

US-CHINA COMPETITION AND ASEAN UNITY: WHY ECONOMIC RESILIENCE MATTERS

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Abstract

Long has ASEAN championed regionalism based on the ASEAN Way i.e., neutrality, consensus, non-interference, inclusivity, non-intervention. Testament to its success is the fact that much of the institutional framework in East Asia - East Asia Summit (EAS), the Asia-Pacific Economic Cooperation (APEC), the ASEAN Plus One mechanisms, ASEAN Regional Forum (ARF), and ASEAN Defence Ministers Meeting Plus (ADMM-Plus) – operates along the key principles of the ASEAN Way. However, the ongoing competition between the US and China is upending the liberal world order, and there are concerns that the ASEAN-centred regional order will be impacted as well. Despite China's or the US' rhetoric on the matter, the reality is that ASEAN finds itself increasingly side-lined and powerless in the face of rising tensions prompting the belief that ASEAN has been most effective in times of peace, not so much in times of conflict. Moreover, the ongoing conflict has been divisive. Regional powers are realigning themselves with either superpower. Even within ASEAN, the Philippines has strengthened their alliance with the US, compelled to it by China's growing assertiveness and its own growing exasperation with ASEAN's lack of support for it, as its members continue to maintain good relations with both China and the US, pursuing their respective national agendas, while cloaking it under ASEAN's principles of neutrality and non-alignment. Their respective positions largely stem from the complex relationship that individual ASEAN members have with these two great powers. This is certainly reflected in their economic relations with either power. An analysis of trade and investment data finds that the economic relations of ASEAN members with the US and China have strengthened in an unbalanced manner, that leaves ASEAN susceptible to the risk of internal division. One way to address this is by enhancing ASEAN's resilience, by strengthening economic integration and regional imbalance, thereby enhancing the importance of ASEAN to its members, whether as a market or a source of investments and development. This can contribute to strengthening ASEAN unity and allowing it to take on a more robust and cohesive position on matters of regional importance.

Keywords: Great Power contest, Southeast Asia, Regionalism, Economic Resilience

Introduction

As Malaysia prepares to take over the chairmanship of ASEAN in 2025, there are an equal number of those that are hopeful for progress as there are those expecting the same old. One commentator suggests “*Malaysia will have to balance its national interests with those of other member states while keeping to ASEAN's consensus-based approach to handling regional issues*” (Rayar, 2024), suggesting that their aims are no longer aligned. Siow (2024) is blunter, suggesting that Malaysia's “*evolving stance on the Israeli-Gaza war and strengthening ties with China could challenge the bloc's unity.*” Amidst growing US-China rivalry, and the complicated nature of their relationship with each ASEAN member, a picture emerges of a grouping that is less united than ever before. China's political, economic, and military might has resulted in its growing assertiveness, causing tensions between China and several of the ASEAN members, specifically in relation to the South China Sea (SCS). Nevertheless, China's economic largesse e.g., BRI, offers difficult-to-ignore economic candy for its less developed members. This has been compounded by the fact that the US remains an important source of investment and a security provider for some others. Cracks have emerged, clearly reflected in ISEAS annual State of

Southeast Asia Survey. These have complicated the task of managing ASEAN's relations with the US and China. It has certainly affected efforts to address the question of the SCS. Doubts persist over the conclusion of a Code of Conduct, which appear increasingly unlikely to be resolved considering existing differences between ASEAN members, but also because China may lack incentive to pursue anything that constraints its ambitions in the region.

These differences are also impacting ASEAN's ability to address the ongoing Myanmar issue. Introduced in 2021, the Five Point Consensus (5PC) has frankly achieved little, so not surprising ASEAN is currently undertaking a comprehensive review of the 5PC (ASEAN to Conduct, 2024). The civil war has escalated, and if reports about the progress of anti-coup forces (Nachemson, 2024) are accurate, then there will be little incentive for them to accept cessation of violence when an opportunity presents itself to oust the junta. Unity is certainly a major challenge impacting ASEAN's effectiveness today. The problem is partly due to its guiding principles i.e., non-interference, neutrality, consensus-based decision making. While these have often been attributed to as a by-product of the Cold War, it is also, and perhaps more importantly, borne from a fierce need to protect national sovereignty, particularly a sensitive matter considering the members experience with colonisation, and their struggles with each other in the de-colonisation period. As subtly hinted at by Malaysian Prime Minister Anwar Ibrahim in his opening remarks at the 44th ASEAN Summit, to address this disunity, the causes of these cracks must be addressed (Tan, 2024). One of the causes is the dependency that ASEAN members have to these external powers, either for security or economic reasons. Trade and investment data do not lie, nor do the establishment of military bases. This needs to be addressed if ASEAN is to be truly independent from the machinations of the Great Powers. This paper focuses on how economic forces are shaping individual ASEAN member's relations with the US and China and how these impacts on ASEAN unity, and its effectiveness in influencing the development and maintenance of order within the region.

Great Power Competition, the Changing International Order, and ASEAN

It is difficult to understand ASEAN's dilemma without considering it within the wider structural changes developing. If the fall of the Soviet Union was the defining feature of the 20th century, the rise of China and the emergence of a new multi-polar world order (though we cannot discount a bipolar one emerging instead) looks to be the defining feature of the 21st century. As the international system's distribution of power shifts, other key components of the structural design of the liberal international order (LIO) – institutions, alliances, and guiding principles – changes too. Today, in addition to the institutions that make up the architecture the LIO such as the United Nations (UN), World Bank (WB), International Monetary Fund (IMF), and the World Trade Organisation (WTO), we have those China-led institutions such as the Shanghai Cooperation Organisation (SCO), and the Asian Infrastructure Investment Bank (AIIB) that can compete with existing institutions like the North Atlantic Treaty Organisation (NATO) or the World Bank (WB). Economy (2024) suggests that a China alternate order will emerge, underlined by Chinese notions, values and technology. This has elicited varied reactions but most notably from the status quo power – the US.

The positions of the US and China are increasingly contradictory and becoming increasingly entrenched as both sides intensify their responses to each other. The US challenges China in every area and at every level. China's Belt and Road Initiative (BRI) is met by similar infrastructure funding by the US. Regional Comprehensive Economic Partnership (RCEP) is met by the Trans-Pacific Partnership Agreement (TPPA), then Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), then now with the Indo-Pacific Economic Framework (IPEF). China's nine-dash-line is met with regular Freedom of Navigation Operations (FONOPS) that challenge such claims. The US has reinvigorated the Quadrilateral Security Dialogue or QUAD, a grouping involving Australia, India, Japan and the US itself, countries that have serious concerns about the rise of China. Efforts are being made to attract more numbers into a QUAD+ arrangement. Australia, the UK and the US have established AUKUS.

More recently, it has begun to take a harder position on Taiwan, which would naturally anger Beijing. More recently, the US, Japan and the Philippines have established a trilateral which was a response to China's assertive behaviour, particularly in the South China Sea (Mishra & Wang 2024). This is certainly impacting the current order. Then there is also the emergence of BRICS. Pursuing greater economic and geopolitical presence and influence in global affairs, many commentators have portrayed it as a counterbalance to the West (Nyabiage, 2023; Preuss, 2023), even suggesting that its emergence spells the end of the LIO. This notion has gained traction as it admits new members (Five nations, 2024; Norman, 2024), some of which have never felt entirely comfortable with the western dominated LIO. These have raised questions about the BRICS-centred institutions or initiatives i.e., the New Development Bank (NDB), their Contingent Reserve Arrangement (CRA), and their efforts towards de-dollarisation, and whether and how these can be used to impact the LIO.

ASEAN has cause for concern on how these machinations of great power are impacting the current order. Long has it championed regionalism based on the centrality of ASEAN and the ASEAN Way i.e., neutrality, consensus, non-interference, inclusivity, non-intervention. Despite, not always comfortable within the liberal international order, ASEAN and its approach has found a space within which to operate. It not only survives but has thrived, with much of the institutional framework in East Asia - East Asia Summit (EAS), the Asia-Pacific Economic Cooperation (APEC), the ASEAN Plus One mechanisms, ASEAN Regional Forum (ARF), and ASEAN Defence Ministers Meeting Plus (ADMM-Plus) – built along this ASEAN Way. The liberal international order has accommodated this partly because they do not undermine its basic tenets i.e., democracy, free market, and the rule of law, among others. However, as the liberal world order changes to adapt to the new distribution of power, there are concerns that the centrality of ASEAN and its values, will be unable to maintain its place within this emerging new order. Despite China's or the US' rhetoric on the matter, the reality is that ASEAN finds itself increasingly side-lined and powerless in the face of rising tensions prompting the belief that ASEAN has been most effective in times of peace, not so much in times of conflict. Some like Chang (2024) have argued that this is perhaps the time when ASEAN's spirit of neutrality and non-alignment is now needed more than ever. Certainly, there is some argument that the ASEAN Way offers a compelling alternative pathway to the zero-sum game being pursued by the US and increasingly so by China. However, this may be a product of wishful thinking. Already other regional powers are realigning themselves with either superpower. Even within ASEAN, the Philippines, compelled to by China's growing assertiveness and its own growing exasperation with ASEAN's lack of action, has strengthened their alliance with the US, Australia, and Japan through 'Squad.' The irony here is that the Philippines actions is possibly driven by what it views as ASEAN's lack of support for it, as its members continue to maintain good relations with both China and the US, pursuing their respective national agendas, while cloaking it under ASEAN's principles of neutrality and non-alignment. This largely stems from the complex political and economic relationship that ASEAN members have with these two great powers.

ASEAN Political Relations with the US and China

ASEAN relations with the US and China is a complicated one. The US for instance has been an ASEAN dialogue partner since 1977. However, it was only from the early 1990s that development cooperation increased, perhaps no longer unencumbered by the baggage of the Cold War, with the implementation of several economic programs covering trade and investment, technology transfer, and education. Today, that partnership has evolved and now covers economic integration, maritime cooperation, emerging leaders, opportunity for women, and transnational challenges. As with any relationship, it has had its ups and downs. Different US Administrations have prioritised ASEAN differently. During the Obama Administration, huge strides had been made, among which the appointment of the US Ambassador to the ASEAN Secretariat, the first non-ASEAN country to do so. The US' relationship with ASEAN was raised to a strategic partnership; in line with the US policy at the time ("Pivot to Asia") and considering ASEAN's centrality in most of the major regional developments ongoing at that

time. It is generally felt that Trump had given little thought about ASEAN during his term. However, when Biden assumed the Presidency in 2020, ASEAN seems to have regained its place in US strategic policy in the region. With the return of Donald Trump, many are expecting the reverse. Trump has already threatened several countries, although no Southeast Asian country have been mentioned, with tariffs. Some expect the “*second Trump administration would likely continue this approach, deprioritising, but not ignoring ASEAN*” while others have suggested that the “*Trump administration’s prioritisation of an America-first approach to maximise US economic and security benefits is likely to pose challenges to ASEAN’s priorities under the AOIP*” (Daniel et. al., 2025).

ASEAN’s relations with China have been equally complicated. While relations between China and ASEAN today is strong and multifaceted, this was hardly the case in the immediate post-war period. China’s relations with some of the ASEAN members following the end of the second world war until the 1960s has been described by Ngeow (2019) as ranging from ideological and military alliances, friendly relations with non-communist, to hostile relationships with anti-communist countries allied with Western powers. The last was certainly true for Malaysia during the administration of Tunku Abdul Rahman when the country was facing a communist insurgency which Tunku felt China was supporting (Mishra & Wang, 2021). Relations normalised in 1974 and has remained steadfast till today. Relations with other ASEAN member states were equally mixed. Indonesia’s relation with China under Sukarno was close, as both shared the same anti-imperialist agenda (Anwar, 2019). Anwar writes that China supported Indonesia’s *Konfrontasi* against Malaysia which Sukarno viewed as a neo-colonialist or -imperialist project. When Suharto took over the reins of power, relations with China were terminated in 1967 only to be restored in 1990 (Sukma 2003). North Vietnam received Chinese support during the Vietnam War but by 1979, both China and Vietnam had gone to war, and in subsequent years had armed conflicts surrounding the Spratlys, which both claim. Relations between China and the Philippines have been described as “*predominantly warm and cordial*” since diplomatic relations had been established in 1975 (Wong, 2014). In the case of Cambodia, China supported Cambodia in the Vietnam-Cambodia conflict in the late 1970s. Today, relations remain strong, and China has become an important source of investments. The end of the Cold War brought more changes to China’s relations with ASEAN members. Diplomatic relations between China and Indonesia resumed in 1990. In the same year, Singapore established diplomatic ties as well. In 1991, ASEAN and China established Dialogue Relations. Today, China is an important dialogue partner of ASEAN, as well as an important partner within ASEAN’s economic and security architecture.

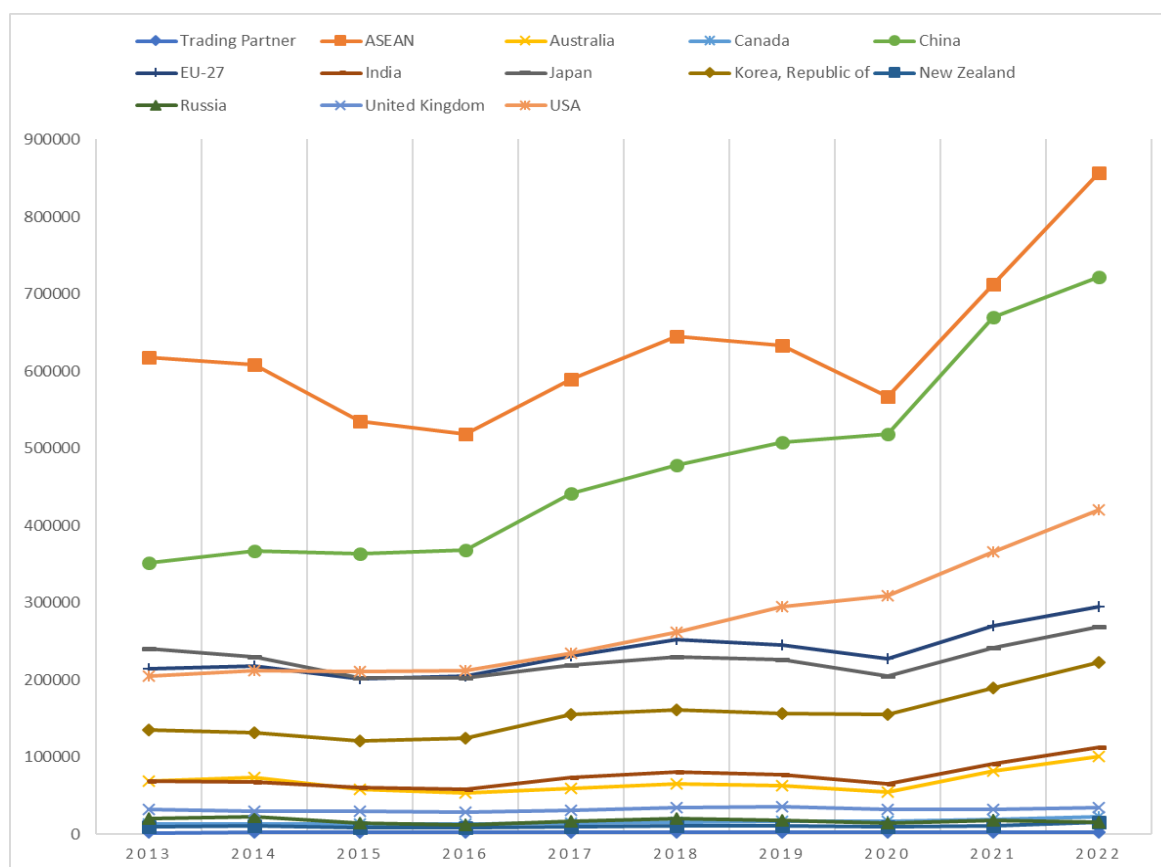
ASEAN Economic Cooperation with the US and China

As Graph 1 below indicates, China has become an important trading partner for ASEAN. Graph 1 highlights the importance of China as a trading partner. China is ASEAN’s top trading partner, surpassed only by intra-ASEAN trade, rising from US\$352 billion in 2013 to US\$722 billion in 2022. It even surpasses the US, and the EU. A more detailed analysis of trade data which was undertaken from 2008 – 2017 reveal however that while US’ and China’s trade with ASEAN have improved over the years, it has increased more so for some than others. Trade performance between the US and China with individual ASEAN members shows a marked difference which could explain the challenges faced by ASEAN in maintaining unanimity. Graph 2 below depicts the share of US’ and China’s trade with ASEAN, categorised as the ASEAN6 and CLMV.¹ What is noticeable is that while the importance of

China as a trading partner to ASEAN have increased, the rate of increase (and consequently, importance) was far higher for the CLMV than for the ASEAN6.

Graph 1. ASEAN Trade in Goods by Trading Partners, 2013-2022

¹ ASEAN6 = Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand; CLMV = Cambodia, Laos, Myanmar, and Vietnam

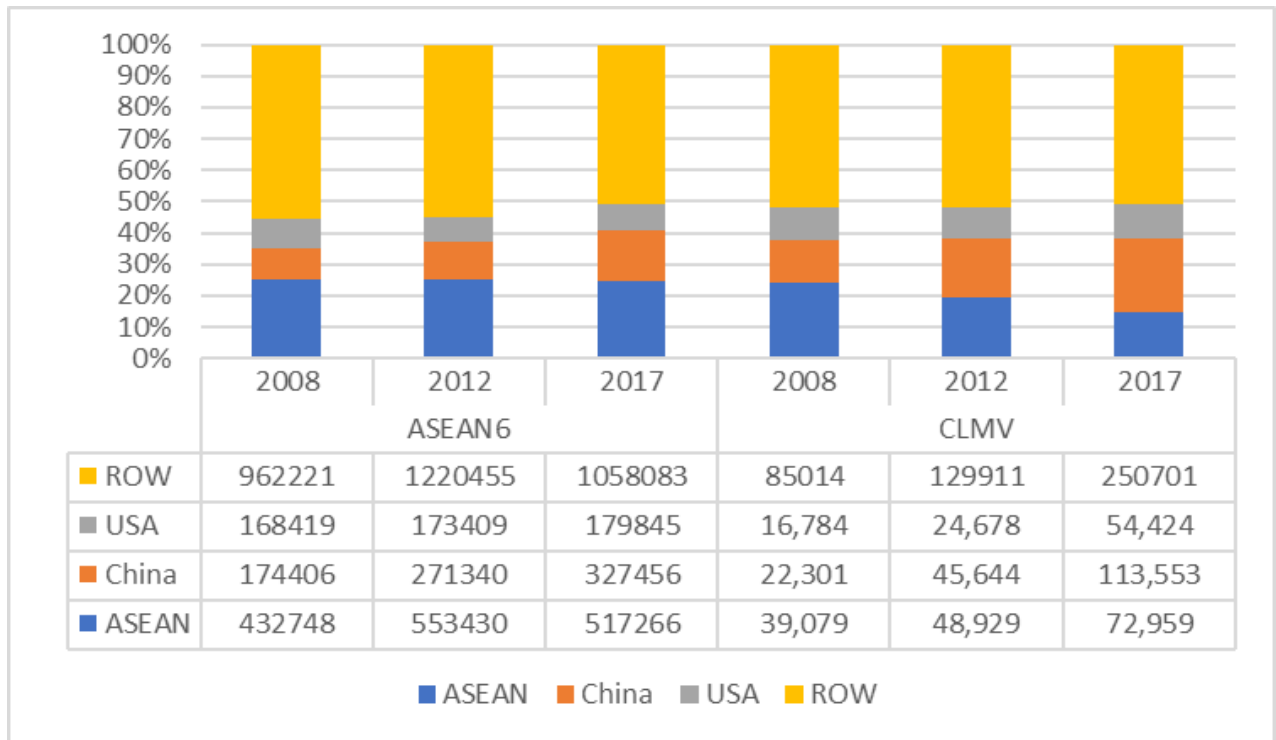


Source: ASEAN Statistical Yearbook 2023 (ASEAN, 2024)

The graph also reveals the decreasing share of ASEAN in the CLMV’s total trade for that same period. Another important point to highlight is the decreasing share of the US in the total trade of the ASEAN6, while its share in the total trade of the CLMV has remained relatively stable over the 2008 – 2017 period.

Likewise, in terms of foreign direct investment (FDI), China has increasingly become an important source of FDI, though it remains a distance away from the value of US FDI inflows into the region (refer Graph 3). In 2022 for instance, China’s total FDI inflow was US\$16 billion compared with US\$37 billion from the US. Similarly, a detailed analysis undertaken for the period 2008 – 2017, looking into FDI inflows into the ASEAN6 and CLMV, found that while China’s importance as a source of FDI has been increasing, the rate of increase in its share of the CLMV’s total FDI inflow was higher than for the ASEAN6 (refer Graph 4). The US’s share in total FDI appear to be falling as well, though for the ASEAN6, this could be misleading since the 2017 year chosen appears to be an anomaly considering FDI from the US has been averaging USD12,276.7 on average throughout the 2008 – 2017 period. When we delve even deeper into the FDI inflow into each of the ASEAN member states, among them all, it is the CLM where we see the share of FDI inflow from China dominate. This may explain CLM’s inclination towards China in recent years. It may also explain why Vietnam has been ready to take the positions it has in relation to its own Indo-Pacific strategy.

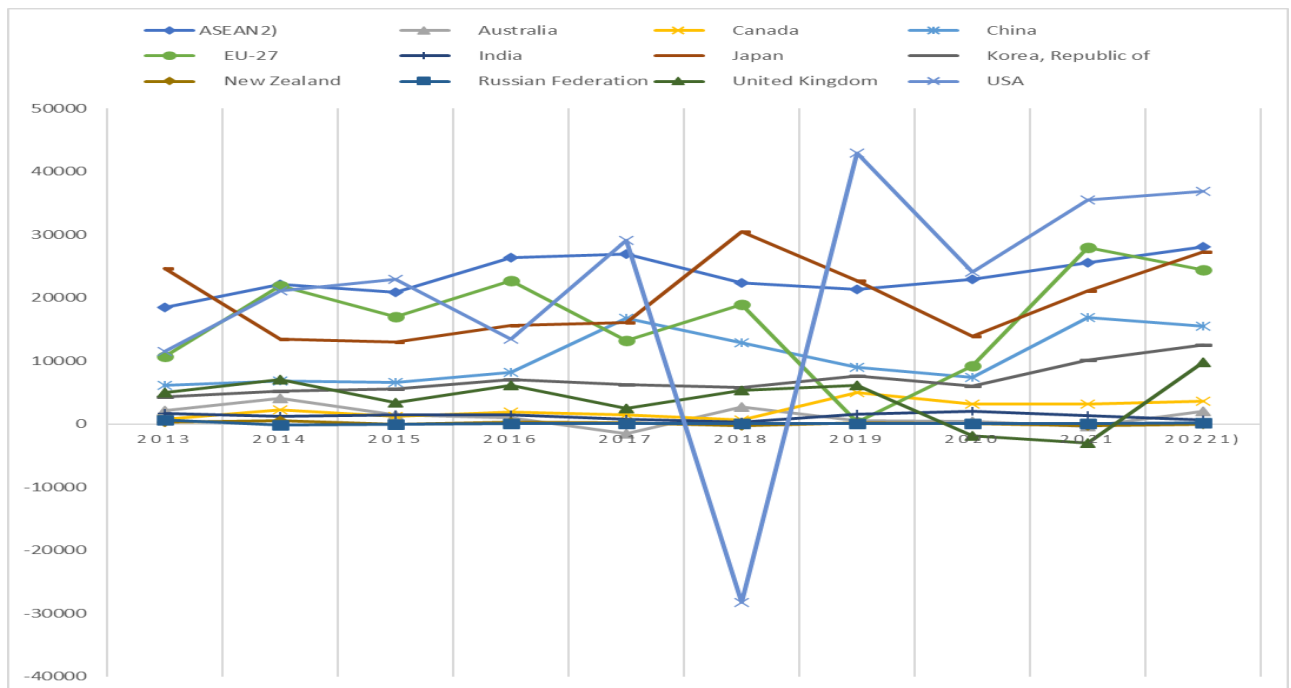
Graph 2. ASEAN6 vs CLMV: Share of Total Trade with ASEAN, China, and the US (in % share), 2008 -2017



Source: Author's calculations, based on data sourced from ASEAN Statistical Yearbook 2018 (ASEAN, 2019)

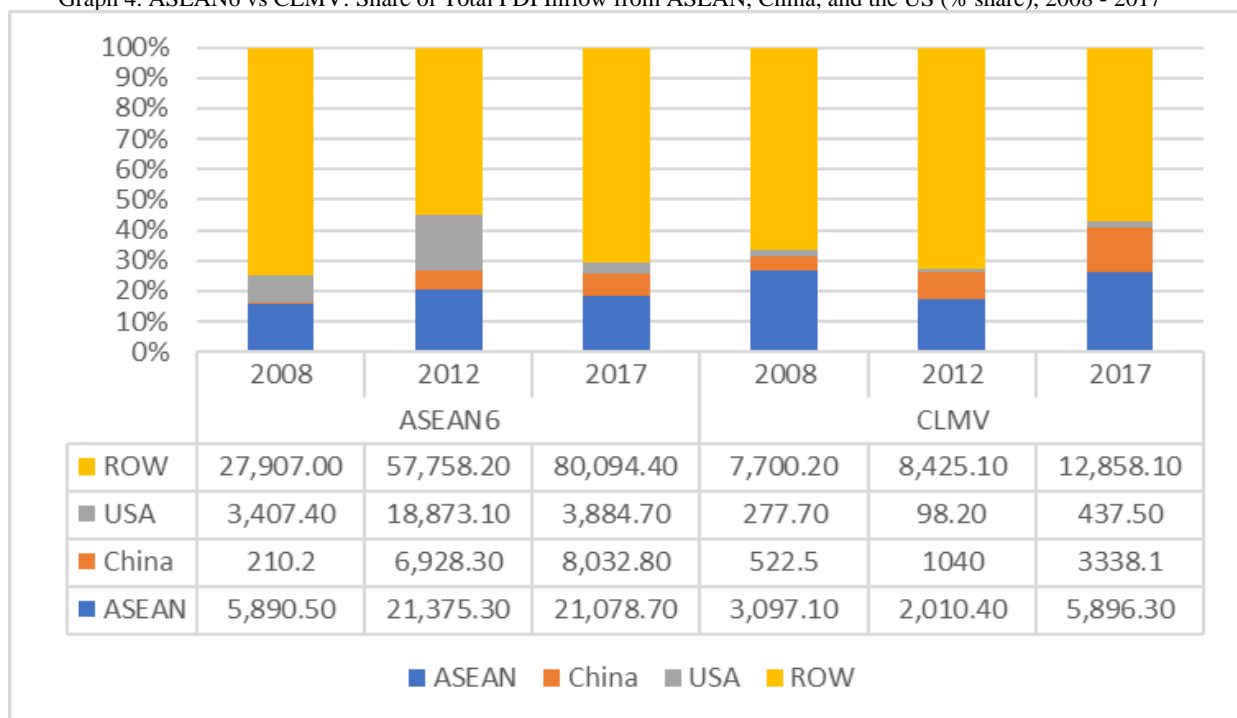
Note: Value in table is in USD million

Graph 3. Foreign Direct Investment (FDI) Inward Flows to ASEAN by Source Country, 2013-2022



Source: ASEAN Statistical Yearbook 2023 (ASEAN, 2024)

Graph 4. ASEAN6 vs CLMV: Share of Total FDI Inflow from ASEAN, China, and the US (% share), 2008 - 2017



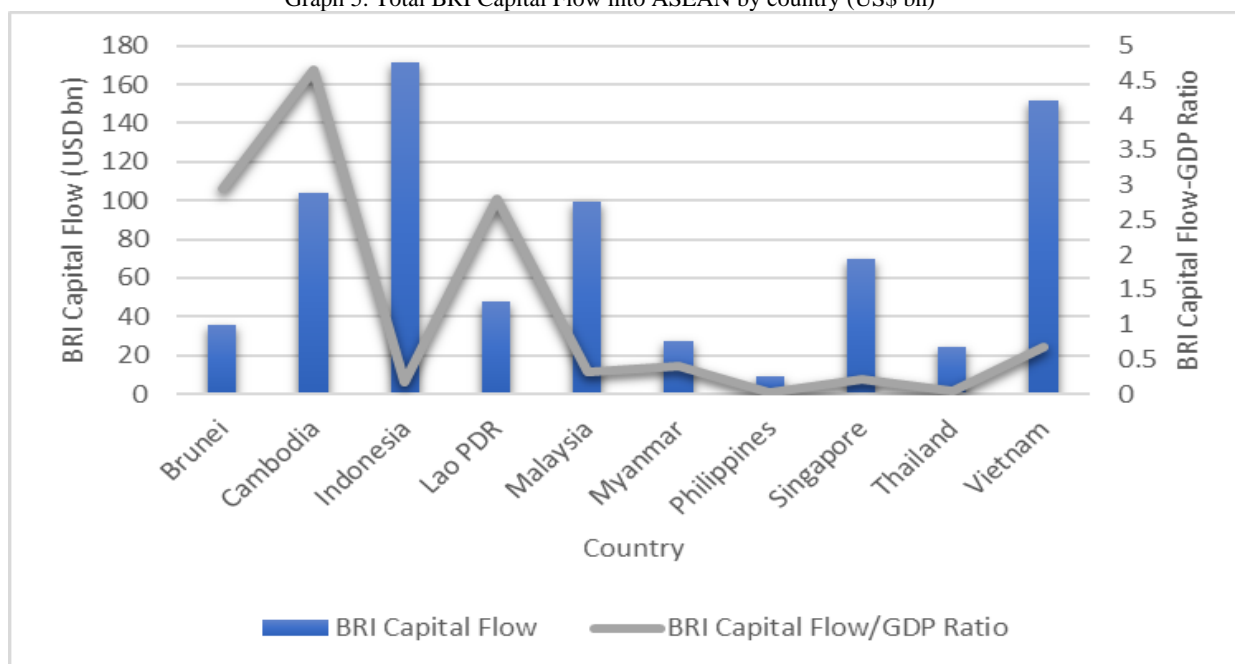
Source: Author's calculations, based on data sourced from ASEAN Statistical Yearbook 2018 (ASEAN, 2019)

Note: Value in table is in USD million

One of the factors that has contributed to China's strong relations with ASEAN members has been the efforts to integrate both their economies. ASEAN and China established a regional free trade area i.e., ASEAN-China Free Trade Area, in 2002. Work is ongoing to review and upgrade the agreement. ASEAN and China are also part of the largest FTA, the Regional Comprehensive Economic Partnership (RCEP). If China does eventually join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), then it would have another FTA with several of the ASEAN members states i.e., Brunei, Malaysia, Singapore, and Vietnam. Compare this with the US that has so far only one FTA in the region, with Singapore. Previous attempts to establish FTAs with Thailand and Malaysia were not successful. In 2009, the US began discussions with several Asian countries including a few members of ASEAN to establish what would become the Trans-Pacific Partnership Agreement (TPPA). Concluded in 2016, the agreement did not enter into force due to the US' withdrawal from it, under the Trump Administration in 2017. Even under Biden, the US did not attempt to join its successor, the CPTPP.

China has also actively promoted its Belt and Road Initiative among the ASEAN member states which have further strengthened ties. United Overseas Bank (UOB) and the Hong Kong University of Science and Technology study found that investments, particularly in construction projects, had increased since the initiative was announced in 2013 (Park, Tritto & Sejko, 2021). According to the report, there are/were 53 key BRI projects undertaken, with the majority in terms of quantum alone, undertaken in Indonesia, Vietnam, and Malaysia. This conforms with CIMBs report which identifies Indonesia and Vietnam as major beneficiaries, receiving USD171 billion and USD152 billion, respectively (Yan, 2018). However, when we view the BRI capital flow into the ASEAN member states for 2018 (Vineles, 2019) as a ratio to their respective GDP (refer Graph 5), a different picture emerges, one which confirms the increasing importance of China to some ASEAN members (i.e., Cambodia and Laos) and less to others. It is interesting to note that other than Laos and Cambodia, the other ASEAN member that records a very high BRI Capital Flow-GDP ratio is Brunei. It is unclear how this bears on Brunei's foreign policy in relation to the SCS which it has claims to, having been relatively silent until recently. Certainly, for Laos, China's investments in infrastructure development offers a landlocked country physical connectivity with the rest of the world, and a means to rebalance against larger neighbours i.e., through building dams for power generation.

Graph 5. Total BRI Capital Flow into ASEAN by country (US\$ bn)



Source: Author's calculations, based on data sourced from Yan (2018) and Vineles (2019)

Clearly, in terms of economic importance, China has over the years become increasingly important to the ASEAN member states, some more than others. This is important to note as they reflect to why the rise of China remains a divisive element to ASEAN. One could even conclude that the over dependence that some ASEAN member states have on China could impact the ability of ASEAN to establish consensus particularly on area of major importance such as the South China Sea. This was highlighted as the cause of China's undue influence that led to ASEAN's failure to achieve a joint statement on the South China Sea in 2012 and 2016 (Mogato, Martina & Blanchard, 2016; Beech, 2016).

On the other hand, the data above also reveal the US' decreasing role, and consequently diminishing influence in the region. This is a point that cannot have gone unnoticed by US foreign and security policy makers and explains the sudden pivot to ASEAN during the early years of the Biden administration. It explains why Biden pledged up to USD102 million in funding for ASEAN during the 2021 Summit for health, climate, economic and education programs. US investments, while still important, cannot match the scope and depth China's does especially in areas of such importance as physical infrastructure development. Perhaps in recognition of this, the US had introduced the Partnership for Global Infrastructure Investment (PGII), to mobilize private capital to invest in four areas i.e., climate change and energy security, health and health security, digital technology, and gender equity and equality. Together with its G7 partners, the US has introduced the Build Back Better World (B3W) initiative which focuses on mega infrastructure projects in developing countries, very similar to the Blue Dot Network, which involves the US, Japan and Australia. Commentators like Carrai and Yee (2022) and Shakil (2023) have however criticised the B3W as inadequate to truly allow the US to compete with China. As one Global Times (2024) op-ed states,

These [BRI] projects reflect China's determination and ability in promoting regional infrastructure construction, as well as the positive attitude and support of Southeast Asian countries toward enhancing regional connectivity and achieving common prosperity. By comparison, Washington, in a bid to counter the BRI's influence, has proposed projects such as the Blue Dot Network, aiming to establish a high-standard infrastructure investment framework. However, these projects often lack sufficient funding and execution capability, making it difficult to generate any substantial result in the short term.

In addition to this the US is pushing the India-Middle East-Europe Economic Corridor (IMEC), linking India, the Arabian Gulf, and Europe. In Africa, there is the Trans-African Corridor (the Lobito Corridor) linking the Democratic Republic of the Congo and Zambia to regional and global trade markets via the Port of Lobito in Angola. IMEC will involve building both physical and digital infrastructure e.g., railways, shipping lines, digital connectivity, power transmission (electricity and hydrogen). Likewise, the Lobito Corridor has so far focused on physical infrastructure projects. Clearly, this is to challenge China's Silk Road initiatives. The question is whether all of this will bear fruit. As we mentioned earlier, ASEAN is not known to favour taking sides. Despite the economic trends revealing otherwise, ASEAN has managed to continue to keep the US and China guessing, something that will be more challenging to do as the conflict inevitably intensifies. In my own estimation, the US does not need to get ASEAN to take either side. It is in fact sufficient for them to keep ASEAN neutral, or at the minimum sufficiently out of China's sphere. Considering ASEAN's central position in the Indo-Pacific and in the ongoing developments, and considering what has been presented above, this would be to some extent a victory (much needed) of sorts.

US-China Competition Casts a Long Shadow Over Southeast Asia

Maelstrom in the South China Sea

ASEAN member states' relations with the US and China are indeed complex, and perhaps it is quite telling of the way some members are leaning in this ongoing great power competition. However, there is no denying that China's strengthening of relations with some ASEAN members is resulting in a growing imbalance in these relationships which can potentially sometimes favour one party i.e., China, over the other, too much so that it can pose a significant challenge to ASEAN pursuing a more cohesive position on matters of regional importance, for example the South China Sea (SCS). The SCS is considered a region of significant economic and geo-strategic importance. The SCS possesses huge oil and natural gas reserves and is crucial for the food security of millions in Southeast Asia. Due to its importance, since the early 1970s, many parts of it are claimed by multiple parties; states that surround it such as Brunei, Indonesia, Malaysia, Philippines, Taiwan, and Vietnam. The key areas of dispute include the Spratly Islands, Paracel Islands, Scarborough Shoal, and the waters near the Natuna Islands. Competing claims amongst ASEAN members has been compounded by China's own claim in the area (the Nine-Dash-Line). Satellite images show China's efforts in fortifying and militarizing islands in the SCS (Center for Preventive Action, 2024). The Asia Maritime Transparency Initiative (What lies beneath, 2022) mapped out the paths of Chinese survey ships across the South China Sea in 2020–21, revealing considerable activity in waters straddling the coasts and economic zones of Indonesia, Malaysia and the Philippines.

Setting aside the challenge of getting China to give up its irredentism in the South China Sea, which is more than just about material gain but about national pride, and getting China to commit to an agreement that binds its actions, there are still differences among ASEAN members themselves over the issue that makes arriving to an agreement difficult. As Severino (2014) stated, even in the development of its precursor the Declaration on the Conduct of Parties in the South China Sea, ASEAN was unable to gather a common position on China's claims due largely to difference in interests; further highlighting the tenuousness of ASEAN unity, complicated by their respective relations with China and with each other.

Likewise, so long as China remains a real political and economic threat to the US, it will continue to focus its gaze here, despite numerous warnings that a Trump administration might see the possible abandonment of this region to China. This region is still important economically to the US, so it seems unlikely that it would discard its interests here so easily. As a result, the US is expected to continue to strengthen its multi-faceted but security-heavy mini-laterals, possibly increase FONOPS, and follow through on its harder position on Taiwan.

The real problem for ASEAN is that individual claimants have been pursuing their respective interests through different strategies. Currently, facing the brunt of China's actions, the Philippines has inevitably responded the most assertively. The Philippines has brought the matter to international arbitration on 22 January 2013. The Permanent Court of Arbitration found in the Philippines favour, an award that has since been rejected by China. Vietnam continues to fortify its claims by expanding dredging and landfill work at several of its South China Sea outposts (Reuters, 2022). Malaysia and Indonesia too have challenged China's nine-dash line claims, through the less confrontational approach of protest notes to the UN. Malaysia has although gone further by stating that it is open to negotiations. Brunei has been the most silent on the issue though it too has territorial claims.

Economic and Technological Decoupling

More challenging for ASEAN is how this competition is spreading into the domain of economics and technology. Not surprising, since growing economic and technological integration or as Baldwin (2016)

describes it, “*Great Convergence*” has not only increased prosperity but also competition, and as a result the way countries interact with each other. As the US and China continue to compete for markets, critical natural and technological resources, they are pursuing more zero-sum tactics such as economic and technological decoupling. Economic decoupling refers to a strategy whereby two or more economies pursue complete economic separation while technological decoupling refers to efforts to restrict or limit cross-border trade in high-tech goods and services. These countries utilise several measures such as export controls, divestment orders, licensing denials, sanctions, and tariffs to affect this separation. Examples of this are when the US initiated a ban on chips exports to China, or even its companies i.e., Huawei. Part of the drive is to contain each other’s growth, Technology after all “*is the engine that powers superpowers*” (Bateman, 2022). It is also aimed at reducing their interdependencies.

Economic liberalisation and free trade mantra that guided developments especially during the post-Cold War period has been replaced by what one Brazilian diplomat had described, “*geo-economic bi-globalisation, underpinned by geopolitical competition*” (Baracuhy, 2024). He further states that these strategies will “*redraw the world map of international trade, foster bloc allegiances, and transform the global trading order.*” While some blame can be placed on the US, particularly in its return to mercantilist-type trade policies, friend-shoring and in pursuing exclusive deals such as the Trans-Pacific Partnership Agreement and now the Indo-Pacific Economic Framework that clearly want to keep its friends close and China out, China too must carry some of this blame too. It is now implementing its dual circulation strategy which has been described as a move away from the ideal of the reform and open movement in the 1980s to a more security nuanced approach which sees China pulling back from the global economy (Caaney & Prange, 2023). The impact will be significant. There is concern that in its wake, will emerge a more fragmented international economic and technological system. An IMF paper had concluded that technological fragmentation could lead to losses of 5% of GDP for many economies (Cerdeiro, et. al., 2021). According to a WTO paper, the authors concluded that it would lead to welfare losses for the global economy, “*as large as 12% in some regions; and are largest in the lower income regions as they would suffer most from reduced technology spillovers from richer areas*” (Goes & Bekkers, 2022). As Doarest and Widhardja (2024) write,

ASEAN’s high trade reliance on China while having the US (by far) as its largest investor and key source of technology transfers puts it in an increasingly precarious situation if US-China supply chain decoupling intensifies. Forcing ASEAN to choose sides – to be in the US or China supply chain system – will be impossible and disruptive, and ASEAN should continue to take the pragmatic approach and reject that option.

Any short-term gains enjoyed now by some parties will be “*offset in the long term by the greater disruption to the global supply chains if the US-China tensions continue to escalate.*” We are now entering the Trump 2.0 experience, and already he has suggested imposing high tariffs from 25 – 35% on Canada, Mexico, and China. While the move appears driven by non-economic considerations, addressing the US’ trade deficit remains firmly entrenched in the President-elect’s mind. This list is expected to grow as competition intensifies.

The Emergence of BRICS, The Future of ASEAN

Then, there is also the question of BRICS. BRICS was established in 2009 by Brazil, Russia, India, and China (later to be joined by South Africa). BRICS began aggressively to expand its membership in 2024 to include Egypt, Ethiopia, Iran and the United Arab Emirates (UAE). In early 2025, Indonesia was accepted as a full member of the grouping, while Belarus, Bolivia, Kazakhstan, Cuba, Malaysia, Nigeria, Thailand, Uganda and Uzbekistan were inducted as partner countries. Such developments certainly feed into the fears of policy analysts that BRICS, which has been overtly pursuing greater economic and geopolitical presence and influence in global affairs, will likely spell the end to the LIO

(Gattolin & Veron 2024). There is no denying that among its current membership, there are some that are not entirely comfortable with the western dominated LIO. Yet, whether BRICS+ really has interest in dismantling the LIO, there is still the other question of whether it can achieve the goal with the inclusion of these new members. Certainly, the institutions and initiatives that BRICS is working on i.e., the New Development Bank (NDB), their Contingent Reserve Arrangement (CRA), and their efforts towards de-dollarization, with a bigger membership, can potentially pose a competition to these LIO institutions. The interest from ASEAN members to join is not surprising. A multipolar world order is emerging and with it new global architectures will emerge. That alone would ensure interest, especially among those that do not wish to be left out in the shaping of this new emerging order. While some commentators have stated that the interest of some members of ASEAN to join BRICS is unlikely to impact ASEAN significantly, it does reveal how divided ASEAN is today. This is certainly an issue that Malaysia, the new chair, will need to address in the year ahead, especially if it increases the risk of diminishing the influence that ASEAN has long worked to establish.

Conclusion

Whether by accident or design, and despite its limitations, ASEAN has continued to remain in the computation of most of the regional powers, thereby affording it an important role in the region. ASEAN has facilitated this by adhering closely with a policy of neutrality and non-alignment, guided by ZOPFAN and the agreements it spawned. China has benefited from this and has taken much effort in engaging with ASEAN through ASEAN-centred regional architectures like the ARF and EAS, and initiatives like RCEP. As a result, ASEAN-China relations have grown deeper post-1990s. China's willingness to engage ASEAN on some level footing and its readiness to make concessions to accommodate its smaller neighbour seems to suggest that ASEAN has a tempering effect on China. Much of this is explainable, motivated by China's need to legitimise and effect its agenda which faces challenges due to a relative lack of trust, vis-à-vis other actors in the region and without. This reflects ASEAN's legitimacy as a "leader" in the region. China deepening relations has been also aided by the US' increasing lukewarm and unpredictable relations with the grouping. Much of it has been driven by leadership but also as the US focuses increasingly inwards. However, China's strengthening relation with individual ASEAN members differs from one member to another. We have seen how dependent relationships between some ASEAN members and their superpower benefactors have impacted ASEAN unity and their ability to remain neutral and non-aligned. The growing imbalance in these relationships sometimes favours China too much that it can pose a significant challenge to ASEAN. To address this issue and achieve real parity with China (and to be fair also with the US), ASEAN needs to improve its role in the development of its members, particularly those members more susceptible to China's largesse. This can be achieved by strengthening economic integration and enhancing the importance of ASEAN to its members, whether as a market or a source of investments. One area it could focus on is strengthening the supply chain between ASEAN members, which can also insulate itself from the machinations of great powers. Its members must also appreciate ASEAN's attempts to maintain political equidistance from the great powers, including China. However, it cannot do this if individual members pursue foreign policies that favour one great power over the other. While pursuing membership in regional groupings or arrangements championed by both great powers (e.g., BRICS) is sensible, it should also give equal importance on strengthening ASEAN as a political force. It could do this by joining these organisations or arrangements as a bloc, instead of separately. It should formulate common positions on all issues, based on the principles and values it upholds as ASEAN.

As Chair of ASEAN, Malaysia has proposed three-prong strategy for the ASEAN economic community in 2025, aimed at strengthening regional value chains and regulatory cooperation, reinforcing member countries' economic fundamentals and reinventing, restructuring, and recalibrating their economies, while leveraging each other's strengths (Malaysia's strategies, 2024). These strategies might be misconstrued to be low-hanging fruits, conflict avoidance or worse, safe initiatives. They do not even address directly the major issues that ASEAN is facing. What they do address though is one of the

underlying causes for ASEAN inefficacy in dealing with these major issues – increasing division among ASEAN members. By strengthening the resilience of our supply chains and addressing the developmental gaps between members, this may help ASEAN members, in the words of the Prime Minister, “*reject overtures that are predisposed to causing division*” (Tan, 2024); further strengthening regional resilience.

Resilience is nothing new. In the negotiations that eventually culminated with the Zone of Peace, Freedom and Neutrality (ZOPFAN), there was another proposal on the table. The proposal from Indonesia involved strengthening ASEAN member states’ resilience which would encompass ideological resilience, basic-economic resilience, social resilience, and military resilience, with the goal of withstanding external aggression. According to Koga (2014), Indonesia’s regional resilience idea while proposed as an alternative to neutralization, was not mutually exclusive to it. However, it would introduce a level of coordination among the Southeast Asian states at the time. While the concept of regional resilience was eventually adopted, the focus had shifted towards economic cooperation. This has largely been achieved with the establishment of the ASEAN Free Trade Area, and as they work towards realizing an ASEAN Economic Community. As the intra-trade and intra-investment flows presented earlier indicate, there is still room for further integration, and ASEAN is working on areas such as infrastructure development (both physical and digital connectivity), sustainable agriculture, and integrating ASEAN MSMEs into the global market.

ASEAN may lack the capacity of controlling the behaviour of great powers as recent events have starkly reminded us, but it can itself still pose a deterrent by continuing to make the region economically too expensive a risk to escalate conflict, and if that fails, make it too costly an expense for these great powers to pursue conflict at. However, this needs ASEAN to continue to prioritize the needs and interests of its members, and by so doing make ASEAN integral for all its members. ASEAN can still champion ZOPFAN, but it should not lose sight that maintaining neutrality and non-alignment should never come at the expense of the centrality of ASEAN, particularly to its members. ASEAN must always come first.

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