” Jan. 22, 2019, <http://www.hfnl.ustc.edu.cn/detail?id=15386>.

⁴⁰ Hoo Tiang Boon and Hannah Elyse Sworn, “Strategic Ambiguity and the Trumpian Approach to China-Taiwan Relations” 96, no. 6 (2020): 1487–1508.

⁴¹ Bai Chunli, “Ba Meiguo Kabozi Qingdan Biancheng Keyan Qingdan [Take America’s Choke-the-Neck List as Our List of Research Focus],” *Xinlang Keji*, Sept. 17, 2020, <https://tech.sina.com.cn/d/i/2020-09-17/doc-iivhuipp4859072.shtml>; Zhongguo Jiaoyu Bao [China Education Times], “Daxiang ‘Kabozi’ Jishu Gongjianzhan [Start the Battle against Technological Neck Choking],” Dec. 26, 2019, http://www.moe.gov.cn/jyb_xwfb/moe_2082/zl_2019n/2019_zl96/201912/t20191226_413551.html; Yu Shao, “240 Xiang Jishu Keneng Bei Waiguo ‘Kabozi’, Zhongguo Li Chuangxin Qiangguo Haiyou Duoyuan?,” *Guojia Jinrong Yu Fazhan Shiyuan Shi*, March 18, 2019, <http://www.nifd.cn/Speech/Details/1295>.

⁴² Xinhua, “Xi Jinping Zai Zhongyang Zhengzhiju Dier Shi Sici Jiti Xuxi Shi Qiangdiao Shenke Renshi Tuijin Liangzi Keji Fazhan Zhongda Yiyi Jiaqiang Liangzi Keji Fazhan Zhanlue Mouhua He Xitong Buju [At the 24th Collective Study Session of the Central Committee Politburo, Xi Jinping Emphasized the Profound Understanding of the Significance of

Chinese writings draw a number of conclusions about the US “tech blockade”. It, *inter alia*, (i) reflects US insecurities toward China’s technological rise (which challenges America’s global primacy and leadership); (ii) bespeaks of rising US nationalism; and (iii) expresses American attempts to preserve its technological supremacy by scapegoating and “bullying” China.⁴³ In an article published by the China Electronics Technology Group (CETG)’s Research Institute Number 30, analyst Sun Haiyong notes that China’s rapid advances in quantum technology, along with the technology’s dual-use potential, have exacerbated the “China quantum threat theory” (量子威胁论) in Washington. This has correspondingly spurred greater urgency and emphasis in advancing quantum technology within the US. It is envisaged that US quantum policies would negatively affect bilateral cooperation in quantum technology and industry, as well as obstruct China’s quantum cooperation with others.⁴⁴

China’s response has been to push for greater “self-reliance” (自力更生) in its entire technological system (from basic research to industrial application).⁴⁵ This calls for an “acceleration of homegrown innovation” to achieve breakthroughs in quantum technology as well as the strategic “fostering” of quantum industries.⁴⁶ Because quantum technology “cannot be bought or demanded,” this behooves China to “firmly grasp its innovation and development in [its] own hands.”⁴⁷ Only through “the path of independent innovation” (自主创新道路), can China “ensure the safety of [its] industrial and supply chains,” “enhance [its] ability of responding to risks and challenges with science and technology,” and “gain an upper hand in international competition and build new advantages for development.” Self-reliance does not equate to an abandonment of international collaboration in technology

development, and Beijing would “enhance” external cooperation when it can.⁴⁸

Defense applications

Chinese narratives openly acknowledge the development of quantum technology for national security reasons. This would cover supply chain and development security as earlier discussed, but principally refers to the potential benefits that quantum technology could bring to the advancement of the People’s Liberation Army’s (PLA) warfighting capabilities. Defense publications including *National Defense Science and Technology* (国防科技), *Journal of National Defense and Technology* (国防科技大学学报), *Military Digest* (军事文摘), *Dual Use Technologies and Products* (军民两用技术与产品); as well as military media such as *PLA Daily* (解放日报) and *China Defence Times* (中国国防报) have all published writings that address the application of quantum technology for Chinese military needs. A brief survey of the military applications discussed includes the following.

For one, because modern warfare is a giant complex system comprising integrated operations and information dominance, quantum computers can greatly improve the PLA’s battle-space awareness and networking, inter-service “jointness,” as well as command and control. Quantum computers can process the massive and intricate data space of battlefield situations at a speed and performance that classic computers cannot match. Chinese analysts also see the potential of harnessing quantum search algorithms to beat enemy cryptosystems. For example, quantum computing can perform search calculations in problems that take classic computers 1000 years, in under 4 minutes.⁴⁹

Developing of Quantum Technology and Strengthening the Strategic Planning and System Layout of Quantum Technology.”

⁴³ Liu Guozhu, “Telangpu Zhengfu Jishu Minzu Zhuyi Lunxun” [An Analysis of American Technological Nationalism under the Trump Government], *Meiguo Yanjiu* 4 (2020): 45–67; Sun Haiyong, “Telangpu Zhengfu Duihua Keji Zhanlue Jiqi Yingxiang Yu Yingdui [The Impact of and Countermeasures against the Trump Government’s Technology Strategy against China],” *Guoji Zhanwang* 3 (2019): 78–97; Shao, “240 Xiang Jishu Keneng Bei Waiguo ‘Kabozi’, Zhongguo Li Chuangxin Qiangguo Haiyou Duoyuan?”

⁴⁴ Haiyong, “Meiguo Liangzi Zhanlue Dui Zhongmei Zai Keji Lingyu Jingzheng Yu Hezuo de Yingxiang [The US Quantum Strategy and Its Impact on Sino-US Relations].”

⁴⁵ Hoo and Teo, “Caught in the Middle? Middle Powers amid U.S.-China Competition.”

⁴⁶ Global Times, “China to Accelerate Home-Grown Tech Innovation,” Oct. 29, 2020, <https://www.globaltimes.cn/content/1205099.shtml>.

⁴⁷ Zhongguo Jiaoyu Bao [China Education Times], “Daxiang ‘Kabozi’ Jishu Gongjianzhan [Start the Battle against Technological Neck Choking]”; Jianwei, “Qiangzhan Xin Yilun Liangzi Geming Xianji, Yao Fahui Xinxing Juguo Tizhi Youshi [To Seize the Opportunity of a New Round of Quantum Revolution, We Must Give Full Play to the Advantages of the New National System].”

⁴⁸ Xinhua, “Xi Jinping Zai Zhongyang Zhengzhijiu Dier Shi Sici Jiti Xuxi Shi Qiangdiao Shenke Renshi Tuijin Liangzi Keji Fazhan Zhongda Yiyi Jiaqiang Liangzi Keji Fazhan Zhanlue Mouhua He Xitong Buju [At the 24th Collective Study Session of the Central Committee Politburo, Xi Jinping Emphasized the Profound Understanding of the Significance of Developing of Quantum Technology and Strengthening the Strategic Planning and System Layout of Quantum Technology].”

⁴⁹ Chen Jian and Ban Feihu, “Liangzi Xinxu Jishu Dui Junshi Lingyu de Zhuyao Yingxiang [The Main Impact of Quantum Information Technology in Military Affairs],” *Junshi Wenzhai* 9 (2020): 20–23; Wu Yunzhang and Li Jian, “Liangzi Jishu Zai Wuqi Zhuangbei Zhong de Yingyong Zhanwang [The Application Prospects of Quantum Technology in Weapon

“Chinese military planners are especially interested in quantum radar capabilities”

Another often cited utility rests in the ability of quantum communications (via quantum key encryption) to achieve “unconditional security and secrecy” in military communications and networking.⁵⁰ This could lead to a “revolution” in information security, with new warfighting applications. Writing in the *Journal of Projectiles, Rockets, Missiles and Guidance* (弹箭与制导学报), Chinese researchers have studied the prospect of applying quantum key encryption to “swarm fighting operations” (蜂群作战) through the technology’s ability to ensure security of communication between swarm nodes.⁵¹

A third application is quantum radar technology, which uses photon particles as light-frequency electromagnetic waves to detect targets. Because the physical characteristics are different from conventional radar radio waves, which are susceptible to signal loss or interference, quantum radars offer much stronger detection performance, whether in terms of sensitivity, ranging, imaging resolution and anti-deception. Chinese military planners are especially interested in quantum radar capabilities—described in Chinese documents as “thousand-mile eyes” (千里眼)—because the technology promises an ability to impair conventional stealth technology and thwart US reconnaissance missions around China’s borders; it is seen as the “nemesis of stealth fighters” (隐形战机克星). According to a *Military Digest* report, “significant advances” in quantum radar development have been achieved by CETG’s Research Institute Number 14.⁵²

A fourth major application is the use of quantum navigation (also known as Quantum Positioning

System, QPS) for precise guidance of munitions, drones and submarines. Since the 2000s, China has developed its Beidou (北斗) Navigation Satellite System as an alternative to other systems such as the US-controlled Global Positioning System (GPS) and for better security. The Beidou, nevertheless, is based on traditional satellite positioning technology, which can be hampered by setbacks such as weak signal and jamming. Chinese writings note that in the 2003 Iraq War, 10% of American GPS-guided missiles missed their targets. Quantum navigation is seen as a technology that can overcome these limitations as it does not need to exchange information with the external environment for autonomous navigation. Critically, quantum navigation promises far greater precision with its use of atomic gyroscopes.⁵³

More unconventional uses discussed include: (i) quantum material design, based on the manipulation of atoms and their structures, to engineer new warfare materials that can achieve battlefield advantages such as visual stealth through bending light or evasion of infra-red tracking; (ii) quantum batteries which rely on the changing energy states of qubits to produce energy storage. An Unmanned Aerial Vehicle (UAV) that uses quantum batteries, for example, would not leave the kind of heat trail that infrared monitors track, making low-attitude flights less susceptible to detection.

Conclusion

Drawing on Chinese sources, this chapter is an attempt to further understanding of China’s quest for global quantum primacy. Chinese policymakers evidently recognize the reverberations of technological changes for China’s position in the international system, and has sought to gain an edge, if not dominance, in a range of game-changing technologies central to its ambition to be the “chief” (*laoda*) technological and economic power.⁵⁴ As the chapter has shown, a domain identified by Xi and his colleagues as integral to this goal is quantum technology. This has entailed a concerted top-down

Equipment],” *Guofang Keji* 37, no. 5 (2016): 27–30; Jiefang Ribao [PLA Daily], “Dier Ci Liangzi Keji Geming Jiang Yinfa Chanye Biange [The Second Quantum Revolution Will Trigger an Industrial Revolution],” Oct. 19, 2020, http://sh.xinhuanet.com/2020-10/19/c_139450462.htm.

⁵⁰ Ibid.

⁵¹ Jiang Junbao, Wang Xiaozhang, and Zhang Zhuo, “Liangzi Miyao Zai Fengqun Zuozhan Zhong de Yingyong Chutan [Preliminary Analysis on the Application of the Quantum Key in Swarm Warfare],” *Danjian Yu Zhidao Xuebao*, n.d., 1–7.

⁵² Zhang Wen and Zhang Naiqian, “Liangzi Leida: Dongcha Weilai Zhanchang de ‘Qianliyan’ [Quantum Radar: Exploring the Thousand-Mile

Eye of the Future Battlefield],” *Junshi Wenzhai* 11 (2016): 34–36; Zhongguo Guofang Bao [China Defense Times], “Liangzi Jishu, Dianfu Weilai Zhanzheng [Quantum Technology, Lighting up Future Warfare],” Feb. 12, 2019, http://www.xinhuanet.com/mil/2019-02/12/c_1210058129.htm.

⁵³ Zou Hongxin, “Xinyidai Guanxing Daohang Jishu: Liangzi Daohang

[The next Generation Inertial Navigation Technology: Quantum Navigation],” *Guofang Keji* 35, no. 6 (2014): 19–24; Jian and Feihu, “Liangzi Xinxi Jishu Dui Junshi Lingyu de Zhuyao Yingxiang [The Main Impact of Quantum Information Technology in Military Affairs].”

⁵⁴ Hoo Tiang Boon, ed., *Chinese Foreign Policy Under Xi*, 1st edition (London & New York: Routledge, 2017).

push for greater “home-grown” efforts in developing quantum technology and industry, with the expectation that Washington would curtail its quantum development from the outside. And, with the technology deemed as vital for China’s national security given its potential to transform the PLA’s warfighting capabilities, there is added urgency for quantum self-reliance. Added to this mix is a sense of techno-nationalism linked to the Chinese civilisation’s perceived history of scientific achievements that will also motivate China’s quantum ambitions.

The rest of the world would do well to pay more attention to China’s emergence as a quantum power. China’s success is not guaranteed amid domestic and external challenges. But if it succeeds, its quantum leap will have certain implications for the trajectory of the US-China technological contest, with inevitable consequences for the balance of power between China and the US.

5

Minilateral groupings as an alternative to multilateralism in an era of strategic competition

Thomas Wilkins

Intensifying strategic competition is transforming the Indo-Pacific security architecture in multiple ways. As Washington seeks to reinvigorate its traditional US “hub-and-spoke” system of alliances, and numerous states have forged new bilateral security cooperation through the “strategic partnership” mechanism, the purpose and utility of multilateral institutions has come under scrutiny. However, the most prominent change in the region’s architecture has been the renaissance of so-called “minilateral” forms of security cooperation, many based around the US and its alliance network, others outside of it. This development potentially further undermines ASEAN’s claim to “centrality” as states elect to go beyond its suite of multilateral dialogue fora to concentrate on the practical challenges of strategic competition.

The AUKUS (Australia-UK-US), Quad (Australia-US-Japan-India) and Trilateral Strategic Dialogue (US-Japan-Australia) formations are indicative of the way that multilateralism risks being side-lined by smaller more targeted practical mechanisms of security provision, founded on a close alignment of interests and values. These exclusive minilateral groupings are increasingly becoming the key mechanisms by which members collectively seek to safeguard their interests and advance their shared visions of regional order to compete across all the dimensions of strategic competition—diplomatic, security, defense, military, economic, technological, and ideological.

These minilateral mechanisms influence the region’s architecture in two important ways. Even before the emergence of minilateralism, the regional (security) architecture in the Indo-Pacific had become almost unfathomably complicated to comprehend.¹ The former “Asia-Pacific” region has been described variously as a “complex patchwork,” “noodle bowl,” “mosaic,” “alphabet soup,” “meshwork,” and “latticework.” Now the regional scope has been extended, with the official introduction of the “Indo-Pacific” concept from the 2010s, bringing in a number of Indian Ocean-focused institutions, while accommodating newly minted Indo-Pacific ones—

specifically minilaterals. Gaining any sort of coherent analytical purchase on the Indo-Pacific region’s security architecture is a formidable task.

Furthermore, the “nature” of regional architecture has changed in line with the ascendance of economic security concerns, a point reflected in the function of some minilaterals. Previously, a relatively meaningful distinction could be made between institutions and arrangements that had a well-defined “security” purpose (security providers) and those that were designed for “economic” cooperation. As the economic interactions have become “securitized” and technological aspects have taken on an increasing “security” complexion, this distinction is breaking down, and this is often reflected in the activities of minilaterals themselves. Although significant in the context of strategic competition, our understanding of minilateralism is at an embryonic stage, with no firm consensus even upon definitions among the scant scholarly literature. A reliable working definition might be “a small-group of states—(perhaps 3-6)—engaged in a form of ad hoc or institutionalized cooperation towards a common security purpose or purposes.”² Scholars and analysts are still grappling with explaining the drivers of minilateralism, their dynamics, and their implications, but this does not preclude us examining how they fit into the picture of regional strategic competition.

Minilateralism is neither a new concept, nor is it exclusively practiced by “Western” powers. Among earlier minilateral examples we have ASEAN itself (which started as a grouping of five) and the “Shanghai Five” (which later expanded into the Shanghai Cooperation Organization of eight members),³ and the Five Power Defence Arrangement (FPDA).⁴ The Trilateral Cooperation and Oversight Group (TCOG),⁵ the Six-Party Talks,⁶ and Malacca Straits Patrol (MSP)⁷ also remind us of the track-record of regional minilateralism. There is also a plethora of more economically focused

¹ Andrew Yeo, *Asia’s Regional Architecture: Alliances and Institutions in The Pacific Century*. (Stanford University Press, 2019).

² Adapted from: Singh, B. and Teo, S. eds., 2020. *Minilateralism in the Indo-Pacific: The Quadrilateral Security Dialogue, Lancang-Mekong Cooperation Mechanism, and ASEAN*. Routledge.

³ In 1996 the Shanghai Five members were: Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan. The SCO itself was founded in 2001 with the addition of Uzbekistan, and was expanded to include India and Pakistan in 2017.

⁴ Founded in 1971, its membership includes: Singapore, Malaysia, the UK, Australia and New Zealand.

⁵ Founded in 1993 it included Japan, the US, and South Korea, it went into abeyance after 2002.

⁶ 2003-2009: It included Russia, the US, Japan, South Korea, and North Korea.

⁷ Founded 2004 and including: Indonesia, Malaysia, Singapore and Thailand

minilaterals including the Chip-4 Alliance⁸ and Lancang Mekong Cooperation (LMC).⁹

Security (or “strategic”) minilateralism has undergone a resurgence as the United States along with its allies and partners are opting for such instruments as part of their approach toward strategic competition. It now forms a major component of the regional security architecture and attracting growing attention. The three substantive and potent of the “new wave” of minilateral arrangements are AUKUS, the Quad and the TSD. The following sections briefly appraise their nature, purpose, and the receptions they have received in the region.

AUKUS

AUKUS was (unexpectedly) launched in September of 2021 to much fanfare and some consternation. At the core of the new trilateral security partnership was the agreement for the United Kingdom and the United States to assist Australia with the procurement of nuclear-powered submarines to replace its aging *Collins*-class conventionally powered flotilla. AUKUS is quite clearly an instrument to enhance the strategic position of Australia through a step-change in its defense capabilities. It enhances Australia’s maritime deterrence capacity and, when combined with the US capabilities, reinforces “allied” deterrence regionally. Indeed, AUKUS is distinguished by its deterrence function and potential. Since AUKUS is also a key component of the UK’s Indo-Pacific “Tilt,” it is also a platform for increasing involvement by Britain in the region, which may eventuate in joint patrols or porting arrangements in Australia for its own submarines or other naval assets.

AUKUS is by no means limited to the centerpiece submarine project. It encompasses eight (separate) working groups on advanced technological cooperation. This includes cyber, artificial intelligence and autonomy, quantum technologies, undersea capabilities, hypersonic and counter-hypersonic, electronic warfare, innovation, and information sharing.¹⁰ This means that AUKUS also contributes to economic security through trilateral collaboration on game-changing technologies with defense and civilian applications, thus addressing

strategic competition in *both* the narrow and broad senses.

The impact of AUKUS upon relationships in the region has been varied. Initially, AUKUS caused a major stir in Canberra’s relations with Paris, since it was coterminous with the cancellation of the French contract to provide conventionally powered boats to fulfil the Australian Future Submarine Program. This led to a vicious diplomatic spat between then-Prime Minister Morrison and President Macron, which reverberated around the European Union as well (since the timing of the AUKUS announcement was simultaneous with the unveiling of Brussels’ EU Strategy for Cooperation in the Indo-Pacific). In other words, the optics for the launch of AUKUS were awful. The animosity appears to be subsiding and Canberra and Paris are now committed to mending their bilateral relations and looking at potential new areas for cooperation that would comport with France’s Indo-Pacific Strategy.

The AUKUS arrangement has also had a mixed reception closer to home. Canberra also failed to adequately prepare the diplomatic ground in Southeast Asia for such a momentous initiative, leaving ASEAN states blindsided by the announcement. As these states digested the implications of AUKUS, some cautious support has been forthcoming from countries such as the Philippines and Singapore, and serious concerns raised by Indonesia and Malaysia. Overall, ASEAN countries are wary of any initiative that is likely to fuel strategic competition with China and restrict their room for maneuver amidst Sino-US rivalry (forcing them to “choose sides”). Meanwhile, both Japan and Taiwan have been supportive.

Predictably, since it is the putative target of an operationalized AUKUS, China has reacted negatively. Beijing recognizes that any reinforcement of individual ally’s military capabilities is part of a united deterrence posture designed to contain its ambitions and balance its military power. In addition to national denunciations and misinformation about AUKUS (“Cold War mentality”), Beijing has launched a concerted campaign to internationalize the issue of nuclear proliferation at the International Atomic Energy Agency (IAEA) and exhorted select ASEAN countries to agitate against it.

⁸ Founded 2022 including the US, Japan, South Korea and Taiwan.

⁹ Founded 2016 including China. Cambodia, Laos, Myanmar, Vietnam and Thailand

¹⁰ Prime Minister (6 April 2022). “[Fact Sheet: Implementation of the Australia – United Kingdom – United States Partnership \(AUKUS\)](#)”.

Despite a degree of diplomatic mishandling and mixed reception in the region, Australia has taken a firm stance on its commitment to AUKUS given its limited national defense and technology base. Combining with two close allies/partners with world class capabilities is a way for Australia to compete at a tolerable cost in this sphere. By binding the US and UK into an ever-closer security alignment and further integrating defense technologies ensures that Australia's security is significantly reinforced both materially and perceptually.

While AUKUS is not technically a "military alliance" (there is no trilateral mutual defense treaty guarantee), in practice its might legitimately be construed as some type of "informal" or "virtual" variation of such. AUKUS pivots on the strong bilateral alliance between Australia and the United States, the United Kingdom and the United States are NATO allies, and Australia and the United Kingdom have deep historical and security ties; all three countries are also members of the Five Eyes intelligence-sharing forum. When all of the existing ties between these "Anglosphere" countries are added up alongside the comprehensive agenda for collaboration, AUKUS comes about as close to an alliance as possible, *sans treaty*.

The Quad

Until the advent of AUKUS, all eyes were on the Quad as the most prominent minilateral configuration in the region. Initiated in 2007 and then revived a decade later, the Quad is subject to serious misunderstandings regarding its nature and purpose. Again, it has been erroneously dubbed as a "military alliance", but there is nothing credible to substantiate the claim, even outside of the absence of an alliance treaty. Other than qualifying as a "minilateral" security cooperation forum (technically it is the "Quadrilateral Security Dialogue"), it is still unclear exactly what the Quad is designed to achieve, at least in terms of measuring its tangible impact upon strategic competition.

"Like AUKUS, the Quad has gained a mixed reception in the region."

In distinction to AUKUS' emphasis on "hard" deterrence, perhaps the essential feature of the Quad is bringing together "like-minded" countries behind a shared vision of the Free and Open Indo-Pacific (FOIP), with its championship of a rules-based order and shared values such as democracy, human rights, and fair-trading practices. Since there is an ideological element to strategic competition that manifests itself on opposing visions of regional order—"free and open" versus "hierarchical and non-democratic"—this concert of democracies represents a powerful tool in order building.

So far, its activities have generally been confined to the realm of non-traditional security, rather than "hard" security cooperation (i.e. military deterrence). The Quad launched ambitious plans to supply the region with COVID-19 vaccines to address health security issues, alongside proposals for development and infrastructure provision. Though it does address maritime security issues, mainly from a "public goods" perspective, and its partners have (outside of the Quad framework) engaged in quadrilateral naval exercises (MALABAR), there is little in the way of a unified quadrilateral deterrence posture. The Quad also commits its members to technological cooperation beneficial to competing with China, but not on the level of AUKUS.

This is not to say that India does not share concerns relating to strategic competition with China—indeed it overtly ramped up its investment in the Quad as a response to the Galwan Valley border clash in 2019. However, in jealous protection of its "strategic autonomy" and residual attachment to "non-alignment", New Delhi's readiness to make unequivocal commitments to a US-led deterrence posture versus China remains ambivalent. Some commentators decry the membership of India over South Korea, given South Korea is a US ally and could perform a substantive role in regional deterrence.

Like AUKUS, the Quad has gained a mixed reception in the region. China famously denounced it as an "anti-China group" and "containment" mechanism. Beijing sees this alignment of powerful democracies as counter to its own designs for a Chinese-led regional order. At the same time, it has taken particular delight in pointing to the fragility inherent in the Quad, especially by attempting to underline India as a weak link in the formation. ASEAN states have gradually accepted the Quad, since it has turned out not to be particularly threatening. However,

should the Quad expand and deepen its agenda and outreach across the region (through the Quad-plus process), it may come to be viewed as intruding upon the “soft security” remit claimed at the heart of ASEAN centrality.

The TSD

The US-Japan-Australia Trilateral Strategic Dialogue (TSD) minilateral mechanism has a lower profile than AUKUS and the Quad. The TSD has been around since 2002 but was upgraded to the ministerial level in 2006, with a specific Trilateral Defense Ministers Meeting (TDMM) and Security and Defense Cooperation Forum (SDCF), added later. *Prima facie*, its remit looks quite similar to the Quad if representative statements are compared. However, the level and intensity of “hard” security ties between the TSD partners is highly developed, configuring it, like AUKUS, for deterrence purposes. It has also begun to adopt elements of economic security/technological collaboration into its remit, including plans for a Research, Development, Test and Evaluation (RDT&E) framework and exploration of “trilateral cooperation on advanced technologies and strategic capabilities.”¹¹ The Trilateral Defense Ministers Meeting in October 2022 emphasized their “strategic alignment.”

Both Australia and Japan are treaty allies of the US with a high level of integration in strategic planning, military complementarity, and interoperability and this will be further augmented by plans to incorporate Japan into Australia’s Force Posture in the Northern Territories (opening the way for more trilateral military exercises, thanks to the recent Reciprocal Access Agreement). There is scant divergence in terms of their shared values and interests in the strategic competition in the Indo-Pacific.

Commentators have increasingly begun to speculate that the TSD, as the effective “core” of the US alliance network in the Indo-Pacific, would be the three partners most likely to respond in concert, militarily, in response to a conflict contingency in the region. This potentially contrasts with the Quad, and casts the Quad in a new light as more of a “3+1” (TSD+India) alignment than a genuine “4.” Though the TSD has been a feature for some time, it typically retains a low profile and has been overshadowed by

attention directed at the Quad and AUKUS. Nevertheless, it is fair to say that China seeks to paint the TSD as a “containment” or “anti-China” alignment, which is a justifiable claim.

Multilateralism and ASEAN centrality at risk?

So where does this leave multilateral forms of security cooperation? Though the region’s multilateral security architecture is expansive and diverse, foremost among the region’s institutions are ASEAN-led (“plus”) organizations such as the East Asia Summit (EAS), ASEAN Regional Forum (ARF) and the ASEAN Defense Ministers Meetings-plus (ADMM+). Pivoting on ASEAN itself, these institutions form the basis of any claim to ASEAN’s “centrality” in the regional security architecture.

“In this sense, ASEAN and ASEAN-plus institutions are significant tools in building ‘regionalism’ — a common sense of belonging and ‘we-feeling.’”

We need to make a distinction here between the functional purposes of multilateral versus minilateral groupings. Multilaterals are (relatively) inclusive and (relatively) pan-regional in their membership, which is their strength. They serve an important role in dialogue—their “convening power” in bringing together even antagonistic parties to work on confidence building and facilitating communication. They are also integral to exporting ASEAN’s preferred vision of regional order based upon the “ASEAN way” of consensus building and non-interference in domestic affairs, across the wider region. In this sense, ASEAN and ASEAN-plus institutions are significant tools in building “regionalism”—a common sense of belonging and “we-feeling.”

The rise of strategic competition greatly complicates ASEAN’s mediatory role in two ways. First, since ASEAN multilaterals bring together potentially adversarial states into the fold, these venues have

¹¹<https://www.mod.go.jp/en/article/2022/06/f1d96220576b05e2ecbe6cdf5e47bf05548b7414.html>

developed into “arenas” where strategic competition and antagonistic posturing has taken root, somewhat undermining the purpose and effectiveness of the process. Moreover, there is strategic competition over prioritization of select ASEAN fora, with the US and its allies emphasizing the EAS and China the ARF.

Second, while the US and some of its allies recognize the value of such dialogue fora in providing space where states can seek to resolve major regional security questions, as their earlier expectations of major progress toward this goal have not been met, they have increasingly sought to create more targeted minilateral mechanisms that engage in practical steps to address their joint security concerns. This potentially further challenges ASEAN centrality if select states increasingly elect to cooperate outside and independent of the ASEAN-plus framework, even as all of these minilaterals pay due deference in their statements to the organization’s “centrality.”

Assessment

While the multilateral suite of institutions centered on ASEAN remain relevant due to their value in convening disparate and sometimes adversarial states and (potentially) mediating strategic competition, they face serious challenges not only internally as strategic competition plays out inside such fora, but also risk of being side-stepped by minilateral instruments for cooperation. The impact of key minilaterals such as AUKUS, the Quad and the TSD is already felt in terms of strategic competition, especially the deterrence and order-building functions they have assumed. By going beyond dialogue to initiate tangible practical cooperation, they are viewed in some quarters as picking up the slack left behind by ASEAN in addressing the region’s deteriorating security environment.

How these minilaterals evolve in the future remains to be seen. There are three possibilities. The first is that groupings like AUKUS, the Quad and TSD enlarge their membership—in effect transitioning into *multilateral* institutions themselves (as witnessed by the Shanghai 5 expansion into the SCO). The “Quad-plus” process may portend such a development. The interest by European powers and Canada in gaining access to regional minilaterals as part of their Indo-Pacific strategies is also significant. This would radically alter their composition and likely affect their strategic effectiveness, as they

would risk moving from a condition of strong alignment of parties to becoming “talk shops”. Second, and more likely, we might see incremental progression toward a more formal alliance-type configuration. A viable case can be made, at least for AUKUS and the TSD, that they already present de facto “military alliances,” albeit “incomplete” without a binding defense treaty at their core.

Lastly, there is the future possibility that as part of the Washington’s “networked” approach to its alliance architecture, minilaterals may merge or otherwise combine in some way. For example, the knitting together of AUKUS and the TSD, through closer ties with the UK. There is some evidence to support this outcome. With Japan showing an interest in aspects of cooperation with AUKUS, and with the UK-Japan Strategic Partnership accelerating, the basis for such a combination arguably already exists. One thing is clear: whatever their present shortcomings, minilaterals are viewed by Washington, Tokyo, Canberra, London, and New Delhi as powerful tools to advance their interests in the realm of strategic competition.

6

The Role of Indo-Pacific Economic Institutions in Shaping Security Competition

Prashanth Parameswaran

This paper argues that an increasingly complex economic institutional landscape in the Indo-Pacific has important implications for strategic competition in several ways. Specifically, the proliferation of minilateral, great power-led, sectoral agreements and bilateral convening hubs, in addition to previous multilateral, bilateral and plurilateral mechanisms, has blurred the distinction between economic and security realms, decentered the regional landscape away from multilateralism and granularized the competition between the United States, China and other powers.

The evolving economic institutional landscape

Economic institutional development in the Indo-Pacific over the past few decades has shaped and is shaped by the wider strategic and competitive dynamics in the region and the international environment more generally. During the Cold War, though economic institutional dynamics were conditioned by competition between the United States and the Soviet Union through pathways such as the Bretton Woods institutions and the General Agreement on Tariffs and Trade (GATT, which became the World Trade Organization in 1995), other actors within Asia also played a growing role in its latter stages, with the rise of economies like Japan, South Korea and Taiwan and the attempts to grow, reform and deepen economic integration by the original members of the Association of Southeast Asian Nations (ASEAN) regional grouping¹.

The pressures for diversification of the economic institutional landscape only increased in the 1990s and 2000s following the end of the Cold War². The rise of the Chinese economy, the quest for broader and more inclusive regionalism, the growing influence of Indo-Pacific players like India and Indonesia, and periodic crises such as the Asian Financial Crisis of 1997-1998 and the Global Financial Crisis of 2008-2009, paved the way for a wave of new economic-related institutions. These included regional multilateral arrangements like the ASEAN Plus Three process and the Asia-Pacific Economic Cooperation; a network of bilateral and plurilateral

free trade agreements; and the elevation of the Group of Twenty (G20) over the G7/G8, with the former adding the Indo-Pacific economies of Australia, China, India, Indonesia, and South Korea.

The 2010s and 2020s have witnessed a further increase in the proliferation of economic institutions. A series of factors, including the slowing of globalization, surging populism, the intensification of major power competition between a risen China and unpredictable United States, and crises like the COVID-19 pandemic and the Russia-Ukraine War, have created challenges for existing economic institutions and led to the creation of new ones as countries seek more diverse, smaller, or broader forms of cooperation.³ These include newer multilateral institutions like the Regional Comprehensive Economic Partnership (RCEP); minilateral and plurilateral arrangements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); sectoral arrangements like the Digital Economy Partnership Agreement (DEPA); and major power-led frameworks, be it the US-led Indo-Pacific Economic Framework (IPEF) or China's Asian Infrastructure Investment Bank (AIIB).

As it stands, Asia's evolving economic institutional landscape can be said to comprise five components: 1) multilateral institutions, which would include the Regional Comprehensive Economic Partnership (RCEP), ASEAN Plus Three (with China, Japan and Korea) and APEC; 2) minilateral or plurilateral institutions, like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); 3) effective major power-led or "Plus One" agreements, such as the US-led Indo-Pacific Economic Framework (IPEF) and Partnership for Global Infrastructure and Investment (PGII), or the China-led Global Development Initiative and Lancang Mekong Cooperation mechanism (LMC); 4) sectoral agreements including the Green Economy Agreement by Singapore and Australia, a first-of-its-kind pact billed as a potential regional pathfinder, and the Digital Economy Partnership Agreement (DEPA) between Chile, New Zealand and Singapore, which has attracted great interest and could expand further in the future; 5) bilateral convening hubs, like

¹ See, for instance: Eisuke Sakakibara and Sharon Yamakawa, "Regional Integration in East Asia: Challenges and Opportunities," The World Bank, June 2003; and Asian Development Bank, *Emerging Asian Regionalism: A Partnership for Shared Prosperity*, (Mandaluyong City, Philippines, ADB 2008).

² See, for example: Vinod K. Aggarwal and Min Gyo Koo (eds), *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial and Security Relations* (Springer, 2008); Giovanni Capannelli and See Seng Tan,

"Institutions for Asian Integration: Innovation and Reform," ADBI Working Paper Series No. 375, August 2012.

³ See, for instance: Shiro Armstrong and Tom Westland (eds), *Asian Economic Integration in an Era of Global Uncertainty* (Australia: ANU Press, 2018); Avery Goldstein and Edward D. Mansfield (eds), *The Nexus of Economics, Security and International Relations in East Asia* (California: Stanford University Press, 2012).

the India-European Union Trade and Technology Council. It is important to note that these institutions also exist alongside other institutions that extend beyond the region, including the Group of Seven (G7) and Group of Twenty (G20).

The trajectory of economic institutional development and the landscape as it stands today is important because it can impact strategic competition, in addition to itself being shaped by it. The following sections consider these impacts with regard to three in particular: the granularization of major power competition; the blurring of the economic-security divide; and decentering away from multilateralism. Together, they illustrate how the proliferation of economic institutions can affect competition, including by widening, diversifying and deepening it.

Granularizing major power competition

The proliferation of economic institutions can intensify not just aggregate competition between major powers, but more granular competition as well. This granularization is important in the context of intensifying US-China competition in that it can potentially channel competition into means by which major powers can create more options for and meet the growing demands of Indo-Pacific countries, rather than simply questioning their choices or finding faults with the relationships they pursue⁴. Granularization can also help bring competition deeper down to the nuts and bolts of how decisions are actually made by focusing on specific theaters, sectors, initiatives and the roles of key players, rather than more general conversations about if and when states ought to accept or reject overtures from one country or another.

A case in point is infrastructure. Here, the rise of China-led economic institutions such as the BRI and AIIB has catalyzed efforts by the United States and partners to shape alternatives to compete with Beijing, leading to the proliferation of new institutions, be it single actor ones like Japan's Quality Infrastructure Initiative and the EU's Global Gateway, or minilateral ones such as the Australia-Japan-U.S.

Trilateral Infrastructure Partnership and the G7 PGII. While some of these institutions may be a work in progress, they have catalyzed a granularization of sectoral competition down to specifics such as standards or key projects. On PGII, for instance, there are already conversations about how to overcome lingering skepticism on resourcing the multibillion dollar Just Energy Transition Partnerships to support the green transitions of Southeast Asian countries like Indonesia and Vietnam, or the extent to which like-minded partners like Australia, Japan and the United States should intervene on a project basis to stop Chinese funding in the Pacific, as was the case when Washington and Tokyo backed Australia's acquisition of Digicel, the leading Pacific telecommunications operator, to prevent a possible Chinese takeover⁵.

“Here, the rise of Mekong-specific initiatives by countries like China, Korea, Japan, Australia and the United States has gradually produced a more granular conversation around what each can bring to the table for individual countries in the subregion.”

The granularization of major power competition is also evident in specific subregions within the Indo-Pacific region as well. A notable example in this regard is the Mekong subregion. Here, the rise of Mekong-specific initiatives by countries like China, Korea, Japan, Australia and the United States has gradually produced a more granular conversation around what each can bring to the table for individual countries in the subregion. Since its initial launch in 2016, for example, China's LMC has grown

⁴ On the theme of choice, see, for instance: Prashanth Parameswaran, “ASEAN's False US-China Choice: Rhetoric and Reality,” *The Diplomat*, November 21, 2018: <https://thediplomat.com/2018/11/aseans-false-us-china-choice-rhetoric-and-reality/>; and Lee Hsien Loong, “PM Lee Hsien Loong at the 27th International Conference on the Future of Asia,” Prime Minister's Office, May 26 2022: <https://www.pmo.gov.sg/Newsroom/PM-Lee-Hsien-Loong-at-the-27th-International-Conference-on-the-Future-of-Asia>.

⁵ See, for instance: World Economic Forum, “Remarks by Luhut Binsar Pandjaitan at Panel on “The Pulling Power of ASEAN,” January 2023: <https://www.weforum.org/videos/davos-am23-the-pulling-power-of-asean-english>; The White House, “United States-Australia-Japan Joint Statement on Cooperation on Telecommunications Financing,” November 15, 2022: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/11/15/united-states-australia-japan-joint-statement-on-cooperation-on-telecommunications-financing/>.

to operate around a five-year plan of action, a specific list of projects supported by a special fund, and a periodic review of new directions and priorities which include areas like agriculture, digital, and green development.⁶ And even the Friends of the Lower Mekong, a US-led effort set up in 2011 as a platform for coordinating partner development cooperation efforts—consisting of the United States, Australia, Japan, New Zealand, South Korea and the European Union along with other institutions—has begun moving away from a laundry list of priorities and toward speaking more on focused joint initiatives with greater specificity, be it the Japan-US Mekong Power Partnership or the ROK-US Mekong collaboration on sustainable infrastructure.⁷

Blurring the economic-security divide

The proliferation of economic institutions has also contributed to the blurring of the perceived divide between economic and security issues, which can in turn widen the arena of competition and the actors involved. The changes in the institutional mix reflect evolving trends and developments in the broader strategic landscape that have also contributed to this blurring, including rising elite and public discontent on the wider non-economic impacts of globalization; growing scrutiny on geopolitical impacts of economic choices countries are making in areas like critical and emerging technologies amid intensified great power competition; the hybridization of economic and security impacts in response to crises like the Russia-Ukraine conflict and COVID-19 in areas like semiconductors or food security; and rising attention by governments on regulating the national security impacts of economic domains in sectors like digital, health or energy. As a consequence, institutions are moving toward more comprehensive conceptions of security in areas like supply chains and technology and even adopting hybrid terms like economic security.

One notable area where this is at play is that of supply chains, an area where COVID-19 disruptions,

intensifying U.S.-China competition, the Russia-Ukraine war, climate commitments, and human rights violations have highlighted the need for institutional arrangements to help balance efficiency with diversity, security, sustainability, and transparency. IPEF is an institution that is often in the headlines on this front, with the agreement having one of its four pillars dedicated to supply chains and ongoing initiatives such as establishing criteria for critical sectors and goods deemed “critical to our national security;” investing in supply chain resilience strategies; and setting up a crisis response mechanism in the event of future supply chain disruptions⁸. While much has been made about US contributions on this front, several key IPEF members are also helping drive thinking and action on this front. Japan Prime Minister Fumio Kishida has said that the economic security component of his Indo-Pacific vision will include supporting more than 100 ASEAN-Japan supply chain resilience projects over the next five years, while South Korea’s Indo-Pacific strategy notes that economic security cooperation can be advanced with countries like Australia, Japan, and the United States in areas like supply chains and critical minerals.⁹

Another realm is that of technology. Here, countries have been attempting various ways to adjust institutions to address the diverse, interconnected range of issues in this space. One notable example is the bilateral convening hub known as the India-EU Trade and Technology Council—the first arrangement of its kind for New Delhi and the second for the EU after one with the United States. As both sides noted with the EU-India TTC launch, apart from providing a private forum for candidly discussing new opportunities and ongoing challenges, the strategic coordination mechanism also embraced the interconnectedness of the economic and security domains and was designed to “allow both partners to tackle challenges at the nexus

⁶ Ministry of Foreign Affairs of the People’s Republic of China, “The Seventh LMC Foreign Ministers’ Meeting is Held in Myanmar,” July 5, 2022: https://www.fmprc.gov.cn/mfa_eng/topics_665678/kjgzbdffyq/202207/t202705_10715629.html.

⁷ See, for instance: U.S. Mission to ASEAN, “U.S. Press Statement on the Mekong Senior Officials’ Meeting: Enhancing Cooperation: Coordinating with Friends and Allies,” August 3, 2022: <https://asean.usmission.gov/u-s-press-statement-on-the-friends-of-the-mekong-senior-officials-meeting-enhancing-cooperation-coordinating-with-friends-and-allies/>

⁸ See: Prashanth Parameswaran, “Can the US Indo-Pacific Economic Framework Meet the Value Proposition Challenge?” *The Diplomat*, June 9, 2022: [https://thediplomat.com/2022/06/can-the-us-indo-pacific-economic-](https://thediplomat.com/2022/06/can-the-us-indo-pacific-economic-framework-meet-the-value-proposition-challenge/)

[framework-meet-the-value-proposition-challenge/](https://thediplomat.com/2022/06/can-the-us-indo-pacific-economic-framework-meet-the-value-proposition-challenge/); U.S. Department of Commerce, “Ministerial Statement for Pillar II of the Indo-Pacific Economic Framework for Prosperity: Pillar II – Supply Chains,” September 2022: <https://www.commerce.gov/sites/default/files/2022-09/Pillar-II-Ministerial-Statement.pdf>.

⁹ See: Fumio Kishida, “Keynote Address to Shangri-La Dialogue 2022,” Ministry of Foreign Affairs of Japan, June 10, 2022: <https://www.mofa.go.jp/files/100356160.pdf>; The Government of the Republic of Korea, “Strategy for a Free, Peaceful and Prosperous Indo-Pacific Region,” December 2022: https://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=322133.

of trade, trusted technology and security.”¹⁰ Notably, this nexus of economic security issues addressed under the TTC banner are also being explored even by some traditionally security-based institutions, including the minilateral Indo-Pacific Quad comprising Australia, India, Japan and the United States¹¹. Though the mechanism is still in a nascent stage, the two sides have signaled some priority areas including high performance computing and quantum technologies addressing areas like biomolecular medicines, COVID therapeutics, climate change mitigation, and natural disaster modeling¹².

Decentering away from multilateralism

The proliferation of new economic institutions can also at times decenter conversations away from existing multilateral actors that seek to forge larger, common tent approaches, thereby reshaping the dynamics of institutional competition and exacerbating the challenge of managing major power competition. This is part of a wider push-pull

on trade and reduce the prospects for marginalization by other proposals generated by major powers, with the creation of the ASEAN Free Trade Area in 1992, the signing of trade pacts with dialogue partners, and then the pursuit of RCEP negotiations starting in 2012 to harmonize these deals¹³. Yet the rise of agreements like CPTPP and IPEF, which come from outside the region, involve some but not all Southeast Asian states, propose higher standards and highlight unaddressed issues, once again threaten to decenter the trade conversation away from ASEAN. As former Indonesian Foreign Minister Marty Natalegawa has rightly noted, we have already seen RCEP and IPEF framed as China-led and US-led alternatives in the context of intensified US-China competition, rather than ASEAN being able to forge a common approach that works for all member states, staving off initiatives that may dilute ASEAN centrality, and serving as a focal point for the coordination of various Indo-Pacific initiatives and the articulation of a common, inclusive vision around specific issues of relevance to Southeast Asian states.¹⁴

“While ASEAN constitutes a key hub for digital transformation within the Indo-Pacific region, agreements on the digital economy to date have largely occurred outside of ASEAN”

dynamic of decentering and recentering, where a changing array of institutions seek to competitively shape processes and outcomes. Within the Indo-Pacific, this is most notable with respect to ASEAN given the regional grouping’s much-prized desire to preserve its centrality within the institutional mix to both maximize Southeast Asia’s role in shaping wider regional outcomes and managing major power competition.

A case in point we have seen in this regard is on trade. ASEAN has had to adjust before to carve out its role

A similar dynamic is evident in the digital domain. While ASEAN constitutes a key hub for digital transformation within the Indo-Pacific region, agreements on the digital economy to date have largely occurred outside of ASEAN, be it IPEF or the Digital Economy Partnership Agreement (DEPA) between Singapore, Chile and New Zealand, which has attracted attention from other countries like South Korea and China as well.¹⁵ Though ASEAN has shown a desire to advance regional approaches to this like the ASEAN Digital Masterplan 2025, fast-moving trends and developments such as advances

¹⁰ European Commission, “EU-India: Joint Press Release on Launching the Trade and Technology Council,” April 25, 2022:

https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2643

¹¹ The White House, “Quad Joint Leaders’ Statement,” May 24, 2022: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/24/quad-joint-leaders-statement/>.

¹² European Commission, “EU-India Signed an ‘Intent of Cooperation on High Performance Computing and Quantum Technologies,’” November 21, 2022: https://www.eas.europa.eu/delegations/india/eu-india-signed-%E2%80%98intent-cooperation-high-performance-computing-and-quantum_en

¹³ See, for instance: Rillo A.D., A.M.R.D. Robeniol and S.M. Buban, “The Story of RCEP: History, Negotiations, Structure and Future Directions,” in

Kimura F., S. Thangavelu and D. Narjoko (eds.), *RCEP: Implications, Challenges and Future Growth of East Asia and ASEAN* (Jakarta: ERIA, 2022), pp. 15-43.

¹⁴ Marty Natalegawa, “ASEAN Must Counter Chinese Attempts to Own RCEP Trade Agreement,” *Nikkei Asia*, November 27, 2020: <https://asia.nikkei.com/Opinion/ASEAN-must-counter-Chinese-attempts-to-own-RCEP-trade-agreement>.

¹⁵ Google, Temasek and Bain & Company, “e-Conomy SEA 2022,” October 2022: https://services.google.com/fh/files/misc/e_conomy_sea_2022_report.pdf?utm_source=bain&utm_medium=website&utm_campaign=2022.

in key technologies, potential fragmentation of digital ecosystems, and the rise of data localization measures, also increase the potential that the divergence in the digital journeys of individual Southeast Asian countries will outpace the speed of regional connectivity. And as then ASEAN Secretary General Lim Jock Hoi warned shortly before leaving office, addressing the digital divide within ASEAN will require significant investments in infrastructure, education, cybersecurity and safety nets, a holistic, inclusive mindset and “a different approach to regional integration” that is more dynamic and capable of launching new initiatives and implementing measures in response to changing market and economic conditions.¹⁶

Conclusions

This paper has sought to argue that the proliferation of institutions in Asia’s evolving economic landscape has important effects for strategic competition. Specifically, the five specified categories of institutions, and the interplay between them, can widen, deepen, diversify and decenter competition, with effects for aspects like major power dynamics, the relationship between the economic and security domains, and the centrality of regional multilateralism.

These in turn produce a few important policy implications. First, an environment of increased institutional density only deepens the need for countries promoting new institutions to demonstrate their value add and deliver on promises and pledges in ways that directly respond to regional needs. For instance, given the hype placed around IPEF, policymakers must strive to quickly roll out early harvest agreements that focus on the 21st century issues that the agreement addresses to demonstrate its value add relative to other existing arrangements. One key aspect will be some agreement around supply chains which the Indo-Pacific currently lacks, whether it be an early warning system, an information sharing mechanism or even a tentative list of goods deemed key to this conversation. At the same time, US policymakers must begin slowly moving in the direction of rejoining the CPTPP, recognizing that IPEF is not a substitute for CPTPP and that China’s move to join it risks further leaving

Washington out of the regional trade game. While this may be difficult to do immediately given the domestic political environment, there are creative pathways to do so, including improvements and updates to the agreement that could be raised with members that remain hopeful that Washington will rejoin and add more heft to it¹⁷.

Second, entrepreneurial countries should continue to develop sectoral agreements that include provisions not covered by existing pacts. For example, Singapore, Australia, and New Zealand should continue to build out higher-standard sectoral pacts, be it in larger groupings like the Digital Economy Partnership Agreement or bilateral ones like the Singapore-Australia Green Economy Agreement, including integrating other countries where it makes sense to do so and advocating for the cross-pollination of certain provisions into other pacts like IPEF. While larger countries may find it difficult to kickstart these agreements on their own given their own domestic politics and their focus on competitive dynamics, these countries can serve as the initial drivers of much-needed regional conversations. It should be recalled that there is evidence of this approach working, albeit in a different context: while the TPP is often portrayed as a US-led mechanism, it actually began as the P4 agreement between Brunei, Chile, Singapore and New Zealand before the United States began its engagement in 2008 under the administration of President George W. Bush and it expanded to then become the TPP.

Third and finally, ASEAN needs to play a stronger leadership role in managing the evolving dynamics of economic institutional development and strategic competition, so as to recenter multilateralism as a key contributor within this institutional mix. One important place to start will be to steward the implementation of RCEP, which came into effect in 2022. This will require not just further implementation of commitments and pledges, but also the establishment of a secretariat to help manage this process and also considering additional members (with India still remaining out of the pact following its withdrawal). Another will be making progress on the economic-related priorities in the moribund ASEAN Outlook on the Indo-Pacific initially adopted in 2019. Indonesia’s chairmanship year in 2023 presents an opportunity for the grouping to signal to

¹⁶ Dato Lim Jock Hoi, “ASEAN at the Crossroads: Reimagining the ASEAN Community,” *The Jakarta Post*, December 31, 2022: <https://www.thejakartapost.com/opinion/2022/12/30/asean-at-the-crossroads-reimagining-the-asean-community.html>.

¹⁷ For one attempt at this, see: Wendy Cutler and Clete Williams, “Reimagining the TPP: Revisions that Could Facilitate U.S. Reentry,” Asia Society Policy Institute, December 12, 2022: <https://asiasociety.org/policy-institute/reimaginingTPP>

major powers that irrespective of concerns in some quarters about individual institutions like the BRI or the Quad, specific preidentified economic-related areas like maritime cooperation, connectivity and sustainable development nonetheless represent some shared, specific goals that could be part of a common and inclusive vision with tangible effects on the needs of Southeast Asian states.¹⁸

To be sure, none of these ideas or actions will prove easy to undertake. Yet in a context of the changing economic institutional landscape and the myriad challenges that Indo-Pacific states face, even small steps can play an important role in managing processes and shaping outcomes in ways that could benefit countries in the region.

¹⁸ ASEAN Secretariat, "ASEAN Leaders' Declaration on Mainstreaming Four Priority Areas of the ASEAN Outlook on the Indo-Pacific within ASEAN-led Mechanisms," November 11, 2022: [https://asean.org/wp-](https://asean.org/wp-content/uploads/2022/11/25-ASEAN-Leaders-Declaration-on-Mainstreaming-Four-Priority-Areas-of-the-ASEAN-Outlook-on-the-Indo-Pacific-within-ASEAN-led-Mechanisms.pdf)

[content/uploads/2022/11/25-ASEAN-Leaders-Declaration-on-Mainstreaming-Four-Priority-Areas-of-the-ASEAN-Outlook-on-the-Indo-Pacific-within-ASEAN-led-Mechanisms.pdf](https://asean.org/wp-content/uploads/2022/11/25-ASEAN-Leaders-Declaration-on-Mainstreaming-Four-Priority-Areas-of-the-ASEAN-Outlook-on-the-Indo-Pacific-within-ASEAN-led-Mechanisms.pdf).

7

Economic Development Cooperation amid Indo-Pacific Strategic Competition

Gong Xue

Introduction

Strategic competition between the United States and China is ratcheting up. One of the key areas of such competition lies in the provision of economic development assistance. Although the future may not look promising, strategic competition does not necessarily lead to conflict. Economic development cooperation, which is in high demand in the region, could help deescalate potential clashes. Therefore, managing development assistance cooperation should be a key task, making the roles of multilateral development banks and smaller regional economies more significant.

China's role in development assistance cooperation on the global stage has grown significantly since President Xi Jinping came into power in 2012. Particularly in recent years, China expanded its economic and political footprint quickly in the Indo-Pacific region through its development cooperation platforms such as the Belt and Road Initiative (BRI) and Asian Infrastructure Investment Bank (AIIB). China's high profile in development cooperation also fueled the already intense response from the United States in multiple areas, including initiatives such as Indo-Pacific Economic Framework (IPEF) in a bid to compete with Beijing.

This paper discusses the features and strategic impacts of China's development cooperation in the Indo-Pacific region by analyzing two initiatives, the BRI and AIIB. It also analyzes recent trends in strategic competition between China and the United States before it identifies challenges and opportunities for regional cooperation.

The Belt and Road Initiative

Since its inception, Beijing has branded BRI as a package consisting of infrastructure connectivity, trade and investment, financial integration, people-to-people bonds, and policy coordination. In each area, China has mobilized domestic resources,

namely substate actors and state-owned enterprises (SOEs), to support implementation in the Indo-Pacific region.

Beijing is believed to have invested trillions of dollars in the mega infrastructure investment plan. There are several features of BRI investments. First, China has used public diplomacy to foster relations and connections with local political elites, business associations, and clans in the host country to seal the deals. For instance, Chinese SOEs, which are known as China's statecraft tools, have relied on positive state-to-state relations to carry out their investment strategies successfully. To obtain their leaders' support for their overseas investments, Chinese SOEs work with relevant agencies to mobilize resources in both China and the host country. SOE representatives followed Chinese leaders on their official trips to the host country¹ to secure BRI projects. With state support, over 3,100 projects under the BRI were undertaken by Chinese SOEs by 2019.²

Second, to outbid others, Chinese firms usually collaborate with local business partners that are politically and financially resourceful. For instance, the China Railway Group Limited counted on the Indonesian SOE PT Wjaya Karya to acquire land for the China-backed Jakarta-Bandung high-speed railway project.³ Given the complexity of the local political economy in the host country, Chinese SOEs also work closely with the local agencies to gain support for Chinese investments.⁴ In some cases, political elites of the host country associate their political legitimacy with the ability to attract Chinese BRI investments.⁵

Third, most BRI financing is believed to be collateralized. The collateralization process, which refers to the use of liquid assets and commodities for investment guarantees, is a source of controversy surrounding the BRI. Although collateralization has created jobs in local countries, the process is often associated with corruption, opaqueness, and negative environmental and social impacts due to heavy dependence on local agencies and

¹"Zuijia daiyanren Li Keqiang de tuijian zhantai zhigong" [Best spokesman: Li Keqiang's promotion (of Chinese investment)], [http://www.gov.cn/xinwen/2015-12/25/content_5027951.htm], The State Council of the PRC, Dec. 25, 2015.

²"Yangqi zai Yidaiyilu yanxian chengdan 3120 gexiangmu" [Central SOEs undertook 3,210 projects along the BRI] [http://www.gov.cn/xinwen/2019-04/25/content_5386007.htm], The State Council of the PRC, April 25, 2019.

³"Land Acquisition Process for Jakarta-Bandung High-Speed Train to Conclude in April" [https://www.thejakartapost.com/news/2019/03/20/land-acquisition-

process-for-jakarta-bandung-high-speed-train-to-conclude-in-april.html], *The Jakarta Post*, March 20, 2019.

⁴Gong Xue, "Chinese Mining Companies and Local Mobilization in Myanmar," [https://carnegieendowment.org/2022/01/25/chinese-mining-companies-and-local-mobilization-in-myanmar-pub-86262], *Carnegie Endowment for International Peace*, January 25, 2022.

⁵Alvin Camba, "How Chinese Firms Approach Investment Risk: Strong Leaders, Cancellation, and Pushback," [https://doi.org/10.1080/09692290.2021.1947345], *Review of International Political Economy*, Vol. 29, Issue 6 (2022), 2010-2035.

concentration on energy, resource, and land-grabbing sectors.

Debt sustainability has been the most frequently questioned issue throughout the years. Given the opaque nature of Chinese lending practices, many observers and policymakers are concerned about the “debt trap”⁶ that China set up for strategic purposes after the Sri Lankan government requested China to make a debt-to-equity swap when it was unable to pay off loans. While much research has shown that the “debt trap” narrative is overblown,⁷ small and poor countries with both low sovereign credit ratings and heavy reliance on Chinese financing may face increasing default risks. Research has shown that countries such as Myanmar, Laos, and Cambodia are vulnerable and heavily reliant on Chinese investments and loans, which account for substantial amounts of their annual fiscal expenditures.⁸ For instance, according to the World Bank, Laos’ total external public debt stock was 88% of its GDP in 2021; almost half is borrowed from China.⁹

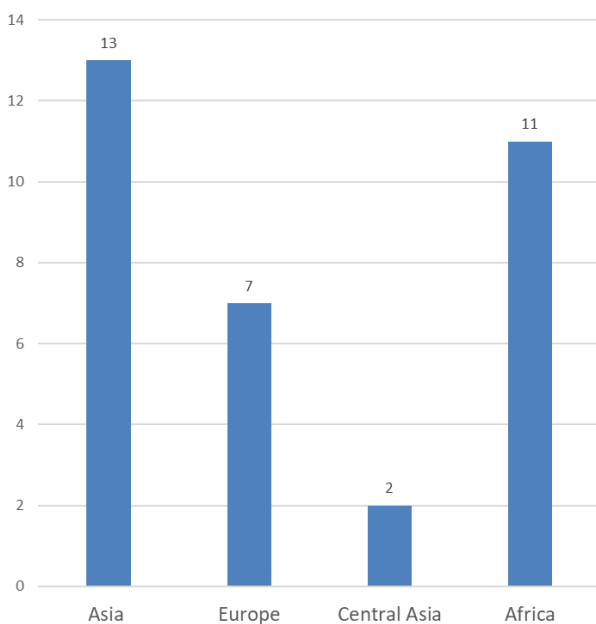


Figure 1 China’s economic and trade cooperation zones

Source: Author’s compilation

In addition to infrastructure financing, the BRI also has a commercial/ industrial complex consisting of economic corridors, industrial parks, and foreign trade zones. Figure 1 shows that Asia hosts the most China’s economic and trade cooperation zones in the Indo-Pacific region, while Table 1 shows that 11 zones are located in Southeast Asia. Such an approach in the Indo-Pacific region appears quite popular in developing countries that are eager for foreign direct investment (FDI).¹⁰

Name
Sino-Malaysian Kuantan Industrial Park
Sihanoukville Special Economic Zone (Cambodia)
Sino-Thai Rayong Industrial Park (Thailand)
Longjiang Industrial Park (Vietnam)
Sino-Vietnamese (Shenzhen-Haiphong) Economic and Trade Cooperation Zone
Sino-Indonesian Julong Agriculture Cooperation Zone
Sino-Indonesian Morowali Industrial Park
Sino-Indonesian Economic and Trade Cooperation Zone (Kawasan Industri Terpadu Indonesia-China)
Vientiane Saiseta Comprehensive Development Zone (Laos)
Mohan/Boten Economic Cooperation Zone (Laos)

Table 1 China’s economic and trade cooperation zones in Southeast Asia

In the areas of trade and investment, China has been active in signing bilateral and multilateral free trade agreements (FTAs). China has signed FTAs mostly with Asian economies as Table 2 suggests. In 2021, China ratified the regional mega FTA – Regional Comprehensive Economic Partnership (RCEP). More interestingly, China applied for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) whose forerunner was the TPP,

⁶ Ananta Agawal, “China’s Belt and Road Initiative ‘Debt Trap’ Narrative Dispelled by US Report, But Reveals More Sri Lankan Debt,” [https://www.scmp.com/economy/global-economy/article/3201680/china-belt-and-road-initiative-debt-trap-narrative-dispelled-us-report-reveals-more-sri-lankan-debt], *South China Morning Post*, December 2, 2022.

⁷ Deborah Brautigam and Meg Rithmire, “The Chinese ‘Debt Trap’ Is a Myth,” [https://www.theatlantic.com/international/archive/2021/02/china-debt-trap-diplomacy/617953/], *The Atlantic*, February 6, 2021.

⁸ Darren Cheong, “Chinese ‘Debt Traps’ in Southeast Asia: What the Data Say,” [https://www.iseas.edu.sg/articles-commentaries/iseas-

perspective/2022-88-chinese-debt-traps-in-southeast-asia-what-the-data-say-by-darren-cheong/], *ISEAS Perspective*, No. 2022/88.

⁹ “Lao PDR Economic Monitor: Tackling Macroeconomic Vulnerabilities,” [https://thedocs.worldbank.org/en/doc/df7b578ac035fe4dad0129a278b8c850-0070062022/original/LaoPDREconomicMonitorOctober2022.pdf], The World Bank, October 2022, page 15.

¹⁰ Tham Siew Yean and Siwage Dharma Negara, “Chinese Investments in Industrial Parks: Indonesia and Malaysia Compared,” [https://www.iseas.edu.sg/wp-content/uploads/2020/09/ISEAS_EWP_2020-08_Tham_Negara.pdf], *ISEAS Economics Working Paper*, No. 2020/8.

which the United States withdrew from. To take part in setting the standards for the digital economy, Beijing also applied to join the Digital Economic Partnership Agreement (DEPA) initiated by Singapore, New Zealand, and Chile; this is another FTA which does not include the United States.

While China has been active in FTAs, the United States has been unable to overcome its domestic protectionism and has withdrawn from all multilateral FTA negotiation in the region. China's commitment to FTAs poses challenges to the US effort to create standards, rules, and principles for regional economic governance. Even more challenging, with the exception of three countries—Fiji (which is undergoing consultation and feasibility studies with China), India, and Japan—the majority of the US IPEF partners have joined China in either a bilateral FTA or multilateral FTAs. Lacking trade commitment incentives (such as access to the US market through FTAs), the US Indo-Pacific economic engagement strategy is not attractive despite its multiagency efforts to synchronize development cooperation.

In the area of financial integration, China has been striving to reduce its reliance on the US dollar while elevating its currency in the international monetary system through the BRI. Years of efforts have paid off. China has established numerous offshore RMB hubs in international financial centers such as London. According to a report by the Chinese government, China signed bilateral swap agreements valued at RMB 4.02 trillion (US\$590 billion) with 40 countries (among which 22 are BRI participating countries) by 2021.¹¹ In the same year, China set up the RMB Clearing Mechanism Arrangement with over 10 BRI participating countries.¹²

Beijing also set up the China Interbank Payment System (CIPS) in 2015, a counterpart to the US Clearing House Interbank Payments System (CHIPS). The major destination for Chinese CIPS transactions is Asia,¹³ followed by Europe (Table 3).

FTA Signed	Under negotiation	Application
China-ASEAN	China-South Korea (Phase Two)	CPTPP
China-South Korea	China-Japan-South Korea	DEPA
China-Singapore	China-Sri Lanka	
China-Cambodia	China-Gulf Cooperation Council	
China-Australia	China-Israel	
China-New Zealand (inclusive of upgraded FTA)	China-Norway	
China-ASEAN FTA upgraded	China- Moldova	
China-Singapore upgraded	China-Panama	
China-Pakistan (and second phase)	China- Palestine	
CEPA (Hong Kong and Macau)	China-Peru FTA upgrading	
China-Maldives		
China-Pakistan Phase Two		
China-Mauritius		
China-Georgia		
China-Iceland		
China-Costa-Rica		
China-Switzerland		
China-Peru		
China-Chile		

Table 2 China's current FTAs signed, under negotiation and applied

Source: Ministry of Commerce, People's Republic of China, <http://fta.mofcom.gov.cn/>, last access: January 10, 2023.

¹¹ "2022 nian renminbi guojihua baogao." [Report on Renminbi internationalization-year 2022] [<http://www.gov.cn/xinwen/2022-09/24/5711660/files/003e0bd04d4742a5a06869fdc37ea8c8.pdf>], Sept. 24, 2022, page 2

¹² "National Development and Reform Commission: My Country Has Realized RMB Settlement with More than 10 "Belt and Road" Countries," [<http://fec.mofcom.gov.cn/article/fwyydy/zgzx/202208/20220803343248.shtml>], Ministry of Commerce, China Aug. 24, 2022.

¹³ Interestingly, the dominant clients of CIPS are Chinese banks overseas. For instance, in Asia alone, over half of participants in Chinese CIPS are Chinese banks located in the domestic market.

Region	In total	Direct participants (Chinese banks)	Indirect participants
Asia	1043	65	978 (553 in domestic Chinese market)
Europe	196	8	188
Africa	49	2	47
North America	31	1	30
Australia and Pacific	24	1	23
Latin America	17	0	17

Table 3 Participants of China's CIPS (2015 to present)

Source: Author's compilation,

<https://www.cips.com.cn/cips/sy/index.html>, last

According to SWIFT,¹⁴ the RMB has been the fourth most-used currency for international payments since 2022. In the same year, the IMF increased the weight of RMB special drawing rights from 10.92% to 12.28%.¹⁵ Although the use of the RMB is still low compared with the US dollar, China will likely take the opportunity to increase RMB transactions as Western sanctions are imposed on Russia for invading Ukraine.¹⁶ Without doubt, the Western sanctions on the Russian economy alarmed Beijing. To protect its economic and security interests in the event of conflicts with the United States, China will continue to reduce its reliance on the US dollar while using trade and investments to promote the use of the RMB.¹⁷

Asian Infrastructure Investment Bank

Compared to China's BRI, the AIIB presents a very different picture. It appears to possess international characteristics.¹⁸ Since its establishment in 2016, unlike Chinese BRI financing, which is largely based on unilateral lending by Chinese policy banks, the AIIB primarily relies on financing from international capital markets such as sovereign lending, private sector investment, and equity investment.¹⁹

The AIIB has taken a multilateral approach that follows international standards for financing projects. For projects solely or largely funded by the AIIB, AIIB explored multiple operations including sovereign lending, private sector investments, and equity investments.²⁰ Since 2016, the financing of nearly half of the AIIB's approved projects has been provided by other international multilateral development banks (MDBs) such as the World Bank, Asian Development Bank, and European Bank for Reconstruction and Development (Figure 3). For this type of collaboration, the AIIB generally adopts the financing standards of these MDBs.²¹ For projects solely funded by the AIIB, in contrast to BRI, the AIIB has incorporated advanced international practices on transparency and other lending processes. For instance, the AIIB seeks to ensure stringent observation of the environmental and social impact policy by introducing the Project-affected People's Mechanism²² for independent and impartial review of its projects.

¹⁴ A cooperative platform provides services related to financial transactions and payments between banks.

¹⁵ "IMF Raises Yuan's Weighting in SDR Basket amid Weakness," <https://www.bloomberg.com/news/articles/2022-05-15/imf-raises-yuan-s-weighting-in-sdr-currency-basket-pboc-says>, *Bloomberg News*, May 15, 2022.

¹⁶ "Russia Gives China's Yuan a Boost as Firms Cope with Sanctions," <https://www.bloomberg.com/news/articles/2022-09-14/yuan-s-clout-gets-a-boost-from-russia-trade-as-sanctions-bite>, *Bloomberg News*, Sept. 14, 2022.

¹⁷ "Nations Should Work Together to Chip Away at Dollar's Dominance," <https://www.globaltimes.cn/page/202203/1256919.shtml>, *Global Times*, March 27, 2022.

¹⁸ Bettina Gransow and Susanna Price, "Social Risk Management at AIIB – Chinese or International Characteristics?" , *Journal of Chinese Political*

Science, Vol. 24 (2019), 289-311; Campbell, "Even the President of AIIB Jin Linqun Argues that AIIB Is an Independent Bank from China's BRI," <https://time.com/5938669/aiib-jin-liqun-china-covid19/>, *Time*, Feb. 19, 2021.

¹⁹ Alex He, "China in the International Financial System: A Study of the NDB and the AIIB," https://www.cigionline.org/static/documents/cigi_paper_no.106.pdf, *CIGI Papers* No. 106, June 2016, p. 11.

²⁰ Natalie Lichtenstein, "AIIB at Three: A Comparative and Institutional Perspective," *Global Policy*, Vol. 10, Issue 4 (Nov. 2019), page 584.

²¹ *Ibid.*, pages 582-586.

²² "Policy on the Project-affected People's Mechanism," <https://www.aiib.org/en/policies-strategies/operational-policies/policy-on-the-project-affected-mechanism.html>, AIIB, December 2018.

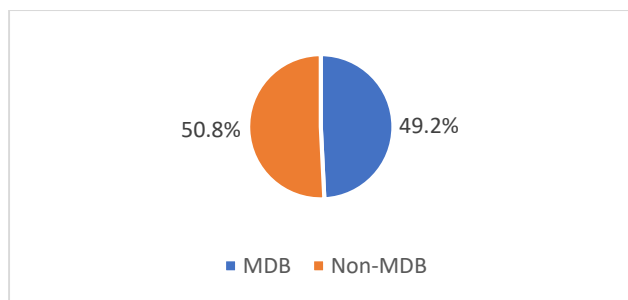


Figure 3. AIIB collaboration with other MDBs (approved projects)

Source: Author’s compilation from AIIB official website, last access: December 18, 2022.

Unlike the BRI, which invested in large-scale coal and land grabbing-related investments, the AIIB has been financing sustainable investments such as climate-related energy, transport, water, and urbanization (Figure 4). In 2020, AIIB president Jin Linqun declared that AIIB would not finance any coal-fired power plants or coal-relevant projects. In fact, in 2020, AIIB has invested 41% in climate finance.²³ After the outbreak of COVID-19, the AIIB created a COVID-19 Crisis Recovery Facility (CRF) to help its members mitigate economic, financial, and public health pressures. Because of its identity as an international development bank, the AIIB was granted Permanent

Observer Status at the United Nations in 2018, in recognition of its contribution to global development goals.²⁴

Because of AIIB’s excellent credit profile, the AIIB has enjoyed a AAA rating since 2017²⁵—the highest credit rating awarded by Fitch, the international credit rating agency.²⁶ Given the multilateral nature and high credit rating, the United States (whose allies and partners mostly have joined the AIIB) could have had many opportunities to collaborate with this MDB. With the vision of creating “lean, green and clean” infrastructure financing and close collaboration with the US-led economic institutions such as the World Bank, the AIIB adopted American initiatives and high standards. In fact, Washington has acknowledged that the AIIB could be a significant supplement to the existing international financial system.²⁷ Even India, known for its resistance to the BRI, has become one of the largest financing recipients of AIIB financing. As Figure 5 shows, South Asia is the largest beneficiaries in this China-led multilateral development bank, with India accounting for approximately US\$7.842 billion out of approximately US\$10.654 billion.

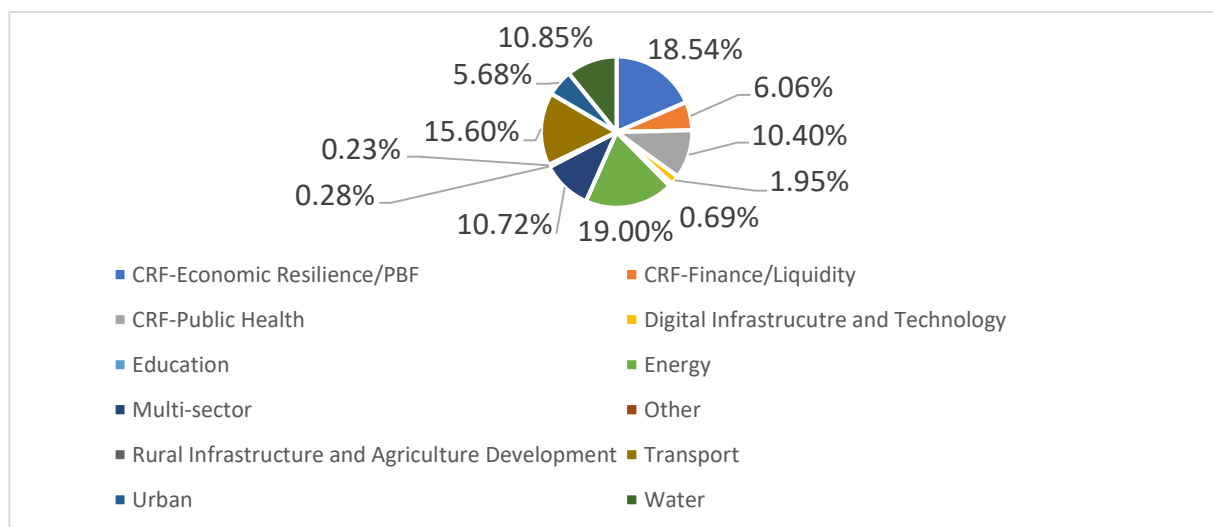


Figure 4 AIIB investment in sectors (approved projects)

Source: Author’s compilation from AIIB official website, last access: December 18, 2022.

²³ “AIIB’s Climate Finance Focus,” [https://www.aiib.org/en/news-events/media-center/blog/2021/AIIB-s-Climate-Finance-Focus.html], AIIB, August 24, 2021.

²⁴ “Introduction,” AIIB, n.d. [https://www.aiib.org/en/about-aiib/index.html#:~:text=In%202018%2C%20AIIB%20was%20granted,organs%20of%20the%20global%20body].

²⁵ “Infrastructure Investment Bank,” [https://www.fitchratings.com/entity/asian-infrastructure-investment-bank-96508091], Fitch Ratings, n.d.

²⁶ “Rating Definitions,” [https://www.fitchratings.com/products/rating-definitions], Fitch Ratings, n.d.

²⁷ Alex He, “China in the International Financial System: A Study of the NDB and the AIIB,” [https://www.cigionline.org/static/documents/cigi_paper_no.106.pdf], CIGI Papers No. 106, June 2016.

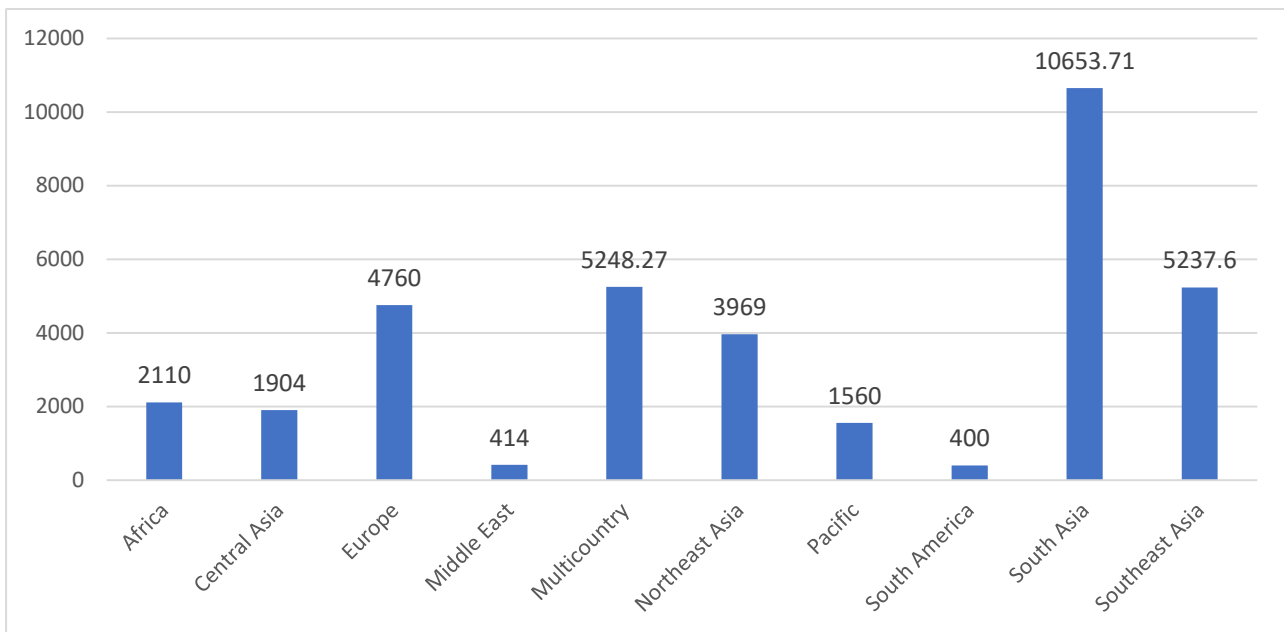


Figure 5 Investment in regions (in million USD) (approved projects)

Source: Author's compilation from AIIB official website, last access: December 18, 2022.

Strategic competition in the Indo-Pacific

China's increasing economic influence in the region has invited strong reactions from the United States, with Washington using a variety of tools. To be more competitive with China, Washington reformed its development cooperation policy by introducing the Better Utilization of Investment Leading to Development (the BUILD Act) and creating the US International Development Finance Corporation (IDFC), which integrates all the development finance functions to encourage more flexible lending practices.

Internationally, Washington launched the Trilateral Partnership for Infrastructure Investment, the Blue Dot Network (BDN), and the Asia Enhancing Development and Growth through Energy (Asia EDGE). The Biden administration enhanced the infrastructure-building schemes by launching the Build Back Better World initiative (B3W) under the Group of 7 (G7). Tapping like-minded countries, the United States launched the Partnership for Global Infrastructure and Investment under the G7 in June 2022 after it announced the IPEF in May 2022, an economic initiative designed to set high standards in regional governance. Both international collaboration

and the domestic reform of US development assistance claim to uphold best practices, reinforce developing countries' governance, and promote democracy.

US revived interest in exerting economic influence in the region has encountered strong resistance from China. For instance, China called the IPEF an "economic NATO"²⁸ aimed at dividing the region. Anxious about the negative images tied to its BRI and the threat posed by US initiatives, China shifted from investing predominantly in large-scale infrastructure to soft infrastructure such as digital governance and health, which is referred to as the Digital Silk Road and Health Silk Road.

To consolidate its development cooperation efforts and improve on its lending practices, Beijing created the China International Development Cooperation Agency (CIDCA) in 2018. Aspiring to provide the "China Solution" for global governance challenges, at the September 2021 United Nations General Assembly, Beijing unveiled the Global Development Initiative (GDI), which covers a wide range of issues including poverty reduction and health governance to achieve the United Nations 2030 Agenda for Sustainable Development.²⁹ Unlike the BRI which

²⁸ "China's 'More Cooperation' Stance to Counter Biden's 'Economic NATO' Bloc," [https://www.ndtv.com/world-news/chinas-more-cooperation-stance-to-counter-bidens-economic-nato-bloc-3003906], NDTV, May 24, 2022.

²⁹ Wang Yi, "The Global Development Initiative: Jointly Advancing the Global Development Initiative and Writing a New Chapter for Common Development," [https://www.fmprc.gov.cn/eng/zxxx_662805/202209/t20220922_10769721.html], September 21, 2022.

focuses on large-scale physical infrastructure through unilateral lending, the GDI focuses on a multilateral approach through the United Nations and anchors itself in South-South cooperation.³⁰

Beyond economics, geostrategic competition in the region is also about governance. With the growing major power rivalry, it is expected that international development cooperation will witness more ideational and discursive competition. For instance, Beijing's concept of development emphasizes high economic growth and improving material living standards, while the West highlights human rights as a necessary element of development. The differences in the ideas of development have already become a source of friction between China and the United States.

Washington views China's BRI as "predatory economics,"³¹ "repressive," and "aggressive."³² In the words of Secretary of State Antony Blinken, China poses the "most serious long-term challenge to the international order."³³ US public campaign efforts to counter China's economic influence have also at least partly influenced host countries' opinions of the BRI. Some are wary of the domestic economic effects of massive debts to China. For instance, Myanmar's Minister of Planning and Finance U Soe Win commented: "[To] avoid falling into the debt trap, Myanmar seeks to scale down the size of Kyaukphyu special economic zone (funded by China)."³⁴ For similar concerns, then Malaysian Prime Minister Mahathir, who cancelled three Chinese backed projects, warned the Philippines against "overborrowing" to "regulate or limit influences from China."³⁵

Despite the pushbacks, China's role as development cooperation provider is still in demand in the region.

First, for a region (such as Southeast Asia) that perceives FTAs as one of the keys to regional integration and development,³⁶ China has been actively involved in the mega regional FTAs to establish its image as a supporter of multilateralism and a defender of globalization and regionalization. On the contrary, the United States is portrayed by China as an unreliable player in the region as the latter possesses a "Cold War mentality," plays "unilateralism"; therefore, it can be viewed as the "largest source of disruption to the international order."³⁷

Second, although both Chinese and American initiatives are not appealing to private investors, China has managed to utilize its domestic industry capital to bolster government financing, an area where Western governments are less capable. For instance, almost six years since the Blue Dot Network was initiated, activities still remain confined to government agreements.³⁸ It is unclear how specific mechanisms for the US multiple infrastructure initiatives are synergized and how its multiagency process work on these initiatives.

Meanwhile, Chinese narratives emphasize the speed and efficiency of its contribution to development cooperation. For instance, in the Mekong subregion, Minister of Foreign Affairs Wang Yi repeatedly reminded regional states of the inefficiency of existing regional mechanisms, in contrast to the "efficiency" and "speed" China can provide to the region.³⁹

Implications for the region

Given the growing rivalry between China and the United States, the question for the region is this: Are there any opportunities to leverage strategic

³⁰ Xue Gong, "How Not to Run on Fumes in the BRI: Create New Initiatives!" [https://www.rsis.edu.sg/rsis-publication/ids/ip22050-how-not-to-run-on-fumes-in-the-bri-create-new-initiatives/#.Y7u9rHZBy5c], *IDSS Paper*, No. IP22050, September 6, 2022.

³¹ Matthew P. "Goodman Predatory Economics and the China Challenge," [https://www.csis.org/analysis/predatory-economics-and-china-challenge], CSIS, Vol. VI, Issue 11, November 2017.

³² Antony J. Blinken, "The Administration's Approach to The People's Republic of China", [https://www.state.gov/the-administrations-approach-to-the-peoples-republic-of-china/], Speech by Antony J. Blinken, Secretary Of State, The George Washington University, Washington, D.C., May 26, 2022.

³³ Ibid.

³⁴ Myanmar Scales Back China-Funded Kyauk Pyu Port Project in Rakhine State due to Debt Concerns", *South China Morning Post*, 2 August 2018, [https://www.scmp.com/news/asia/southeastasia/article/2158015/myanmar-scales-back-china-fundedkyauk-pyu-port-project].

³⁵ Raul Dancel, "Beware of China 'Debt Trap', Malaysia's Mahathir Tells the Philippines", *Straits Times*, 7 March 2019,

[https://www.straitstimes.com/asia/se-asia/beware-of-china-debt-trap-malaysias-mahathir-tells-the-philippines].

³⁶ Sanchita Basu Das, "ASEAN's Regional Integration will be Determined by Better Connectivity in the Future," [https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2016_28.pdf], *ISEAS Perspective*, No. 2016/28.

³⁷ "The Fallacies and Facts in America's Perception of China," [https://www.fmprc.gov.cn/wjbxw_new/202206/t20220619_10706065.shtml], Ministry of Foreign Affairs, China, June 19, 2022.

³⁸ Hayley Channer, "Revitalizing the Trilateral Partnership Infrastructure Key to Post-COVID Growth in the Indo-Pacific," [https://reconasia.csis.org/revitalizing-the-trilateral-partnership/], *Reconnecting Asia*, May 26, 2021.

³⁹ "Signed article by Minister Wang Yi: Vigorously Promote Lancang-Mekong Cooperation and Build a Community with a Shared Future for Lancang-Mekong Countries," [http://www.lmcchina.org/2017-03/23/content_41447164.htm], Lancang-Mekong Cooperation, March 23, 2017.

competition to promote sustainable economic development in the region?

Certainly, leveraging strategic competition to promote sustainable development in the Indo-Pacific region is not an easy task as many ideational and practical hurdles exist. But the region should avoid securitizing everything China does while ignoring potential areas for regional cooperation. Focusing on a single domain of the impact of Chinese development cooperation initiatives might overlook the possibility that Beijing might share some of the regional integration goals (i.e., signing FTAs) or other elements of Washington's regional agenda such as the creation of a clean and green economy by the China-led AIIB.

One way to deescalate the strategic rivalry in the region is to make the Indo-Pacific an institutional construct capable of facilitating interstate cooperation and multilateralism. In this regard, at least two players could help. The Indo-Pacific development cooperation program could be de-politicized with support from MDBs, especially with the AIIB. For the past six years, the China-led AIIB has proved itself as an independent infrastructure financier. Sharing common visions with other MDBs, including those dominated by the United States, the AIIB could assist in negotiating and providing the brokerage role that is currently lacking in regional development cooperation.

For the smaller regional economies, strategic competition may offer an opportunity for them to drive the two great powers to improve their development cooperation practices. In some cases, these economies can take the leadership in setting standards. For instance, Singapore raised its standards for digital governance through forging the Digital Economic Partnership Agreement (DEPA) with New Zealand and Chile, and successfully attracted China's interest in October 2021.

Although the future may not be promising, strategic competition does not necessarily lead to conflict. The governments in the Indo-Pacific region should view the US-China strategic competition as an opportunity to reinforce multilateralism and try to hold the two powers accountable. Development cooperation can become an important instrument to strengthen the effort to build a sustainable rules-based international order. For this reason, the management of regional development assistance cooperation should be the key task of the countries in the Indo-Pacific region.

8

Regional Security Cooperation in the US-China Strategic Competition

Kei Koga

Strategic competition between the United States and China has intensified over the past several years. While the United States has considered China as a potential regional competitor since the end of the Cold War, as long as the United States felt it had the material and ideational power to shape the global order, it did not have to explicitly counterbalance China. Rather, in the 1990s, it sought to shape a “new world order” through “engagement” with potential regional adversaries, including China.¹ During this so-called unipolar world, US engagement with China seemed to be functioning reasonably well. Although China did not transform itself into a “responsible stakeholder” country as the United States had hoped, it did begin participating in international organizations, such as the ASEAN Regional Forum (ARF) and the World Trade Organization. It also enthusiastically engaged with regional states in East Asia economically and diplomatically, and cultivated strong trade networks and close institutional ties, particularly in Southeast Asia. During this period, the United States expressed confidence that interaction with the current liberal international system would influence the Chinese and lead to a China that was a more democratic, capitalist state. However, these beliefs began to change from the late 2000s, following the global financial crisis (GFC).

The United States absorbed the hardest economic consequences from the GFC. The US stock market lost approximately US\$8 trillion in value from 2007 to 2009, and the unemployment rate increased, causing US GDP to fall by 4%.² Coupled with the burden of its prolonged wars in Afghanistan and Iraq, these events led US policymakers to turn their attention inward to domestic affairs. The rest of the world perceived the events as a decline in US power (or primacy) and a signal that the unipolar system was ending. Meanwhile, the rise of an increasingly assertive China further shaped international perceptions that a power shift was underway in East Asia and beyond.

Indeed, China’s economic resiliency during the GFC and its increasing military capabilities and economic influence created doubt about the sustainability of US-led unipolar system. China’s diplomatic, economic, and military assertiveness further sparked a sense of increasing vulnerability in the United States. Taking advantage of US setbacks, China increased its influence in Asia as illustrated by incidents like China’s harassment of the *USS Impeccable* in 2009, its encroachment and control over Scarborough Shoal in 2012, and the launch of the Belt and Road Initiative (BRI) in 2013. This evolving strategic environment led to debates about the decline of US influence in the region, marking the loss of consensus regarding US unipolarity.³

Since then, the United States has gradually but explicitly engaged in both internal and external balancing against China. The Obama administration resurrected the term “international order” in the 2010 US National Security Strategy to gain international support for US leadership, and promoted multilateral diplomacy for norm-building and rule-making to constrain China, as illustrated by its active involvement in the Trans-Pacific Partnership negotiation.⁴ The Trump administration launched the “America First” policy to restore US material capabilities at the expense of multilateral cooperation, while taking a more hostile policy toward China by characterizing it as a “revisionist” power.⁵ The Biden administration continued a firm China policy but emphasized more “results-oriented” international cooperation, such as US bilateral alliances and minilateral frameworks, in competing with China.⁶

The consistency in the US strategic posture is that it has viewed China as the pivotal challenger toward the US-led international order. As such, China needs to be effectively constrained to maintain a strategic balance in favor of the United States. Therefore, the current “strategic competition” is essentially over legitimacy and influence in shaping the regional and global order. To this end, military and economic

¹ See “National Security Strategy of the United States” in the 1990s.

² “The Great Recession and Its Aftermath,” *Federal Reserve History*, November 22, 2013, <https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath>; Renae Merle, “A guide to the financial crisis—10 years later,” *The Washington Post*, September 10, 2018, https://www.washingtonpost.com/business/economy/a-guide-to-the-financial-crisis--10-years-later/2018/09/10/114b76ba-af10-11e8-a20b-5f4f84429666_story.html

³ For example, Joseph Nye, “The Future of American Power: Dominance and Decline in Perspective”, *Foreign Affairs*, 89(6) (2010): 2-12; Barry Pose, “Pull Back,” *Foreign Affairs*, 92(1) (2013): 116-128.

⁴ The White House, “National Security Strategy,” May 2010.

https://history.defense.gov/Portals/70/Documents/nss/NSS2010.pdf?ver=Zt7IeSPX2uNQ00_7wq6Hg%3d%3d

⁵ The White House, “National Security Strategy of the United States of America,” December 2017, <https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

⁶ The White House, “National Security Strategy,” October 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>; The White House, “Remarks by Vice President Harris on the Indo-Pacific Region,” August 24, 2021, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/08/24/remarks-by-vice-president-harris-on-the-indo-pacific-region/>

power become essential to back up and amplify diplomatic voices.

The existing regional security system and strategic competition

In the post-Cold War era, East Asian security architecture has been grounded on two main mechanisms: the US bilateral alliances—the so-called hub-and-spoke system, and the ASEAN (Association of Southeast Asian Nations)-led institutions.⁷ The US alliance system has functioned as a deterrent in East Asia and beyond, preventing the rise of hostile regional power, and aimed at maintaining stability in the region. In the immediate post-Cold War period, the United States had no peer competitor. So, most of states in Asia thought that a US military presence in the region was beneficial, while preventing excessive US intervention in regional political affairs would facilitate regional autonomy and security stability.

The ASEAN-led institutions, meanwhile, have functioned as a confidence-building measure (CBM). Since Asia lacked multilateral institutions in the immediate post-Cold War era and ASEAN member states wanted to avoid being marginalized by the major powers, the association took the initiative to institute its own multilateral arrangements that included all regional powers. In this regard, the ASEAN Regional Forum (ARF) has become the prototype of the ASEAN-led institutions as it incorporated ASEAN's own institutional principles and norms, particularly ASEAN centrality (often called "a primary driving force"), non-interference principle, and consensus decision-making.

Since its inception, the ARF has dealt with a number of security issues, including maritime security, transnational crimes, international terrorism, nuclear technologies, nonproliferation, arms control, peacekeeping, and use of ICTs. However, the ARF does not have any capacity to offer a military deterrent and cannot replace with the US alliance system. Over time, it has become apparent that the ARF does have the capacity to deal all types of "security" issues in the Asia-Pacific region. Instead, ASEAN has established new multilateral institutions, such as ASEAN+3 (China, Japan, and South Korea) for economic security cooperation, the EAS for

regional non-traditional security cooperation, and ADMM-Plus for military cooperation.

The fact that East Asia's modern security arrangement was established during the US unipolar world of the 1990s provided what at the time was seen as a unique opportunity.⁸ Regional states, particularly those middle and small powers, hoped to establish an alternative security system that would not rely on the balance of power for regional stability. Yet, many soon recognized that regional flashpoints such as the Korean Peninsula, the Taiwan Strait, and the South China Sea, should be managed through deterrence. Although the United States may have been inconsistent in its commitment to Asian security, it was considered as the imperative security player in the region based on the idea that it was geographically remote, was not directly involved in any territorial disputes in the region, and had the resources to serve as a final arbiter in disputes.

As such, strategic expectations in East Asia became relatively stable. If there were concerns that a regional major power such as China or Japan would disrupt economic and security stability, the United States would be involved or called upon. The cases in point are the 1995-6 Taiwan Strait Crisis, the 1997 Asian Financial Crisis (to negate Japan's proposal to establish Asian Monetary Fund), and the South China Sea dispute in the 1990s and the 2000s. On the other hand, if the United States together with other major powers excessively interfered in regional affairs through its value-oriented diplomacy or if they attempted to create new non-ASEAN multilateral frameworks, ASEAN and the ASEAN-led institutions would be able to push back such a maneuver. The examples include ASEAN's reaction to European/US complaints about Myanmar's ASEAN membership in the late 1990s, and ASEAN member states' statement against the US effort to institutionalize a Northeast Asian Security Framework based on the Six-Party Talks in the mid-2000s.

This security system worked well under the US unipolar system because ASEAN became a useful public good for regional states to check and balance the behavior of major powers in the region. Further, given its primacy, the United States considered that these arrangements would not harm its national interests because the United States ultimately

⁷ Kei Koga, "Institutional Dilemma: Quad and ASEAN in the Indo-Pacific," *Asian Perspective* 47(1) (2023) [forthcoming].

⁸ Kei Koga, "'Confidence-Building' in ASEAN Architecture" [in Japanese], *Journal of International Security* (Kokusai-Anzenhoshō), 50(3) (2022).

controlled regional security through its alliance system. This became more so after 9/11, when the US system became more networked between the spokes. In the meantime, ASEAN and the regional states hoped that they could find a way to ensure regional security through an alternative security arrangement that focused more on non-traditional security cooperation.

“Most notably, the United States has become more eager to create and support new regional frameworks in the Indo-Pacific region that excludes China”

China’s rise has disrupted this security system. First, China is no longer constrained or deterred by the existing regional security arrangements in pursuing its own interests. China’s behavior in the South China Sea is a case in point. As its power has risen, China has become more assertive, conducting a fait accompli strategy. Neither the US alliance system nor ASEAN-led institutions have been able to deter or roll it back. Second, China’s geographical focus expanded beyond East Asia where ASEAN-led mechanisms dominate multilateral arrangements. China has engaged with developing areas in Central Asia, South Asia, and Africa, which the United States and its allies often neglected, and created institutions that reflect and embed China’s preference and values. Third, China has launched its strategic vision through programs such as the Belt and Road Initiative to expand its sphere of influence in a broader Asia. Within this sphere of influence, states can economically thrive without democratization. In short, China provides a new alternative model of socio-economic development.

This was not something that East Asia and the Asia Pacific regions anticipated. As a result, the United States started to respond by taking the initiative to constrain China’s behavior with its allies and partners. Most notably, the United States has become

more eager to create and support new regional frameworks in the Indo-Pacific region that excludes China, such as the Quad, the Australia-United Kingdom-United States Security Partnership (AUKUS), and the Indo-Pacific Economic Framework for Prosperity (IPEF).

Regional security cooperation in the non-unipolar world

In the context of the current US-China strategic competition, security cooperation tends to be exclusive. Since elements such as economy and technology, play an increasingly pivotal role in state power, the term, “security,” is no longer confined to the military aspect. As a result, almost all bilateral issues tend to be framed into “strategic competition.” On the other hand, ASEAN and Japan both have a long history of employing the concept of “comprehensive security” and conducted “securitization” to find potential areas of cooperation even between rival great powers in East Asia and the Asia-Pacific.⁹ For example, the ARF and the EAS have highlighted the importance of “non-traditional security” issues, including piracy, international terrorism, pandemic, and military medicine.

There are indeed some issue areas where US and Chinese interests overlap, such as climate change. Still, these areas are likely to be affected by great power politics, as shown by China’s decision to halt bilateral dialogues on climate change after US Speaker of the House Nancy Pelosi’s visit to Taiwan in August 2022.¹⁰ Given the intractableness of strategic competition, one of the fundamental objectives is to create a strategic coalition with allies and partners to collectively facilitate their own rules and norms as the “legitimate” foundation of the international order (and delegitimize rival state’s rules and norms). Consequently, security cooperation between the United States and China will be extremely difficult to nurture.

If the current strategic competition continues, region-wide security cooperation in the Indo-Pacific through the ASEAN-led institutions will also become extremely difficult. On the one hand, the United

⁹ Mely Caballero-Anthony, “Non-traditional security and infectious diseases in ASEAN: going beyond the rhetoric of securitization to deeper institutionalization,” *The Pacific Review* 21(4) (2008): 507-525; Mely Caballero-Anthony and Ralf Emmers, “Keeping the peace in Southeast Asia: ASEAN and the quest for positive peace,” *The Pacific Review* 35(6) (2022): 1079-1104.

¹⁰ Yimou Lee and Sarah Wu, “China halts military, climate dialogue with U.S. over Pelosi Taiwan trip,” Aug. 6, 2022, <https://www.reuters.com/world/asia-pacific/taiwan-premier-evil-neighbour-next-door-is-showing-off-her-power-our-door-2022-08-05/>

States would like to strengthen security cooperation among like-minded states, such as the US-Japan-Australia Trilateral Security Dialogue (TSD) and AUKUS. On the other hand, China continues to attract developing states in the Indo-Pacific by providing development finance, such as Cambodia, Laos, and Sri Lanka, whose national interests focus more on domestic socio-economic development than international strategic competition. China then leads them to follow its own standards of practice, such as less consideration about the protection of labor rights and the environment in economic development, which deviate from the current international standards like those developed by the Organization for Economic Cooperation and Development. In short, the current strategic competition often compels regional states to implicitly “take sides”.

This coalition-building effort means that the United States and China are not the only players in strategic competition. Since both of them are willing to nurture a larger coalition to enhance the legitimacy of their behavior and values, the middle and small powers play an important role in great power competition by deciding to support or reject them. The more intense the strategic competition between the great powers becomes, the more important the role of the middle and small power will be. Assuming that great powers ultimately attempt to avoid direct military conflicts despite the intense competition, a coalition with the small and middle power becomes an important power resource for the competition. As a result, if those middle and small powers successfully produce a collective voice, they can influence the regional, if not the global, order.

Southeast Asian states understand this strategic dynamic, and this is why the ASEAN member states’ take a relatively collective stance of “DMUC” (Don’t Make Us Choose).¹¹ ASEAN’s objective is to avoid being entrapped by US-China strategic competition so that the member states can maintain access to their market and continue to receive economic, military, and diplomatic assistance. Nevertheless, this is essentially a passive posture, and the intensification of US-China rivalry makes it increasingly more difficult to sustain such a diplomatic posture.

The United States and its allies/partners are now trying to maintain the existing rules and norms and to build new ones based on the existing principles in such fields as critical and emerging technology.¹² ASEAN member states have a choice over whether they support those rules and norms. However, if the members avoid supporting them, they will face consequences—for instance, they might not have full access to the US market or its allies/partners. At the same time, even if they support them, China would likely impose explicit or implicit economic sanctions against them, such as non-provision of economic/financial assistance and trade restrictions, as illustrated by China’s diplomatic harassment of Singapore when it alluded to supporting the South China Sea Arbitral Tribunal’s ruling in 2016.¹³

“Without any viable alternative, those states would remain economically underdeveloped, diplomatically weak, or even face regime changes by use of force. Now, they have an alternative: China.”

This dilemma is essentially caused by the shifting power balance in Asia. China now provides an alternative to those who do not completely agree with the US-led or West-led international order. In the past, when they disagreed with the international order or countered their rules and norms, they would have faced consequences—diplomatic condemnation, economic sanctions, and possibly coercive use of force. Without any viable alternative, those states would remain economically underdeveloped, diplomatically weak, or even face regime changes by use of force. Now, they have an alternative: China. Such a choice might not be the best option, but the fact is that they now have a choice to make in the non-unipolar world.

¹¹ Jonathan Stromseth, “Don’t make us choose: Southeast Asia in the throes of US-China rivalry,” *The New Geopolitics*, October 2019, https://www.brookings.edu/wp-content/uploads/2019/10/FP_20191009_dont_make_us_choose.pdf; Donald Emmerson, ed., *The Deer and the Dragon; Southeast Asia and China in the 21st Century* (Stanford: The Walter H. Shorenstein Asia-Pacific Research Center, 2020); Donald Emmerson, “Autonomy and Agency in Southeast Asia:

Rethinking “Don’t Make US Choose” and Resolving the Deer-Dragon Dilemma,” ISEAS Webinar, April 23, 2021.

¹² The White House, “Fact Sheet: Quad Leaders’ Tokyo Summit 2022,” May 23, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/fact-sheet-quad-leaders-tokyo-summit-2022/>

¹³ Kei Koga, *Managing Great Power Politics: ASEAN, Institutional Strategy, and the South China Sea* (Singapore: Palgrave Macmillan, 2022), <https://link.springer.com/book/10.1007/978-981-19-2611-2>

Future implications for the Indo-Pacific

There are three basic scenarios that can be drawn to describe the future for security cooperation in the context of US-China strategic competition in the Indo-Pacific region. The first one is the intensification of US-China rivalry and the marginalization of ASEAN. Although the complete decoupling between the United States and China is still difficult to imagine, the division in norms and rules will gradually nurture a strategic bifurcation in the Indo-Pacific. The coalition-building efforts would become competitive, and both the United States and China would conduct a wedge strategy against regional states, including ASEAN member states. As a result, CBMs would play an insignificant role, and ASEAN would lose its convening power as well as institutional relevance in regional security cooperation in East Asia and the Indo-Pacific.¹⁴

The second scenario is that the US-China strategic competition would continue, but its geographical scope, the Indo-Pacific, would become less important. As the impact of the competition would have more global implications than regional ones and more actors external to the Indo-Pacific would become involved, geography would no longer be the defining feature of the US-China rivalry. In this setting, ASEAN could possibly retain its role in facilitating the sub-regional security cooperation, particularly in Southeast Asia, if not in the Indo-Pacific, through reactivating the principle of the Zone of Peace, Freedom, and Neutrality (ZOPFAN).

The third scenario would involve the fragmentation of security cooperation in the Indo-Pacific region. Under the current power shift, the United States and China do not have decisive power to build a coalition in the Indo-Pacific region, giving the small and middle powers more room to maneuver. At the same time, those smaller powers would act on the basis of their national interests and not align with each other

to facilitate collective regional rules and norms. Without such a collective voice, coalitions and cooperation would likely be ad-hoc and fragmented on an issue-by-issue basis. As a result, ASEAN would play a less important role while function-based bilateral, minilateral, and multilateral frameworks, such as the Quad and IPEF, would become a focal point for rule-making and norm-building.

While these potential scenarios are not exhaustive, one clear strategic trend is that ASEAN is likely to face difficult strategic choices. In fact, ASEAN member states are more preoccupied with domestic politics, and ASEAN's internal cohesion has become more fragile particularly after the 2021 Myanmar coup.¹⁵ Furthermore, when ASEAN disunity becomes prevalent, the association would become more susceptible to the great powers' wedge strategies, which would exacerbate strategic competition not only in Southeast Asia but also the Indo-Pacific, and, at worst, increase the risk of great power conflicts.

To avoid these negative scenarios, regional powers, including ASEAN, should communicate more closely with each other to clarify institutional division of labor in the Indo-Pacific, so that each regional framework can have a clear strategic role. The current proliferation of security frameworks whose memberships are not necessarily inclusive create a division and confusion about their strategic roles. To avoid these problems, regular and institutionalized communications would be necessary.¹⁶ Given ASEAN's comparative advantage to facilitate inclusive regional security cooperation, it is important to prevent excessively negative perceptions inside and outside ASEAN toward the association. To this end, regional powers, such as Japan, Australia, and South Korea should take the initiative to support ASEAN—diplomatically, economically, and institutionally—and help maintain ASEAN's credibility in security cooperation.

¹⁴ ASEAN's convening power is weakening because of the evolving strategic landscape, including the US-China strategic competition, the Ukraine War, and the Myanmar's coup. For example, the United States, Australia, and New Zealand, boycotted the ADMM-Plus Experts Working Group on Counter-Terrorism in 2022. See "US withdraws from ASEAN counter terrorism meeting," *Myanmar Now*, July 20, 2022, <https://myanmar-now.org/en/news/us-withdraws-from-asean-counter-terrorism-meeting>

¹⁵ "Getting Southeast Asia Right, with Elina Noor, Sebastian Strangio, and Evan Laksmana," *Un-Diplomatic Podcast*, ep. 139, January 18, 2023, <https://www.undiplomaticpodcast.com/episodes/139>

¹⁶ Kei Koga, "Getting ASEAN Right in US Indo-Pacific Strategy," *The Washington Quarterly*, 45(4) (2022): 157-177, https://bpb-us-e1.wpmucdn.com/blogs.gwu.edu/dist/1/2181/files/2022/12/Koga_TWO_45-4.pdf; Kei Koga, "Recalibrating US-Japan Indo-Pacific Strategies," *The Wilson Center*, October 2022, <https://www.wilsoncenter.org/publication/recalibrating-us-japan-indo-pacific-strategies-towards-asean>

9

Strategic Competition and Security Cooperation

Raymund Jose Quilop

I

Given that security is an integral part of the strategic affairs of states, the question whether security cooperation is still possible in an environment where strategic competition is pronounced is paradoxical. In this context, the actors involved in security cooperation would have to be clearly identified. If what is being talked about is security cooperation between the strategic competitors themselves, it would be difficult. There could even be a pretense to cooperate as the US and China have done in the past but it is doubtful whether such indeed lead to something concrete. Even the security dialogue they undertook did not actually lead to results they expected or wanted.

Security cooperation in the context of strategic competition is simply not going to be easy primarily because of the lack of trust and confidence in the competitor. For example, Washington has said that its actions are not meant to “contain” Beijing and that the region is big enough for peaceful co-existence between the US and China. Beijing, on the other hand tends to see every US policy and action as a move to contain Chinese ambitions. This is often done by referring to US policy pronouncements like the “pivot” or “rebalance to Asia,” US efforts to maintain or revitalize its bilateral alliances with its Asian partners, and more recently Washington’s Free and Open Indo-Pacific (FOIP) strategy.

China says it has no intention to dislodge the US as the dominant power in the region. But Washington sees most actions by Beijing as challenging the US as the regional hegemon. These include the Belt and Road Initiative (BRI), Beijing’s sustained “courting” of Asian states, and China frequent pronouncement that regional issues are better dealt with by regional states. China’s more recent programs namely the Global Development Initiative (GDI) and the Global Security Initiative (GSI) are also viewed as Beijing’s efforts to make China not just a regional power but a global power too.

Beijing says that it has never curtailed freedom of navigation and yet Washington believes that Chinese actions in regional waters undermine freedom of navigation and overflight. The US has sought to counter China’s Anti-Access/Area Denial (A2/AD) strategy, has consistently undertaken so-called Freedom of Navigation Operations (FONOPs) to challenge maritime claims, and has regularly

announced that “it will continue to fly and sail where international law allows”.

Given all these rather combative measures, it becomes evident that actions contravene policy pronouncements thereby contributing to continued diminution of “strategic trust” to the point that there is now a strategic trust deficit in the region. Therefore, while security cooperation between the two main competitors may be possible, it will be superficial and not substantive. Beyond the two strategic competitors, security cooperation remains an important option between and among the rest of the other countries in the region.

II

Security cooperation becomes viable only through a commonly accepted platform, which in Asia are primarily the ASEAN-led mechanisms. Notwithstanding the criticisms by some, these mechanisms make security cooperation possible. The East Asia Summit (EAS), considered as a Leaders-led forum for strategic dialogue, has also pragmatic development cooperation. Strategic dialogue is a form of security cooperation. In comprehensive security context adopted by ASEAN, development cooperation within the EAS framework, including areas such as health, could be considered as contributing to security cooperation.

In the ASEAN Regional Forum (ARF), both the US and China remain active participants with each of them continuing to lead on some ARF-led activities. For example, the US co-chairs together with Thailand and Sri Lanka the ARF Inter-sessional Meeting (ISM) on Non-Proliferation and Disarmament (ISM on NPD) until 2024. China co-chairs with Cambodia the ARF ISM on Maritime Security for 2022-2023.

The involvement of the US and China in the ASEAN Defense Ministers’ Meeting (ADMM)-Plus is also significant. Not only have their defense ministers consistently participated in the ADMM-Plus meetings, their respective defense ministers have engaged the ASEAN defense ministers in what have come to be known as informal meetings on the sidelines of the meetings of either the ADMM or the ADMM-Plus.

At the practical level, the US co-chairs together with Thailand the ADMM-Plus Experts Working Group (EWG) on Maritime Security for 2021-2023. China together with Cambodia co-chairs the EWG on

Humanitarian Mine Action (HMA) for 2021-2023. Since the establishment of the EWGs in 2011, both the US and China have consistently co-chaired EWGs for each 3-year cycle, except for 2014-2017 when they “took a break”.

This type of activity could be termed “indirect security cooperation” or “security cooperation by affinity”. What could be done to sustain security cooperation is to further enhance the interaction that is taking place and taking shape within these ASEAN-led mechanisms.

It must be recognized, however, that security cooperation in this context would remain within the realm of non-traditional security issues and not in the traditional sense of hard security of military defense. Even in the context of the ADMM-Plus, practical cooperation revolves around non-traditional security issues such as maritime security, counterterrorism, humanitarian assistance and disaster response (HADR), peacekeeping operations (PKO), humanitarian mine action (HMA), and cybersecurity. While non-proliferation and disarmament is one area of cooperation in the ARF that could be considered as a “hard” security issue, activities undertaken in this regard are mostly focused on promoting security dialogue, the very essence of the ARF.

III

Within a regional landscape fraught with intensifying strategic competition between the major regional powers, ASEAN has been adapting to changing circumstances while keeping its fundamentals intact. ASEAN’s principle of “inclusiveness” is a case in point. While some have questions about this principle, it is something that ASEAN takes seriously and around which most, if not all, of its frameworks and undertakings actually revolve.

The idea of inclusiveness is something that has enabled ASEAN to become the focal point for finding common ground. The ASEAN Outlook on the Indo-Pacific (AOIP) is an example. The concept of the Indo-Pacific as a region is something that some countries, particularly China and Russia, were initially averse to simply because it was something previously propounded by the US and its allies.

However, following interaction with its ASEAN counterparts, China has since evolved its position and has become supportive of the AOIP. As indicated

in the Joint Statement of the ASEAN-China Special Summit held in 2021, the two sides reaffirmed the “principles of the ASEAN Outlook on the Indo-Pacific (AOIP), while recognizing that it is ASEAN’s independent initiative, being open and inclusive, is intended to enhance ASEAN’s Community building process, and is not aimed at creating new mechanisms or replacing existing ones.” More importantly, as also indicated in the Joint Statement, ASEAN and China have agreed to “advance cooperation in the relevant areas identified in the AOIP to develop enhanced strategic trust and win-win cooperation among countries in the region, as guided by the purposes and principles of the TAC, including exploring mutually beneficial cooperation with the Belt and Road Initiative.”

“ASEAN’s emphasis on inclusivity in the AOIP appears to be serving its purpose; so fruitful that the AOIP is now being used as a key reference framework for cooperation between ASEAN and its dialogue partners.”

Russia has also come to support the AOIP. In the Joint Statement of the 4th ASEAN-Russia Summit held in 2021, the two sides acknowledge “the importance placed by ASEAN on the principles and objectives in the ASEAN Outlook on the Indo-Pacific, which are inclusive in nature and aimed to guide cooperation of ASEAN in the Asia-Pacific and Indian Ocean region, and to generate momentum for building strategic trust and win-win cooperation and to strengthen existing ASEAN-led mechanisms while not creating new mechanisms or replacing existing ones.”

ASEAN’s emphasis on inclusivity in the AOIP appears to be serving its purpose; so fruitful that the AOIP is now being used as a key reference framework for cooperation between ASEAN and its dialogue partners. There is now a momentum to mainstream the AOIP in ASEAN’s relations with its external partners. Conversely, ASEAN’s external

partners are leveraging the AOIP as they pursue cooperative relations with ASEAN.

Inclusiveness, nonetheless, brings some dilemmas, particularly when it comes to ASEAN-led mechanisms. For example, inclusiveness could lead to the expansion of membership or participation in regional institutions, which could negatively affect their effectiveness.

Take the case of the ARF. Some observers believe it expanded too quickly, which constrained its capacity as an effective regional security dialogue mechanism. While some observers consider this as a rightful evolution of the institution, others highlight the rapid evolution made the institution lose sight of its original purpose.

However, to forego inclusiveness in the name of deepening cooperation among the original members can also be beneficial. In the case of the ADMM-Plus, for example, while there has been tremendous interest from other external partners to participate, it has been the decision of the ADMM to keep the ADMM-Plus to the eight original dialogue partners. This is to ensure that cooperation among the original participating states deepens before increasing the number of participating states.

But the question that remains is when would it be appropriate to consider expanding the ADMM-Plus beyond the current 18 states given that the ADMM-Plus has been in existence for 12 years. Having other external partners participate as observers in the activities of the EWGs under the ADMM-Plus is currently under consideration. However, would it be sufficient to limit the involvement of additional partners to practical cooperation through the EWGs but not in the ministerial interaction when ADMM-Plus convenes?

For ASEAN, the existing regional security mechanisms remain adequate and there is no appetite for establishing new mechanisms. This is exactly the sentiment that was prevalent when the AOIP was being crafted as it was made explicit that the pursuit of cooperation under the AOIP would

have to be pursued through existing ASEAN mechanisms.

Beyond the obvious multilateral ASEAN-based mechanisms such as the EAS, ARF and ADMM-Plus, it must not be forgotten that there are the so-called ASEAN "Plus Ones" that are equally useful in engaging its bilateral partners. ASEAN's Plus One relationship with both the US and China has been pursued quite effectively toward the benefit of ASEAN.

Each of them continues to express its support for ASEAN and its being the driving force in regional affairs; in other words, ASEAN centrality. Observers caution that strategic competition between Washington and Beijing could lead to the demand that they would want to be "always in parity" in their relationship with ASEAN.

While their intent to deepen cooperation with ASEAN should not be discounted, the desire to be at par with one another may have been a factor in both countries becoming a "comprehensive strategic partner" with ASEAN. The good side is that these strategic partners of ASEAN compete in contributing

to ASEAN's community-building through tangible programs and projects. ASEAN certainly benefits from these efforts, most recently in areas of mitigating the effects of the Covid-19 pandemic and contributing to ASEAN's development efforts.

Indeed, winning the hearts and minds of ASEAN has become evident in each of the major power's bilateral relations with ASEAN. This strategic competition in trying to win the hearts and minds of ASEAN has been evident in these bilateral partners' engagement with ASEAN, both at the summits and at the ministerial level. In 2021, for example, a Special ASEAN-China Summit to commemorate the 30th anniversary of ASEAN-China relations was held. The following year (in 2022), there was an ASEAN-US Special Summit. These summits are on top of the regular bilateral summits held at the sidelines of the second ASEAN Summit each year.

"Indeed, winning the hearts and minds of ASEAN has become evident in each of the major power's bilateral relations with ASEAN."

The ADMM informal meetings with both China and US are also examples. These informal meetings were initiated by Indonesia as the ADMM Chair in 2011, where the Chinese defense minister was invited to have an informal breakfast meeting with the ASEAN defense ministers and the US defense secretary was invited to the ADMM dinner.

The following year, China proposed to have an informal meeting with the ADMM in May. In November, during the ADMM-Plus, the US likewise had an informal meeting with the ADMM. Following this, the decision to accept requests for informal meetings were on a case by case basis, although it has become a regular practice in the ADMM to have informal meetings with a requesting partner. The pattern is that every time there is a request from one partner, the other partner has followed suit in putting forth a request.

IV

Security cooperation is based on transparency, which becomes the foundation for strategic trust. While there may be a deficit in strategic trust in the region, there are mechanisms to promote transparency and cultivate confidence and trust among states. These include, for example, the ASEAN Security Outlook (ASO), which is released every two years by the ASEAN Chair, as well as the ARF Security Outlook, which is issued annually by the ARF Chair.

These publications contain individual country submissions that put forth the contributing countries foreign and security policies, perceptions of security challenges impact, including defense spending. The decision by both ASEAN and the ARF to produce these documents was borne out of the realization in the early 1990s of the importance of promoting transparency as a step toward building confidence and trust among regional states.

Having a sense of the foreign policy and defense orientation of countries as shared in these outlooks help prevent unnecessary apprehension as to why certain countries are pursuing specific defense procurement programs. While skepticism as to the truthfulness of such policy pronouncements may abound, knowing them is more helpful than being unaware why a particular program is being pursued or why defense and security spending is increasing. Amidst the growing strategic trust deficit in the region, ASEAN-led mechanisms continue to promote

confidence and security building measures. In fact, they themselves have evolved to be CSBMs themselves. Security cooperation may indeed be difficult but it is not entirely impossible.

Amidst the growing strategic trust deficit in the region, ASEAN-led mechanisms continue to promote confidence and security building measures. In fact, they themselves have evolved to be CSBMs themselves. Security cooperation may indeed be difficult but it is not entirely impossible.

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