

PERSPECTIVE

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Southeast Asia’s Hopes and Fears about China

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EXECUTIVE SUMMARY

- China is overwhelmingly seen by Southeast Asian elites to have the biggest economic influence in the region, according to the results of the latest version of the State of Southeast Asia survey by ISEAS released in January this year.
- However, a high percentage of the respondents who recognise China’s economic importance feel uneasy about it. Even recipient countries of China’s signature Belt and Road Initiative in the region are unsure if it will be a fair deal for them.
- Underlying this wariness is a lack of confidence in China’s willingness to act for the common good. Instead, the region looks to other powers, namely the EU, Japan and to a more limited extent the US, for leadership in this.
- There is time and space for China to address the concerns of the region. Many believe that relations with Beijing will strengthen and indications are that they will continue to be open and pragmatic in dealings with China.

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INTRODUCTION

Southeast Asia became a focus of global attention over the last decade for both enviable and unenviable reasons. Being recognised as one of the fastest growing and economically dynamic regions in the world that many global investors and businesses are courting is clearly positive. At the same time, rising competition for regional influence between China and the United States has become a matter of serious concern in most ASEAN capitals.

In this context, the State of South-east Asia: 2020 survey¹ by ISEAS – Yusof Ishak Institute, published in January, reveals some of the inner thinking of Southeast Asian elite from government, business, civil society, media and academia. It will not make comfortable reading for any of the major powers. While each of them will find some findings positive, others are sobering or may even serve as a wake-up call. In this article, I will focus on the findings for China.

PERCEPTION OF OVERWHELMING DOMINANCE

First, the upside for China. China is widely seen as the most influential economic power in the region, even more so than in the same poll last year. In fact, it is so dominant in regional perceptions that it received ten times more votes from survey respondents than any of the other options. The next highest votes went to the US and ASEAN itself.

Some economists will be puzzled by the overwhelming dominance of China in the region's thinking because it does not fully square with objective economic data. Official ASEAN statistics show that for the year 2018 (the latest available), China lags behind both the European Union and Japan in the flow of foreign investments into Southeast Asia.² Statistics compiled by various researchers show that China is even further behind in terms of the stock of existing foreign investments in ASEAN states, although it has been playing catch-up in recent years. Similarly, in terms of corporate presence, Chinese companies are only a fraction of those from the US, Japan and Europe. Even in trade, while China is the top trading partner for many ASEAN states, it constitutes less than 18 per cent of total trade for the region. Taking the region as a whole, intra-ASEAN trade is actually one third larger than trade with China.

One reason for the oversized perception of China could be because China dominates in more newsworthy and visible areas such as large-scale infrastructure projects and tourism. Large-scale infrastructure projects impinge on local settlements, affect existing businesses both positively and negatively, and require large numbers of Chinese workers in the implementation stage, making them difficult for locals to ignore. The influx of Chinese tourists is also highly noticeable in the local landscape and has a rapid impact one way or another, as the downturn in Chinese tourists due to the ongoing Covid-19 outbreak amply demonstrates.

Another possible reason why its influence is more keenly felt may be because the Chinese government is more involved in projects by Chinese companies. With state-owned enterprises playing a major role in China's outward investment and the perception that their business decisions are made for strategic as well as economic reasons, this view will only further entrench itself over time. Investments from other major sources are not viewed in

the same way. For example, the Malaysian government negotiated with Beijing for the East Coast Rail Link project even though it is a corporate investment; this is something Putrajaya would not expect to do with Washington for Microsoft or Dell investments. If this perception is indeed a factor, the nature of China's economic system will always make it loom larger than others.

ACCOMPANIED BY UNEASE

While China dominates the region in its perceived economic influence, this is on the whole not well received. More than 70 per cent of those who identified China as being the most influential economic player are uneasy about it. This response sharply contrasts with the view of those who identified the US as having the biggest economic influence, 70 per cent of whom welcomed the situation. Of those who chose ASEAN as the biggest influence, an even bigger proportion (84%) welcomed it. It should be borne in mind however that the absolute numbers in both the US' and ASEAN cases are much smaller.

The uneasiness about China also surfaces in another set of questions that pertain to China's signature programme, the Belt & Road Initiative (BRI). While most, if not all, of the 10 ASEAN member states have welcomed the BRI, clear majorities of the poll participants from seven countries had little or no confidence in Beijing's assurances of a fairer deal for them. During the 2nd Belt and Road Forum held in Beijing in April 2019 which 10 ASEAN leaders attended³, China pledged to take a new approach that would make it "open, green and clean" but many have not taken this to heart. Vietnam, the Philippines and Indonesia are the most sceptical about the prospects of a better deal. In Myanmar, which welcomed Chinese President Xi Jinping for a state visit last month and re-started three major BRI projects, more than six in 10 respondents have little confidence in the scheme. Even respondents from Cambodia, one of China's closest partners in the region, are only slightly more positive in their replies. Brunei is the only exception in being positive about China's assurances on the BRI, while respondents in Laos and Singapore are quite evenly split.

MAY NOT ACT FOR THE COMMON GOOD

What is the cause of all this wariness with China? It probably relates to perceptions of China's attitude towards issues of common good such as global peace, prosperity and governance, which is covered in another part of the survey. In responses to these questions, only 16 per cent had confidence that China will act for common good, while more than 60 per cent had little or no confidence in China doing so. The naysayers have increased over the past year; this question drew negative responses from only 50 per cent in last year's survey. More than half of those who harbour distrust towards China think that China may use its economic and military power against their country's sovereignty and interests. Another 19% simply believe that China is not a reliable power.

A closer examination of country-level responses shows that the pessimists are in the majority in all but two countries, Brunei and Laos. Not unexpectedly, the largest number of pessimistic respondents can be found in countries that have had some tense maritime incidents on the ground with Chinese vessels in recent years, namely Philippines, Vietnam and Indonesia.

There is also an age divide in these results – younger respondents are more sceptical of China than their seniors. Only 10% of respondents born after 1980 had confidence in China compared to 22% of those born before 1980. Conversely, 65% of the younger group had little or no confidence in China compared to 55% of their seniors. This division in views is not easy to explain but it may have something to do with the older groups having a more benign view of today's China when compared to their past memories of a more belligerent and less integrated China. If the age divide in views continues, the concerns with China will likely persist and perhaps even grow over time.

Who then does the region look to for the common good? The survey shows that more look to Japan and the EU to champion free trade. Together, they topped the choice of more than half the poll participants, with an equal share each. China and the US lagged behind, with each taking about 15 per cent of the votes. The US does better in the area of maintaining the rules-based order and international law.

NOT ALL IS LOST

Do the sentiments indicate that China has lost the confidence of Southeast Asia? No, not if we take a medium to long-term perspective. In fact, there are a few interesting findings from the survey that China can build upon to win over its doubters.

One bright spot for China is that many more respondents see relations with it to be on an upward, rather than a downward trajectory. Overall, those with a positive outlook outnumber those with a negative outlook by a margin of more than two to one. A large group also opted to give a neutral answer to this question, indicating that they remain open and are adopting a wait-and-see posture. At the country level, pessimists outnumber optimists only in Vietnam and to a lesser extent the Philippines.

The same pragmatism shows up in the question on choice of 5G developers, where Chinese companies come in second only to Samsung of South Korea and ahead of European and US options. The recent decision by the United Kingdom to allow Huawei to participate in parts of its future 5G system signals a similar openness despite London's close relationship with Washington. This openness is something that China can build upon to regain confidence.

Answers to a follow-up question reveal that the pessimists are most concerned about the peaceful resolution of territorial disputes using international law, and China's respect for the sovereignty and foreign policy choices of other countries. Among the optimists, further growth of economic dominance and use of strong-arm tactics in the South China Sea or Mekong could sour their views towards Beijing. Another positive indicator for China is that more respondents in five countries in ASEAN would hypothetically chose China over the US if they had to make a choice. This, however, has to be tempered by the overwhelming preference by more than nine in 10 respondents to not choose sides at all.

CONCLUSION

China is in a strong position of influence within ASEAN member states because its economic heft is readily seen and widely recognised. In some ways, this perception actually

leads the reality on the ground, but there is no doubt that it is rapidly catching up and has momentum on its side. With the resumption of major Chinese projects in Malaysia and Myanmar, and improvement of relations with the Philippines under the Duterte administration, Beijing's economic influence looks certain to rise further.

Against this upbeat outlook, China has a confidence deficit in the region that has grown over the last few years and worsened last year. The likely triggers include the disputes that occurred and the actions that it has taken in the South China Sea and its vicinity, including incidents within the EEZs of Indonesia, the Philippines and perhaps also Malaysia. The decline in confidence towards China seem clearly independent of the recent views and actions of the US, as the latter has also not commanded high confidence over these last few years.

The sentiments of Southeast Asians show that, while China does have some cards it can play to rehabilitate its image, it has to be circumspect in playing them. In particular, it has to avoid the appearance of being overpowering and threatening to the sovereign interests of ASEAN states. ASEAN states want space for themselves to steer their own path and be masters of their own destiny. The more they are assured of this, the more likely it is that they will have better relations with China and other powers.

In the midst of the current Covid-19 crisis, China has an opportunity to show a different side of itself to the world. There is little doubt that China is able to bring tremendous state power and resources to fight the epidemic. It impressed everyone with its speed in constructing two high-capacity hospitals at lightning speed. But this is not new – most people had already registered this about China during the SARS episode in 2003. What will make a real difference would be a demonstration of openness and flexibility in managing the crisis as a whole. The record is still mixed so far. As the crisis is unprecedented and highly complex to manage, a successful outcome acclaimed by both domestic and international audiences would likely inspire new confidence in it beyond the situation today.

Box: About the State of Southeast Asia Survey

- The survey is conducted by the ISEAS – Yusof Ishak Institute annually in all 10 ASEAN countries. 2020 is the second in the series.
- The respondents are professionals from five different sectors: government, academia, business, civil society and media.
- There were 1,308 respondents and the margin of error for the survey is about 3%.

¹ The State of Southeast Asia: 2020 Survey Report, ASEAN Studies Centre at ISEAS – Yusof Ishak Institute, 16 Jan 2020.

<https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2020.pdf>. Accessed 18 February 2020.

² ASEAN Statistical Yearbook 2019 by Jakarta: ASEAN Secretariat, December 2019, <<https://www.aseanstats.org/publication/asyb-2019/>>. Accessed 18 February 2020.

³ PM Lee attends second “Belt and Road” Forum after conspicuous absence at inaugural event, MSN news, 27 April 2019, available at <<http://theindependent.sg/pm-lee-attends-second-belt-and-road-forum-after-conspicuous-absence-at-inaugural-event/>>. Accessed 18 February 2020.

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