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Addressing China's Influence in Southeast Asia: America's Approach and the Role of Congress

Prepared statement by

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Subcommittee on Asia, the Pacific, and Nonproliferation**

Hearing on “China's Growing Influence in Asia and the United States”

Chairman Sherman, Ranking Member Yoho, distinguished members of this subcommittee, I am grateful for this opportunity to address you about China's expanding influence in the Indo-Pacific. This region – encompassing a majority of the world's population and many of its top economies – has become the epicenter of a U.S.-China competition to shape the rules and values of the 21st century. Although China's expanding influence presents a broad and pressing challenge to American interests across the region, I will focus my remarks today on Southeast Asia.

I. WHY SOUTHEAST ASIA

Compared to the rest of the Indo-Pacific, Southeast Asia has emerged as a uniquely contested space. A region where geopolitical orientations remain fluid, Southeast Asia lies at the front line of Beijing's expanding diplomatic influence, economic leverage, and military capability. China's geographic proximity and ambitions to carve out a geopolitical sphere of influence – coupled with the lack of a major power within Southeast Asia that is highly capable and inclined to vigorously resist Beijing's hegemony – renders the region particularly vulnerable.

If Southeast Asia succumbs to China's vision of a world defined by might makes right, state-driven economic interactions, and creeping authoritarianism, America's larger approach to the challenge posed by Beijing in the Indo-Pacific and beyond will encounter a major setback. U.S. security, prosperity, and values would in turn come under pressure. A Chinese sphere of influence centered in Southeast Asia would diminish America's alliances and partnerships in the region, place U.S. companies at a disadvantage in critical markets, and radiate illiberalism outward.

* The views presented in this testimony are mine alone and do not represent those of CNAS or any other organizations with which I hold an affiliation. My testimony draws heavily on a report co-authored with Patrick Cronin, Abigail Grace, and Kristine Lee – I am indebted to them. In putting together this testimony, I have leveraged CNAS research supported by a number of funders, including the Government of Japan, the Sasakawa Peace Foundation, the U.S. State Department, and the Quadrivium Foundation. CNAS is a national security research and policy institution committed to the highest standards of organizational, intellectual and personal integrity. The Center retains sole editorial control over its ideas, projects, and productions, and the content of its publications reflects only the views of their authors.

Conversely, if most nations in Southeast Asia can retain their economic sovereignty and freedom of choice and move toward more open and democratic forms of governance, the United States will demonstrate to China and the world that even in Beijing's periphery, a rules-based order can endure. The success or failure of America's approach toward Southeast Asia thus looms large.¹

II. CHINA'S APPROACH TO SOUTHEAST ASIA

This section contains three observations about China's approach to the region.

- 1) Beijing has adopted a well-resourced and comprehensive approach to Southeast Asia that aims to draw large segments of the region into its sphere of influence. China's strategy toward the region leverages every instrument of national power. Militarily, Beijing has enhanced its capacity to project power into Southeast Asia through building artificial island outposts more than 500 miles from its southern coast. China has also vastly expanded its coast guard and maritime militia, creating a new, more flexible tool to pressure Southeast Asian countries while minimizing the risk of a military clash.² Economically, Beijing has offered countries across Southeast Asia inducements in the form of regional trade liberalization and investment pledges. The flipside has been the omnipresent threat – and occasional use – of economic coercion by China to achieve its priorities.³ Diplomatically, China has sown enduring divisions among members of the region's premier multilateral organization, the Association of Southeast Asian Nations (ASEAN), by providing political cover to country leaders willing to tow Beijing's line. With more limited success, China has attempted to drive wedges in U.S. alliances with the Philippines and Thailand. Lastly, Beijing has leveraged traditional public diplomacy and other influence tools such as Confucius Institutes to promote more favorable views of its regional objectives.⁴
- 2) Infrastructure connectivity has emerged as a key component of China's approach to the region. Southeast Asia is a primary focus of the Belt and Road – Beijing's vision of a world connected by a web of Chinese-funded physical and digital infrastructure. Through its infrastructure investments, China has obtained leverage over some countries in Southeast Asia: projects in Malaysia, Burma, Cambodia, Indonesia, and Laos, among others, have come under scrutiny for saddling recipient countries with unsustainable debt to Chinese state-owned enterprises (SOEs). Through the construction and operation of strategic ports in Southeast Asia, China also probably seeks to put in place a network of support and replenishment facilities for the People's Liberation Army (PLA) Navy, though it is unlikely to succeed in obtaining a Djibouti-style base. China is now contending, in Southeast Asia and beyond, with a backlash against the Belt and Road stemming from the debt, corruption, erosion of sovereignty, and environmental degradation associated with some projects, and has made tactical adjustments when necessary.⁵ While

¹ Large parts of this testimony include excerpts, language, analysis, and policy recommendations from Patrick Cronin, Abigail Grace, Daniel Kliman, and Kristine Lee, "Contested Spaces: A Renewed Approach to Southeast Asia" (Center for a New American Security, March 2019), [https://s3.amazonaws.com/files.cnas.org/CNAS+Report+Contested+Spaces+Asia+Final+\(2\).pdf](https://s3.amazonaws.com/files.cnas.org/CNAS+Report+Contested+Spaces+Asia+Final+(2).pdf).

² Andrew Erickson et al., "Surging Second Sea Force: China's Maritime Law-Enforcement Forces, Capabilities, and Future in the Gray Zone and Beyond," *Naval War College Review*, Vol. 72: No. 2, Article 4. (2019), <https://digital-commons.usnwc.edu/nwc-review/vol72/iss2/4>.

³ Peter Harrell, Elizabeth Rosenberg, and Edoardo Saravalle, "China's Use of Coercive Economic Measures" (Center for a New American Security), 9, <https://s3.amazonaws.com/files.cnas.org/documents/China+Use+FINAL-1.pdf?mtime=20180604161240>.

⁴ Prashanth Parameswaran, "China Plays Up ASEAN Confucius Institute Presence With Laos Project," *The Diplomat*, October 6, 2017, <https://thediplomat.com/2017/10/china-plays-up-asean-confucius-institute-presence-with-laos-project/>; Cronin, Grace, Kliman, and Lee, "Contested Spaces."

⁵ Daniel Kliman, Rush Doshi, Kristine Lee, and Zack Cooper, "Grading China's Belt and Road" (Center for a New American Security, April 2019), <https://s3.amazonaws.com/files.cnas.org/CNAS+Report+China+Belt+and+Road+final.pdf>; Yuichi Nitta, "Myanmar

seeking to rebrand the Belt and Road, Beijing has placed a growing emphasis on digital connectivity in Southeast Asia and globally. Chinese-involved projects in the region range from telecommunications equipment to data centers to urban public security networks to undersea cables.⁶ Finally, the growing digital thrust of the Belt and Road will enhance Beijing's ability to set information technology standards in the region and has the potential to compromise the networks of American allies and partners in Southeast Asia.⁷

- 3) China is increasingly shaping domestic governance across the region in ways inimical to democracy. Beijing has backed authoritarian leaders in Southeast Asia to advance its interests. In advance of the July 2018 Cambodian election, Chinese hacking groups compromised multiple Cambodian election entities and political groups critical of Prime Minister Hun Sen, one of ASEAN's strongest defenders of Beijing's influence. China has also frustrated U.S. efforts to reverse democratic backsliding by its allies. The prospect of closer economic cooperation with Beijing has reduced America's ability to exert pressure against the military junta in Thailand and the government of Rodrigo Duterte in the Philippines. In Southeast Asia – as is the case elsewhere – the Belt and Road has served as a conduit for corruption. For example, projects in Malaysia appear to have been contracted at inflated prices so that some of the surplus funds could be used to cover up embezzlement by top political leaders.⁸

Looking forward, the digital element of the Belt and Road will become a critical vector for China to reshape governance in the region. Under what it now calls the “Digital Silk Road,” China is exporting information technology for surveillance and censorship. Beijing's high-tech illiberalism is especially pernicious because many countries in Southeast Asia remain ambivalent about models of online governance. As China's information technology companies become key players in the region, Beijing is increasingly positioned to nudge Southeast Asia toward a more statist vision of the internet, where governments curate content and other stakeholders in the digital space, such as civil society, are sidelined. Southeast Asia in 2018 registered a democratic decline. Although Beijing's activities are only one factor contributing to this outcome, China is well-positioned to bend the arc in the region toward a future that is less open and free.⁹

III. THE REGIONAL STATE OF PLAY

This section makes three observations about regional dynamics and trends in Southeast Asia amid U.S.-China great power competition.

- 1) Southeast Asia generally perceives that China has momentum on its side. Beijing's actions across multiple domains and issue areas have convinced large parts of Southeast Asia to accept – even if grudgingly – the need to accommodate rising Chinese power. Most visibly, Beijing in the South China Sea has systemically demonstrated to the region American unwillingness to confront its expansion. In recent years, China has militarized its artificial island outposts in this strategic waterway, even as the United States has criticized its actions and undertaken more regular freedom of navigation operations (FONOPs). In the economic domain, China has emerged as Southeast Asia's largest trading partner and advanced a vision for regional

Cuts Cost of China-funded Port Project by 80%,” *Nikkei Asian Review*, September 28, 2018, <https://asia.nikkei.com/Spotlight/Belt-and-Road/Myanmar-cuts-cost-of-China-funded-port-project-by-80>.

⁶ For a comprehensive rundown of Chinese-involved projects, see “Mapping China's Tech Giants,” Australian Strategic Policy Institute, accessed May 6, 2019, <https://chinatmap.aspi.org.au/#/map/>.

⁷ Cronin, Grace, Kliman, and Lee, “Contested Spaces”; Daniel Kliman and Abigail Grace, “Power Play: Addressing China's Belt and Road Strategy” (Center for a New American Security, September 2018), <https://s3.amazonaws.com/files.cnas.org/documents/CNASReport-Power-Play-Addressing-Chinas-Belt-and-Road-Strategy.pdf?mtime=20180920093003>.

⁸ Cronin, Grace, Kliman, and Lee, “Contested Spaces.”

⁹ Cronin, Grace, Kliman, and Lee, “Contested Spaces”; Tomomi Kikuchi, “Southeast Asian democracy in decline under repressive regimes,” *Nikkei Asian Review* (January 19, 2018), <https://asia.nikkei.com/Politics/International-Relations/Southeast-Asian-democracy-in-decline-under-repressive-regimes>.

infrastructure connectivity under what Beijing calls “One Belt, One Road.” This occurred against the backdrop of American withdrawal from the Trans-Pacific Partnership (TPP) trade and investment agreement and left Southeast Asian countries without a perceived economic alternative to China. Beijing’s narrative to publics and elites across the region reinforces its actions on the ground, emphasizing the need to accept China’s inevitable ascent.¹⁰

- 2) But the on-the-ground reality in Southeast Asia is more mixed. Beijing’s influence within the region has expanded in significant ways that at times place the United States on the strategic back foot. Yet the emergence of a Chinese sphere of influence over Southeast Asia is not preordained. Indeed, the United States retains significant areas of strength. Between 2010 and 2017, it was the largest external source of cumulative foreign direct investment (FDI) in the 10-member Association of Southeast Asian Nations (ASEAN).¹¹ Moreover, the United States together with its allies – Japan, Australia, and the European Union – occupy a larger share of ASEAN’s trade than China does.¹² Compared to China, the United States remains the security provider of choice for most of the region, and its network of alliances and partnerships – though eroding in some cases – remains unrivaled. Washington remains more popular than Beijing in key countries such as Vietnam and the Philippines, and where China comes out ahead of the United States in opinion polling, it trails Japan.¹³ Most importantly, grudging accommodation of Beijing differs sharply from actively abetting the consolidation of Chinese power across the region. Countries in Southeast Asia generally prefer a future in which they can chart their own destinies. This vision is ultimately more closely aligned with America’s vision than with China’s.¹⁴
- 3) Despite their discomfort with China’s ambitions in the region, many countries in Southeast Asia remain reluctant to align overtly against Beijing. This dynamic reflects a number of factors. Even if not fully grounded in reality, perceptions of China’s inevitable ascent and America’s concomitant decline reduce willingness to cooperate with the United States in ways that might antagonize Beijing. At the same time, dependence on China for trade and investment renders countries fearful of, and vulnerable to, Beijing’s use of economic coercion.¹⁵ In addition, countries in Southeast Asia worry about the military spillover of a revived great-power competition centered in the region. Lastly, enduring commitment to the centrality of ASEAN inclines countries to dismiss new groupings – in particular, the quadrilateral dialogue that brings together the United States, Japan, Australia, and India (the “Quad”) – that could help serve as a counterweight to China. The net result is that countries across the region are refraining from taking action – unilaterally, within ASEAN, with the United States, and with other external powers – to become more resilient to pressure from Beijing and to reinforce alternative visions of regional order, to the detriment of their long-term freedom of choice.¹⁶

IV. GETTING AMERICA’S APPROACH TO SOUTHEAST ASIA RIGHT

Over the past decade, America’s policies toward Southeast Asia have been overwhelmingly influenced by its geopolitical priorities in neighboring regions. This approach has resulted in a piecemeal vision, never quite amounting to a resounding U.S. presence within the region, but sufficient to maintain core aspects of

¹⁰ Cronin, Grace, Kliman, and Lee, “Contested Spaces.”

¹¹ “ASEAN Investment Report 2018,” (United Nations Conference on Trade and Development, November 2018), 55, https://unctad.org/en/PublicationsLibrary/unctad_asean_air2018d1.pdf.

¹² Calculation based on figures from “ASEAN Key Figures 2018,” (The ASEAN Secretariat, December 2018), 34, <https://www.aseanstats.org/wp-content/uploads/2018/12/ASEAN-Key-Figures-2018.pdf>.

¹³ Richard Wike et al., “U.S. Image Suffers as Publics Around World Question Trump’s Leadership,” (Pew Research Center, June 2017), <https://www.pewglobal.org/2017/06/26/u-s-image-suffers-as-publics-around-world-question-trumps-leadership/>

¹⁴ Cronin, Grace, Kliman, and Lee, “Contested Spaces.”

¹⁵ Kliman et al., “Contested Spaces: A Renewed Approach to Southeast Asia.”

¹⁵ Harrell, Rosenberg, and Saravalle, “China’s Use of Coercive Economic Measures.”

¹⁶ Cronin, Grace, Kliman, and Lee, “Contested Spaces.”

political, security, and economic engagement. For Southeast Asian countries nervous about the long-term implications of an ascendant China, the perceived absence of a U.S. vision for the region has heightened immediate fears of abandonment. U.S. oscillation in its assessment of ASEAN as the primary vehicle for regional engagement has also fed broader concerns that America's approach to the wider Indo-Pacific could jeopardize ASEAN centrality.¹⁷

After reaching a high point during the Obama presidency, U.S. engagement with the region lost momentum at the outset of the Trump administration. That has since changed, as the Trump administration has come to recognize that its overall effort to compete with China will falter if it fails to get Southeast Asia right.¹⁸ Today, America's approach toward the region contains a number of promising areas, including infrastructure financing, digital connectivity, energy, and a broad interest in working with allies and partners across the diplomatic, economic, and military domains. Even so, America's approach at present falls well short of matching the scope and scale of the challenge China poses to U.S. interests and values in Southeast Asia and the Indo-Pacific more generally.

Although the Executive Branch bears primary responsibility for American foreign policy, Congress can play a vital role in shaping the U.S. approach to Southeast Asia. This section advances ten targeted recommendations that directly involve Congress.

Economics

1) Congress should convene hearings to weigh the merits of the United States rejoining the TPP – now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).¹⁹

For countries in Southeast Asia, U.S. participation in multilateral trade and investment agreements remains the gold standard for American economic engagement. With bipartisan recognition of the China challenge, there is a unique opportunity for members of Congress on both sides of the aisle to draw a sharp distinction for domestic audiences between China's unfair trading practices, which have directly undermined the livelihoods of large numbers of Americans, and the overwhelming benefits derived from economic engagement with U.S. allies and partners.²⁰

2) Congress through its oversight function should encourage the executive branch to come together with U.S. ally and partner governments around an international certification for high-quality infrastructure.

A clear set of criteria defining high-quality infrastructure projects would help to differentiate the activities of U.S. companies operating in Southeast Asia and beyond. An internationally-recognized certification would also establish a benchmark whereby Southeast Asian countries could assess the pros and cons of future infrastructure projects involving China.²¹

¹⁷ Cronin, Grace, Kliman, and Lee, "Contested Spaces."

¹⁸ Cronin, Grace, Kliman, and Lee, "Contested Spaces."

¹⁹ Ely Ratner also makes this recommendation in his testimony before the Senate Armed Services Committee. See "Blunting China's Illiberal Order: The Vital Role of Congress in U.S. Strategic Competition with China," Statement to the Senate Armed Services Committee, Hearing on "China and Russia," January 29, 2019, https://www.armed-services.senate.gov/imo/media/doc/Ratner_01-29-19.pdf.

²⁰ Kliman and Grace, "Power Play."

²¹ Kliman and Grace, "Power Play."

3) Congress should appropriate resources to establish a new U.S. digital development fund that would support information connectivity projects across the developing world, including Southeast Asia.

With the Digital Silk Road as a vector for spreading China's high-tech authoritarianism and compromising the telecommunications security of American allies and partners, it is imperative that the United States respond. In Southeast Asia, as in much of the developing world, this means driving down the price of American digital infrastructure in order to compete with subsidized Chinese firms such as Huawei. Congress could play a vital role by enacting legislation to stand up a new U.S. digital development fund that would support – potentially with lines of credit – information connectivity projects in the developing world undertaken by companies that are headquartered in countries committed to rule of law and globally recognized norms of online freedom and privacy.²²

Diplomacy

4) Congress should call for the U.S. government to elevate health care as an area for engagement with Southeast Asia.

Access to quality health care remains a significant challenge throughout much of Southeast Asia. Consequently, increased U.S. backing for key health care programs in the region would deliver significant diplomatic dividends. Beyond appropriating additional resources for U.S. health care outreach in Southeast Asia, Congress could host U.S. industry executives to explore the possibility of opening a wing of marquee American hospital in the Philippines or Indonesia, countries of regional strategic importance where access to world-class health care is entirely lacking.²³

5) Congress should appropriate additional funds to enhance youth engagement with the region.

Although U.S. bilateral ties with specific countries in Southeast Asia vary widely depending on electoral outcomes and human rights track records, people-to-people ties forged through established scholarship programs are a foundational component of U.S. regional engagement and can serve as ballast when official relations are in flux. The U.S. State Department's Young Southeast Asian Leaders Initiative (YSEALI) and other consortium-based initiatives such as Fulbright University Vietnam have proved successful models for engaging the rising generation of Southeast Asians, but the United States needs to expand and invest more into these types of programs.²⁴

6) Congress should promote cooperation between the United States and its Indo-Pacific allies and partners in Southeast Asia.

Deepening American cooperation with Japan, Australia, and India – bilaterally, trilaterally, in the context of the Quad, and with additional partners – holds significant potential to contribute to a favorable power balance in Southeast Asia that enables the region to chart its own course. Areas for U.S. coordination with these Indo-Pacific allies and partners run the gamut from infrastructure financing to capacity building to upholding international maritime law. Congressional delegations to Tokyo, Canberra, and New Delhi should emphasize the importance of cooperation in Southeast Asia.

Security

²² Kliman and Grace, "Power Play."

²³ Cronin, Grace, Kliman, and Lee, "Contested Spaces."

²⁴ Cronin, Grace, Kliman, and Lee, "Contested Spaces."

7) Congress should encourage the U.S. Department of Defense to supplement FONOPs in the South China Sea.

Although U.S. FONOPs continue to send a welcome signal of reassurance to Southeast Asia and American allies and partners in the wider Indo-Pacific and beyond, they have diminishing marginal returns. Nations have become accustomed to them, and FONOPs have not fundamentally altered Beijing's course in the South China Sea. Congress should send a letter to the Secretary of Defense requesting a classified briefing from senior civilian and uniformed leaders on U.S. military options to supplement FONOPs. During the briefing, members of Congress should encourage the Department of Defense to deploy new types of capabilities to the region that demonstrate the flexibility and variability of America's rotational military presence.²⁵

8) Congress should revisit U.S.-Vietnam relations through the prism of great power competition with China in Southeast Asia.

Among the nations of Southeast Asia, Vietnam is best positioned to develop capabilities to complicate PLA operations in peacetime, crisis, and conflict, due to a combination of its geography, existing force structure, growing military expenditures, and threat perceptions of China. The U.S.-Vietnam relationship has improved markedly in recent years, but challenges remain, including Hanoi's purchase of Russian arms imports, and its human rights track record. Congress should continue to exempt Vietnam from economic punishment under the Countering America's Adversaries Through Sanctions Act (CAATSA), as the consequences to the larger U.S. security relationship with Vietnam would be devastating. In addition, Congress should convene a hearing on Vietnam with a focus on how to strike the right balance between advancing a strategic relationship with Hanoi and upholding American values.²⁶

Information and Values

9) Congress should conduct oversight of U.S. government efforts in Southeast Asia to bolster resilience to Chinese disinformation campaigns.

As Chinese technology companies become a growing part of the digital ecosystem in Southeast Asia, societies in the region will confront a heightened risk that Beijing will seek to shape their domestic information environment to advance its geopolitical ambitions. The United States should help countries across the region identify Chinese online influence campaigns and counter disinformation emanating from Beijing. Congress should submit a letter to the Secretary of State to request a written update and briefing on the U.S. government's activities to inoculate countries in Southeast Asia against Chinese disinformation campaigns.²⁷

10) Congress should appropriate additional resources for the National Endowment for Democracy, the National Democratic Institute, and International Republican Institute, expressly for strengthening good governance in Southeast Asia.

As elsewhere, in Southeast Asia, Beijing has a relatively freer hand in countries where it can capture elites and make backroom deals. Conversely, countries with robust domestic institutions are best positioned to engage China on their terms. Even a modest increase in U.S. funding to support rule of law, transparency, accountability, freedom of the press, and civil society in Southeast Asia would go a long way toward shoring up countries against Chinese influence.²⁸

²⁵ One potential model for this is the participation and test firing of the U.S. High Mobility Artillery Rocket System (HIMARS) during the 2016 Balikatan exercise in the Philippines – the first time this capability had deployed to the Pacific. Cronin, Grace, Kliman, and Lee, "Contested Spaces."

²⁶ Cronin, Grace, Kliman, and Lee, "Contested Spaces."

²⁷ Cronin, Grace, Kliman, and Lee, "Contested Spaces."

²⁸ Kliman and Grace, "Power Play."

Biography

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