Common Ground for the United States, Japan, and China in Southeast Asia

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Introduction and summary

Over the past decade, Southeast Asia’s economic and geopolitical profile in the world has risen dramatically. Its $2.5 trillion economy is a rare bright spot for global growth.1 Plus, the increasingly integrated Association of Southeast Asian Nations, or ASEAN, is a rare example of a regional political structure writing its own destiny—in this case, the agenda for the emerging regional security architecture of the Asia-Pacific.2 The region has also emerged, however, as a nexus for a range of transnational threats, ranging from trafficking in illicit goods to extreme weather events that are a result of climate change.3 Yet the region’s vital sea lanes have only grown more important, with more than half of the world’s merchant tonnage and one-third of global maritime traffic transiting the region every day on their journey from the Persian Gulf and Indian Ocean to the economic powerhouses of Northeast Asia.4

The world has taken note of the opportunities presented by increased involvement in Southeast Asian affairs, as well as the challenges the region faces. Governments and multinational companies across the world are ramping up engagement with the region bilaterally with individual countries and multilaterally with ASEAN. Southeast Asian countries wholeheartedly welcome this global interest for both economic and strategic reasons.

Economically, despite the region’s promise, all but Singapore and Brunei are developing countries in desperate need of foreign investment to continue their upward trajectories. Most critically, the region faces a multitrillion-dollar infrastructure gap that constrains economic growth and perpetuates inequality.5 With indigenous capital and even the commitments of international development banks unable to meet demand on this scale, investment by major powers is essential for the region to achieve its potential.
Strategically, Southeast Asian countries welcome engagement by a wide range of outside powers to ensure that the region’s partnerships are highly diversified. As a grouping of small countries with modest military and economic power, robust partnerships with a range of actors ensure that no single outside power can dominate regional affairs. In essence, the region prefers a balance of power—or in Indonesian parlance, dynamic equilibrium.

While welcoming and encouraging international involvement in regional affairs, Southeast Asian nations also naturally seek to do so on their own terms. For countries making national decisions regarding foreign investment or security cooperation with an outside power, these smaller countries can often find themselves in a position of weakness relative to the outside power. However, collectively, ASEAN provides a platform that allows each country to punch above its weight, providing a venue to make certain issues ASEAN issues rather than national issues for the purpose of creating greater leverage with outside powers. Quite remarkably, despite its flaws, the bloc has managed to maintain its position in the region as the driver of Asia-Pacific regionalism, while outside powers routinely reiterate the importance of “ASEAN centrality.”

This report outlines findings from a recent trilateral dialogue, organized by the Center for American Progress, of Southeast Asia experts from the United States, Japan, and China. It describes the current state of U.S., Japanese, and Chinese engagement in Southeast Asia and presents four areas for potential U.S.-Japan-China collaboration with Southeast Asian partners on shared challenges.
Project overview

As the three largest economies in the Asia-Pacific with the most substantial global interests, it is unsurprising that the United States, Japan, and China are the three most important and active outside powers in Southeast Asia. At a macro level, all three countries have broadly shared interests in Southeast Asia, as a prosperous, stable, and connected Association of Southeast Asian Nations is good for the economic vitality of the entire Asia-Pacific region, including for China, Japan, and the United States.

Unfortunately, despite these shared interests, competition between Japan and China and between the United States and China has come to dominate these countries’ national approaches to the region. And while each country is more deeply involved in regional affairs than ever before, there is exceptionally little dialogue between and among the three countries regarding their policies and activities in Southeast Asia. This dynamic is unfortunate for all parties, as there are almost certainly opportunities in areas of common interest—including that of Southeast Asian nations—that are being missed.

To begin to bridge this gap and build greater mutual understanding, the Center for American Progress—in partnership with the Sasakawa Peace Foundation and the China Institutes for Contemporary International Relations, or CICIR—convened a not-for-attribution trilateral dialogue of Southeast Asia experts in Tokyo in December 12–13, 2016. This effort followed an intensive two-year project undertaken by CAP and CICIR on U.S.-China-Southeast Asia relations that found that Japan’s role in Southeast Asia is just as important as the role of the United States or China when considering the international relations of the region.7
Over the course of two days of dialogue, workshop participants from each country shared perspectives on political and economic developments in Southeast Asia; discussed national interests in Southeast Asia and assumptions about the other countries’ national interests; and shared perspectives on what Southeast Asian countries want from outside power involvement in regional affairs. Throughout, the participants sought to look beyond the competitive elements of the U.S.-Japan-China engagement in Southeast Asia to identify areas where the three countries’ national interests converge and where policy coordination and—potentially—cooperation would be practical.
The United States, Japan, and China in Southeast Asia: Policies and activities

With long and deep histories of engagement in Southeast Asian affairs, the participants began the workshop with sessions reviewing how U.S., Chinese, and Japanese experts viewed each other’s countries’ involvement in the region. On this count, each side shared predominantly similar assessments, both in terms of historical engagement and contemporary policy.

United States

Since the 1970s, Southeast Asia has been an important economic partner for the United States, with U.S. companies currently holding $204 billion of cumulative investment in the region—more than in U.S. private sector investment in China, Japan, and India combined. The region as a whole is also the United States’ fourth largest export market after Canada, Mexico, and China. U.S. political and strategic attention has waxed and waned over the decades, with greatly reduced attention following the end of U.S. involvement in the Vietnam War in 1975. Nonetheless, following 1975, the United States continued to have robust security ties to the region, including with two of its five treaty allies in the Asia-Pacific, the Philippines and Thailand, and the U.S. business community became increasingly active from the 1980s.

U.S. workshop participants described the current U.S. approach to the region as being highly diversified, with both bilateral and multilateral involvement across a range of issue areas. Participants noted a major increase in U.S. involvement with ASEAN-based multilateral structures during the Obama administration and an overall approach that saw ASEAN integration as good for overall stability in the broader Asia-Pacific region. While U.S. experts called it an open question as to whether or not President Donald Trump would attend ASEAN summits, they argued that policies would likely remain unchanged and that tangible cooperation would continue.
Japan

Southeast Asia has also been a critical economic partner for Japan since the 1970s, with trade and investment dominating the overall relationship. Japan’s approach was codified under the Fukuda Doctrine in 1977, when Prime Minister Takeo Fukuda described an approach to the region that had three pillars: that Japan would never again pose a military threat; that Japan would foster “heart to heart” relationships; and that Japan would develop an equal partnership with ASEAN and its member states. While Japan’s profile in the region rose precipitously through the 1980s as it became a model of economic development in Asia, it fell in the 2000s in conjunction with Japan’s economic stagnation at home and China’s rising profile. Nonetheless, Japan has remained a critical economic partner to Southeast Asia: Today, the nation has a total stock of foreign direct investment, or FDI, in Southeast Asia of nearly $200 billion and approximately $200 billion of annual bilateral trade, including critical supplies of energy for Japan. Since Prime Minister Shinzō Abe returned to power in 2011, Japan has also dramatically increased its political and strategic attention toward the region, with frequent high-level visits and nascent security cooperation with Southeast Asian nations, most significantly with Vietnam and the Philippines.

Japanese workshop participants described the current Japanese approach to the region as being derivative of Japan’s overall Asia strategy, which is shaped by fears that China’s rise will come at Japan’s expense. As a result, political and strategic engagement with Southeast Asia is characterized by what one participant called a “China bias,” with Japan actively seeking to compete with China in the region. In this context, Japanese officials regard Southeast Asian countries as good partners that would take the side of Japan or the United States against China on regional issues. Participants noted that this was in many cases likely a false assumption.
China

While China-Southeast Asia relations span millennia, China’s contemporary involvement in Southeast Asian affairs is relatively new, beginning in earnest only in the 1990s, after decades of strained and suspended bilateral relations with various Southeast Asian countries due to China’s previous support of communist movements in the region. Since 1991, China has made up for lost time and is now the largest non-ASEAN trading partner for all countries in Southeast Asia except the Philippines, and FDI is beginning to flow in. While initially skeptical of the value of multilateral engagement with the region, Chinese leaders increasingly embraced multilateral diplomacy in the 2000s, and China now enjoys robust ties with Southeast Asia both bilaterally and with ASEAN as a bloc. While tensions over the South China Sea have created a drag on China-Southeast Asia relations since 2010, China remains an indispensable regional partner for all Southeast Asian nations.

Chinese workshop participants described the current Chinese approach to the region as being focused on making relations more comprehensive, meaning moving China-Southeast Asia relations beyond trade to include investment, people-to-people ties, and security cooperation. To achieve these goals, experts pointed to four key tools: the infrastructure investment component of China’s One Belt, One Road initiative, which is broadly intended to connect China with countries in the region through coordination on policy, trade, infrastructure and financial integration, and people-to-people ties; bilateral military-to-military exercises, such as nascent activities with Malaysia, Thailand, and Indonesia; high-level exchanges such as President Xi Jinping’s meetings with ASEAN heads of state; and expanded educational and think tank exchanges.
Workshop participants generally agreed that U.S., Japanese, and Chinese engagement is being managed reasonably well by individual Southeast Asian countries and by ASEAN as a whole, despite power imbalances. These experts agreed on the importance of all three countries’ subscribing to the principle of ASEAN centrality, although they recognized that the region worries about whether it can retain control over time.

Participants also agreed that U.S.-China and China-Japan competition in Southeast Asia is a major factor in the international relations of the region. Furthermore, the rising profile of U.S.-Japan alliance cooperation in Southeast Asia, as articulated repeatedly in leader-level U.S.-Japan joint statements since 2013, was seen to be an additional angle of competition with China.18

In some respects, it was agreed that this competition is beneficial to Southeast Asia, as the outside powers vie for favor using assistance programs and investment, making it a buyer’s market for Southeast Asian countries. For instance, these experts roundly agreed that China-Japan competition is helping accelerate desperately needed infrastructure investment in the region. China-Japan competition over high-profile rail tenders in Indonesia and Thailand was frequently cited as a demonstration of how the competitive dynamics can benefit Southeast Asia.

However, participants also agreed that while Southeast Asian nations universally welcome outside involvement on issues important to the region—infrastructure connectivity; combating trafficking in arms, wildlife, narcotics, and people; and adapting to the impacts of climate change—the region would prefer to see major outside powers work collaboratively when possible.
Areas for collaboration

Based on discussions at the workshop and subsequent consultations and analysis, four issue areas stand out as possible areas for U.S.-Japan-China policy coordination, if not full-fledged cooperation. Each issue set was deemed to be an area in which Southeast Asian nations would welcome greater outside power coordination, which would create mutually beneficial outcomes for all parties. Naturally, far deeper consultations with Southeast Asian countries would be essential before the United States, Japan, and China formally agreed to coordinate policy in the region to ensure this cooperation would be welcomed and optimally effective. These four areas are: 1) harmonization of Lower Mekong Subregion initiatives; 2) peace and development in Myanmar; 3) physical connectivity; and 4) environmental stewardship in Maritime Southeast Asia.

Harmonization of Lower Mekong Subregion initiatives

In recent years, China, Japan, and the United States have each launched ambitious regional cooperation plans with the countries of the Lower Mekong Subregion: Vietnam; Laos; Cambodia; Thailand; and, in the case of China and Japan, Myanmar. Each nation’s outreach is extremely well-received by the subregion due to the enormous existing economic and civil society development needs. And while the region is making progress, its needs will likely only increase due to expected massive impacts in coming years as a result of rising sea levels and extreme weather caused by climate change.

Since 2016, China has advanced its engagement with the subregion as a bloc with the Lancang-Mekong Cooperation Framework—Lancang being the name of the Chinese portion of the Mekong River—which launched at a meeting of the six countries in March 2016. Connectivity is at the center of the plan, with China pledging $1.54 billion in preferential loans and a $10 billion credit line. The initiative, first proposed by Chinese Premier Li Keqiang in 2014, calls for openness and inclusiveness and coordination with existing frameworks, including the Asian Development Bank and the Mekong River Commission. However, there has been no mention of working with pre-existing U.S. or Japanese initiatives.
While Japanese involvement in the subregion has spanned decades, it accelerated in 2015 with the “New Tokyo Strategy 2015 for Mekong-Japan Cooperation.”21 The strategy, which includes a pledge to increase assistance by 25 percent over three years to $6.1 billion, is particularly notable because it aims to provide both hard and soft infrastructure assistance under the frame of “quality infrastructure,” which has become a buzzword for the government of Japan. As for the soft infrastructure side, the strategy also includes a focus on a range of issues such as disaster risk mitigation, water resource management, and human resource development. In this sense, it is a major gambit to distinguish these Japanese contributions from Chinese activities, which are seen to be more narrowly focused on hard infrastructure. However, the New Tokyo Strategy 2015 also explicitly calls for coordination with China.22

The United States, meanwhile, began to integrate previously piecemeal assistance programs in 2009 with the launch of the Lower Mekong Initiative, which became a significant priority for Secretaries of State Hillary Clinton and John Kerry.23 The focus of U.S. assistance has been on soft infrastructure—with programs in the areas of health, education, and water management—in line with the overall inclination of the United States to focus foreign assistance away from large-scale hard infrastructure projects.24 Helping the subregion forecast the coming impacts of climate change has been a particular focus of U.S. engagement.

With the United States, Japan, and China all interested in stability, prosperity, and connectivity in the Lower Mekong Subregion—and with the needs so great—workshop participants agreed that the three countries should engage in a serious effort to coordinate policy and activities. And with major initiatives already underway by all three countries, opportunities would likely be plentiful should the three parties choose to coordinate activities.

Peace and development in Myanmar

Myanmar is one of the poorest countries in the world, ranking 163 out of 216 on the World Bank’s list of countries by gross national income per capita at purchasing power parity, and continues to battle internal insurgencies that have dogged the country since independence in 1948.25 These circumstances have meant that Myanmar has been a boulder around which Asia has integrated and developed, rather than the bridge between South, Southeast, and Northeast Asia that the country’s geography portends.
Since Myanmar’s dramatic period of reform began in 2011, the international community has rushed in with assistance and investment, making the country a hub for international activity, including by the United States, China, and Japan, although Japan and China were also active while the West was not. While Myanmar is in desperate need of international involvement, the last thing it needs is to have to manage international rivalries.

Unfortunately, suspicions run rampant between China and Japan regarding their respective activities in the country, and China has deep suspicions about U.S. intentions. With all three countries invested in Myanmar’s success and the country’s needs so great, participants in our workshop roundly agreed that trilateral coordination should be enhanced to maximize assistance and investment and to tamp down mutual suspicions.

Physical connectivity

Southeast Asia will require trillions of dollars of infrastructure investment to achieve its economic potential in the coming decades. To even begin to close this gap, foreign investment from outside powers, such as China, Japan, and the United States, will be essential. And all three are already actively involved: China through bilateral agreements and its development banks; Japan bilaterally and through the Asian Development Bank; and the United States through private industry and the World Bank. With the needs so stark, workshop participants agreed that greater synergy in national efforts to boost physical connectivity should be a top priority for policy coordination.

Participants agreed that interests the outside powers shared converge on physical connectivity initiatives at all levels of analysis—the Association of Southeast Asian Nations, subregional, and national. Specifically, participants highlighted electrical grid infrastructure, energy production, and standards harmonization as areas of potential synergy. As many countries in Southeast Asia seek to transition from energy import to energy export in coming decades, grid connectivity and coordination will be key to achieving this goal. Improved access to electricity and stable electricity provision will also have knock-on effects, helping meet the energy demand of growing export economies and contributing to development goals such as poverty alleviation. Overall, this area was also regarded as one of the most feasible to achieve, given the political landscape and current trends.
Environmental stewardship in Maritime Southeast Asia

With the health of the region’s oceans critical to food security and livelihoods in Southeast Asia and for the world, the United States, Japan, and China each have a stake in active, science-based environmental stewardship in the waters of Maritime Southeast Asia. Domestic awareness of and concern about environmental health is also on the rise as governments struggle to mitigate the impacts of development on public health and the environment. With no reason for environmental protection issues to be competitive so long as activities did not confer any form of territorial rights, cooperation in this area would be another prime opportunity for the three parties to coordinate policy to help solve a regional challenge and reap significant mutually shared benefits.

Because diverse national interests converge on a variety of issues—including the sustainable management of ocean resources, multilateral cooperation on scientific research, health and management of fisheries, coastal ecosystem restoration and enhanced climate resilience, solid waste management to reduce marine plastic pollution, and implementation of green port infrastructure—all would be productive and mutually rewarding areas for cooperation.\(^{28}\) The United States and China have already engaged in bilateral cooperation efforts on some of these issues, including the U.S.-China Green Ports and Vessels Initiative, and developments in U.S.-China bilateral cooperation on oceans management would be a particularly good path to follow in expanded multilateral initiatives.\(^{29}\)
Conclusion

The clearly competitive elements of Chinese, Japanese, and U.S. engagement in Southeast Asia mean that a major shift in thinking will be necessary for policy coordination or cooperation to occur in the region. Indeed, in the current atmosphere, candid and productive trilateral dialogue is unlikely, meaning consultations would likely have to begin at the Track 2 or Track 1.5 level of diplomacy to refine the concepts outlined above. However, with the needs in the region so large and ASEAN’s success so clearly in each country's national interest, greater dialogue is necessary. With many Southeast Asian countries concerned about animosity between the outside powers and afraid of being caught in the middle of heightened competition, it would also benefit all three parties’ relations in Southeast Asia to broach the idea of cooperation or at least policy coordination on nonstrategic matters where interests align. While the onus ultimately lies on the countries of Southeast Asia to guide the outside powers to the areas of potential convergence, it is clear that more dialogue—both trilaterally and with Southeast Asian countries—has the potential to produce unexpectedly useful outcomes.
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