

The Implication of Trade War on Contested Leadership between United States and China in Southeast Asia

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Abstract

The recent rivalry between United States and China has been escalating and becoming stronger, causing a trade war. The trade war can cause a heated situation in international politics. Southeast Asia as the region that has pivotal role for contested leadership between China and United States will inevitably be affected by the impact of this situation. This study aims at describing the implication of trade war as a part of contested leadership between United States and China in regional dynamics. The concept in this study is mainly viewed from the perspective of contested leadership and enclosed as related to the concept in analysing trade war. The qualitative method is the main methodology in this study. The result of this research shows that both sides are potentially inclined to carry out a military manoeuvre in the South China Sea and Taiwan Strait and this complicates the domestic conflict in Southeast Asia as the proxy of China and the US in

strengthening their respective influence and leadership on the region. The other possibility is increasing cooperation with China in containing US influence. In the economic sector, there are two possibilities with rapid change and very dynamic circumstances. First, Southeast Asia can be a new market and export destination for China and US. Second, the trade war could devastate Southeast Asia's economy in facing this rivalry.

Keywords: *trade war, contested leadership, US, China, Southeast Asia*

1. Background

The dynamics of international trade has been influenced by the disruption era. Competition between states or producers moves in a more rapid pace, is unpredictable, and presents the market with a lot of surprises in innovations with advanced technology. It also applies for the tight competition between China and United States as new superpower rivalry today. China is soaring up with its international trade by becoming main actor in this sector and its accession to the WTO has strengthened China's position in international trade with WTO's principle of free trade. On the other hand, US in recent times is willing to regain its position as dominant player in international trade to improve its economic performance after the 2008 crisis and establishes its place as a major power in international politics and global economy.

Southeast Asian countries enjoy the growth of China and US in the trade partnership with them. After the 1998 Asian financial crisis, this region has mostly been gaining stable economic growth and become the most stable region in the world after Europe. With its stability and growth, this region has a good prospect in the future and could be a new pendulum of world economy. In addition, it contributes significantly to international trade (*Bloomberg*, 18 December 2017).

In fact, this situation in Southeast Asia is not as serene as it seems to be. There are a lot of challenges ahead and it needs to overcome them, such as the Rohingya issue and possibility of a trade war between Indonesia and the Philippines. This challenge includes the performance of China and United States as major powers in the region. The trade value between Southeast Asian countries and both states is significant and has a big impact on the economy of the region (Reynolds, 2018).

The other matter that cannot be ignored is contested leadership among US and China in the world, particularly in Southeast Asia in this term. The interests of both countries to this stable region is very high, mainly boosting up its economic advantage and increasing political influence by establishing military bases or gaining new territories. Both countries are eyeing this region because of the growth, stability, and potential base for securing their national interests in winning this contest to become the champion in international politics. Both political and economic issues are very important for both states in captivating influence in this region (Rifawan and Amelia, 2018).

In terms of politics, China has a big interest in securing its new territory in disputed areas of South China Sea. With its nine-dash line claim, it has attracted resistance from member countries of the Association of Southeast Asian Nations (ASEAN) threatened by China's manoeuvre. Four ASEAN countries have disputes with China in the South China Sea and could increase to five countries if China's position becomes stronger and firmer in this dispute. Undeniably, China's power in the South China Sea is ascending and potentially could be a new threat for US presence in this region. On the other hand, the US will not give up its influence in this region easily. The containment policy is the main guideline in US foreign policy. It applies to contain China's movement in Southeast Asia. At least, the US still maintains its ties with its allies in Southeast Asia including Commonwealth states which could

be critical for China's military if it intends to penetrate more to hamper those territorial states. Based on that policy, the US will increase its presence and influence to contain China's influence in those states by increasing more engagement of the US in this region. However, the US prefers to avoid direct conflict with China in Southeast Asia.

The economic competition between the US and China in this region tends to intensify due to the establishment of trade wars. In supporting both the economies of the US and China, Southeast Asia has significant role. China has interest in augmenting its trade by enhancing the Belt and Road Initiative (BRI) in rebuilding the legendary silk road that could be the backbone for China's trade in this region. Furthermore, China also initiates the Regional Comprehensive Economic Partnership (RCEP) and the Asian Infrastructure Investment Bank (AIIB) as the institutions that support free trade in Southeast Asia. This region is the first entry to southern China which has abundant resources for China's trade infrastructure. Thus, the contest must be taken first by US in exteriorize China's ambition to become the champion in international trade. Moreover, the US wishes to maintain its domination in this region to contain China's influence. However, there is no convincing action yet following the Donald Trump administration's pulling out from the Trans-Pacific Partnership (TPP) except waging a trade war with China.

That war could have impact on regional stability including in the political and economic sectors. The secondary power in this study (ASEAN countries) cannot avoid this tension and must take action in its foreign policy to respond to this recent situation. Meanwhile, there is a lot of possibility of US and China's actions in maintaining their influence in this region.

This article attempts to answer a few questions regarding the trade war between the US and China. Firstly, what is the impact of the trade war between the US and China on the Southeast Asian region both

politically and economically? Secondly, what is the response of ASEAN countries in facing this situation? Those questions will be answered within the framework of contested leadership.

Contested leadership is the concept proposed by Flemes and Wojchewski (2010) and renewed in 2015 by Flemes and Lobell. This concept could explain the competition of major powers in a region. It contains the foreign policy interest of major powers and response from secondary power which in this case is host countries of the Southeast Asian region.

This article, firstly, provides the chronology of trade war between US and China and the impact of trade war on the global stability. Secondly, it expounds the interest of China and US in Southeast Asia and the action that the countries took in this region due to trade war establishment between the two countries. Thirdly, it shows the impact of trade war for Southeast Asian countries on politics and the economic sector. Fourthly, it discusses the response from ASEAN countries in anticipating trade war between the two superpowers of the world.

2. Trade War between China and United States

Undoubtedly, as a new president assuming office on January 20, 2017, Donald Trump should act in accordance with his campaign promise and slogan. Putting America first is the main platform of Trump administration policy. The highlight of that campaign also involves increased surveillance of illegal immigration and tends to raise anti-trade deficit sentiment in the US, including towards China in this case. Since in the presidential campaign, in the statement of Trump with regard to China-US relations China is mentioned as an economic enemy (*ABC News*, 9 November 2017). Apparently, China is placed as the new source of challenge to US interests globally. Even the recent acting defence

secretary, who replaced Jim Mattis, upon his new arrival as minister mentioned “China” three times (*CNN*, 2 January 2019). It sparked the question why China is mentioned in the defence sector three times and tends to raise the tension between the US and China. On the other hand, finally, after almost three decades, the US has a perceived serious challenger against its own way for the world to embrace the US.

Trade negotiations between the US and China started since the administration of George Bush, Sr. During the Bill Clinton administration, the China Trade Bill was passed (Skonieczny, 2018), and it has been continuing until now. However, this tension reaches its peak during the Trump administration in which bold declarations were made on this war. Trump’s ambition in making America Great Again opposite to Xi Jinping and China’s passion for taking triumph in international economy particularly in international trade. The US and China trade partnership reached the lowest point in this era, and trade war is inevitable due to unmet interest between the two countries.

Liu and Woo (2018) wrote that three concerns of the US which cause trade war with China are: first, huge trade surplus of China; second, illegal and unfair method conducted by China in cooperating with US company and technology by acquiring it with discounted price; and third, the emerging of China power that potentially obstructs US hyper polar actions in international system. They also added the solution for those concerns technically, which is very interesting and could be supplementary in political economy studies particularly in international trade research. However, the political aspect is not described very well in that paper and by discussing it, it might help to address why the US simply does not prefer fair economic competition. Table 1 gives the US and China trade tension chronology until it reached the trade war situation.

Table 1 Chronology of US-China Trade Tension

Timeline	Policy	Effect
Bush Sr - Clinton Regimes	China Bill	Trade Negotiation between US and China
Bush Jr Regime	More Military Approach	Status Quo
Obama Regime	Request for Consultation	Rising Trade Tension
Trump Regime	America First	Trade War between US and China

Source: Illustrated by authors.

It is unavoidable that China enjoys huge trade surplus with US. With the biggest market and diaspora in the world, the Chinese is well known in every country as accomplished, resilient, and hard-working traders. Thus, China is not only relishing excellent products from the US for domestic consumption but also could learn from and imitate US success in creating a good product with competitive price. The success of China in international trade is also changing its method from the labour-intensive pattern to capital- and technology-intensive exports (Caporale, Sova and Sova, 2015). This could create a tight competition with US products in the global market. The Chinese always prefer cheaper and more local competitors that appear as the new serious challenger and that is a massive loss for US in competing with China product in China’s market (Perkowski, 2019). Although US products

still dominate the global market, the development of China's products could be a huge threat. This could lead to the disaster of US employment if the trend continues and cannot be handled. Without a good rate of employment, domestic politics could lead to an unstable situation and create more protest from the American people to their government.

Secondly, China's status in the WTO as developing country could also lead to dubious standard treatments in the WTO mechanism (Cutler and Doyle, 2019). China's economy has been soaring up in recent times to compete with US as the new economic superpower in the world. In respecting China's sovereignty, China tend to use developing country status to gain equal partnership with US by acquiring its technology as a condition when US companies want to penetrate China's market. Unfortunately, the US seems satisfied with the current situation and put little development in their products particularly in competing with China's product prices. The US must find a way to overcome China's way in accessing US technology by upgrading its standards and confidently face the competition with China's product with cheaper price.

Thirdly, it is very critical and unavoidable for international politics when two major powers meet in their way and must face each other in competition. The US as the first in power will maintain it in every way to still become number one in power. However, China will not let it happen and will try to seize that crown by realizing its aspirations first through international trade. When the two countries' interests come across each other, political motives will have more influence than anything else.

The differences and dispute between global powers will raise the concern over international stability. The conflict has a big consequence for other nations. Mainly, it is for countries which heavily depend on the economy and stability of the US and China. Moreover, in globalization,

trade is one key factor that can smooth integration agenda and nourish global economy. In the worst situation, trade war could trigger military war, namely Bandanese War, Anglo-Dutch War, Opium War, and Shimonoseki War. However, it could be anticipated or converted into other forms except direct full war between states. Certainly, the trade war between the US and China has been making the international economy and security shaken due to the tension between the major powers.

Moreover, China has decided to increase its military budget by 7.5 per cent (Reuters, 5 March 2019), and the US is still consistent with its containment policy in surrounding China by deploying its military bases around China's neighbourhood, reduces its military resources from Middle East and has a possibility to increase military deployment in East Asia. In addition, the US is trying to make peace with North Korea in reducing its threat in the region. North Korea could be a serious threat for US containment policy on China if it is placed as US's enemy, proposes a violence approach and tends to make cooperation with China in military and economic terms.

The effect of the trade war of major powers is not only having an impact on the US and China but also on other countries. With great number of population and advancement of technology, China and US could lead the market trend and product innovation that could disrupt the market. The competition between the two major powers could lead to a political situation regarding the dynamic power changing in each country's domestic affairs. The US as a democratic state will have to maintain its leadership in power, and the main agenda in supporting that ambition is by increasing performance in its economy. Trade, finance and employment are the key factors in supporting political agenda in the economic sector. Meanwhile China, which is more likely to maintain a stable situation in its politics because its Communist one-party political

system, prefers to expand its economy by liberating and supporting its private and public companies especially in international trade. Nowadays, China also emphasizes on research and development by not only gaining other foreign companies' technology which entered the Chinese market but also developing its own technology to be a leader in the future market although the result is still modest (Pérez Calle, 2014).

3. Southeast Asia: The Determining Region?

Southeast Asia is now becoming a new hot prospect area for these two major powers in seizing its ambition to be a super power. After the success of USA becoming the largest crude oil producer in the world (*Today in Energy*, 12 September 2018), USA seems prepared for moving its resources from Middle East to other regions including East Asia. In supporting its containment policy, this region is very crucial for containing China's influence and still maintaining US hegemony in this region. While for China, as the adjacent region, Southeast Asia is a main region in which China must stick its influence as the crucial pivot for China's ambition.

The interest of China and US in their presence in Southeast Asia must be explained. China's main objective in this region is crucial for its expansion. Because of the adjacency of this region to China, it will be the front yard of China's territory. The front yard of neighbourhood will be more convenient to be possessed. Instead of treating this region like Africa, China could be more aggressive in impending over this region. China's expansion includes military involvement and sovereignty issue which have never prevailed in Africa or other regions to which China is expanding its influence. Table 2 describes Chinese and US interests in this region.

Table 2 Chinese and US interests in Southeast Asia

China's Interest	US Interest	Area
Nine-Dash Line Claim	Prevent China Domination	South China Sea
Kra Canal	Maintain Status Quo	Logistics Route
OBOR/BRI, RCEP	Democratisation and Human Rights	Increasing Influence

Source: Illustrated by authors.

The South China Sea's disputed islands are hot property for China's territory, and it will be advantageous for China if it owns them and wins the claim of the nine-dash line. China's step in this area is quite progressive and is hardly encountered by other claimant states in this disputed area. Those actions are land reclamation (Davenport, 2018) and cabbage strategy (Kazianis, 2013) in upholding effective occupation and China's presence in the South China Sea.

Until now, China has built military base in the Spratly Islands and Scarborough Shoal on reclaimed land. The way of China in reclaiming the disputed area is unique and shows that China is a major power in region and is trying to create deterrence effect on other claimant states which want to confront China in the disputed area. In smoothing the reclamation process, China uses the cabbage military strategy by first securing the area for land reclamation tools and infrastructure. This strategy involves evicting local fishermen from other claimant states by having military naval vessels of China surround local fisherman's ships and replace the crew with Chinese fishermen. China has also been

repelling other states' military ships that approach China's reclamation land project in the disputed areas. It is an effective way in the land reclamation process, which strengthens China's claim in this area. Inevitably, China is strong, firm, and in a superior position in the South China Sea against other claimant states.

It is not only the South China Sea territorial dispute that includes China's objective in Southeast Asia but also its ambition in rebuilding the legendary silk road by enhancing infrastructure development for Southeast Asian countries, namely, OBOR (One Belt One Road)/ BRI (Belt Road Initiative) that China established in Southeast Asia. This project's objective is enhancing China's trade logistics and more likely to assist infrastructure development for Southeast Asian countries that hopefully could produce high return for China's economic development but it could not yield too much for China due to political impact (Blanchard, 2018). Furthermore, in anticipating the US nexus in the Malacca Strait (Singapore and Malaysia), China is planning to continue building the Kra Canal with OBOR/BRI in Thailand (Menon, 2018), which will consequently shorten the route and avoid Singapore as port hub in Southeast Asia but in turn will cut logistical costs and time by passing through this canal (Sulong, 2012). In fact, Singapore and Malaysia are Commonwealth states that has a binding agreement of military protection with Great Britain which is a closer ally to US. This infrastructure ambition and project aims at strengthening the superiority for China's domination in international trade particularly in Southeast Asia.

For US interest, this region is a key factor for the US military and economy nowadays. When the US acting defence secretary mentioned China three times in his first day in office, it could be interpreted that the US is very serious in containing China's influence in the world. Southeast Asia could be a buffer zone too for the US and its allies to

contain China. Since the end of Vietnam War, the US tends to stay away from military intervention in Southeast Asia. The US has been using more soft power than hard power as its approach in this region.

However, Jackson (2004) stated that from 1977 to 2000, US policy in this region seems to benignly neglect the regional dynamics and misses opportunities with every chance that have appeared in this territory (Mauzy and Job, 2007). What cannot be neglected from the George Bush to Barack Obama era is that the US tends to focus more on the Middle East than any other region. The main interest in securing valuable resources in the Middle East and securing the interests of its closest ally and the strongest lobbyist in Washington, Israel, is more irreplaceable than any other influencers for its foreign policy. Nevertheless, by securing Afghanistan in containing China's expansion, the US has not totally ignored China's military development. That is the added value of aiming to contain the Soviet Union first and then having an implication for China respectively.

The interest of the US in this region is still to maintain hegemony by practicing US values and ambition of security and economic architecture. The US is finally facing a tougher challenge from China to maintain its hegemony in this region. This region can hopefully be a contained zone for China's expanding ambition according to US interest in containing the development of China's influence. In the security sector, the US has the war on terror agenda in this region in order to maximize its allies' involvement in terrorism eradication including the nearest country, Australia. For its political agenda, the US wants to implement democracy and human rights values in accordance with US values. In the economic field, until now, there is no clear and specific interest from the US in enhancing the economies of both the US and Southeast Asia other than normative efforts such as boosting trade and investment. In fact, the trade war is one of the US agenda in preventing

China's domination in important goods all over the world. Nonetheless, there is no advanced step that US is taking after pulling out from the TPP negotiations.

One of the main agendas that has reaped massive success for US interests in Southeast Asia is democratization. It is the application of US values to other Southeast Asian countries. All ASEAN countries carry out democratic national elections nowadays including even Myanmar, which produced the agreement between Aung San Suu Kyi and the military junta. Although only Singapore and Cambodia are practicing more "closed democracy", other countries are successfully applying democracy openly and will give more space to freedom of the press and other modern democratic values. It is the success of the US agenda since the Cold War, deposing dictatorships in Southeast Asia.

This region is very important for both countries in their efforts to be major power in the world. For China, it is the golden gate and front yard in entering the world market and could be a buffer zone for strengthening its security. While for the US, this is important for the purpose of containing China as a new tough rival in maintaining its hegemony in the international system.

4. The Economic and Political Impact of US-China Trade War in Southeast Asia

Li, He, and Lin (2018) studied the possible impact of US-China Trade War with the global general equilibrium model. The result is that China will yield more devastating results, but it can afford the negative impact. On the other hand, the US could get a stronger bargain, but it will suffer more damages if China retaliates, especially if other countries that potentially take part in a trade war with the US get involved. This superpower war will have collateral damage to other countries especially

Table 3 Possible Impacts of US-China Trade War

Possible political impact	Potential conflict escalation or increasing stability in region (especially the South China Sea)
	Potential conflict escalation or decreasing democracy domestically (using proxy)

Possible economic impact	Potential windfall for changing supply up to 1 trillion dollars
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Source: Illustrated by authors.

in terms of GDP and manufacturing employment, but it will also increase their trade and welfare (Li, He, and Lin, 2018). Rosyadi and Widodo (2017) find, in another study by using Global Trade Analysis Project (GTAP) model, that the short-term effect that could possibly hamper the economies is the decline in the GDPs of China and the US, terms of trade, and welfare but increasing US trade balance. Other impacts could also be specified in solar energy equipment and instalment trade, in which China has 40% of global production, and it involves trade war with the European Union too (Caprotti, 2015). The other trade sectors may possibly be affected by the spread of this competition.

Based on the studies above, the economic impact of the trade war between the US and China not only affects the economy of both states but also other states, particularly developing countries which have weaker bargaining powers than the US and China. It includes Southeast Asian countries as close partners of both parties. Ling (2019) writes that Indonesia and Vietnam will suffer more for its steel and aluminium

industries while Myanmar, Cambodia, Philippines, and Thailand will reap more benefits in livestock, textiles, automotive industry, and electronic integrated circuit. The other countries, such as Malaysia and Singapore, will get both benefit and loss due to the trade war conditions. Meanwhile, Malaysia reaps more benefit than loss, and Singapore vice versa (Ling, 2019). For uncertain situations like this, Southeast Asian countries should anticipate and try to reduce dependency on trade to both the states and prefer to avoid being involved in that conflict.

Unfortunately, the US does not seem to be satisfied by only waging a trade war with China but also other states with which it has a trade deficit. The Southeast Asian countries could possibly face that situation in entering the US market. However, this war could mean more opportunity to unlock for Southeast Asian countries. Bain & Co predicted that Southeast Asian countries will gain windfall from this situation. It estimates \$1 trillion profit by changing supply chain to avoid trade war effects as ready as Southeast Asian countries to China (CNBC, 23 November 2018). Until now, the ASEAN country that enjoys advantages the most out of the trade war effect is Vietnam. Vietnam's exports to the US have surged by 35 per cent and Taiwan's by 21 per cent (*Taiwan News*, 22 November 2019). In addition, twenty-six manufacturers, which left China, went to Vietnam to place their factories and invest their capital there. In sum, forty-eight manufacturers left China and went to ASEAN countries in continuing their business (*FOXBusiness*, 5 September 2019). Despite the reason of the rapid development of technology and infrastructure in Vietnam and the cheaper cost in doing business there, the windfall to Vietnam could be added by the boldness of Vietnam in its standing in the South China Sea dispute with China. The engagement of Vietnam is more insisting than any other claimant states toward China. There are forty engagements that Vietnam conducted in the dispute with China (Grossman, 2019).

The companies which left China could be safer by placing their factories in Vietnam due to its bold position toward China and the US. Vietnam could be more independent in handling the issue between the two major powers.

The enterprise will look toward Southeast Asia as a new production base, and it could be competitive, filling the market gap of this war. Therefore, the economic impact on this issue would be problematic for some countries in Southeast Asia which are not ready to use the opportunity of the possible outflow of investment from China and use the East Asian market due to the change in the supply chain equilibrium. Readiness is the key to use that opportunity well, and Southeast Asian countries are better pragmatically to use every good possibility in terms of this war.

For political impact, this war could escalate to be a proxy war or real war. Even if it seems impossible or has truncated possibility, every act that trigger more tension could lead to catastrophe in this region. Previous historical conflicts that happened in this region were started from trade war, namely Bandanese War or VOC (Dutch *Vereenigde Oost-Indische Compagnie* / United East India Company) colonialism in Indonesia that began with trade purposes initially. That cannot be neglected if China and US initiate military action to intervene with each other or use proxy in representing each party's own influence. The region with the highest possibility of experiencing it is Southeast Asia. As the nearest zone between the US and China, this region is very vulnerable due to the possibility of military war between the US and China directly or indirectly.

The real impact of this issue politically is that every country in ASEAN tends to be more careful in making foreign policy with regard to braiding relations with the US or China. Both countries seem to be more aggressive in handling this issue. Indeed, the US wants to escalate more

in overcoming its trade deficit with every partner in the world. Its view of this region could be linked to East Asia, e.g. by pulling peace treaty talks with the North Korean leader in Singapore and Vietnam. Meanwhile, China has kept a strong grip on this region by lending huge amounts of money for projects and investments, resulting in this region's debts owed to China. That could turn into China's sharpest soft power. In addition, China is very progressive in building military bases in the South China Sea, causing problems with ASEAN countries. However, every country in ASEAN wants to avoid problems and wants no zero-sum game with China and the US.

Political stability is the key for economic growth and development. When democracy is applied in every ASEAN country, it aims to reach stability in politics. However, it is not a guarantee that political stability could be implemented in this way. China's approach in its political system could even inspire ASEAN countries to practice it in their own respective ways. Every country wants to play safe with China and the US.

In fact, economic and political impacts are related and inseparable. The possible windfall effect from this current trade war on Southeast Asia will increase US influence in this region because every country wants to gain more investment in enhancing its economy. If those circumstances turn to profit for ASEAN countries, then, pragmatically, every country in this region will maintain status quo in this trade war. Consequently, ASEAN countries will favour more the US stand in maintaining status quo of the trade war if it does not escalate to other states, including ASEAN countries. It is in accordance with US interests that this region could be the zone that contains China's expansion of influence, but China will not let it happen easily by still strengthening its grips with military expansion in the South China Sea and implementing the OBOR/BRI in ASEAN countries.

5. Response from Host States to the Trade War between the US and China

In economic matters, global trade negotiations in this region are on its way in enhancing international trade. Between two trade initiatives, RCEP (Regional Comprehensive Economic Partnership) and CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), initiated by these two major powers (the US is replaced by Japan as focal point at CPTPP) differently, every ASEAN country has chosen its own way in going forward through these partnerships. Both trade negotiations are trusted as the way to enhance trade partnership by diminishing barriers among states in Southeast Asia. Free trade is still aimed by most ASEAN members in enhancing economy. With high numbers of export and productivity, the removal of trade barriers will be very lucrative for ASEAN members.

ASEAN countries seem to prefer to obtain more benefit in flourishing trade in this region to being involved in the trade war between the US and China. The possible consequence of the current trade war is that the US will increase the leverage of the war to other states beyond China. It is the high risk that ASEAN members must avert. The economic dispute with the US could lead to damaging trade outcomes in the region. Thus, ASEAN members prefer to address this issue in at least securing its own national interest first. For example, Indonesia prefers to anticipate any US approach in leveraging trade war by collaboration with win-win solution for Indonesia-US bilateral trade (*The Straits Times*, 7 July 2018).

The economic approach of ASEAN members to be favourable to China's economy has a greater tendency to appear as formal policy. ASEAN has a free trade agreement with China – ASEAN-China Free Trade Agreement (ACFTA) – since 2010. Most Southeast Asian

countries also vie to gain benefit from OBOR/BRI. It is in accordance with ASEAN connectivity, and the support from China is very valuable to execute that vision. In infrastructure projects, the benefit for ASEAN members can increase the connectivity in economic terms and popularity in national politics. However, not all ASEAN countries take that for granted and some prefer to cancel the projects due to the large amount of debts and being not the main priority at this time – like Malaysia after Mahathir Mohamad’s Pakatan Harapan (“Alliance of Hope”) coalition won the 2018 Malaysian general election (Reuters, 21 August 2018). The anti-China investment issue also appeared in the elections in Malaysia and Indonesia in anticipation of the debt trap and the movement of low-skilled worker from China to both countries (Han, 2018; *South China Morning Post*, 28 November 2018). The plan of the Kra Canal also is not in favour of the interests of Singapore as the hub in the Malacca Strait and whose economy depends on trade services provided in the port. Nonetheless, the development of China’s economy contributes to the advancement of investment in Southeast Asian countries.

The response in the economic sector will have an influence in the political and military fields. China’s action in the South China Sea has triggered furious reaction from some claimant states, namely Vietnam and the Philippines. Other ASEAN countries also proposed different responses to China. The Philippines has sued China at the International Court of Justice for South China Sea arbitration with case number PCA 2013-19 (Permanent Court of Arbitration, 2015), and the result is in favour of the Philippines that China does not have historical rights to made the nine-dash line claim in the South China Sea. On the other hand, in 2014 and 2018, there were massive riots and demonstrations by the Vietnamese people in responding to China’s action in utilizing natural resources in the disputed area in South China Sea (*CNN*, 15 May

2014). It led to the departure of Chinese people from Vietnam, and perception of China among the Vietnamese people is mostly filled with hatred (Fawthrop, 2018). Investment and trade were going down at that time and so were relations between Vietnam and China. Meanwhile Indonesia prefer to carry out a smart way in facing the nine-dash line claim of China (because there is no direct territorial dispute with China yet) by renaming the South China Sea territory possessed by Indonesia as the “North Natuna Sea” (Connelly, 2017). The change in naming is very important in avoiding China’s historical claim in international law. China is not in favour of that but cannot do much because it is related to the sovereignty of a country in determining its territory. However, there is no clear action from the Philippines or other claimant states to prevent China’s aggressive action in the South China Sea. Furthermore, a latest research about contested leadership of China and the US in Southeast Asia shows that China has a stronger bargaining position and economic influence in ASEAN countries (Rifawan and Amelia, 2018).

As a consequence, the Philippines prefer to cooperate with China in obtaining more benefit in handling the South China Sea dispute by offering China a joint program in exploiting natural resources in that territory (Ramadani and Trisni, 2019). Meanwhile, the other ASEAN states namely Vietnam, Malaysia, Brunei and Indonesia still insist and are consistent on the sovereignty claim in that area. But, Vietnam is the most determined nation in driving out China’s manoeuvres in the South China Sea.

Furthermore, ASEAN as a supra-national regional organization in this region cannot form one common and binding action towards China’s action in South China Sea. The non-interference principle of ASEAN is the one which causes the fact of not being able to reach a consensus. Cambodia’s stance was an obstacle to the agreement of ASEAN statement on the dispute in the South China Sea. There was indication to

delay the code of conduct for South China Sea because the huge amount of investment that China plants in ASEAN countries (Rein, 2018: 8). It is not only applied to Cambodia but also to most of Southeast Asian countries that enjoy ASEAN connection and infrastructure provided by China's funds. Overall, perception of China's among other claimant states' people is not in good shape and could potentially create resistance to China's hegemony in this region militarily.

Contested leadership between the US and China in Southeast Asia cannot be separated from the current trade war. Besides taking advantage in the short run and reducing trade deficit of the US, it could also be beneficial to most Southeast Asian countries in taking the opportunity to capture more investment and market in their international trade. If the US mission in flourishing in this region is successful by filling the gap of the consequence of the Sino-US trade war, then it would be an advantage for both sides that the regional members want to maintain trade war status quo. In terms of US interests, it means the containment of China's influence in the region and for the ASEAN members it is the windfall to its international trade. However, China will insist on the OBOR/BRI plans and will emphasize on its lender power in applying pressure and influence on the ASEAN members.

Notes

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