

Strategic Hedging in Southeast Asia: ASEAN Member States' Policy Responses to China's Growing Economic Influence

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Abstract

This study examines the Association of Southeast Asian nations (ASEAN) member states' policy responses to China's growing economic influence in Southeast Asia over the past two decades. Using statistical data on trade, investment, and tourism flows, as well as analysis of key policy documents and initiatives, the research finds that ASEAN countries perceive both opportunities and challenges from deepening economic ties with China. While welcoming increased market access and capital inflows, ASEAN states have concerns about economic dependency, erosion of ASEAN centrality, and strategic leverage. In response, Southeast Asian countries have pursued a multi-pronged strategy: *i)* Strengthening intra-ASEAN economic integration; *ii)* Diversifying economic partnerships beyond China; *iii)* Carefully evaluating Chinese investments, especially under the Belt and Road Initiative (BRI); and *iv)* Leveraging ASEAN's geostrategic position to balance relations with major powers. The study concludes that ASEAN faces ongoing challenges in maximizing economic benefits from China while maintaining strategic autonomy and centrality in regional affairs. Further research is needed on

the long-term effectiveness of ASEAN's adaptive policies in an evolving regional order.

Keywords: *Southeast Asian; ASEAN; China; China-ASEAN economic; relations*

1. Introduction

Over the past two decades, China's economic influence in Southeast Asia has grown substantially, transforming the regional economic landscape. Located at the heart of the strategic Indo-Pacific region, Southeast Asia is now at the forefront of intense major power competition. The intensified US-China rivalry has led to the formation of regional forces along divisive lines. The differences between the US and China in their approaches to competition in Asia have created a dilemma for ASEAN's strategy in adapting to this rivalry. While the US focuses on building alliances and uniting forces against China, emphasizing security and defense in regional cooperation, China has pursued a more economically driven strategy, suggesting that economic attraction is the key driver in regional competition. The reality is that the US is absent from many major multilateral platforms or initiatives related to economics and trade in the region, while China dominates this front with the ASEAN-China Free Trade Agreement (CAFTA), the Belt and Road Initiative (BRI), the Regional Comprehensive Economic Partnership (RCEP), and its application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—a mechanism that the US led but later withdrew from. This demonstrates the US's lag in the economic race against China in the region, further deepening the risk of ASEAN becoming increasingly dependent on China's economic trajectory. This situation presents both opportunities and challenges for ASEAN and its member states. While increased trade, investment, and tourism from China have contributed to regional economic growth, created jobs and income, and transformed the region's trade structure, concerns have emerged about economic dependence, social tensions, strategic autonomy, and ASEAN's central role in regional issues.

In this context, ASEAN's "dual-track" approach, engaging with both the US and China, remains relevant, provided that ASEAN maintains its development momentum, strengthens solidarity and autonomy, deepens

internal integration, proactively adapts to changing circumstances, and aligns the interests of its members with shared regional goals. By skillfully addressing challenges from China while ensuring the interests of all parties, ASEAN will have greater opportunities to play a “neutralizing” role, mediating conflicts and promoting regional peace, stability, and cooperation. Furthermore, strengthening cooperation with middle powers like Japan, South Korea, Australia, and India to develop new mechanisms and strategies is another way to reduce economic dependence on and political dominance by China, while effectively managing regional dynamics and maintaining its central role. Additionally, the emergence of new approaches, such as the formation of “minilateral” cooperation mechanisms among some members and external countries with shared interests and concerns, like the sub-regional Mekong cooperation mechanism, is a valuable strategy that ASEAN is currently implementing.

This study aims to examine ASEAN's policy responses to China's growing economic influence in Southeast Asia from 2003 to 2024. Specifically, the research seeks to address the following questions:

1. What has been the economic impact of China on Southeast Asia since the establishment of the ASEAN-China Strategic Partnership in 2003?
2. How has ASEAN responded to the economic influence of China through its policies to achieve strategic stability and sustainable development?
3. Through the policies of ASEAN, assess the importance of adaptability and flexibility in implementing ASEAN policy when facing the economic influence of China?

To address these questions, this study employs a mixed-methods approach, combining quantitative analysis of trade, investment, and tourism data with qualitative examination of policy documents, official statements, and expert assessments. The research focuses on key economic initiatives such as the ASEAN-China Free Trade Agreement (ACFTA), the Belt and Road Initiative (BRI), and the Asian Infrastructure Investment Bank (AIIB), as well as ASEAN's own economic integration efforts and diversification strategies.

By analyzing ASEAN's evolving approach to managing China's economic influence, this study contributes to the broader literature on small state strategies in the face of great power competition. It also provides insights into the challenges of maintaining regional autonomy and cohesion in an increasingly interconnected global economy dominated by major powers.

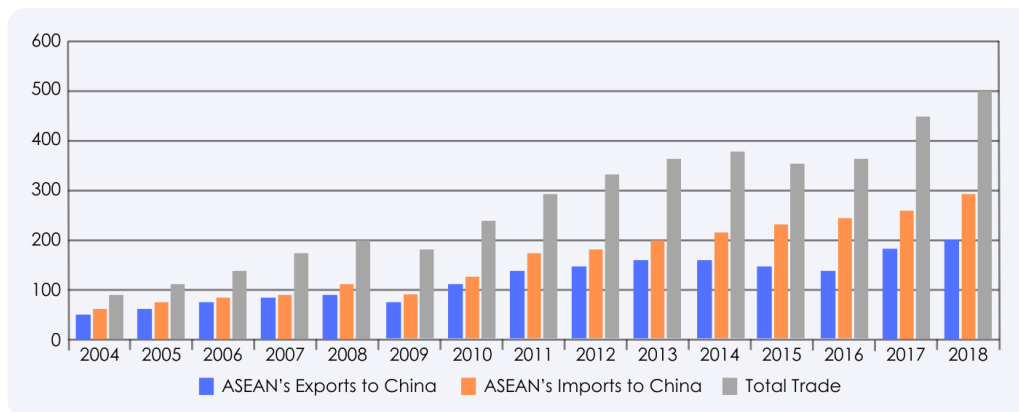
The findings of this research have implications for policymakers in Southeast Asia and beyond, offering lessons on balancing economic engagement with strategic considerations in an era of shifting global power dynamics. Additionally, the study's conclusions may inform future research on regional economic integration, development strategies, and the role of multilateral institutions in managing great power relations.

2. The Economic Impact of China on Southeast Asia

Since the beginning of the 21st century, ASEAN - a regional organization uniting a diverse group of ten developing mid-sized and small countries - has positioned itself and gained recognition and support for its central role in the regional cooperation structure from its partners, including major powers. Southeast Asian countries are a vital foothold for China to play its international role. Moreover, this region serves as a shield to protect China's national security, acting as a bridge for China to reach the world. Geo-economically, Southeast Asian countries are a region rich in natural resources, a potential market with high growth rates, and a crucial partner for China to open up to the outside world and engage in mutually beneficial cooperative development. Because Southeast Asia can establish a significant influence for China both regionally and globally, it holds a strategically important position in China's economic diplomacy. China's approach is limited to cooperation between ASEAN member states to further integrate Southeast Asian countries into an order where China holds a central role. Evidence of this is China's policy to shape a new world order through strategies, key among them being the Belt and Road Initiative (BRI) and the "Made in China 2025" plan. In Southeast Asia, through the active role of mechanisms including China-ASEAN Cooperation (10+1), the Lancang-Mekong Cooperation (LMC), and the Greater Mekong Subregion Economic Cooperation (GMS), China utilizes BRI as a main tool to draw Southeast Asian countries into its orbit, aiming to enhance the region's economic and political dependence on China. The first signs of China's growing economic clout in Southeast Asia are in the fields of commerce and investment. Figure 1 indicates that between 2004 and 2018, total bilateral goods trade between ASEAN and China rose from USD 89 billion to USD 497 billion. In which, exports of ASEAN to China increased from USD 41 billion in 2004

to USD 201 billion in 2018, equivalent to a growth rate of nearly five times. Similarly, ASEAN's imports from China increased sharply from USD 47 billion to nearly USD 300 billion during this period. Another remarkable point is that, in terms of trade relations with China, ASEAN's trade balance is always in deficit, especially the deficit value has increased rapidly over time, from more than USD 6 billion in 2004 to nearly USD 95 billion in 2018.

Figure 1. Trade in goods between ASEAN and China in the period 2004 - 2018 (Unit: billion US dollars)



Source: Compiled from ASEAN's statistical database on trade, <https://data.aseanstats.org/trade-annually>, accessed on August 23, 2019.

In terms of significance, the proportion of trade with China in ASEAN's total goods trade with the rest of the world rose dramatically from 8.31 percent to 17.25 percent between 2004 and 2018. The respective proportions for exports and imports between ASEAN and the Chinese market in 2018 were 13.94 percent and 20.58 percent, respectively. With the exception of intra-ASEAN trade, China is the largest import and export partner of most ASEAN countries, leaving a significant disparity between China and other key ASEAN partners such as the United States and Japan (see Table 1 and Table 2).

Table 1. Shares of 2013 and 2018 Southeast Asian exports

	CHINA		US		JAPAN		CHINA	
	2013	2018	2013	2018	2013	2018	2013	2018
BRUNEI	1,40	3,60	0,10	0,90	39,80	34,70	23,20	28,10
CAMPUCHIA	3,00	8,10	22,50	23,10	3,60	8,30	14,00	5,80
INDONESIA	12,40	15,10	8,60	10,20	14,80	10,80	22,30	23,40
LAOS	27,00	33,60	0,80	2,30	2,80	2,60	54,00	52,00
MALAYSIA	13,40	13,90	8,10	9,10	11,10	6,90	28,10	28,60
MYANMAR	26,60	33,20	0,10	2,90	6,80	8,30	49,00	25,10
PHILIPPINES	12,20	12,90	21,20	15,70	14,50	14,00	16,00	16,00
SINGAPORE	11,80	12,30	5,80	7,70	4,30	4,90	31,40	29,50
THAILAND	11,90	12,00	10,10	11,10	9,70	9,80	26,00	27,10
VIETNAM	10,30	17,30	18,50	19,90	10,60	7,90	14,30	10,40

Table 2. Shares of 2013 and 2018 Southeast Asian imports

	CHINA		US		JAPAN		CHINA	
	2013	2018	2013	2018	2013	2018	2013	2018
BRUNEI	11,30	39,40	12,20	8,60	5,80	3,90	54,20	32,40
CAMPUCHIA	32,60	34,60	22,50	23,10	3,60	8,30	14,00	5,80
INDONESIA	16,00	23,70	4,90	5,30	10,30	9,40	28,90	23,90
LAOS	25,90	21,20	0,40	0,20	1,80	1,90	63,50	68,80
MALAYSIA	18,10	22,60	7,90	8,20	8,70	8,20	26,80	28,90
MYANMAR	30,20	32,00	0,90	1,70	13,10	3,60	35,00	46,00
PHILIPPINES	11,80	19,60	10,80	7,20	8,40	9,70	21,80	25,00
SINGAPORE	11,70	13,40	10,40	11,40	5,50	6,00	20,80	21,10
THAILAND	15,10	20,10	5,80	6,00	16,40	14,20	16,70	18,20
VIETNAM	28,60	28,30	4,00	5,50	9,00	8,20	16,50	13,70

Source: Cook, M. (2019). Divergence and Displacement: Southeast Asia-China Trade, 2013-2018. ISEAS Perspective, No. 88, 1-7.

In the investment sector, mainland China's FDI into ASEAN has grown rapidly from USD 3.4 billion in 2010 to USD 10.1 billion in 2018, with its share of the world's total FDI in ASEAN increasing from 3.2 percent to 6.58 percent. If the investment capital of Hong Kong special economic zone is included, the total FDI capital from China into ASEAN increased sharply from USD 6.3 billion in 2010 to USD 20.3 billion in 2018, accounting for 5.8 percent and 13 percent respectively, of the total capital attracted by ASEAN (see Table 3). With the exception of intra-ASEAN investment, China's investment (including Hong Kong) is only slightly inferior to the two largest investors in the region in 2018 - the European Union (EU) (USD 21.6 billion) and Japan (USD 20.95 billion) (ASEAN Statistical Database).

Table 3. China's FDI into ASEAN in the period 2010 - 2018

Year	Amount of Capital (Billion US Dollars)			Proportion (%)	
	World	China excluding Hong Kong	China including Hong Kong	China excluding Hong Kong	China including Hong Kong
2010	108,17	3,49	6,37	3,22	5,89
2011	87,56	7,19	10,31	8,22	11,78
2012	116,77	7,98	15,65	6,83	13,40
2013	120,97	6,17	10,73	5,10	8,87
2014	130,11	6,81	17,39	5,24	13,36
2015	118,67	6,57	7,88	5,54	6,64
2016	118,96	9,61	19,47	8,08	16,37
2017	146,90	13,71	19,26	9,33	13,11
2018	154,71	10,19	20,35	6,58	13,15

Source: China's FDI into ASEAN in the period 2010 - 2018 <https://data.aseanstats.org/fdi-by-sources-and-sectors>, accessed August 23, 2019.

Aside from trade and investment, China's rising economic effect on the ASEAN economy is visible in the tourist sector. The number of visitors from China to ASEAN countries increased sharply from 5.4 million people in 2010 to 18.6 million people and 29.1 million people in 2015 and 2018. If the number of Asian visitors is excluded, China is the largest tourism market in the region, with its share increasing from 17 percent to 21.5 percent in the period 2015 - 2018.

Laos and Cambodia are two Southeast Asian countries heavily reliant on China. China is not only one of the leading trading partners for Laos and the largest source of tourists but also the biggest provider of FDI. From 2001 to 2021, China invested over USD 10 billion in Laos, while during the same 20-year period, Thailand and Vietnam invested USD 4.7 billion and USD 3.9 billion respectively, whereas FDI from South Korea and Japan stood at USD 751 million and USD 180 million respectively (Lin, 2023). Cambodia is considered a "client state" of China (Hutt, 2016) due to its reliance on Chinese aid and investment. Beijing is currently the creditor for over 40 percent of Cambodia's total foreign debt, amounting to USD 10 billion. In the first half of 2023 alone, 113 projects with a total value exceeding USD 1 billion were initiated, with 65 percent coming from Chinese investors. Additionally, China is currently Cambodia's largest trading partner, accounting for 25.6 percent of its total international trade value of USD 27 billion (Thao, 2023).

Compared to other important ASEAN tourism markets such as the EU and Korea, China or Japan, the market share of tourists coming from China accounts for a much higher proportion (see Table 4).

Table 4. International visitors to ASEAN in the period 2010-2018 by major markets

Country/ Region	2010		2015		2016		2017		2018	
	Number of visitors (million people)	Proportion (%)	Number of visitors (million people)	Proportion (%)	Number of visitors (million people)	Proportion (%)	Number of visitors (million people)	Proportion (%)	Number of visitors (million people)	Proportion (%)
Intra-ASEAN	35,04	47,51%	45,99	42,23%	46,57	40,30%	48,49	38,57%	49,69	36,74%
EU	7,00	9,49%	9,57	8,79%	10,14	8,77%	10,86	8,64%	11,24	8,31%
China	5,42	7,34%	18,60	17,08%	20,34	17,60%	25,29	20,11%	29,12	21,53%
India	2,48	3,36%	3,31	3,04%	2,79	2,41%	4,15	3,30%	4,67	3,45%
Japan	3,35	4,54%	4,70	4,32%	4,78	4,14%	5,03	4,00%	5,23	3,87%
Korea	3,29	4,46%	5,84	5,36%	6,46	5,59%	7,86	6,25%	9,03	6,68%
US	2,68	3,63%	3,38	3,11%	3,79	3,28%	4,11	3,27%	4,50	3,33%
Total visitors	73,75	100%	108,90	100%	115,57	100%	125,72	100%	135,27	100%

Source: Aggregated and calculated from the ASEAN statistical database on tourism, <https://data.aseanstats.org/visitors>, accessed 02/3/2021.

3. Southeast Asia Faces the Growing Economic Influence of China

Southeast Asian nations perceive China's expanding economic influence as a double-edged phenomenon, presenting both opportunities and challenges for the region and individual countries. The positive aspects of increased Chinese economic engagement in Southeast Asia include enhanced trade relations, investment inflows, and development assistance. These factors provide ASEAN member states with access to China's substantial consumer market, potentially stimulating production and export growth. Chinese capital has become increasingly significant in regional economic development, particularly in infrastructure projects in Cambodia and Laos. In the tourism sector, Chinese visitors constitute the largest segment of international arrivals in numerous Southeast Asian countries, contributing substantially to their economic growth.

From a macroeconomic perspective, fostering economic cooperation with China is viewed as a strategic approach to capitalize on China's prominent role in regional and global production and supply networks. This engagement enables ASEAN and its member states to strengthen their position within the global economy. Furthermore, increased economic cooperation with China is perceived as a crucial element in ASEAN's strategy to maintain a balance of power among major global actors, thereby reinforcing ASEAN's centrality in regional economic, political, and security cooperation mechanisms. As Chaisse and Jusoh (2016, p.6) note, ASEAN has actively pursued economic diplomacy through various bilateral investment treaties (BITs) and preferential trade agreements (PTAs) to enhance its attractiveness as an investment destination across multiple sectors.

The ASEAN-China Investment Agreement, signed on August 15, 2009, aims to "liberalize step by step the investment regime, strengthen cooperation in investment, facilitate investment and improve transparency of investment rules and regulations and provide for investment protection" (Chaisse & Jusoh, 2016). This agreement exemplifies China's expanding influence in Southeast Asia through regional economic cooperation frameworks. China's economic initiatives, such as the Belt and Road Initiative (BRI), Asian Infrastructure Investment Bank (AIIB), and Mekong-Lancang Cooperation (MLC), have garnered participation from most Southeast Asian countries due to the allure of Chinese investment and aid. The BRI, launched in 2013, has become President Xi Jinping's flagship foreign policy project, encompassing over 70

countries across multiple continents and aspiring to expand into new frontiers (Yujun, 2019). The implementation of such large-scale economic cooperation initiatives necessitates multilateral coordination at political, legal, and administrative levels. As Wang Guiguo (2017) argues, the establishment of a robust dispute resolution mechanism, including an appeal procedure, is crucial for the BRI's success and could potentially influence global trends in international economic cooperation.

As a member of the WTO since 2001, China has used WTO law to bind the countries that have joined BRI and encourage or embroil other countries to join this initiative (Chaisse & Kirkwood, 2021). In the BRI, Southeast Asia is assessed as a key strategic location because of its geopolitical and geo-economic position. Therefore, China's committed investment capital for this region is very large, amounting to hundreds of billions of dollars; in which, Indonesia is the largest target market, followed by Vietnam and Cambodia (see Figure 2). In terms of investment, the largest investment projects in ASEAN under the BRI framework focus mainly on the infrastructure sector, especially the rail transport system and the energy sector, especially oil and gas exploration and construction of electric power plants (see Table 5). This allows China to achieve a dual objective: Reaping economic benefits from its surplus resources, China exerts influence on recipient countries. Furthermore, it has the opportunity to innovate its technological capabilities and promote high-tech product development. Additionally, Southeast Asian countries benefit from increased physical connectivity through investment projects that build multinational transportation networks radiating from Kunming, China, to Southeast Asian nations. For example, the North-South Economic Corridor (NSEC) aims to facilitate access for Yunnan province and northern Laos to important seaports. Moreover, the Kunming-Singapore rail system spans 550 km through seven regional countries: Singapore, Malaysia, Thailand, Laos, Cambodia, and Vietnam. This railway is considered a key route in China's economic development project with Southeast Asian countries. Furthermore, the Digital Silk Road (DSR), launched in 2015 as a third component of the Belt and Road Initiative (BRI), is designed to complement the physical infrastructure of the BRI (Chien-peng, 2023). Over the past few years, Southeast Asia has become a central focus in expanding the global digital infrastructure connectivity network. This is evident in the proliferation of Chinese digital

infrastructure projects throughout the region, which range from fiber optic cable installations in Malaysia, Myanmar, Singapore, Thailand, and Vietnam to the development of telecommunications equipment in Cambodia. Chinese tech giants also hold stakes in all seven Southeast Asian tech unicorns, enabling recipient countries to make significant advances in digital development, build 5G networks, and enhance e-commerce.

As for Lancang-Mekong cooperation, the Lancang-Mekong Cooperation (LMC) is a multi-faceted initiative of China that encompasses not only water resource management but also other forms of cooperation, leading to three core areas: politics and security, economic and sustainable development, and cultural and people-to-people exchanges (LMC, 2024). The LMC focuses on five priority areas: water resources management, connectivity, capacity building cooperation, cross-border economic cooperation, and agriculture and poverty reduction. China has committed to providing USD 22 billion in financing to support projects in these areas (Thongnoi, 2019). Under China's leadership, the LMC appears to generate material incentives for cooperation and cultivate positive perceptions of China as it exercises its leadership in the region. As a growth engine for the region, China's role in the LMC will stimulate economic development and improve living standards. Meanwhile, the China-led AIIB initiative, established in 2015 and officially operating since 2016, has the goal of improving connectivity among Asian countries, including the whole of ASEAN, through financial resources. support for large infrastructure development projects (Chen, 2018). Since its inception, the AIIB has grown into an organization of over 100 members, with 45 active projects in 18 member countries and the second largest multilateral development bank by number of members, second only to the World Bank. China is the largest shareholder of the AIIB and holds 26.6 percent of the voting rights – more than the next five largest voting countries combined (Sims, 2019). Within ASEAN, Indonesia is among the countries receiving the largest loans from the AIIB, amounting to USD 940 million for five approved projects in the country (Hoang, 2018).

Among the ASEAN countries, Cambodia is the most obvious response to China's rise. Over the years, China has become the most important country outside Cambodia, reflected in the aspects of diplomacy, investment, aid, trade, culture-society while Cambodia also plays a significant role in China's strategy of expanding its influence abroad. Cambodia is considered to be the

“closest ally” to the rise of China, as shown by the fact that for the first time in the history, ASEAN could not issue a Joint Statement due to disagreements among members on the issue in the South China Sea region at the ASEAN Summit held in Cambodia in 2012.

In addition, Cambodia's support is shown by actively participating in China-led initiatives and frameworks such as the BRI, AIIB, or the Mekong - Lancang Cooperation. Recently, at the beginning of February 2020, the fact that the Cambodian Prime Minister became the first leader in the world to visit China amid the outbreak of acute respiratory infections caused by the Covid-19 virus confirmed more clearly the closer relationship between two sides as well as the great economic, political and diplomatic influence of Beijing over Phnom Penh (Fook, 2020). Recently, on August 5th, 2024, Cambodia broke ground on the 180-meter long Funan Techo Canal, a USD 1.7 billion project funded by China. Cambodia signed an agreement with China Railway Construction Corporation (CRBC) to invest in the project under a Build-Operate-Transfer (BOT) model. The project has also raised concerns about Beijing's influence by allowing Chinese military vessels access to the Mekong River, threatening regional and global stability (Samnang, 2024). Besides the perception of opportunity, China's growing economic influence also brings concerns to Southeast Asia.

First, the rise of China's economic influence, especially through the BRI initiative, could erode the centrality and unity of ASEAN as China's bilateral approach could weaken ASEAN-led regionalization mode (Gong, 2019). Instead, regional cooperation will gradually shift to a mode of economic integration with China at the center. As China considers bilateral dialogue as the main channel for policy diplomacy, countries in the region fear that this bilateral approach will create division, thereby creating an advantage for China to set the terms and shape the Political Economy of the Future of Southeast Asia. Evidence of this is that most current projects under the MLC are funded by loans/credits from the MLC Special Fund, the Asian Infrastructure Investment Bank (AIIB), and the Silk Road Fund (SRF), all established and coordinated by China (Sovachana & Murg, 2019). The MLC also tends to leverage the “cover” of Mekong River basin cooperation to promote large-scale infrastructure investment in member countries. For example, Myanmar has seen 106 projects receiving special funding of USD 31.6 million from the

MLC between 2017 and 2023 (Myanmar, 2023). Cambodia has also received support for up to 90 projects from the MLC Special Fund during the same (Chandara, 2023). It is highly likely that the majority of these projects are funded by capital, technology, and personnel from China, as the MLC Special Fund has supported a total of 700 projects in the region (Sereyrath, 2023).

Although China emphasizes maintaining and improving the role of multilateral mechanisms and implementing dialogues through the multilateral platform in its cooperation projects, the reality shows that bilateral cooperation still dominates cooperation between ASEAN countries and China. Cooperation projects under BRI are bilateral cooperation between China and each ASEAN member state, for example the China-Thailand Railway project (signed in December 2014); Jakarta-Bandung Railway Project (signed in October 2015); Melaka Gateway Project (MoU signed in September 2016); Malaysia East Coast Railway Project (construction started in August 2017 but stopped in 2018); China-Myanmar Economic Corridor Project (MOU on feasibility study was signed in March 2018). This then separates internal bloc unity into individual cooperation axes within a “spokes” model, focusing on connectivity back to China. Examples include the China-Laos Economic Corridor (CLEC) with its connection to the vital China-Laos high-speed rail system to Southeast Asia (Xinhua, 2023); and the Funan Canal in Cambodia, a joint venture with the China Railway Construction Corporation (CBRC), aiming to create a connection from the Mekong River to the Gulf of Thailand and the South China Sea, independent of Vietnam’s Mekong Delta (Rim, 2024). From these “bilateral” connections, China then mobilizes the entire Mekong bloc through joint declarations, converging on the development of the Lancang-Mekong Cooperation Innovation Corridor, which, of course, is still primarily orchestrated by China.

Second, the growing trade imbalance in China’s favor increases Southeast Asia’s anxiety about China’s use of economic leverage for strategic purposes (Gong, 2019). Many opinions have already assessed that disproportionate economic dependence can help China turn economic strength into political power to serve its strategic interests in the Southeast Asia region (He, 2008). Southeast Asian countries have a very high need for investment in infrastructure and China believes that developing ports and airports for the region will help increase trade and tourism between the two sides, through which supports the economic development of Southeast Asian

countries. However, the conditions that China offers when investing in these projects are very different from those set forth by other regional and world financial institutions such as the Asian Development Bank (ADB) and the Asian Development Bank (ADB). The World Bank, particularly with regard to human rights, financial transparency and accountability. This raises doubts in the region and the international community about China's willingness to ignore institutional and human rights-related issues in trade, investment, and development aid cooperation to achieve other strategic benefits.

Third, in the eyes of many Southeast Asian analysts, a regional trade network dominated by China has emerged and will increase as China-led cooperation initiatives such as BRI, AIB are accelerated implementation. For example, statistical data shows that ASEAN's imports from China are mainly manufactured goods, accounting for over 60 percent of the region's total imports in 2018 (ASEAN Statistical Database). Machinery and raw materials are important means of production for the industrial development of ASEAN countries. However, ASEAN's trade deficit with China is now very high and ASEAN is concerned that the trade deficit will increase as China increases investment and development financing, especially through infrastructure development projects in the region. Larger trade deficit and economic dependence on China could negatively affect the domestic economy and sovereign independence of Southeast Asian countries (Das, 2018). The Covid-19 pandemic from the beginning of 2020 up to now clearly shows the adverse impact of dependence on the Chinese market on ASEAN countries. The number of Chinese tourists to ASEAN decreased rapidly, up to over 90 percent in February 2020 compared to the same period last year, strongly affecting the tourism, aviation, catering and other service industries of ASEAN. Another example is that in the industrial production sector, 16,000 factories in Vietnam stopped production in the first two months of 2020, mainly because the supply of raw materials and intermediate products from China was interrupted due to the Covid-19 pandemic which broke out strongly in this world's second largest economy (Hong, 2020). Furthermore, in the current context of the US-China trade war, Southeast Asian countries, particularly Vietnam, faces the risk of becoming a "stronghold" for Chinese businesses seeking tax havens and shifting towards high-tech industries. This could pose challenges to local businesses that are still lacking in technology and finance (Le, 2023).

Fourth, Southeast Asian countries are concerned about the influence of China's economy, especially through investments and support that can put countries in the region into a huge debt with China which means that Southeast Asian countries fall into the Northeast Asian nation's 'debt trap diplomacy and thus increase Beijing's political leverage (Baviera, 2016). For example, as of 2020, loans from China accounted for 75 percent of Laos' total outstanding debt to foreign countries. The construction costs for the three highways supported by China alone amounted to USD 17.8 billion, which is four times larger than Laos' 2020 government budget and almost equal to its total GDP (Kishimoto, 2021). Therefore, if Laos defaults on its debt, it risks falling into a "debt trap." Economic benefits from large-scale infrastructure investment projects are said to be low and risky, while interest rates on loans in Chinese investment projects in Cambodia, Vietnam, Laos, and Myanmar or the Philippines are not low (Le, 2018). China's concessional loans often come with conditions, including the use of Chinese technology, equipment, techniques, and contractors. In addition, some Chinese investors seem to have a hard time accepting local labor and often bring labor from China to the Southeast Asian countries in which they invest, leading to local community criticism for depriving indigenous people of employment opportunities. Meanwhile, many Chinese companies investing abroad lack knowledge of how local labor organizations work and often fail to respond to the legitimate demands of workers, or even ignore regulations and laws when not providing labor contracts as well as buying insurance for employees (Gong, 2018). Therefore, recipient countries experience negative outcomes from Chinese-backed projects, such as debt burdens, implementation difficulties, project delays, negative social and environmental impacts, and poor quality.

Fifth, the Digital Silk Road (DSR) raises growing concerns about Chinese data governance, e-surveillance, exploitation, and control in regional countries. China's "gift packages" to help Southeast Asian countries build 5G networks or develop e-commerce and digital economies can be seen as tools used by Beijing to strengthen its influence and digital governance in the region. At the same time, recipient countries could pay a heavy price for becoming increasingly reliant on Chinese technology. Moreover, it could lead to a risk of greater dependence on technology "dominant" countries due to the growing gap in science and technology. China's 5G telecommunications technology is putting pressure on countries to accept it, which gives China the ability to

penetrate society and use technology for political and strategic purposes. This can lead to long-term strategic consequences for the entire region. The manipulation of Chinese technologies could bind Southeast Asian countries to a regional digital platform under China's sole control and promote its own rules of the game and preferred standards. Evidence of this is found in Vietnam, where Chinese tech giants JD.com and Tencent have invested in Tiki and Shopee, and Singapore-based Lazada (an e-commerce company backed by Alibaba) (Harding, 2019). This also involves various other types of digital infrastructure, such as Zalo, owned by VNG, which is supported by Tencent. Bphone is also integrated with China's BeiDou satellite navigation system. In addition, Zalopay (Tencent), Alipay (Alibaba), Airpay, Grab (Didichuxing and Tencent), foody.com and giaohangtietkiem.vn (supported by Tencent) have also been invested in by Chinese tech giants. Jack Ma's Alipay has also penetrated the e-payment market in Cambodia and Laos to serve Chinese tourists. Notably, Chinese mobile brands including Huawei, Oppo, Xiaomi and Vivo are rapidly gaining market share in Southeast Asia in recent years. In terms of 5G connectivity - a core element of China's digital economy, Chinese telecom companies have been involved in 5G development across Southeast Asia, potentially aiming to build new infrastructure for their own unified and integrated global digital economy. Cambodia has expressed its willingness to welcome Huawei and ZTE to cooperate in developing 5G networks. Moreover, this region is a supplier of components to China, creating a central manufacturing economy and spokes with China as the core.

Sixth, the coexistence of China's BRI initiative and the US-supported FOIP strategy (US Department of Defense, 2019) may increase confrontation between the two powers, potentially pushing the region into a state of tension, causing losses to both sides. In particular, the risk of confrontation can take place in many hot spots such as the East Sea, the East China Sea, the territory of Taiwan and the Korean peninsula. The Chinese government's building of close ties with Southeast Asian countries is key to driving regional development. Developmentalism has motivated China to secure markets and natural resources, inputs for the Chinese economy, and to strengthen China's industrial linkages with Southeast Asia. In this way, China uses structural power to achieve its own interests. Meanwhile, the US and external partners like Japan orient their geopolitical policy towards emphasizing universal values, based on rules. This

could create a deep chasm in institutional building in the region. In addition, the friction between Beijing's BRI initiative and the FOIP strategy led by Washington will continue to make the arms race in the region tend to increase, become more complicated (Feitao, L., 2019), and have adverse impacts on maintaining ASEAN centrality in the region's strategic cooperation structures.

4. ASEAN's Flexible Response to China's Growing Economic Influence

4.1 Strengthen intra-ASEAN linkages and be more careful with Chinese investment projects

In the face of concerns about the negative impact of China's increasing economic influence on the central role of ASEAN, with the sustainable development of the association as well as each member state, ASEAN countries strategic adjustments have been made to adapt to this trend.

Firstly, ASEAN and its members are directly facing the economic and maritime power of China, without following the trend of turning this region into a battleground for a conflict between superpowers, especially the US and China. The 34th ASEAN Summit held in Bangkok, Thailand in June 2019 adopted the AOIP (Nazia, 2019). AOIP builds a long-term policy for ASEAN, which considers all partners and friends, especially major countries, within the framework of ASEAN, promoting their dialogue and cooperation habits, encouraging them to exercise self-restraint, exploit their economic and connectivity potential while addressing strategic competitive challenges. AOIP sets out ASEAN's long-term principles regarding regional architecture, including "openness," "transparency," "inclusiveness", "rule-based", and "respect for international law". The concept of "freedom" declared in AOIP is understood as "contributing to the maintenance of peace, freedom and prosperity," In AOIP, ASEAN positions the centrality of the association as a fundamental principle to promote cooperation in the Indo-Pacific region, with ASEAN-led mechanisms such as EAS, ARF. While ASEAN must be careful not to overestimate its capabilities, expanding its strategic areas to the Indo-Pacific region could bring new prospects and alliances for ASEAN and its member states while avoiding excessive reliance or ambiguous decisions with superpowers (Hoang, 2019). More specifically, considering its crucial geopolitical and economic position, the Free and Open Indo-Pacific Strategy

- FOIP can help ASEAN enhance its position and centrality in regional and international issues. In terms of geopolitics, whether viewing the FOIP strategy from a broad perspective (including the countries and regions of the Pacific Rim and the Indian Ocean Rim) or a narrow one (implying Northeast Asia, Southeast Asia and the related seas to the north of the Indian Ocean), Southeast Asia always plays a crucial geopolitical role. Maritime trade routes stretching from the west coast of the Pacific and East Asia to East Africa, West Africa, and South Asia must pass through the straits of Southeast Asia (Feng, 2019). In particular, the Strait of Malacca, considered the busiest trading area in the world, holds a crucial position. Similarly, trading activities, especially energy and mineral products from superpowers like China, India, Japan, and some other smaller economies in East Asia also largely take place on the international sea route through Southeast Asia. Overall, Southeast Asia can be considered a strategic battleground in the Indo-Pacific region, where the freedom and openness of the FOIP strategy will be tested in practice (Parameswaran, 2018). Geo-economically, ASEAN also plays a significant role in the FOIP strategy as well as other international economic cooperation frameworks. ASEAN is the third largest economy in Asia, after China and Japan. ASEAN is a large market, with a population of over 600 million, an area of over 4.4 million square kilometers, total GDP, trade turnover and foreign direct investment in 2018 amounted to 2.98 trillion US dollars, 2.82 trillion US dollars and 152.7 billion US dollars respectively (ASEAN Statistical Database).

For China, Southeast Asia holds an even more critical position as many countries in the region share land and maritime borders with China. Equally important, China's rise requires space, and Southeast Asia has been chosen by China as a strategic location for Beijing's growing influence. The role of Southeast Asia with China is becoming increasingly important as powers such as the United States, Japan and India are also continuously strengthening cooperation in various aspects with this region. Therefore, ASEAN has continuously leveraged these advantages to reduce its dependence on China, balance relations with major countries, thereby maintaining ASEAN's centrality in the region. As a result, ASEAN's reaction at the conference showed "caution, silence and unimpressive... [but] shows ASEAN's ability to jointly steer a subregional institution amidst rising instability in the strategic environment" (Singh Tseng, 2020). The inclusion of AOIP on the agenda of the East Asia

Summit cleverly eliminated the need to create any other platform to address these issues and captured ASEAN's veto power over its progress in the region. It demonstrated ASEAN's centrality on an issue of strategic importance to the region. It served to refute the perception that ASEAN is divided in the face of US-China competition. It effectively upgraded the ASEAN Regional Forum. It reflects ASEAN's determination to shape the future narrative around Indo-Pacific diplomacy.

Secondly, ASEAN's perspective is built on ASEAN's consensus principles. Importantly, it includes and adds economic and development dimensions – two key aspects that demonstrate a clear change in dealing with China's strategic influence. For ASEAN, RCEP is a tool that helps institutionalize that strategy. RCEP is a strategy not unlike the origin of ASEAN's collective response to the then TPP, which prompted the negotiation of RCEP. Once established, RCEP will surpass the CPTPP to become the world's largest FTA (Vietnam News Agency, 2019b). This agreement is expected to bring member businesses, including ASEAN, greater market access and strengthen their product networks, thereby allowing consumers to benefit more. Even though India announced its suspension of negotiations "at the last minute," RCEP can hardly be considered a failure as it still leaves open the possibility for India's future participation. The efforts to finalize negotiations and implement agreements demonstrate ASEAN's determination and position in strengthening economic cooperation and maintaining its centrality in the region despite facing difficulties and challenges (including the US withdrawal from CPTPP and India from RCEP). More importantly, ASEAN has developed the political will to implement it. Another success was bringing China, Japan and South Korea, countries that could not find common ground for an FTA between them, into the negotiations. RCEP is a process that promotes and expands regional and global economic integration, as well as ASEAN's position in the global system. RCEP's economic cooperation agenda positions it as a valuable vehicle for building economic and political confidence in implementing the next major structural shift across the Asia region between East Asia, South Asia, and the Pacific. The ASEAN model can be seen as an innovation and a significant, unique achievement in international economic diplomacy and in managing the dealings of smaller countries with superpowers. ASEAN's comprehensive approach has developed under the banner of "open regionalism," which has both a political implication of non-alignment and an economic implication of

multilateralism. Openness and inclusiveness towards outside countries as members from the outset, accepting the role of expanding economic relations with major industrial economies in ASEAN's development process. This posture has kept the space open for ASEAN's effective engagement with larger powers that are actively competing. In ASEAN's thinking, it has deeply ingrained the concept of regional cooperation within the framework of concentric circles extending outwards around ASEAN's centrality. ASEAN's inclusive strategy has been correct and is key to continuing to ensure Southeast Asia's prosperity and security in the region and the world.

Thirdly, ASEAN strengthens economic linkages among its member states, notably the announcement of the establishment of the ASEAN Economic Community (AEC) on the last day of 2015. The AEC is an economic integration initiative of ASEAN countries towards a stable, prosperous and highly competitive area of economic cooperation. The AEC is founded on four pillars: 1) A single market and production base; 2) A highly competitive economic region; 3) Fair economic development; and 4) Comprehensive integration into the world economy (WTO and Integration Center, 2016b). However, AEC is not the end point where ASEAN countries will continue the process of closer economic integration. This is demonstrated by the adoption of the "Master Plan for Building the ASEAN Economic Community 2025" by member states. The goal is to build a highly integrated and cohesive economy; to create more balanced and inclusive economic growth; to promote strong productivity gains through technological innovation and human capital development; promote good governance principles; to expand ASEAN people-to-people connections, to improve institutional and infrastructure connectivity, to create a more dynamic and resilient ASEAN that is able to respond and adapt to new challenges; to strengthen ASEAN's central role in the regional economic architecture (WTO and Integration Center, 2016a). With the goal of realizing the ASEAN Economic Community, ASEAN member countries have agreed to implement some key areas, including: human resources development and capacity building, recognition of professional qualifications such as through the mutual recognition agreements, closer consultation on economic and financial policies and enhancing private sector involvement in the building of the AEC (Chaisse, J. & Jusoh, S., 2016, p.15). The prospect of developing and forming a more cohesive By 2025, the ASEAN region is expected to assist ASEAN

and its members in improving their regional and international competitiveness and position, thereby reducing reliance on one or a few specific partners and balancing the strategic competition of major powers in the region, particularly the United States and China.

The developing countries of the region, which are under severe debt pressure, perceive that debt burdens will result in the country's important assets being controlled by foreign countries (Gong, 2019). As a result, many Chinese investment projects in the region have been canceled, delayed, or re-evaluated. In Malaysia, Prime Minister Mahathir has taken a closer look at the country's commercial ties with China, following a pledge he made during the 2018 election. Malaysia briefly halted Chinese infrastructure investment projects worth tens of billions of dollars in November 2018, openly questioning their viability and transparency. Initially, China's infrastructure projects, including the USD 10 billion Malacca Gateway port project, the USD 20 billion East Coast Railroad project, and a significant natural gas pipeline project, were reviewed and perhaps canceled. After months of arguing and harsh talks, the Malaysian government announced in April 2019 that China has agreed to cut the cost of the East Coast Railway by roughly USD 5 billion and enable construction to begin. Individuals and businesses from the surrounding area are becoming more interested in the initiative (Heydarian, 2019).

Similarly, Myanmar has reduced the original investment capital for the Kyauk Pyu deep-sea port project, which is located in the west of Rakhine state, Myanmar financed by China from USD 7.3 billion to about USD 1 billion. Kyauk Pyu is the beginning site for a 770-kilometer oil and gas delivery pipeline to China's Yunnan region, with the objective of reducing China's reliance on Middle Eastern energy imports and avoiding key crossings across the Malacca Strait (Kapoor & Thant, 2018). The reason behind the decision to reduce investment capital at the Kyauk Pyu port project is likely to come from concerns that Myanmar may fall into a debt trap, making Myanmar increasingly dependent on China. Many opinions are concerned that the large scope of the Kyauk Pyu port project may make China's power grow larger, deciding how to develop and use this port with the greatest prospect of becoming a navy base or at least a dual-use facility in Beijing's Bay of Bengal (Sun, 2017).

China has invested billions of dollars in Cambodia, particularly in the port sector, raising worries about debt, the loss of indigenous businesses, and rising

unhappiness, as well as environmental degradation, job loss, and the erosion of local people's cultural identity. Aside from the threat of debt traps, many people are afraid that China may exploit Cambodia's Sihanoukville seaport for military reasons, thereby escalating the region's military weapons race (Vietnam News Agency, 2019a). Despite concerns, the Cambodian government has not taken practical actions to effectively handle this challenge.

Some projects have the potential to fail due to insufficient risk assessment during project implementation. Delays in completion will harm development plans and impact both politics and diplomacy. The Jakarta-Bandung railway project in Indonesia is a prime example of issues arising from a lack of experience in implementing and managing large-scale international projects (JakartaPost, 2018). Indonesia, like many other Southeast Asian nations, is increasingly wary of Chinese investment projects, even though Indonesia's foreign debt remains relatively safe (equivalent to 36 percent of GDP). This stems from concerns that BRI projects, rather than improving infrastructure and driving economic growth, may increase inequality and corruption in Indonesia (Rakhmat & Indramawan, 2019). These implementation issues are common. They are a consequence of the scale and speed, as well as inadequate preparation for what is being implemented, and they stand in stark contrast to the success of the multilateral Chinese-led Asian Infrastructure Investment Bank initiative. Therefore, this raises political sensitivities in recipient countries of Chinese projects about who benefits from this dependence. Countries like Indonesia and Thailand are pursuing their own infrastructure development projects to lessen dependence on Chinese investment. These projects are often financed through multilateral development banks, domestic funds, and partnerships with other countries.

Furthermore, Southeast Asian countries are also striving to link bilateral projects to ASEAN mega-projects like the ASEAN Master Plan on Connectivity (MPAC), Southeast Asian Energy Connectivity Initiatives (ACE-CASE-ETP) with a typical example being the energy connection between the "quad" of Laos, Thailand, Malaysia, and Singapore (Yeoh, 2023) in order to strengthen physical connectivity in the region. Or, like Laos is carrying out plans to connect physical infrastructure with Vietnam. In 2022, Hanoi continued to allow Vientiane to use the Vung Ang Port to help Laos connect to the sea and realize its goal of

becoming a regional logistics hub. Vietnam has facilitated the transshipment of goods to and from Laos for many years (Vu, 2022). Vietnam and Cambodia signed the Border Trade Agreement and the Bilateral Trade Promotion Agreement for the 2023-2024 period after seven signings and renewals, aiming to tighten supply chain connectivity and develop border trade (Duy, 2023). Thus, in addition to formulating and implementing proactive policies domestically, regional governments are also actively cooperating and connecting directly with each other. These internal efforts to enhance the region's domestic capabilities, along with cooperation aimed at establishing and strengthening cross-border connectivity at the regional level.

Besides that, to compete with China's manufacturing capabilities, Southeast Asian countries like Vietnam and Thailand are focusing on industrial upgrading and developing higher value industries such as electronics, automobiles, and renewable energy. Vietnam, in particular, has become a global manufacturing hub, attracting foreign direct investment (FDI) from companies seeking alternatives to China. Countries like Malaysia and Singapore have placed a strong emphasis on human capital development to ensure that they can compete in a global economy increasingly dominated by China. These countries are investing in education, technology, and innovation to drive long-term economic growth.

Another Southeast Asian country, Vietnam, is also concerned that Chinese investment projects will put more pressure on public debt, which is nearing the ceiling allowed by the National Assembly. Vietnam's participation in this initiative could lead to "overdependence" on China, and even harm Vietnam's maritime and territorial claims in the South China Sea. In addition, China's technological and execution capacity in investment projects, supporting infrastructure development, and China's failure to fully guarantee labor rights are other concerns of the Vietnamese government and the public (Le, 2018). This shows that, although it is urgently needed to attract capital from outside to develop socio-economic infrastructure, Vietnam still keeps a certain distance from investment projects from China. Furthermore, Vietnam has adopted a pre-emptive strategy against Beijing by diversifying partnerships with other powers, including Japan, to mitigate the vulnerability and risks posed by China (Manyin, 2014). Vietnam has expressed support for China's BRI, but only in a diplomatic manner, not with concrete actions (Le, 2018; Nomura, 2018). While Vietnam remains silent about endorsing FOIP, the maritime

defense relationship between Hanoi and Tokyo has been surprisingly strengthened recently, from frequent visits to defense interactions (Chand et al, 2018; Parameswaran, 2018).

4.2 Diversifying and expanding economic partners

In addition to strengthening intra-regional economic linkages and being more careful in attracting investment projects from China, Southeast Asian countries are trying to diversify economic partners likes to reduce their dependence on China. A crucial factor for ASEAN nowadays is the US, which uses both internal and external balancing to counter threats from China in the region. *Firstly*, the US binds countries to its institutional goals of “freedom, democracy, and the rule of law.” American initiatives all focus on these values. The US is playing an increasingly important and active role in the region through its own mechanisms, demonstrating America’s confidence in its regional leadership. Additionally, the US establishes alliances with other major powers outside the region through multilateral mechanisms that are broader than ASEAN, such as FOIP, QUAD, AUKUS, etc., intentionally excluding China from these multilateral mechanisms and building an order led by itself. These mechanisms are crucial factors in balancing regional power, deterring and containing China’s actions, and persuading it to act with greater caution. Meanwhile, China’s growing economic influence in the region through cooperation mechanisms that it promotes and leads could serve as a motivating factor and persuade the US to pay more attention to the economic needs of Southeast Asian countries in its strategy, lest it be outmaneuvered by China in the region. Southeast Asian countries in general have tried to maintain a neutral stance in the escalating rivalry between the US and China, opting for strategic balancing. While China’s economic influence is significant, many countries still maintain strong security ties with the United States. For example, Singapore and the Philippines have military relations with the US, while also benefiting economically from Chinese investment.

Second, these countries are also starting to build a “balancing strategy” against China. Connectivity balancing is considered a way to increase leverage for smaller countries when negotiating with China on projects related to the BRI’s “debt trap. Connecting with more than one partner creates opportunities for both sides to bring reliable and sustainable alternative

cooperation opportunities. In this way, Southeast Asian governments have created “competition” between investors. Japan has been highly active in providing financing and infrastructure development support through the Partnership for Quality Infrastructure. While China has declared a trillion-dollar program to invest in infrastructure across member countries, Japan announced a \$116 billion plan for “high-quality” infrastructure in Asia under the “Partnership for Quality Infrastructure” (Berkofsky, 2019). For example, in Cambodia, while the increase in energy sector disbursements is mainly due to loans from China, the transport sector benefits from significant funding from Japan and the ADB (Ngin, 2022). We can see how Southeast Asian countries are holding some leverage in dealing with their investors and financiers. For example, Cambodia utilizes a strategy of Development Cooperation and Partnerships to coordinate aid for economic development related to both BRI and non-BRI projects to meet its economic needs (Calabrese & Cao, 2021). While China has significant investment in Sihanoukville in general and a Sihanoukville Special Economic Zone in particular, Japan provides considerable support for the Sihanoukville deep seaport. This is a clear example of the “diversification” strategy of Southeast Asian countries.

The rapidly changing regional landscape shows that ASEAN can hardly maintain a dominant position in initiating, leading, and promoting all diplomatic and cooperative processes in the region. In the current context, ASEAN could consider new minilateral cooperation mechanisms to complement existing cooperative mechanisms, particularly between ASEAN members with shared interests, as well as with regional middle powers as third parties in the US-China strategic competition. Cooperation with external partners will also strengthen countries' power and capacity to ensure their own security and provide an alternative to China's efforts to create a China-centric order. ASEAN could also consider forms and mechanisms of interaction and cooperation with newly formed regional minilateral groups like QUAD, initially on non-traditional security issues that are less sensitive and where both sides have overlapping interests. This could also be a vital addition to the current limitations of ASEAN-centric multilateral security mechanisms.

At the specific country level, some members of ASEAN have been making relatively good use of their strategic competition, geopolitical position and other unique advantages to play a larger role in building architecture of regional cooperation, especially in the Indo-Pacific region. An increase in the

frequency of cooperation, including military cooperation, to promote regional connectivity between the United States and its allies in the Quad (including the United States, Japan, Australia and India) in ASEAN, especially Indonesia, Vietnam, Singapore and Malaysia in the past time are convincing evidence for the increasing role and market position of ASEAN in the FOIP strategy.

Vietnam is a core country in the Indo-Pacific region, with a long coastline in the South China Sea, and at the same time there are still many disputes with China over ownership of related islands and reefs and development of petroleum resources. Thus, Hanoi has become a target actively used by India, Japan, and the United States in the FOIP strategy. To take full advantage of its superior maritime geography and major powers' strategic expectations for Vietnam to acquire military technology, develop resources, and finance in order to balance its relations with other countries, Hanoi has developed a foreign policy with three priorities: priority for major powers, priority for neighboring countries, and priority for traditionally friendly countries (Feng, 2019). Over the past time, Vietnam has accelerated its close bilateral and multilateral strategies with the United States, Japan, and India, such as receiving visits to naval ships of these three countries, thereby helping to strengthen its position in the world. Agency (JICA) signed a loan agreement with the Vietnamese government to provide Vietnam with six coast guard patrol vessels worth USD 345 million (Vavasseur, 2020). Vietnam's position on the geopolitical and regional economic chessboard is constantly improving, helping Vietnam better balance strategic competition among major countries.

Similarly, other countries, such as Indonesia, Singapore, Malaysia, and Sri Lanka, are also highly valued in the strategic system of great powers. Indonesia, for example, is located near the Indo-Pacific strategic arc, controlling several important straits such as the Makassar Strait, Lombok Strait, and Sunda Strait, as well as overseeing several other important sea lanes. traffic with the Indian and Pacific Oceans. As a result, Southeast Asia's most populous country has become an important target of outreach from the countries concerned. The same is observed for smaller countries such as Singapore, Malaysia, and Sri Lanka.

These countries have different relations and geographical distances with China, but they all choose a balanced diplomacy with Beijing and major powers. Although the national strength is relatively weak (in comparison with

the great powers), based on geographical location and some other specific advantages, the views of these small and medium-sized countries may also influence trends shaping the Indo-Pacific regional order (Feng, 2019). Thus, in the process of building the Indo-Pacific region, the island nations, and peninsulas with special strategic positions in the Indian Ocean and the Pacific Ocean have become important countries. As a result, the smaller states in Southeast Asia will continue to use their superiority in geography and other attributes to increase their position and role in shaping the rules, international relations in the Indo-Pacific region, as well as balancing relations between major powers, especially the United States and China.

While differences of opinion on rules and a rules-based order persist among countries in the region, 39 countries have accepted ASEAN's common norms and joined the Treaty of Amity and Cooperation (TAC) in Southeast Asia, including most key countries in the Indo-Pacific. The increasing number of countries expressing their desire to join the TAC reflects the recognition of these norms by non-ASEAN countries and affirms the role of creating "rules of the game" to enhance trust and cooperation between countries in the Indo-Pacific region. This, together with the enduring vitality of ASEAN's 55 years of existence and development, is a crucial basis for believing that Southeast Asian countries will continue to strive to strengthen consensus, leverage their spirit of solidarity, and proactively adapt to overcome the challenges of major power competition, develop sustainably, and contribute to the security, stability, and development of each member country, as well as the region and the world. Furthermore, China cannot realize the BRI and regional cooperation initiatives without the participation of ASEAN countries. Therefore, in the competition between major powers, ASEAN is a key target for these powers to entice. This reality creates centrifugal forces, but it also creates an attractiveness for ASEAN to form vectors of pull and push from major powers, with ASEAN at the center, thereby allowing ASEAN to leverage all sides to serve its interests and enhance its standing. In the next five to 10 years, it is unlikely that any regional multilateral mechanism can replace ASEAN as the core driver of dialogue and cooperation in the region through ASEAN-centric mechanisms with the participation of all major powers. This is because it is unlikely that any major power will have enough trust and support to play a leading role. New initiatives are competitive and mutually exclusive. Meanwhile, China-Southeast Asia economic relations are currently very

important but not vital from the perspective of each side. Neither China nor ASEAN has a unified economic policy toward each other. From China's perspective on its economic relations with ASEAN, it is a dependence on bilateral economics as well as political and strategic interests, rather than the expectation of purely economic benefits. This will cause these countries to be concerned that China's ambitions to become a military power in the Asia-Pacific region could harm its neighbors and smaller countries. Meanwhile, member states continue to support ASEAN's role and position in strengthening crisis management measures, building trust, and cooperating to address non-traditional security challenges. ASEAN, with its gradual, inclusive, and "fit-for-all" approach, still has value to leverage.

On the other hand, although the Asia-Pacific dialogue and cooperation mechanism focusing on ASEAN has made great contributions to peace, stability, and regional cooperation in the Asia-Pacific region, but such an ASEAN-centric model of regional cooperation must rely on the support and coordination of great powers. This could be the biggest challenge for ASEAN because its security goals can only be achieved through compromise and cooperation among great powers. The FOIP strategy is said to be primarily intended to contain and counter China. It is a competitive or even confrontational strategy devised by the United States, India, Japan, and Australia to address China's growing influence. Therefore, the model of regional cooperation that ASEAN supports and promotes is difficult to be compatible with the model of confrontation and competition because ASEAN certainly does not want to have to choose between the United States and China. Equally important, ASEAN, located at the center of regional integration, does not yet have the necessary strength and hard mechanism to mediate conflicts between the two sides. Thus, the conditions that enable ASEAN to be at the heart of India's security and cooperation in East Asia are facing an ever-greater challenge (Wu, L., 2019).

5. Conclusion

This study examined ASEAN's policy responses to China's growing economic influence in Southeast Asia from 2003 to 2024. The research findings reveal a complex dynamic of opportunities and challenges faced by ASEAN member

states. China's economic influence in Southeast Asia has grown substantially since 2003, as evidenced by the dramatic increase in bilateral trade, investment flows, and tourism. Trade between ASEAN and China rose from USD 89 billion in 2004 to USD 497 billion in 2018, while Chinese FDI into ASEAN grew from USD 3.4 billion in 2010 to USD 10.1 billion in 2018. Chinese tourists to ASEAN countries increased from 5.4 million in 2010 to 29.1 million in 2018. ASEAN member states perceive both opportunities and challenges from deeper economic ties with China. The opportunities include enhanced market access, capital inflows for infrastructure development, and increased tourism revenues. However, concerns have emerged regarding economic dependency, erosion of ASEAN centrality, and China's potential use of economic leverage for strategic purposes.

In response to these challenges, ASEAN and its member states have pursued a multi-pronged strategy: i) Strengthening intra-ASEAN economic integration through initiatives like the AEC and the AEC Blueprint 2025; ii) Diversifying economic partnerships beyond China by participating in multilateral agreements such as CPTPP and RCEP, as well as engaging with the Indo-Pacific strategy; iii) Carefully evaluating Chinese investments, especially under the BRI, with some countries renegotiating or canceling projects due to concerns over debt sustainability and strategic implications; iv) Leveraging ASEAN's geostrategic position to balance relations with major powers, as exemplified by the adoption of the AOIP in 2019; v) Adjusting regulations and protecting national interests as well as domestic economic reforms and enhancing competitiveness.

The response of Southeast Asian countries to China's economic rise is a careful balancing act between seizing opportunities and managing risks. As China continues to grow its economic influence, Southeast Asian countries will likely continue to pursue a combination of economic cooperation, diversification, and strategic balancing to safeguard their interests. The region's policies reflect a desire to benefit from China's economic development without becoming overly dependent on it, while also maintaining sovereignty and regional stability. However, ASEAN faces ongoing challenges in maximizing economic benefits from China while maintaining strategic autonomy and centrality in regional affairs. The association's ability to present a unified approach is hampered by divergent national interests and varying levels of economic dependency on China among member states.

Looking ahead, ASEAN's capacity to navigate China's growing economic influence will depend on several factors: i) The success of intra-ASEAN economic integration efforts in enhancing the region's collective bargaining power; ii) The ability to diversify economic partnerships and reduce overdependence on the Chinese market; iii) The development of more coherent and unified foreign policies at the ASEAN level, building on initiatives like the AOIP; and iv) The association's skill in leveraging its strategic position to balance relations among major powers, particularly in the context of US-China competition.

This research contributes to the broader literature on small state strategies in the face of great power competition. It highlights the complex interplay between economic opportunities and strategic challenges faced by regional organizations like ASEAN when engaging with rising powers. Further research is needed to assess the long-term effectiveness of ASEAN's adaptive policies in an evolving regional order. Additionally, comparative studies with other regions facing similar dynamics could provide valuable insights into strategies for maintaining autonomy and centrality in the context of shifting global power dynamics.

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