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SOUTHEAST ASIA'S EMERGING GEOPOLITICAL ORDER: CHINA'S STRUCTURAL INFLUENCE AND THE EVOLVING REGIONAL BALANCE OF POWER

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Adarga's AI software platform was used by the Evenstar Institute's specialist team to enrich this latest piece of research and enable better, faster and more robust analysis from deeper, wider and broader sources.

EXECUTIVE SUMMARY

Southeast Asia is of core strategic importance to both the West and China, in its geographical position at the heart of the Indo-Pacific, for its central role in the world's supply chains, as a source of raw materials and components critical to national security, and as a large and growing market.

This report quantifies and explains the evolution of China's influence in Southeast Asia through the analysis of all ten ASEAN member states over the period 2011-2020. We demonstrate that China's influence is a significant contributor to regional geopolitical realignments, with policy implications for the West and ASEAN. The report is based on a six-month research project, drawing on tens of thousands of quantitative data points, expert qualitative assessments, and interviews with stakeholders, analysed using the Evenstar Institute's proprietary influence model as part of its ongoing China Influence Index research programme.

The report's key findings are as follows:

1. Southeast Asia is strategically important to the West and its allies, in terms of its commodities, political and defence ties, and location at the heart of the Indo-Pacific.

2. However, China's influence has increased rapidly over the last decade in every Southeast Asian country assessed. The greatest increases were in Technology and Telecoms, Defence and Security, and Economics and Finance.

3. China has been able to dominate digital infrastructure in many ASEAN states, allowing it to lock in long-term influence. This extends China's influence to other areas reliant on digital platforms, such as Defence and Security, and excludes foreign competitors.

4. China has developed economic ties which allow it to rapidly scale up its influence via investment, elite capture, and dominance of digital infrastructure and critical national infrastructure projects.

5. China's highly asymmetric economic relationships with many ASEAN nations enables a high degree of influence across sectors.

6. China has used the opportunities created by the distancing of the USA following the 2014 coup to rapidly increase its influence in Thailand, and attempt to "flip" a US treaty ally. The diplomatic isolation of Myanmar similarly means it is now highly dependent on China.

7. Indonesia, Malaysia, the Philippines, Singapore, and Vietnam have proven more resilient to China's influence due to their diverse economic relations, allowing them to better balance engagement with China and the US.

8. China's evolving influence is driving the emergence of a new geopolitical order in Southeast Asia, with Cambodia and Laos effectively client states; Brunei, Myanmar, and Thailand susceptible to realignment; the Philippines and Vietnam remaining resistant to China's influence; and Indonesia, Malaysia, and Singapore having the potential to act as a regional economic counterweight.

9. ASEAN nations' diversification of economic engagements should be encouraged to mitigate disproportionate influence, and competitive alternatives offered to meet core nation-building needs.

10. If the US and its Western allies want to push back on Chinese influence in the region, then they should prioritise the development and progression of robust regional and subregional frameworks for engagement which are tailored to the national security priorities of ASEAN members, and the needs of the region overall.

ABOUT THE EVENSTAR INSTITUTE

The Evenstar Institute is a non-partisan, not-for-profit think tank focused on measuring and understanding the evolving nature of national influence in the twenty first century.

Our current core programmes are the China Influence Index, and Macro Supply Chain: Risks, Challenges, and Opportunities.

For more information on our research, methodology, and proprietary models, please contact **Sam Olsen, CEO and Co-Founder,** sam.olsen@evenstarglobal.com

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1. INTRODUCTION

1.1 An Overview of Southeast Asia and its Significance

Southeast Asia is of growing geopolitical and geoeconomic importance, both in its own right and in the context of shifting patterns of global power, and has become a key area of rivalry between the People's Republic of China and the United States.

The reason for this rivalry is the region's strategic importance. Economically, ASEAN is the fifth largest economy in the world, with a combined GDP of USD 3.0 trillion (2020).[1] It has one and a half times the population of the European Union and a growing middle class, and it sits astride some of the world's most important trade routes. It is thus of core strategic importance to both China and the West, in terms of direct economic ties, global trade flows, international political alignments, and defensive considerations.

Over the past decade, China's influence across the region has increased rapidly as a result both of direct influence efforts and the country's continued economic rise. This influence extends from economic investment, the construction of digital infrastructure networks, and critical national infrastructure (CNI), to elite capture, defence ties, scientific collaborations, and attempts to develop cultural influence.

The scale of this influence-building via China's activity across all sectors of society in Southeast Asian countries is such that **it is a major factor contributing to the emergence of new geopolitical alignments in the region.** As this report demonstrates, **Cambodia** and **Laos** have now moved solidly into China's orbit and are now effectively client states, with **Myanmar** close behind. **Thailand**, for so long a cornerstone ally of the US in the region, has also moved closer to China since its 2014 coup. **Brunei**, a key friend of the UK, has become closer to Beijing in recent years in part because of the massive increase in China's economic influence there. **The Philippines**, another treaty ally of the US, has in recent years taken a more friendly line with China under the leadership of its former President, Rodrigo Duterte. **Indonesia**, **Malaysia**, and **Singapore** have all seen China's influence increase despite active attempts to keep to a middle ground between the superpowers. Even **Vietnam**, with its difficult history with the PRC and its ambition to work more closely with middle powers like Japan and South Korea, has seen China's influence increase.

The **response of Southeast Asian nations to the spread of China's influence**, and how they balance this with their relations with the US and the West, **will have major implications for Asia and the world.** International supply chains, defence relations (including the status of Taiwan and the South China Sea), and political ties will all be impacted by how far the countries of Southeast Asia align with China.

The original research conducted by the Evenstar Institute presented in this report **quantifies and qualifies the degree of PRC influence in the ten member states of the Association of Southeast Asian Nations (ASEAN)** - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam – over

1. https://www.gov.uk/government/publications/uk-asean-factsheet/uk-asean-factsheet

the ten-year period of 2011-2020. While China's success in establishing influence has varied across these countries, **its influence has increased in all of them, including those which have actively resisted it,** such as Vietnam.

This report is based on what to our knowledge is the largest survey of China's influence in Southeast Asia to date, conducted over a period of six months and drawing on tens of thousands of data points combined with expert qualitative assessments. It is the first publicly available research report to comprehensively quantify the evolution of China's influence in ASEAN, doing so in a way which allows systematic comparison of that influence across sectors and countries, and opens up the potential for future studies to assess the influence of other countries, such as the US and the UK, in comparison with China. The report uses the Evenstar Institute's proprietary influence model to define and measure China's influence and the responses of ASEAN nations to China's growing presence in the region, focusing on how these translate into evolving geopolitical realignments.

The report is built on the core concept of Structural Influence, explained in Section 1.3. Illustrative examples are provided throughout, alongside comparative data, and contextualised in terms of country-specific conditions, regional influence-building trends, and analysis of what this means for regional geopolitics. **Further details on specific case studies, metrics, and methodology can be requested by contacting the Evenstar Institute using the details provided at the end of the report.**

1.2 The Strategic Context: Why Southeast Asia is Important to China and the West

1.2.1 The Global Economic Importance of Southeast Asia

The ASEAN member states are home to 680 million people, twice the population of the US and one and a half times that of the EU. Collectively, the member states make up the fifth-largest economy in the world, larger than that of the UK. The size of ASEAN's collective economy, its increasingly affluent and educated population, and its increasingly skilled workforce and competitive wages, combined with the region's importance as a global trade hub, make it of core significance to global trade, and of central economic importance to both China and the West.[2]

Southeast Asia is of core strategic interest to both the West and China for three key reasons:

1. **The region's growing economy and increasingly affluent population and skilled workforce offer huge commercial opportunities for companies around the world.** The region is continuing to experience economic growth despite ongoing uncertainties; HSBC Global Research expects Thailand, Singapore, Indonesia, the Philippines, Malaysia and Vietnam to grow by between 3.2% and 7.6% in 2022.[3] Even as ASEAN's overall growth rate slows from 5.9% in 2022 to a projected 5% in 2023, it may remain

2. https://www.hsbc.com/insight/topics/why-southeast-asia-offers-reason-for-optimism

3. *Ibid.*

one of the fastest-growing regions in the world, expanding at over twice the speed of the global economy.[4]

This growth makes the region inherently attractive for foreign companies. A 2022 HSBC survey of 1,500 companies from China, France, Germany, India, the USA, and the UK found that 90% of foreign companies operating in the region planned to grow their presence in the region over the next two years, while two-thirds expected organic growth of at least 20% over the next 12 months.

2. **Southeast Asia is vital to global supply chains, both in terms of source countries for key products and components, and in terms of logistics.** An estimated one third of global shipping passes through the South China Sea; in 2016, the top ten exporters via the South China Sea were mainland China, South Korea, Singapore, Thailand, Vietnam, Japan, Hong Kong, Indonesia, Germany, and Malaysia.[5]

   As a global financial and economic hub, significantly located at the meeting point of the strategically vital Malacca Strait and the South China Sea, **the port of Singapore is one of the most important in the world**, ranking second in total volume of container trans-shipment traffic after Hong Kong.[6] [7] Singapore is linked to 600 ports in over 120 countries, and these maritime connections are especially significant given that more than 80% of the world's trade is conducted by sea.[8]

   Malaysia is a key country in the global semiconductor supply chain, accounting for approximately 7% of global semiconductor trade.[9] Semiconductors represent 62% of the country's total value of Electrical and Electronics (E&E) exports and as such are the largest contributor to the category.[10] Furthermore, 13% of this activity involves global chip assembly, testing, and packaging processes. Its position as a major hub for chip testing and packaging is particularly important as this is the final stage for semiconductor production.

   The Philippines' business process outsourcing (BPO) industry contributes nearly USD 30 billion to the economy each year, closely following India (the top country for outsourcing services), and employs an estimated 1.3 million Filipinos across 1000 firms.[11] The Philippines is also a market leader in terms of voice-related services and is rapidly expanding its capacity to provide non-voice BPM and IT services.[12]

   Vietnam is one of the biggest exporters of electronic products globally and key multinationals such as Samsung, Foxconn, Intel, and LG have presences in the country; Samsung produces 60% of all its mobile phones in the country. This export value is equal to 1.8% of the total export value of electronics globally and climbed from 47th to 10th in global rankings between 2001 and 2020.[13] **Computers, laptops,**

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4. Standard Chartered, cited https://www.bloomberg.com/news/newsletters/2023-01-12/what-s-happening-in-the-world-economy-southeast-asia-is-having-a-moment
5. https://chinapower.csis.org/much-trade-transits-south-china-sea/
6. https://www.cfr.org/backgrounder/singapore-small-asian-heavyweight
7. https://bit.ly/lloydsbanktrade3XTlujZ
8. row-232-theme-2.pdf (mpa.gov.sg)
9. https://bit.ly/businesstoday3HMamzQ
10. *Ibid.*
11. https://blogs.lse.ac.uk/seac/2020/09/22/covid-19-and-the-philippines-outsourcing-industry/
12. https://bit.ly/colliers3wKcLVm
13. https://bit.ly/asiaperspective3jjU8V2

and components (CLC) are also currently in the top five product categories, and have a total export value of more than USD 5 billion.[14]

3. **Southeast Asia is a crucial and abundant source of a huge range of raw materials, including critical minerals, fish stocks, and agricultural products. Malaysia has the world's only processing-at-scale of rare earths outside of China, with 12% of the market.**[15] Tin is the most important metallic mineral in the region in terms of value, and together **Thailand, Malaysia, and Indonesia account for over half of world tin production**.[16] Southeast Asia has considerable reserves of oil and natural gas, notably in Indonesia, Malaysia, and **Brunei**. The South China Sea has major oil and gas reserves, estimated at 11 billion barrels of oil and 190 trillion cubic feet of natural gas, as well as plentiful fish stocks.[17] [18]

   The world's largest Muslim-majority state, third-largest democracy and fourth most populous county, **Indonesia is also the world's largest nickel producer and holds the world's largest nickel reserves.** Nickel demand today is dominated by steel production (accounting for approximately 70%); batteries needed for the decarbonization of transportation are expected to represent the single-largest growth sector. Demand for batteries is on a trajectory to grow from 6% in 2020 to around 33% of total nickel demand in 2030.[19] Indonesia's first plant to process nickel was commissioned in 2021, and there are at least seven further plants in the pipeline. Moreover, Tesla is close to a preliminary deal to set up a factory in Indonesia, as the electric-vehicle maker looks to capitalise on the Southeast Asian nation's reserves.[20]

1.2.2 The West's Interest in Southeast Asia

Southeast Asia is of foremost strategic importance to the US, UK, EU, and other Western countries for three key reasons.

1. **Economic Ties.** In 2020, US goods and services trade with ASEAN totalled USD 362.2 billion, with US exports to ASEAN supporting an estimated 656,000 jobs in 2019.[21] As of 2021, total trade in goods and services between the UK and ASEAN amounted to GBP 36.2 billion.[22] ASEAN as a whole is the EU's largest non-European trade partner after China and the US, with total bilateral trade in goods and services amounting to EUR 309.4 billion in 2021.[23]
2. **Supply Chains and Logistics. The South China Sea is vital for Western nations' trade in goods**. In 2016, the US relied on the South China Sea for USD 208 billion of its total trade in goods (5.7% of its total), Japan for USD 240 billion (19.1%), Germany

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14. *Ibid.*
15. https://www.fdiintelligence.com/content/interview/rare-earths-are-not-that-rare-81560
16. https://www.britannica.com/place/Southeast-Asia/Industry
17. Economy, Elizabeth C. (2022) 'The World According to China' (Polity Press, Cambridge)
18. https://www.eia.gov/international/analysis/country/PHL
19. https://www.csis.org/analysis/indonesias-nickel-industrial-strategy
20. https://www.bloomberg.com/news/articles/2023-01-11/tesla-nears-preliminary-deal-for-indonesia-electric-car-plant?leadSource=uverify%20wall
21. https://ustr.gov/countries-regions/southeast-asia-pacific/association-southeast-asian-nations-asean
22. https://www.gov.uk/government/publications/uk-asean-factsheet/uk-asean-factsheet
23. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en

for USD 215 billion (9%), the UK for USD 124 billion (11.8%), France for USD 83.5 billion (7.8%), India for USD 189 billion (30.6%), and Canada for USD 21.8 billion (2.7%).[24]

As such, **not only are Western and Western-aligned countries dependent on the region for trade, so also are they reliant upon its regional economies which are increasingly considered as alternative sites for Western manufacturing**, such as Indonesia, Malaysia, Thailand, and Vietnam. This is something US and other Western companies have been accelerating in the wake of ongoing trade disputes with China.[25] [26] A downturn in relations with China has likewise **prompted Australia to pledge deeper ties with Southeast Asia as a means of mitigating reliance on China**, including prioritising strengthening economic engagement, increasing aid to the region by USD 327 million, and creating a new regional office within its foreign ministry.[27] The EU plans to deepen trade with Indonesia as part of a similar strategy.[28]

As the Evenstar Institute has highlighted in a previous report, **reshoring suppliers to mitigate exposure to China is of limited effectiveness if those alternative suppliers are themselves subject to high levels of Chinese influence or rely on China for supply chain inputs.**[29] For example, the British Armed Forces source uniforms from Cambodia, but Cambodia's garment industry is reliant on China for two thirds of its inputs (see Box 3) and the country is subject to one of the highest levels of Chinese influence in Southeast Asia, as detailed in subsequent sections. Similarly, **Vietnam, widely seen as an alternative electronics supplier to China, nonetheless relies on China for many of the components for these products**. A combination of moderate Chinese influence and high levels of imports to the UK, for example (over USD 5 billion in 2020 based on World Bank data), means that the UK supply chain from Vietnam remains exposed to China.[30]

Therefore, **the success of Western efforts to secure supply chains and mitigate reliance on China depends on an accurate understanding of China's own influence in Southeast Asia overall and in specific potential reshoring locations.**

3. **Defence and Security. Southeast Asia is of core concern for Western nations in terms of security, particularly given China's assertiveness over the South China Sea and the risk of conflict or a downturn in relations over Taiwan.** The US has defensive treaties with the Philippines and Thailand, bases warships in Singapore and is able to deploy troops in the Philippines on a temporary basis.[31] [32] An expanded military presence in

24. https://chinapower.csis.org/much-trade-transits-south-china-sea/
25. https://www.apacoutlookmag.com/industry-insights/article/754-why-southeast-asias-global-trade-moment-has-arrived
26. Evenstar Institute (2022) 'An Overlooked Risk: China's Indirect Influence over the United Kingdom's National Security Supply Chain', December 2022
27. https://www.aljazeera.com/economy/2022/6/20/after-china-row-australia-eyes-southeast-asia-as-ally-in-trade
28. https://www.euractiv.com/section/global-europe/news/eu-aims-for-bigger-diplomatic-weight-on-indo-pacific-matters/
29. Evenstar Institute (2022) 'An Overlooked Risk: China's Indirect Influence over the UK's National Security Supply Chain', December 2022
30. *Ibid*.
31. https://2009-2017.state.gov/s/l/treaty/collectivedefense/index.htm
32. https://uk.news.yahoo.com/us-military-planning-transformative-asia-235827224.html

the region is part of the US's developing regional strategy since its 2011 'pivot', prompted by concerns with China.[33] [34]

Meanwhile, the UK maintains bilateral defence relationships with Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, including a military garrison in Brunei, and is a member of the region's only collective security agreement, the Five Power Defence Arrangements, alongside Australia, Malaysia, New Zealand, and Singapore.[35] Since 2020, the Royal Navy has maintained an almost continuous presence in the region.[36]

Australia maintains close defensive ties with Southeast Asian nations, with Defence Attachés or Advisors in all ASEAN member states, engages in frequent joint military exercises and provides study opportunities for military officers from ASEAN members.[37] Australia, New Zealand, and the US are dialogue partners in the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus), along with China, India, Japan, the Republic of Korea, and Russia. This framework focuses on defence dialogue and cooperation between the defence ministers of the ten ASEAN member states, including on issues of maritime security and cyber security.[38] [39] [40]

The Australia – United Kingdom – United States Security Partnership (AUKUS), while focused on the wider Indo-Pacific, emphasises contribution to, and complementarity with, member states' existing engagements with ASEAN.[41] [42]

1.2.3 The Realities of Western Political Engagement with Southeast Asia

Notwithstanding the importance of the region internationally, the West's actual level of political engagement with Southeast Asia varies.

- The UK – with 120,000 nationals living in the region – has been particularly active in trying to (re-)establish ties there, announcing investment in education, science, and climate change, and becoming a Dialogue Partner of ASEAN in 2021.[43] [44]
- Australia is keen to further its relations with the region. Prime Minister Anthony Albanese, for example, has proposed to ASEAN leaders that Australia host a Commemorative Summit in 2024, to mark the 50th anniversary of Australia's dialogue partnership with ASEAN.[45]

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33. https://uk.news.yahoo.com/us-military-planning-transformative-asia-235827224.html
34. https://www.reuters.com/world/china/us-army-keen-expand-southeast-asia-access-amid-china-worries-2021-12-01/
35. https://www.gov.uk/government/publications/uk-asean-factsheet/uk-asean-factsheet
36. https://www.gov.uk/government/publications/uk-asean-factsheet/uk-asean-factsheet
37. https://www.dfat.gov.au/geo/southeast-asia
38. https://admm.asean.org/index.php/about-admm/about-admm-plus.html
39. https://www.dfat.gov.au/geo/southeast-asia
40. https://www.mfat.govt.nz/en/countries-and-regions/intergovernmental-organisations/asean/
41. https://bit.ly/whitehouse3jld0Tu
42. https://www.gov.uk/government/news/aukus-defence-ministerial-joint-statement
43. https://www.gov.uk/government/publications/uk-asean-factsheet/uk-asean-factsheet
44. https://www.gov.uk/government/publications/asean-uk-dialogue-partnership-plan-of-action-2022-to-2026
45. https://www.pm.gov.au/media/deepening-australias-engagement-southeast-asia

- The EU appears to have better relations central to its new Indo-Pacific strategy, although without a firm and recent published plan of engagement.[46]
- The US also has Southeast Asia as a core part of its Indo-Pacific strategy, and President Biden has committed to new initiatives to expand the US-ASEAN Strategic Partnership.[47] However, some regional leaders have expressed doubts about the commitment of Washington, with the long-term failure to announce a US Ambassador to ASEAN taken by many as evidence of a lack of serious interest.[48] As one regional minister said in an interview for this paper, "Beijing always tells us that 'China is in Southeast Asia by geography, but America is there by choice', but at the moment we aren't sure that Washington is choosing to be here". See Section 4.1 for more commentary on the US' engagement with the region.

1.2.4 China's Interest in Southeast Asia

The evolution of China's influence across the region over the period assessed should be understood in terms of China's own strategic geopolitical and geoeconomic interests. **The changes observed and emerging patterns of Structural Influence make sense particularly in relation to China's efforts to integrate its southwestern regions with the wider regional economy, improve its access to the Indian Ocean, and secure dominance over regional digital infrastructure, which has implications for both economic integration and strategic cooperation,** as discussed in subsequent sections.

The relative success of these efforts, as reflected in the geographical distribution of Structural Influence, hinges on the success of influence-building mechanisms, notably economic investment via the Belt and Road Initiative (BRI), the provision and control of digital infrastructure, and the targeting of elites via the activity of the United Front Work Department (UF).

Southeast Asia is of crucial strategic interest to China for four reasons:

1. **Southeast Asia is a gateway between China and the rest of the world**. With a semi-hostile India to the south, and US-allied South Korea, Japan, and Taiwan to the east, the region provides a safer maritime access or exit point for China.
2. **Many of China's core trade routes flow through the region**, which represents a relatively secure point of access to the wider world in comparison with its eastern maritime borders with South Korea, Japan, and Taiwan, and India to its southwest. Increased influence thus translates into more secure supply chains and, as discussed later in the report, brings the potential advantage to China of reduced US influence in the region. **China is by far the country most reliant on the South China Sea for trade in terms of volume**; in 2016, USD 1.47 trillion of China's trade in goods flowed through the South China Sea, accounting for 39.5% of its total trade in goods.[49]
3. **The countries of ASEAN offer huge commercial opportunities for Chinese firms, including state-owned enterprises (SOEs) involved in critical national infrastructure**

46. https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2021-164-the-eu-in-the-indo-pacific-a-new-strategy-with-implications-for-asean-by-joanne-lin/
47. https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/26/fact-sheet-new-initiatives-to-expand-the-u-s-asean-strategic-partnership/
48. https://thediplomat.com/2022/01/washington-needs-to-sort-out-its-ambassadors-to-southeast-asia/
49. https://chinapower.csis.org/much-trade-transits-south-china-sea/

projects. Bilateral trade in goods between China and ASEAN totalled USD 518 billion in 2020. Southeast Asian imports from China are dominated by capital goods and intermediate goods for further processing before onward export, creating dependency and impacting global supply chains beyond the region.

4. **The region is an important and plentiful source of a wide range of raw materials important to China**, from oil to fish to crops and including rare earths, of which China is now a net importer from the region.

In practice, China's influence in the region and regional responses to it can be understood in relation to these interests, particularly as manifested in the country's push southwest and its concerns with the South China Sea.

1.3 Methodology: Structural Influence and the China Influence Index

The Evenstar Institute uses a proprietary model of geopolitical influence to quantify and situate China's influence around the world. This is based on thousands of quantitative data points layered with country-specific qualitative assessments, and is used to measure and explain the evolution of influence and its mutual impact across different Strands. The model is subject to continuous review and refinement based on the data we gather as part of our **China Influence Index (CII)** research programme. The data which informs this report comes from this programme, ultimately deriving from open sources in multiple languages, including Chinese, and interviews with experts and stakeholders.

We define China's influence in terms of its capacity to compromise the autonomy of another country, with a focus on ultimate risks to national security. This is scored according to the China Influence Index; the version used in this report does so on a scale from 1 to 5, where 1 represents lower influence, and 5 an inability of the influenced country to act autonomously of China's interests.

This report focuses specifically on what we term **Structural Influence**, which refers to the influencing country's potential to compromise the target's autonomy.[50] This can be through means such as establishing strong military ties, dominating particular imports, or building and maintaining digital or transport infrastructure.

1.3.1 How We Measure Structural Influence

We assess levels of Structural Influence using quantitative and qualitative data across nine **Strands**: Politics; Defence and Security; Economics and Finance; Technology and Telecoms; Energy and Natural Resources; Critical National Infrastructure; Environment; Science (considered together with Environment in this report); and Culture and Demographics. We then use this analysis to score China's Structural Influence over each Strand from 1-5 according to our China Influence Index. A low score indicates greater capacity for the target country to act autonomously in that Strand; the highest score means that in practice, the

50. This can be contrasted with Executed Influence, which refers to the instrumentalisation of that potential to bend the target to the influencer's will. China's Executed Influence in Southeast Asia over the same period will be the subject of a forthcoming report.

target country is unable to act autonomously without taking China's strategic interests into account.

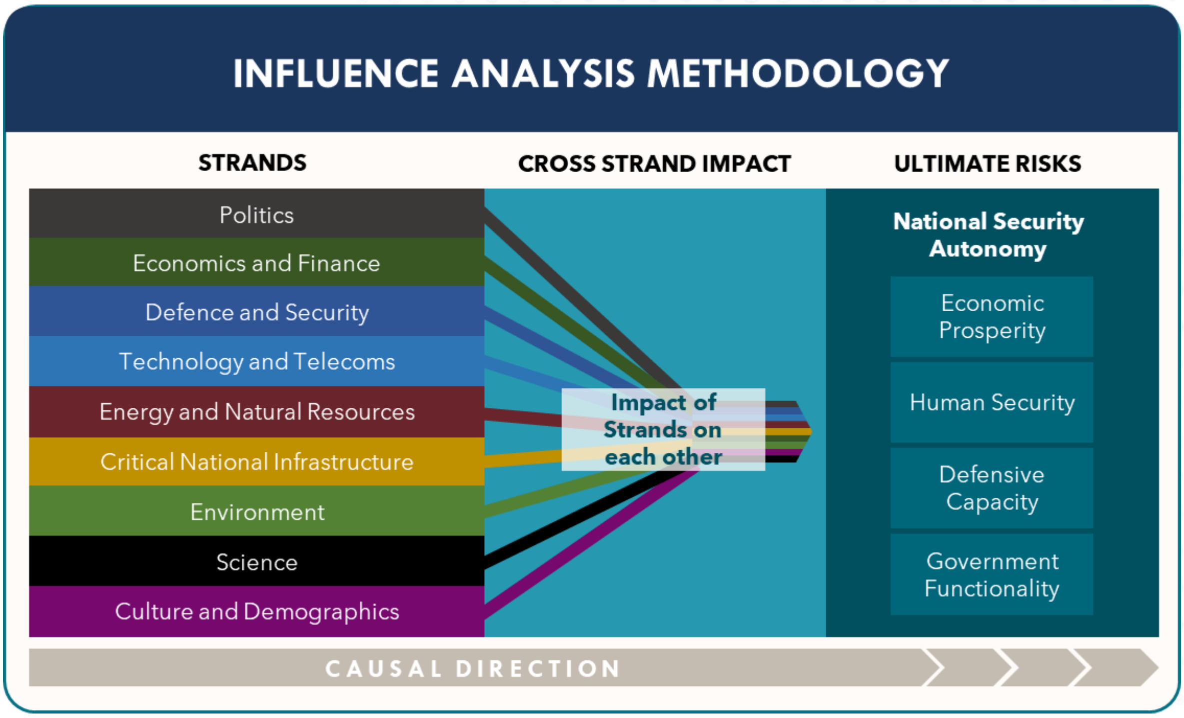


Figure 1.3.1a: The structure of Evenstar's Structural Influence analysis methodology following a causal route.

In each case, the assigned CII scores reflect the scale of China's engagement in a country in terms of metrics for the following:

Openness – the potential for foreign Structural Influence in general
Exposure – the potential for foreign Structural Influence to impose costs
Dependency – the potential for China's Structural Influence specifically to impose costs
Asymmetry – the potential for China's Structural Influence specifically to impose costs without incurring costs for China.

For example, in the Economics and Finance Strand, Structural Influence is a consequence of asymmetric economic relationships through which one party has the capacity to impose costs or bestow rewards on the other. China's status as the world's largest trading economy, five times larger than the ten ASEAN member states combined, means that there is an inherent degree of asymmetry in its relationships in the region, and thus an inherent degree of Structural Influence.

	Openness	Exposure	Dependency	Asymmetry	Qualitative Assessment
Technology and Telecoms	Regulatory openness, including local licencing requirements, ownership legislation and other barriers.	The Frontier Technology Readiness Score from UNCTAD and the scale of international telecoms investment.	The scale of Chinese investment in the telecoms sector. The value of imports of tech goods from China.	The percentage of Chinese technology goods imports from target country as a percentage of total imports.	The scale of Chinese operations in national digital infrastructure and the degree of tech investment in the target country.

Figure 1.3.1b: Examples of metrics used to determine CII scores in the Technology and Telecoms Strand.

Finally, we derive overall CII scores for each country. These are based on the CII scores for each Strand, which are weighted according to their potential to threaten national security by compromising the targeted country's autonomy.

1.4 Report Structure

1. **Overview: The Distribution and Degree of China's Influence in Southeast Asia.** This section provides an overview of China's influence-building across the region, covering China's strategic interests in the region as they impact on patterns of influence-building, Western strategic interest in the region, and general trends in the evolution of China's Structural Influence during the period 2011-2020.
2. **The Evolution of China's Structural Influence across the Region.** This section covers the core empirical findings of our research, discussed in terms of nine Strands or sectors as discussed in Section 1.3.1 and shown in Figure 1.3.1a. The core means of China's influence-building are discussed and contextualised in terms of country-specific conditions, alongside CII scores quantifying and comparing the degree of Structural Influence in each Strand for each country. The section concludes by assessing emerging overall trends on a Strand-by-Strand basis.
3. **The Emerging Geopolitical Order in Southeast Asia.** This section considers the implications of the CII data and emerging trends in China's influence-building activity for the region's international landscape. Particular focus is given to the degree to which Southeast Asian countries are increasingly aligned with or against China and its interests, the dynamic relationship between Chinese and US influence in the region, and the capacity of regional powers to resist or provide a counterweight to China's influence.
4. **Conclusions and Policy Implications.** This final section assesses the relative success of China's influence-building efforts, including areas of China's activity in the region which are likely to have a significant long-term impact on patterns of geopolitical realignment (such as digital infrastructure), and how China's influence has grown in the relative absence of competitor influencing countries. Policy implications are discussed from the point of view of mitigating disproportionate influence as a means of safeguarding national autonomy, from the point of view of ASEAN nations and Western countries with concerns in the region.

2. OVERVIEW: THE DISTRIBUTION AND DEGREE OF CHINA'S INFLUENCE IN SOUTHEAST ASIA

2.1 Key Theme 1: How China's Structural Influence Has Evolved

Over the period 2011-2020, China's Structural Influence in Southeast Asia has:

- **Increased in every country assessed** based on average changes across Strands. While Laos and Cambodia have the highest CII scores for 2020, even the lowest-scoring countries, Brunei and Singapore, exceeded an average CII score of 2, indicating a moderate degree of Chinese Structural Influence.
- **Increased across all Strands assessed**, the greatest increase being seen in Technology and Telecoms, indicating the importance of digital infrastructure. This was closely followed by Defence and Security and Economics and Finance.
- **Increased rapidly**, the fastest increase being recorded in Cambodia, Laos, and Thailand, followed by Indonesia, Malaysia, and Vietnam.

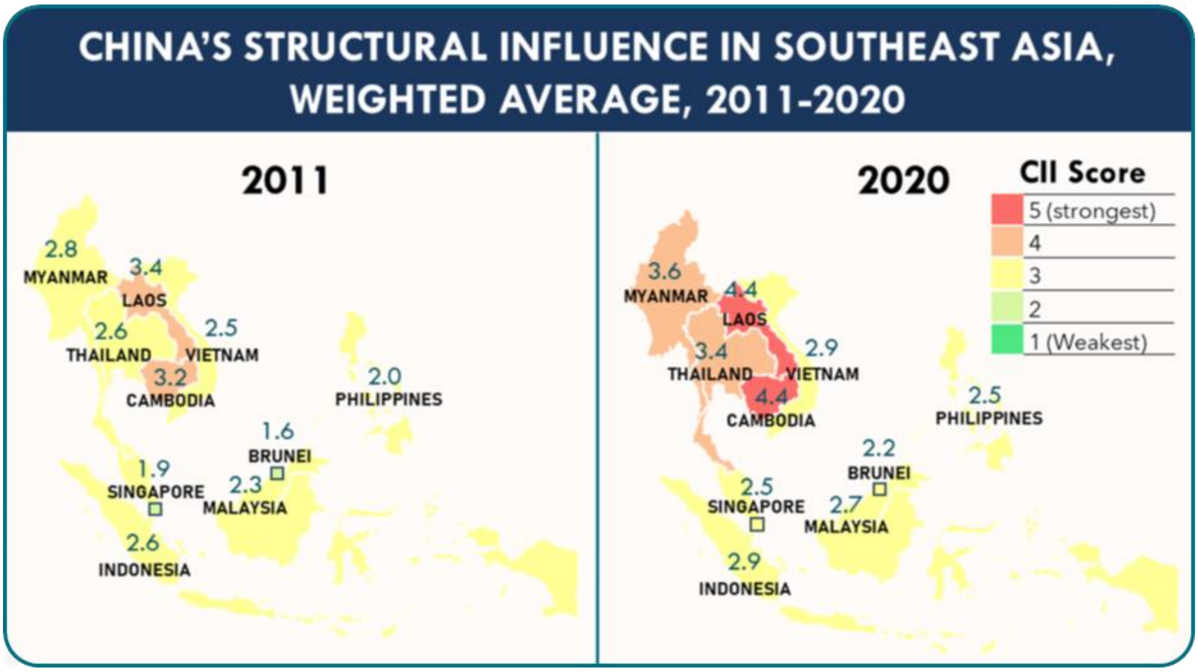


Figure 2.1a: The distribution and degree of China's Structural Influence in Southeast Asia, 2011 and 2020. Scores are the weighted average of all Strands.[51]

51 . Evenstar Institute China Influence Index

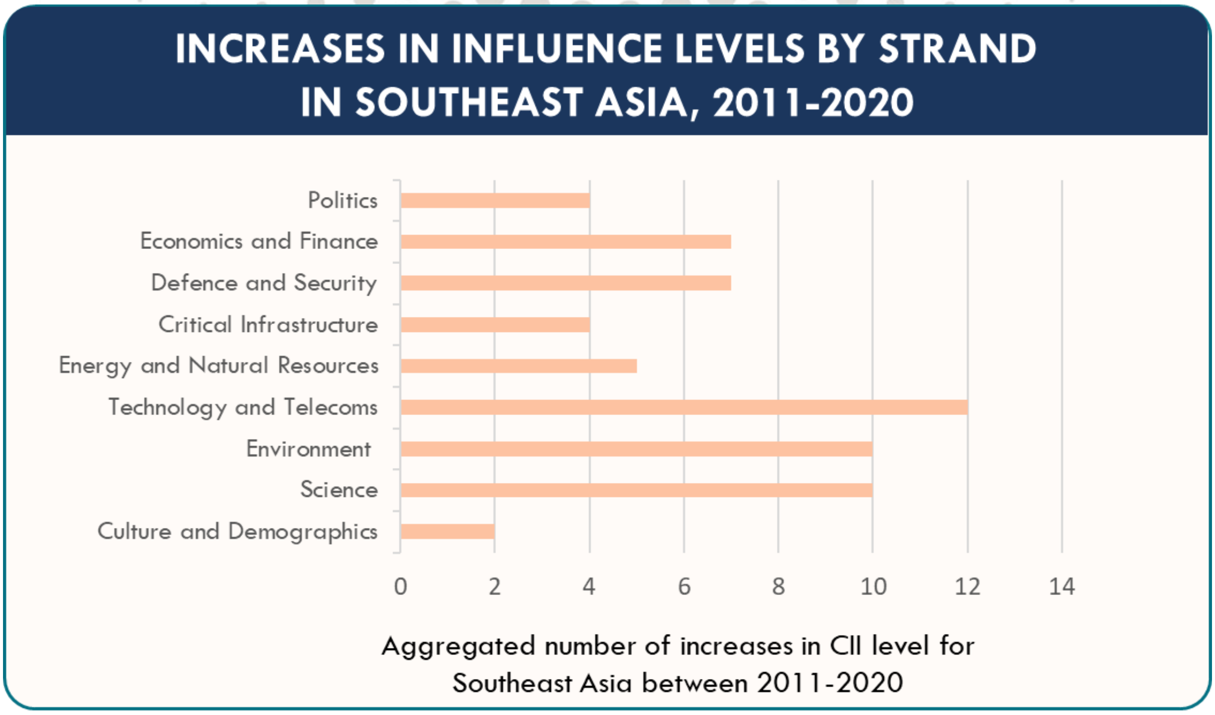


Figure 2.1b: Increases in China's Structural Influence by Strand, averaged across all countries assessed.[52]

The sheer scale of China's economy relative to those of ASEAN members and the bloc as a whole, combined with the strength of existing economic linkages, means that China is in a position to rapidly scale up its Structural Influence over Economics and Finance should it so wish.

China does not disclose the true scale of its economic activity in the region, and while the COVID-19 pandemic has impacted some investment and lending flows, this does not equate to a reduction or slowing down of the development of Structural Influence. This potential to rapidly scale influence is enhanced by the potential for long-term dependencies created by Structural Influence over Technology and Telecoms, particularly digital infrastructure and Critical National Infrastructure (CNI). **This focus on digital infrastructure and CNI gives China greater long-term potential for influence than volume of economic activity alone**; therefore, the relative significance of Chinese influence in the region in comparison to that of the West, and the US in particular, should not be underestimated.

2.2 Key Theme 2: Predictors of China's Influence in Southeast Asia

The distribution and degree of China's influence in Southeast Asia depends on a number of factors. Greater Chinese Structural Influence in a country is associated with the following conditions:

- A border with China
- Absence or decline of strong relations with the West or other extra-regional powers

52. Evenstar Institute China Influence Index

- The presence of a large Mandarin-speaking ethnic Chinese diaspora recently originating from the People's Republic of China, especially at the elite level
- Significant integration into China's Value Chains, based on exposure of a critical proportion of one or more key industries to China
- Lack of domestic nation-building capacity
- Domestic capacity undermined by elite sectional interests.

2.3 Key Theme 3: China's Push Southwest and Dominance of the Mekong River

Trends in Structural Influence reflect **China's strong push to its southwest**. The advantage of this to China is the integration of its poorer southwestern regions with fast-growing foreign markets, such as Thailand, and the facilitation of access to the Indian Ocean as an alternative to the Malacca Strait for routing trade. The growth of Structural Influence in this region has been facilitated by the provision of physical and digital infrastructure, integration of economic value chains and associated creation of economic dependency, and, crucially, **de facto control of the Mekong River through dams**.

Through its construction of 11 dams upstream on the Mekong River (or Lancang, as it is called in China), **Beijing can severely restrict water flow to the five riparian nations downstream**. This has a corresponding impact on these nations' environment, industry, agricultural production, and electricity generation. This has been the central factor driving the major increase in Structural Influence over the Environment Strand in neighbouring states; the regional power grid, which brings together several member states, is partially dependent on hydropower generated from the Mekong. This increase is conveyed in Figure 2.3a overleaf.

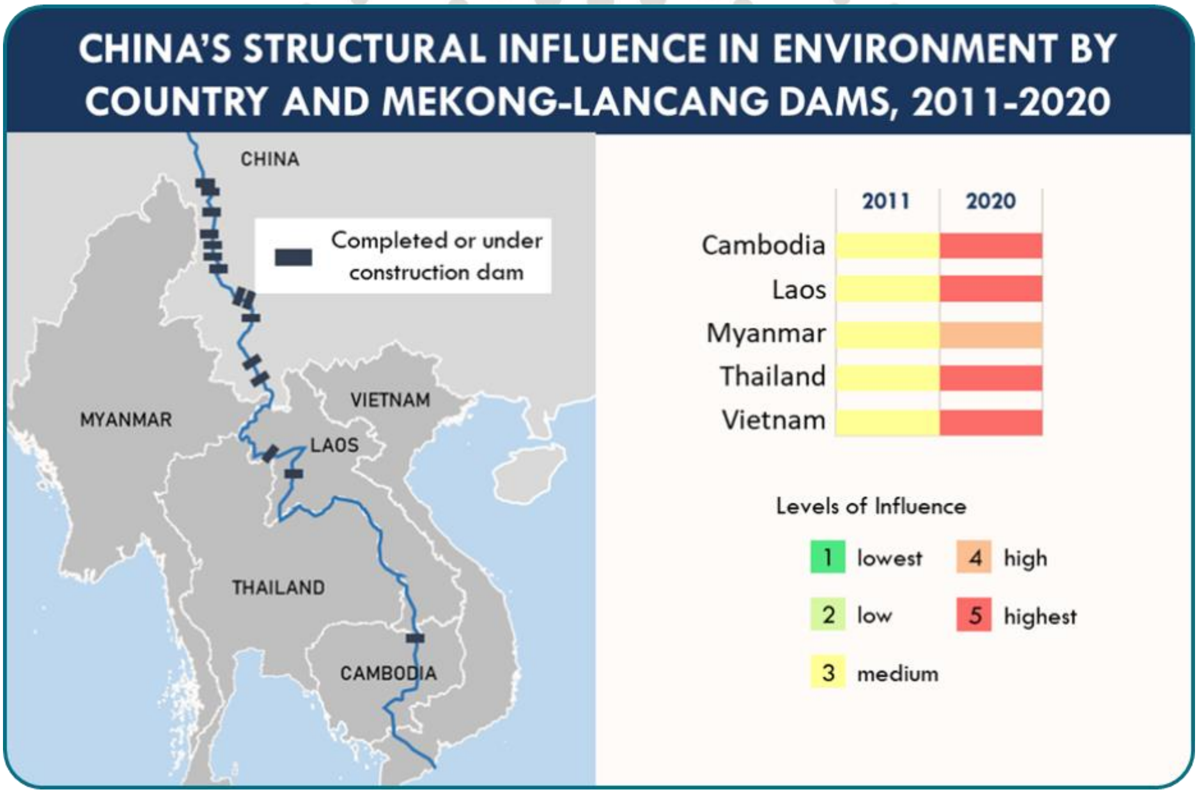


Figure 2.3a: Structural Influence scores for Environment and dams on the Mekong-Lancang river.[53]

2.4 Key Theme 4: The Importance of the South China Sea to Beijing

The South China Sea is also of strategic interest to China for economic, military, and political reasons. China claims over 80% of the area as demarcated by its 'nine-dash line'. The Spratly and Paracel island chains are central to this claim; **China contests these and the resources of the South China Sea with Brunei, Malaysia, the Philippines, Taiwan, and Vietnam**.

The South China Sea thus represents an area of strategic opportunity for China but also a source of tension for its relationship with ASEAN and Western allies, and in particular those ASEAN member states with which it has competing claims. In 2002, ASEAN and China signed the Declaration on the Conduct of Parties in the South China Sea (DOC), and officially announced the launch of the Code of Conduct (COC) negotiations in 2017. China proposed to complete the negotiations by 2021, but as of January 2023 they remain ongoing despite ASEAN calling for an early conclusion.[54]

China has conducted an extensive programme of land reclamation in the South China Sea, including the development of airstrips and military structures.[55] This has taken the form of 'salami-slicing', a build-up of small actions which amount to a major strategic shift over

53. Evenstar Institute China Influence Index

54. https://asia.nikkei.com/Politics/International-relations/South-China-Sea/ASEAN-defense-ministers-urge-quick-work-on-South-China-Sea-code

55. Economy, Elizabeth C. (2022) 'The World According to China' (Polity Press, Cambridge)

time.[56] Part of this approach has involved **a preference to utilise bilateral relations over relations with ASEAN as a whole, thereby undermining consensus and neutralising opposition to its claims.** For example, Cambodia and Laos, subject to major Chinese Structural Influence, did not fully support Vietnam's position in ASEAN's Code of Conduct negotiations.[57] As China's economic influence in Brunei has increased, so has the Sultanate been less willing to add its voice behind regional disquiet about Beijing's ambitions in the South China Sea.

These competing claims have led to pushback against China's domestic influence in the Philippines and Vietnam.[58] [59] **More recently there has been pushback from ASEAN itself**, which in 2020 insisted on the 1982 United Nations Convention on the Law of the Sea as 'the sole legal basis to resolve maritime and territorial disputes in the region', rejecting bids by China to adopt alternative legal principles.[60]

Disputes over the region have also impacted relations with the USA; in a move widely viewed as an effort by China to counter US attempts to isolate it, the foreign ministers of Indonesia, Malaysia, the Philippines, and Singapore jointly visited Beijing in April 2021.[61] [62] However, in 2022, US Secretary of State Anthony Blinken assured the Philippines that the US would come to its aid in the event of an attack in the South China Sea.[63] The US and its allies conduct frequent freedom of navigation operations through the Sea.[64] [65] [66]

56. https://foreignpolicy.com/2012/08/03/salami-slicing-in-the-south-china-sea/
57. https://thediplomat.com/2020/11/vietnam-is-losing-its-best-friends-to-china/
58. https://globalnation.inquirer.net/187338/carpio-shut-down-confucius-institutes-until-china-accepts-south-china-sea-ruling
59. https://www.theguardian.com/world/2014/may/22/vietnamese-authorities-detain-hundreds-riots-chinese
60. https://asiatimes.com/2020/06/asean-finally-pushes-back-on-chinas-sea-claims/
61. https://bit.ly/scmp3JuvnAg
62. https://www.globaltimes.cn/page/202103/1220000.shtml
63. https://www.reuters.com/world/blinken-says-philippines-ties-extraordinary-us-committed-defence-pact-2022-08-06/
64. https://www.navy.mil/Press-Office/News-Stories/Article/3229970/7th-fleet-cruiser-conducts-freedom-of-navigation-operation-in-south-china-sea/
65. https://www.navaltoday.com/2018/06/06/france-uk-announce-south-china-sea-freedom-of-navigation-operations/
66. https://gcaptain.com/german-warship-freedom-navigation-south-china-sea/

2.5 Key Theme 5: The Use of the BRI and Economic Investment for Establishing Influence

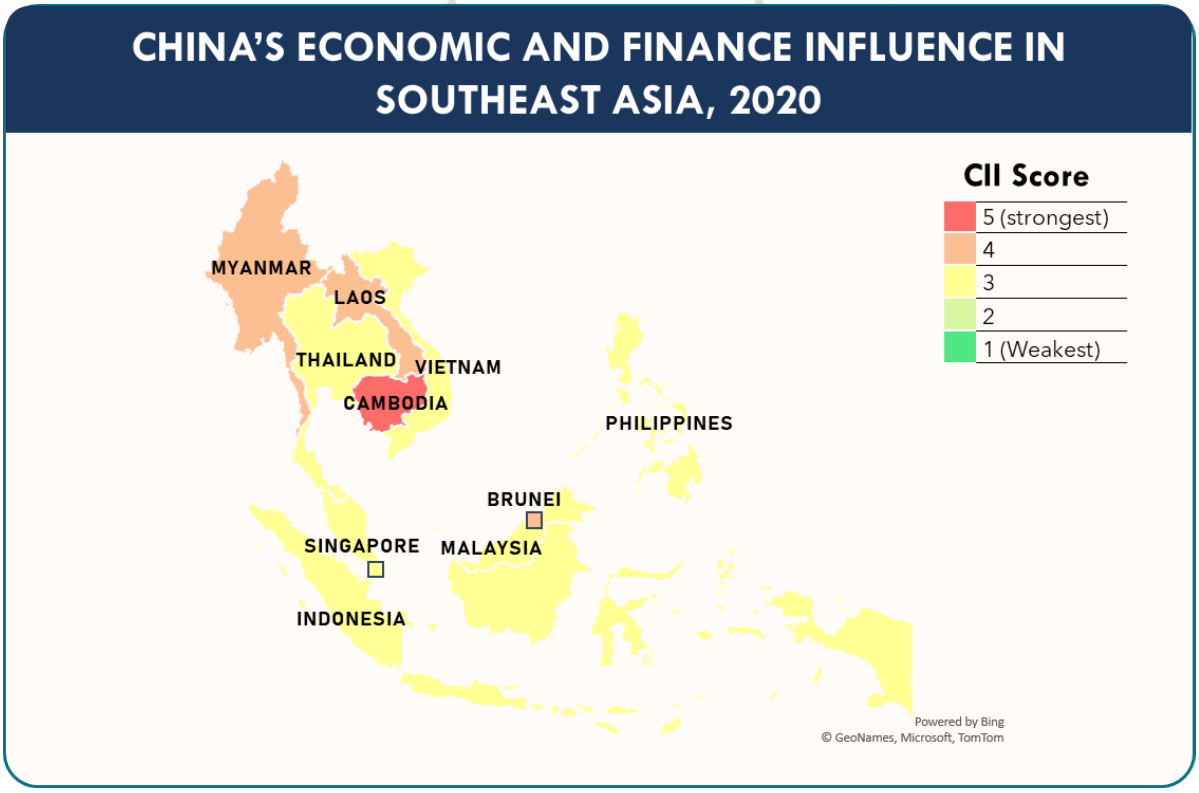


Figure 2.5a: CII scores for Economics and Finance by country.[67]

Influence growth in both the Economics and Finance and Critical National Infrastructure Strands occurred largely as a result of the growth of Belt and Road Initiative (BRI) projects over the 10-year period. These projects saw an increased presence of Chinese multinational corporations (MNCs) over the reporting period. MNC activity in ASEAN member states is still very small relative to China's domestic market, but is substantial compared to host countries' GDP, particularly for Laos and Cambodia. **Structural Influence over Economics and Finance can also drive geoeconomic realignment through trade dependencies and dominance of supply chains**, as with the Cambodian garment sector (see Box 3).

Structural Influence increases in the Economics and Finance Strand were also due to regional investment by China. **Chinese regional investment has been concentrated in strategic sectors such as energy, metals, and mining.** Relatively little investment in terms of value has gone into manufacturing. Real estate investment is significant but is possibly more a reflection of capital flight than strategic policy. Chinese Build Operate Transfer (BOT) infrastructure projects in the region, which potentially bring long-lasting structural influence, have become more prevalent under the BRI. **Chinese provision of CNI projects has the potential to lock countries into dependence on China for their continued development**, forcing these countries to consider China's wishes when making broader strategic decisions.

67. Evenstar Institute China Influence Index

2.6 Key Theme 6: The Use of Digital Infrastructure for Establishing Influence

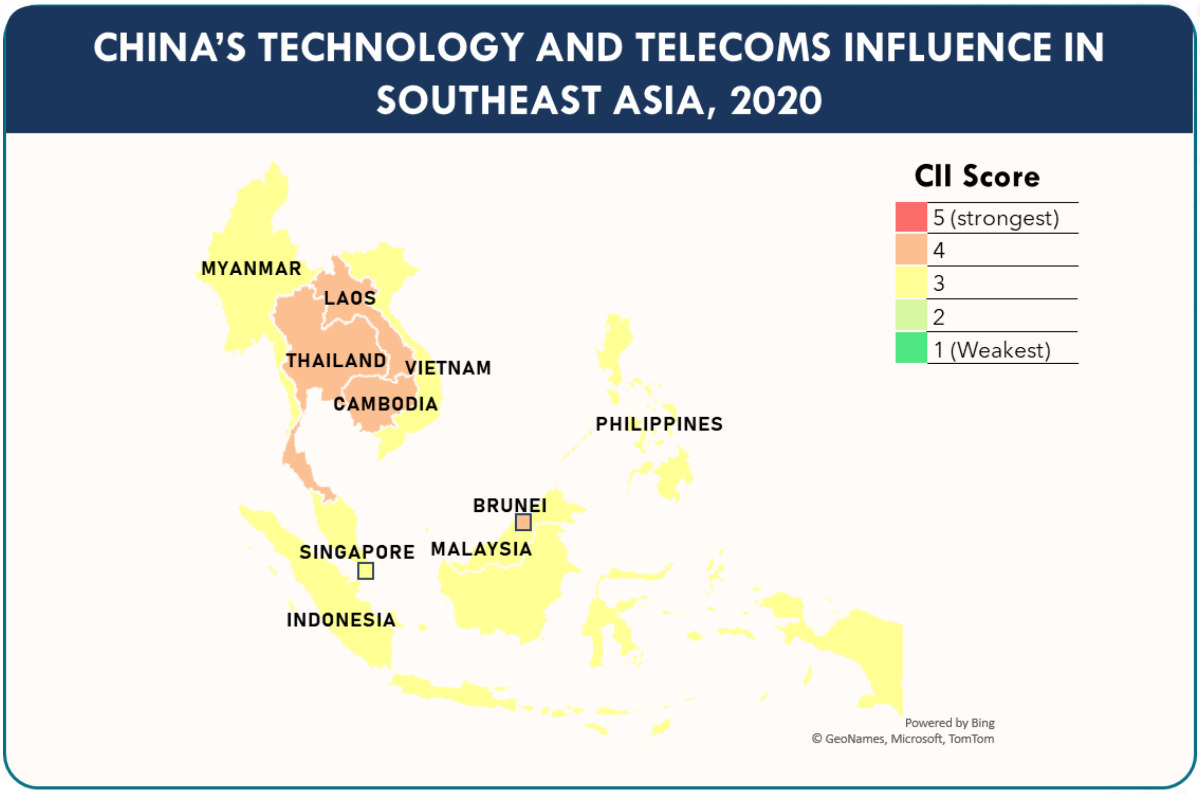


Figure 2.6a: CII scores for Technology and Telecoms and Science by country.[68]

Control over digital infrastructure is a crucial element of China's Structural Influence in Southeast Asia, assessed in this report via the Technology and Telecoms and Science Strands. This includes Huawei-supplied 5G networks, broadband cables, and the spreading use of the Beidou global navigation satellite system (GNSS), China's GPS-equivalent. Digital infrastructure is increasingly the key not only to a country's economy, but its defence, its law enforcement, and its general development as a nation.

Dominance of a country's digital infrastructure by a foreign power thus grants that power influence over a wide range of activity; combined with the need to adhere to technical standards, and the reluctance of third countries to expose their technology to foreign platforms, this means that countries can be locked into a dependent relationship if they wish to maintain, upgrade, and integrate their digital infrastructure going forward. **This is among the most difficult forms of China's Structural Influence to reverse given the expense and risk of changing provider,** and by its nature once established has the potential to exclude opportunities for Western alternatives.

As China builds and maintains digital infrastructure, so it secures structural influence across many, if not all, Strands, even if it has not established high levels of influence in those Strands by other means. This has two key implications. First, **it will significantly reduce the commercial opportunities of non-Chinese firms in the region**, by allowing China to set its own standards for firms and organisations seeking to do business in Southeast Asia. Second, **it will impact on Western defence links in the region**. For example, Thailand has ordered F35 aircraft from the US, but this would mean the Royal Thai Airforce would likely be forced to

68. Evenstar Institute China Influence Index

integrate sensitive American hardware into their Chinese platforms. This in turn may lead Washington to rescind the purchase and thereby push Thailand further towards China. (See Box 4 for more commentary.)

Countries dependent on China for digital infrastructure will find it much harder to mitigate China's Structural Influence more widely, as will third countries wishing to develop their own ties in those countries.

2.7 Key Theme 7: The Use of Elite Capture and The United Front Work Department for Establishing Influence

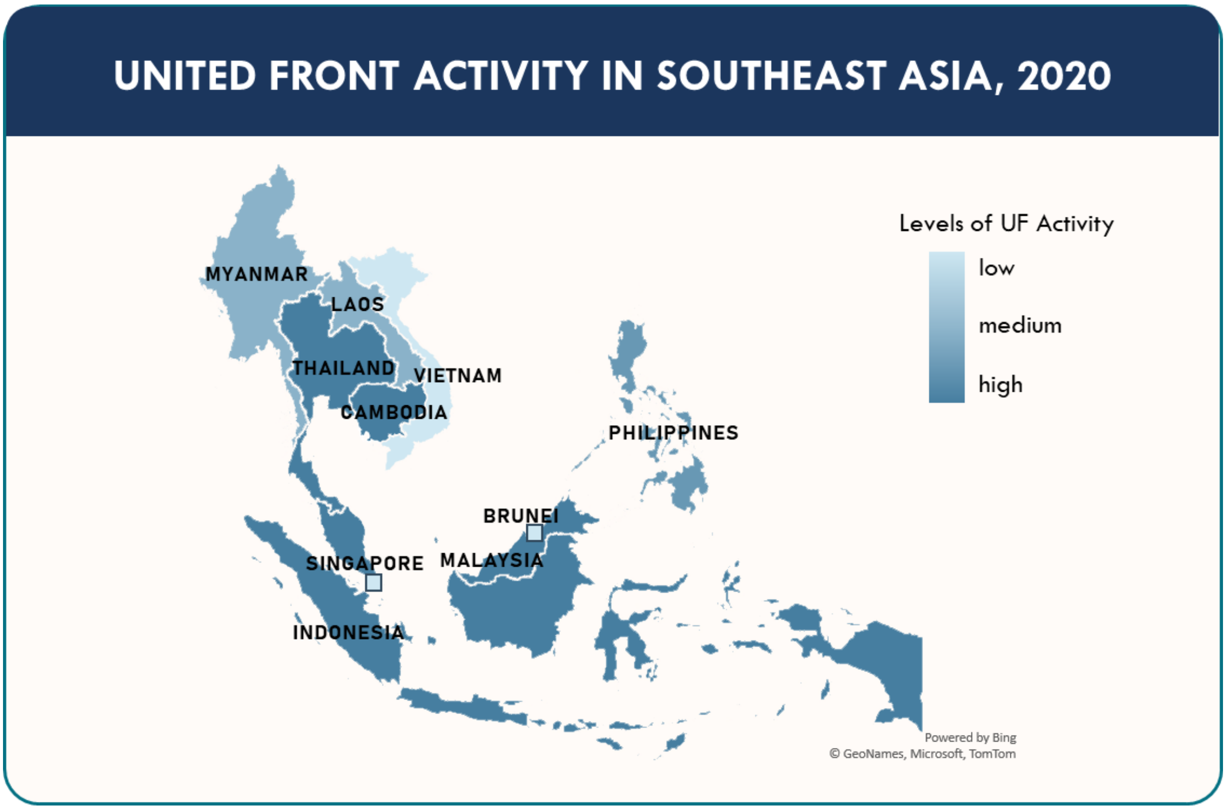


Figure 2.7a: United Front activity by country.[69]

Elite capture and the United Front Work Department (UF) are key elements of China's influence-building efforts in the region. **These efforts particularly target the ethnic Chinese population**, which comprises around 10% of the regional total and often plays a prominent role in national economies. The UF seeks to realign the thinking and behaviour of these groups towards China's strategic goals, instead of being focused on intra-ASEAN or domestic concerns.

Elite capture involves the creation of influence through the ability and willingness to reward loyalty to China's interests with wealth accumulation through investment, official positions, or access to Politburo members. **China's success has been variable and has generally been more effective in countries with greater numbers of recent migrants** – Mandarin speakers

69. Evenstar Institute China Influence Index

who have immigrated into Southeast Asia since the 1990s – than in countries with "old" Chinese populations.

Greater success is also associated with political elites being acquisitive and having close business and finance connections, making them susceptible to 'wallet diplomacy'. Importantly, the ethnic Chinese in these countries are not "fifth columnists", as they have sometimes been accused of being (for example in Malaysia and Indonesia). Instead, their ties to the ancestral home end up being used by Beijing to expand China's influence simply by their very presence.

As this report shows, **China uses the United Front to target elites – especially ethnic Chinese elites - in Southeast Asia to support their overall influence activities and thus their broader strategic goals.**

2.8 Key Theme 8: China's Dominance as a Trade Partner to Southeast Asia

China is the largest trading economy in the world, with an economy five times the size of the ten ASEAN economies combined. As such, the relationship between China and ASEAN is inherently asymmetrical. China's economy is 14 times larger than that of Indonesia, ASEAN's largest economy, and 30 times larger than that of Thailand, ASEAN's second largest economy. The asymmetry of bilateral economic relationships is especially stark for the poorer ASEAN states such as Cambodia and Laos, which are subject to the highest levels of Chinese Structural Influence; China produces the equivalent of Cambodia's annual GDP every 16 hours.

The economic relationship between China and ASEAN is dominated by trade in goods; the relationship is unbalanced, with ASEAN states running large trade deficits. While bilateral trade does not dominate ASEAN's overall trade beyond what would be expected given China's proximity and size, it has become increasingly unbalanced, as ASEAN's trade deficit with China has grown while its trade surplus with the USA and EU has grown.

China's importance as a trading partner for ASEAN has grown rapidly. In 2003, direct trade in goods with China amounted to a quarter of that with the USA and Japan combined. **In 2020, ASEAN's direct trade with China equalled that with the USA and Japan combined**; 19.4% of ASEAN's trade in goods was with China, a figure on track to eclipse intra-ASEAN trade in goods within the next few years.[70] **The fastest growing bilateral linkages have been with Cambodia, Laos, Myanmar, and Vietnam** (whose trade with China is equivalent to 45% of GDP). Meanwhile, in 2020 ASEAN states accounted for 14% of China's total trade (in 2019, no single member state accounted for more than 3.55%).

Bilateral trade in services is dominated by tourism; pre-pandemic, Chinese tourists spent around USD 36 billion annually in Southeast Asia, and revenue from Chinese tourists accounted for an estimated 7.5% of GDP for Cambodia, and 3.2% for Thailand.[71] This grants significant Structural Influence as China is able to control outbound tourist flows via its Approved Destination Status scheme (ADS) and Individual Visit Scheme (IVS).

70. https://data.aseanstats.org/trade-quarterly
71. Evenstar Institute China Influence Index data

2.9 Key Theme 9: China Filling the US's Void in Thailand and Myanmar

China's Structural Influence in Myanmar and Thailand has risen rapidly, and in both cases indicates China taking advantage of the distancing of the USA.

As Myanmar began to open up in the 2010s, Beijing made strong efforts to cultivate bilateral ties, including via BRI projects and arms sales; China now dominates the country's defence and security. The 2021 military coup led to diplomatic isolation of Myanmar by the USA, as well as the flight of Western companies operating in the country. **This effectively leaves China as the only viable option for Myanmar's ruling junta in terms of provision of nation-building capacity, including CNI projects and domestic security.**

The correlation between the distancing of the US and rising Chinese influence can also be seen in the case of Thailand. **The CII scores indicate a direct correlation between Thailand's 2014 coup and rising Chinese Structural Influence across Strands**. While Thailand continues to pursue a policy of balance between the US, of which it is a longstanding treaty ally, and China, this is becoming increasingly difficult. In the wake of the US distancing itself from Thailand following the coup, China intensified influence-building efforts, including via UF operations directed at the country's political and economic elites. Meanwhile, **China's provision of digital infrastructure to Thailand presents a challenge to the country's defence links with the US**, as US-provided military hardware will increasingly need to be integrated into Chinese digital systems.

Both cases are examined in detail in Section 4.3.

2.10 Key Theme 10: Major Countries – Indonesia, Malaysia, Singapore, and Vietnam – Trying to Balance the US and China

The general approach of most ASEAN member states has been to attempt to balance relations with the US, China, and other countries beyond Southeast Asia such as Japan and the Republic of Korea.

Singapore, despite a close party-to-party relationship with Beijing, maintains robust internal mechanisms against political interference, and is unique in its status as a regional economic hub; this position means that, from Beijing's perspective, perceived attempts to build influence could result in China being restricted from Singapore's network effects in terms of regional trade links. While Malaysia has been targeted by UF activity, in common with Singapore it has well-developed critical infrastructure, and does not rely on China for digital infrastructure. As this report shows, CNI and digital infrastructure are key mechanisms by which China is able to establish long-term Structural Influence; **lack of reliance on China means both Malaysia and Singapore are more readily able to balance their relationships with China and the US.**

Indonesia, as the largest ASEAN economy by a significant margin, maintains a diverse range of economic relationships within and beyond the region. This inherently mitigates the degree of influence that China is able to establish, although Indonesia's ongoing need for infrastructure investment, and Huawei's provision of digital infrastructure present potential vulnerabilities. Notably, China itself is reliant on Indonesia for important natural resources such as thermal coal, making it subject to a degree of Indonesian Structural Influence.

Economic ties between Indonesia, Malaysia, and Singapore offer the potential for the three countries to emerge as a regional economic counterweight to China. This is discussed further in Section 4.4.

The effects of economic diversification are also notable in the case of Vietnam, though the country does rely on China in terms of its integration into global value chains, such as in the consumer electronics sector. Nonetheless, **Vietnam has been particularly resistant to China's influence**, apparently not tolerating UF activity, and having excluded Huawei from 5G provision. Vietnam's cultivation of closer economic ties with Japan, the Republic of Korea, and Taiwan help to mitigate economic dependence on China. These points are examined in more detail in Section 4.5.

3. THE EVOLUTION OF CHINA'S STRUCTURAL INFLUENCE BY STRAND ACROSS THE REGION

3.1 Context and Sources of Influence

This section presents a summary of the data and metrics used to assess China's Structural Influence in each Strand for each country analysed. The Environment and Science Strands are considered together in Section 3.1.7. As the China Influence Index relies on tens of thousands of data points combined with rigorous, multifaceted qualitative assessments of country-specific circumstances, it is not possible to present the empirical material used to compile this report in full. Instead, a summary is provided of the context and sources of China's influence on a per-Strand, per-country basis, and more detail is provided for selected case studies in the boxes in each subsection. Further information on the report's empirical basis, data from the China Influence Index, can be obtained by contacting the Evenstar Institute.

3.1.1 Politics

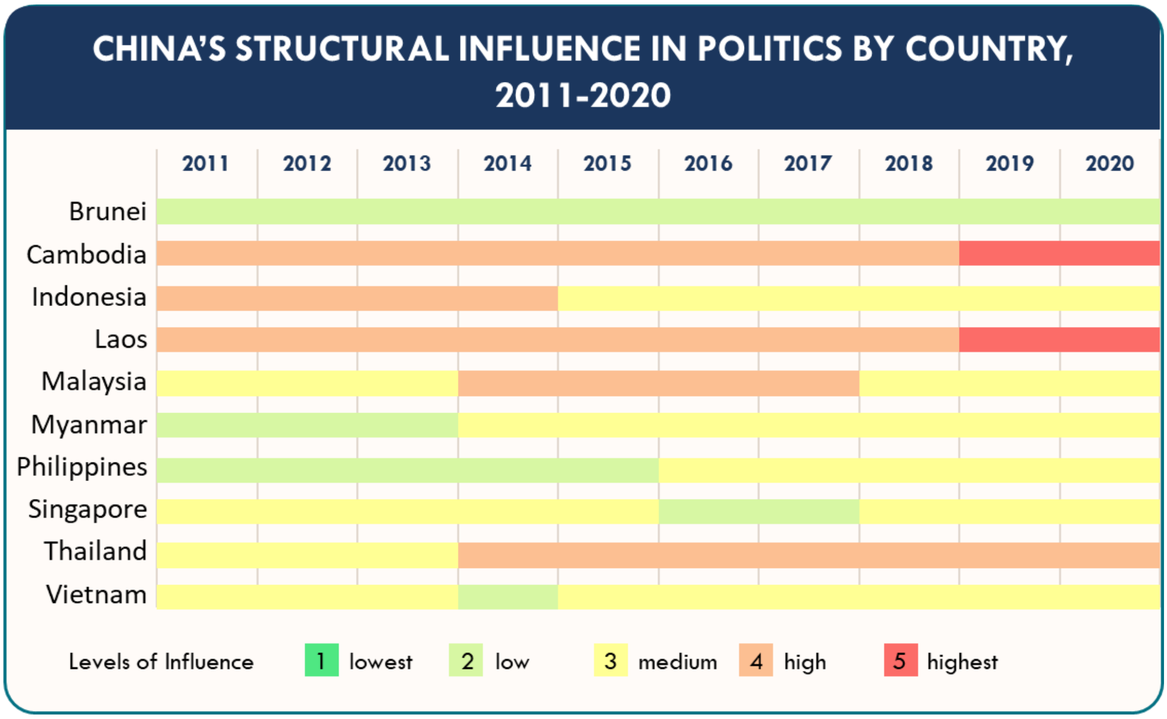


Figure 3.1.1a: CII Scores in the Politics Strand by country, 2011-2020.[72]

72. Evenstar Institute China Influence Index

China uses both official and unofficial means to develop influence in the region. Data on the following was used to determine CII scores for the Politics Strand:

- **Bilateral and Multilateral Engagements**

  This includes ties established through political organisations, institutions, and agreements, as well as China's bilateral relations with individual countries in the region, and with ASEAN. As well as organisations such as the UN, China engages with the region via other organisations many of which it established, such as the Lancang-Mekong Cooperation forum (LMC).[73]

- **Diplomatic Leadership Visits**

  Data was collected on visits to the region by the most significant leaders in terms of diplomatic influence, such as President Xi Jinping, former Premier Li Keqiang, former Foreign Minister Wang Yi, and former Director of the Central Foreign Affairs Commission Yang Jiechi. ASEAN countries make up 8% of the global population and 3% of global GDP, but were the focus of 12% of visits by these figures between 2014 and 2020. As befits his role, most visits were made by Wang Yi.

- **Elite Capture**

  Countries where elites have undermined nation-building capacity based on their sectional interests are more susceptible; as such, while pervasive in the region and a key driver of China's influence, elite capture is not evenly distributed. (See Box 1 for more commentary.)

- **United Front Activity**

  The United Front Work Department (UF) is subordinate to the CCP's Central Committee; Xi Jinping has elevated the role of the UF to a higher position than previous Chinese leaders, having used Mao's characterisation of it as one of the CCP's 'magic weapons'.[74] In Southeast Asia, the primary UF agency is the China Council for the Promotion of Peaceful National Reunification (CCPNR). The UF engages with domestic groups across the region, often appearing superficially benign, for example as vocational training organisations or poverty alleviation programmes; however, in many ASEAN states UF agencies openly promote China's political agenda. UF activity as assessed in the Politics Strand is directed at realigning the region's ethnic Chinese communities from inter-ASEAN concerns to the PRC's core interests. Other forms of UF activity are assessed as part of the Culture and Demographics Strand.

China's Structural Influence over nations in the region varies. **The highest level is seen in Cambodia and Laos**, in line with Beijing's push to its southwest. Meanwhile, **the CII score for Thailand has increased from a moderate level in 2013 to a high level in 2020**, largely as a result of officially-supported political penetration of the country's sub-leadership via UF activity.

China's political influence in **Malaysia** and **Indonesia** has slightly reduced from moderate levels since 2017 and 2014 respectively. In Malaysia, this drop broadly coincided with the

73. http://www.lmcchina.org/eng/
74. https://warontherocks.com/2019/06/the-third-magic-weapon-reforming-chinas-united-front/

fall of Prime Minister Najib, who was accused by many (including his successor, Prime Minister Mahathir Mohamad), of being too pro-China.[75]

For **Brunei** and **Singapore**, China's political influence has remained relatively constant, with a moderate uptick in the last few years. Meanwhile, **Vietnam** has a relatively low CII in comparison to the other countries assessed. This is likely due to Vietnam's strong line against UF activity and a well-structured, regularised Party-to-Party relationship with China; given the importance of elite capture and its facilitation via UF activity, this is significant in reducing the penetration of China's influence. Political influence in **the Philippines** has also remained relatively low to moderate, despite an uptick under Duterte; public opinion is a consistent obstacle, alongside ongoing disputes over the South China Sea.

Overall, **increasing multilateral and bilateral ties between China and ASEAN members mean that China's Structural Influence is likely to continue to grow.** This is especially so where UF activity continues to prove effective, in countries such as Thailand, particularly given its importance in facilitating influence via elite capture**. We should thus expect to see countries such as Thailand and Myanmar be subject to continued attention from China, alongside a further deepening of China's influence in Cambodia and Laos.**

Countries with lower political dependency on China, for example because they have fewer ties or have equivalent or closer ties with other nations which counterbalance China, are likely to see slower growth in Chinese Structural Influence.

75. https://www.scmp.com/news/asia/southeast-asia/article/1982183/mahathir-takes-swipe-najib-over-malaysias-stupid-chinese

Box 1. United Front Activity and Elite Capture in Thailand

The Evenstar Institute defines "elite capture" as a form of corruption where individuals at the top of a nation's society make decisions or use resources in their own personal interest, rather than in the interest of the country as a whole, due to the influence of a third party such as an external power. Such a power aims to align these individuals' interests with its own.

Our research has shown that China makes use of elite capture to further its aims in Southeast Asia as part of its political and diplomatic engagement. The United Front Work Department is a particular tool in the elite capture process.

Outside countries with very high levels of Chinese Structural Influence over Politics, such as Cambodia and Laos, Thailand stands out for the extent of United Front activity in the country. This is likely due in part to the significant role of ethnic Chinese business elites, who are actively targeted by the UF. Such activity is not only tolerated but encouraged by senior Thai government figures.

Amorn Apithanakoon (Mandarin: Wang Zhimin), the Thai-Chinese CEO of major entertainment company Galaxy Group, is the most active UF activist in ASEAN. Galaxy Group itself is co-located with the Thailand-China Council for the Promotion of Peaceful National Reunification, which is the main vehicle for UF-supported political influence in Thailand. Apithanakoon has ready access to Thailand's political establishment and maintains both the Thailand branch of the Peaceful National Reunification (PNR) network (a sub-branch of the CCPNR) and a Bangkok-based pan-Asian PNR branch.[1] As such, Thailand is a hub for UF-enabled Structural Influence in the region as a whole.

Apithanakoon is listed as an honorary president of the Thai-Chinese Chamber of Commerce, and has hosted events calling to fight against 'independence' and promote 'reunification'".[2] This follows an established pattern of links between Chinese chambers of commerce, Peaceful Reunification Associations, Chinese diplomatic missions, and Overseas Chinese Cultural/Ancestral Associations as political influence groups for the CCP. In 2021 Chinese Ambassador Han Zhiqiang praised the Thailand-China Peaceful Reunification Promotion Association for fighting against Falun Gong; Taiwanese, Tibetan, Xinjiang, and Hong Kong independence; and foreign anti-China forces, and has since praised the role of the Chamber of Commerce in promoting China-Thailand cooperation.[3]

The close historic ancestral ties between China and overseas Chinese communities in Thailand are emphasised and targeted by the UF-linked United Clans Association of Thailand, which has an intricate network of links between Thai-Chinese networks across Southeast Asia.[4] UF-supported clan associations are extensive across Thailand and promote commercial and cultural links through collaboration with chambers of commerce.

1. http://www.aapprc.com/archives/author/admin
2. http://www.zhongguotongcuhui.org.cn/hnwtchdt/202109/t20210917_12379152.html
3. http://www.zhongguotongcuhui.org.cn/hnwtchdt/202109/t20210917_12379152.html; http://th.china-embassy.gov.cn/chn/gdxw/202201/t20220116_10524329.html
4. http://www.zonglianthai.com/index.php?langtype=en&pageid=en_1

3.1.2 Economics and Finance

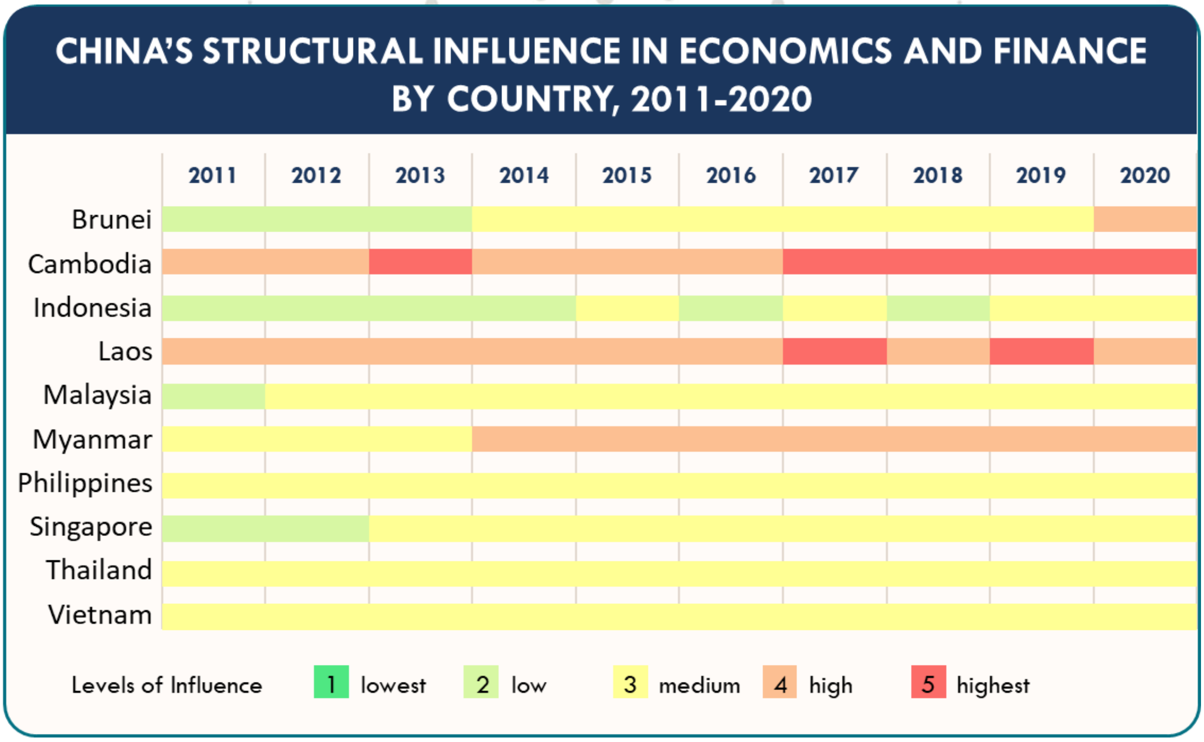


Figure 3.1.2a: CII Scores in the Economics and Finance Strand by country, 2011-2020.[76]

China has been able to establish Structural Influence via a wide range of economic activity. The scores above take the following into consideration:

- **Trade in Goods**

  The biggest trade partner of the combined countries of ASEAN is China, and in turn, China's largest trade partner is ASEAN.[77] In 2020, bilateral trade between China and ASEAN totalled USD 518 billion, with ASEAN states running a large trade deficit. However, given China's size and proximity, bilateral trade does not disproportionately dominate ASEAN's overall trade. Southeast Asian imports from China are dominated by capital goods and intermediate goods for further processing and onward export, which creates dependency. Meanwhile, Southeast Asian exports to China consist primarily of raw materials or semi-finished goods associated with global value chains (GVCs).

76. Evenstar Institute China Influence Index
77. https://www.globaltimes.cn/page/202205/1265133.shtml

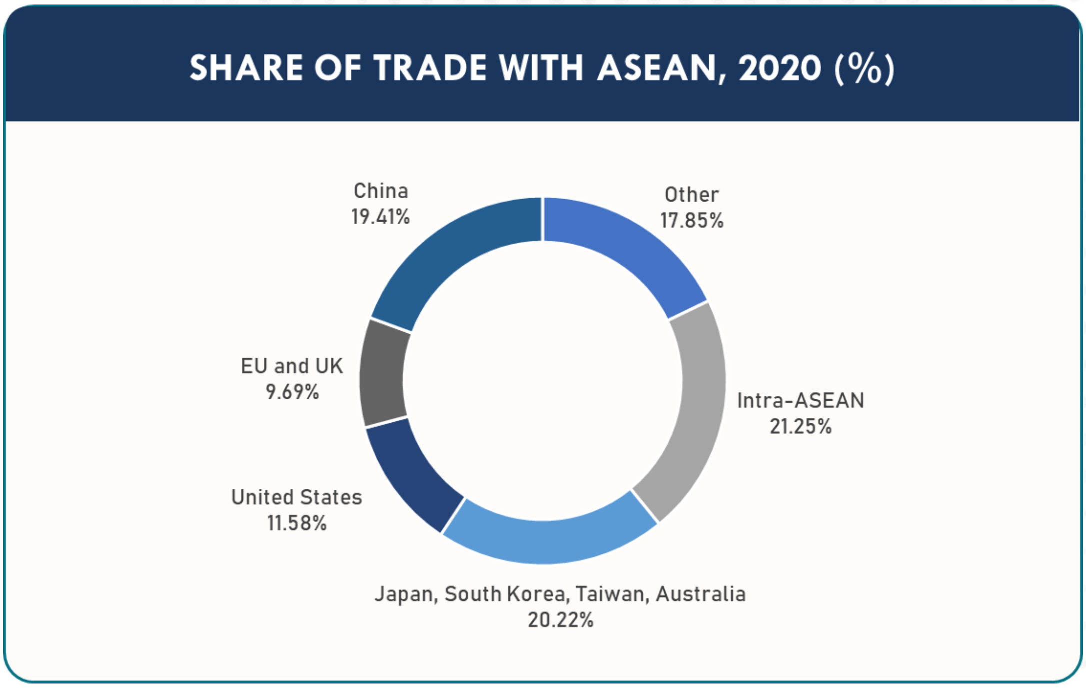


Figure 3.1.2b: Share of trade with ASEAN, 2020.[78]

- ### Trade in Services

Bilateral trade in services is largely dominated by tourism, which grants China a high level of Structural Influence given its tight control over outbound travel through its Approved Destination Status scheme and Individual Visit Scheme. Revenue from Chinese tourism is highly significant to Cambodia and Thailand, estimated at 7.5% and 3.2% of GDP respectively, while pre-pandemic Chinese tourists spent around USD 36 billion annually in Southeast Asia.[79] In 2019, the most popular destinations in Southeast Asia for Chinese tourists were, in order, Thailand, Vietnam, Singapore, Indonesia, Malaysia, and the Philippines. All of these were in the top ten of Chinese tourist destinations that year (alongside Japan, the US, and Russia).[80]

- ### Official Assistance and Debt Funding

As data on flows from China are not fully captured in official statistics from multilateral organisations, and multiple means exist to obscure debt (most commonly via public-private partnerships), these figures are not certain. Seven major Chinese state-owned banks are engaged in overseas lending, and represent a source of debt for capital-poor ASEAN states such as Cambodia and Laos; however, with the exception of these two countries external debt to China remains low across the region and unlikely to reach problematic levels.

- ### Multinational Corporations

Chinese multinational corporations (MNCs), particularly in the infrastructure and property development sectors, have increased in presence and operations in Southeast Asia, particularly since 2013 as part of the Belt and Road Initiative (BRI).

78. ASEAN Statistical Database.
79. Evenstar Institute China Influence Index data.
80. https://marketscans.nbtc.nl/marketscan-china-2019/chinese-travel-market

Chinese MNC activity remains low compared to China's domestic market, but is significant compared to host countries' GDP, particularly in Cambodia and Laos.

- **Bilateral Foreign Direct Investment (FDI)**

  Inflows from China to Southeast Asia represent a small portion of the total, having averaged USD 14 billion over the past few years. The degree to which Chinese FDI has created dependency varies widely; more than 75% of FDI in Laos in this period came from China, but just 11% of FDI in Indonesia. The primary focus of Chinese investment has been strategic sectors such as energy, metals, and mining, with relatively little focus on manufacturing in terms of value. While real estate investment is significant this may be due more to capital flight than strategic policy. Build Operate Transfer (BOT) infrastructure projects established by China in the region have increased under the BRI, with the potential to establish long-term Structural Influence.

- **Chinese-owned Payment Systems and Financial Infrastructure Footprint**

  China's growing footprint in terms of retail payment systems and wholesale banking infrastructure, alongside the popularity of Chinese-owned payment systems and the future use of China's digital central bank currency, the e-Yuan, helps to establish influence and the potential for data-gathering. As China once more opens up to the world post-COVID, it is expected that outbound tourism will follow. As it does, the use of Chinese tourists in the popularisation of their country's financial infrastructure abroad will continue.

- **China-centric Regional Economic Structures**

  China has actively promoted a Sino-centric economic structure via regional, subregional and bilateral diplomatic efforts. Most recently its growing number of free trade and investment agreements have been given a formal structure via the Regional Comprehensive Economic Partnership (RCEP). (See Box 2, overleaf.)

- **China's Economic Structure and Control**

  China's tight control over its economic actors gives it a significant advantage in establishing Structural Influence. For instance, a Wall Street Journal report in 2019 asserted that Huawei enjoys as much as USD 75 billion in tax breaks, financing and cheap resources from the Chinese government, allowing it to outcompete many, if not all, of its rivals in the absence of intervention by national governments.[81]

81. https://www.wsj.com/articles/state-support-helped-fuel-huaweis-global-rise-11577280736?mod=searchresults&page=1&pos=20

Box 2. The Regional Comprehensive Economic Partnership

The Regional Comprehensive Economic Partnership (RCEP) has the potential to generate significant Structural Influence for China going forward by integrating its value chains with those in Southeast Asia, alongside other initiatives promoting inter-Asian economic exchange such as the New Development Bank, the Asian Infrastructure Investment Bank (AIIB), and the Silk Road Fund. RCEP represents a key formal structure to the emerging Sino-centric economic relationships China has been cultivating in Southeast Asia, for example via its growing number of free trade agreements (FTAs) with ASEAN member states.

RCEP was proposed by ASEAN in November 2011, with the aim of building a regional free trade network with ASEAN at its core. Negotiations began in the 2012 7th East Asia Summit, between the leaders of ASEAN member states, China, Japan, the Republic of Korea, India, Australia, and New Zealand. The first leaders' meeting was held in 2017, and the agreement was signed in November 2020 by 10 ASEAN countries, China, Japan, the Republic of Korea, Australia, and New Zealand, constituting the world's largest free trade area.

RCEP was greeted with much fanfare by the ASEAN Secretariat, due to the promise of development benefits for the region. The scale of China's economy means it accounts for over half of the trade bloc's GDP, making the bloc inherently Sino-centric, especially given India's decision not to join. 65 of the top 100 MNCs from RCEP member states operating in ASEAN are Chinese, according to the 2020 ASEAN investment report; 46 of these are SOEs.[1] RCEP should primarily be understood as a formal legal forum for the evolving Sino-centric trade landscape in the region; it is unlikely to be game-changing in terms of trade and investment relations themselves given the existing regional network of FTAs.[2]

RCEP is viewed in China as a means of cementing ties with Southeast Asia. Politically, it was a visible sign of China's commitment to the region, its signing following US President Donald Trump's abandonment of the Trans-Pacific Partnership (TPP).[3] Culturally, strengthening ties were reflected, for example, in the first ASEAN-China online influencers conference 'Set Sail from Blessed Land when the Wind Is Positive' in January 2022, in partnership with the Fujian Brands Promotion Tour along the Maritime Silk Road.[4]

1. https://asean.org/asean-launches-investment-report-2020-2021-investing-in-industry-4-0/
2. https://www.hinrichfoundation.com/research/article/ftas/keep-rcep-in-perspective/
3. https://www.cfr.org/blog/rcep-signing-and-its-implications
4. https://www.globaltimes.cn/page/202201/1246097.shtm

China's Structural Influence over Economics and Finance has increased in all the countries studied except Thailand, the Philippines, and Vietnam, where it has remained broadly constant. The fastest growth was in Brunei. While China's Structural Influence is proportionate across the region as a whole, its linkages in some countries are sufficiently extensive and unbalanced to give it a dominant level of influence. This is especially the case in **Cambodia and Laos, which have the highest CII rating for the Strand, while Myanmar has seen an increase since 2014.**

Vietnam's integration into global value chains has seen a growth in its links with China. However, despite the outsized links between the two, Vietnam is a competitor of China in lower-end manufacturing and has developed close ties with other economies in the wider region, such as South Korea. As such, **Vietnam's CII score does not indicate major growth in Chinese Structural Influence in this Strand.** Thailand likewise has major economic linkages with China, including via its large ethnic Chinese population, targeted by UF activity. Overall, **Thailand has a moderate CII score for the Strand, but China's capacity to impact tourism revenue represents a significant vector of influence.**

China's importance has been growing in other larger ASEAN economies, but the linkages are not overwhelming, and mitigated by these countries' well-diversified trade and investment patterns. **The lowest CII scores in Economics and Finance are those of the Philippines, largely owing to the structure of the balance of payments and the importance of remittance incomes, and Indonesia, largely owing to the size of the economy and its relatively closed nature. Singapore's score is similarly low**, again owing to a unique economic structure and diversified trade and investment partners, but rising Chinese influence across the region is reflected in growing influence in Singapore as the regional hub for many Chinese companies.

China currently has the capacity to dramatically and rapidly scale up its Structural Influence over Economics and Finance in the region, particularly via FDI and lending, due to the disparity in size between the economies of China and ASEAN member states, and the scale of China's annual capital outflows. Going forward, **this could be intensified by the internationalisation of the RMB and the use of the e-Yuan**, initially through tourist activity but with the potential to spread to use by corporates and wholesale finance in the longer term.

The openness of ASEAN member states to trade and investment, combined with the relative lack of economic integration in the bloc, makes them vulnerable to this increasing influence. States which are relatively more integrated with one another, such as Indonesia, Malaysia, and Singapore, are able to mitigate this, as are states such as Vietnam, which cultivate strong economic ties with economies outside the region such as South Korea.

Chinese FDI and MNCs are likely to target ASEAN markets with environmental, decarbonisation, and renewable offerings in the coming years, because ASEAN's export mix makes decarbonisation and general environmental concerns a source of potential economic shocks. **This would increase energy dependency and political reliance on China's economic engagement in the absence of alternative offerings, for example from Western countries.**

Box 3. The Cambodian Garment Sector's Exposure to China's Influence

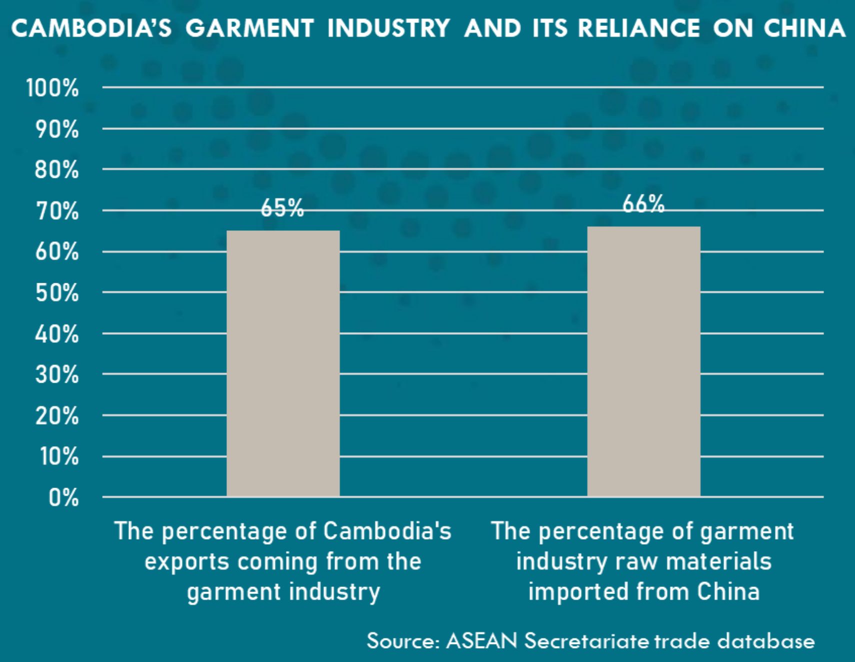
A case study for how significant Chinese influence in Economics and Finance can be is found in Cambodia. There, the garment and footwear industry is vital for the country's economy, accounting for two thirds of its exports, around USD 9.5 billion (2019 figures).

However, Cambodia is not able to supply the raw materials it needs for this industry. It no longer grows cotton, thanks to mismanagement and insect infestation. Nor is the country large enough to support a petrochemical industry of a scale to make it cost competitive at a global level to supply the manmade fibres for the garment industry.

Cambodia therefore relies on raw material imports to feed its factories, in particular from China. Evenstar research shows that of Cambodia's USD 645 million of cotton imports, 79% came from China. Of the USD 2.7 billion of imported knitted fabrics, 58% came from China. Additionally, Cambodia imported over USD 1 billion of manmade fibres, 77% of which came from China.[1]

Overall, 66% of raw materials needed for Cambodia's garment industry come from the PRC, giving China massive structural influence over the key driver of its export earnings. If Beijing, wanting to bend Phnom Penh to its will, withheld its garment industry material exports, then a balance of payments crisis would ensue in one of Asia's poorest nations. This would have the potential to drastically damage Cambodia's economic progress to date.

1. Evenstar Institute China Influence Index Data



3.1.3 Defence and Security

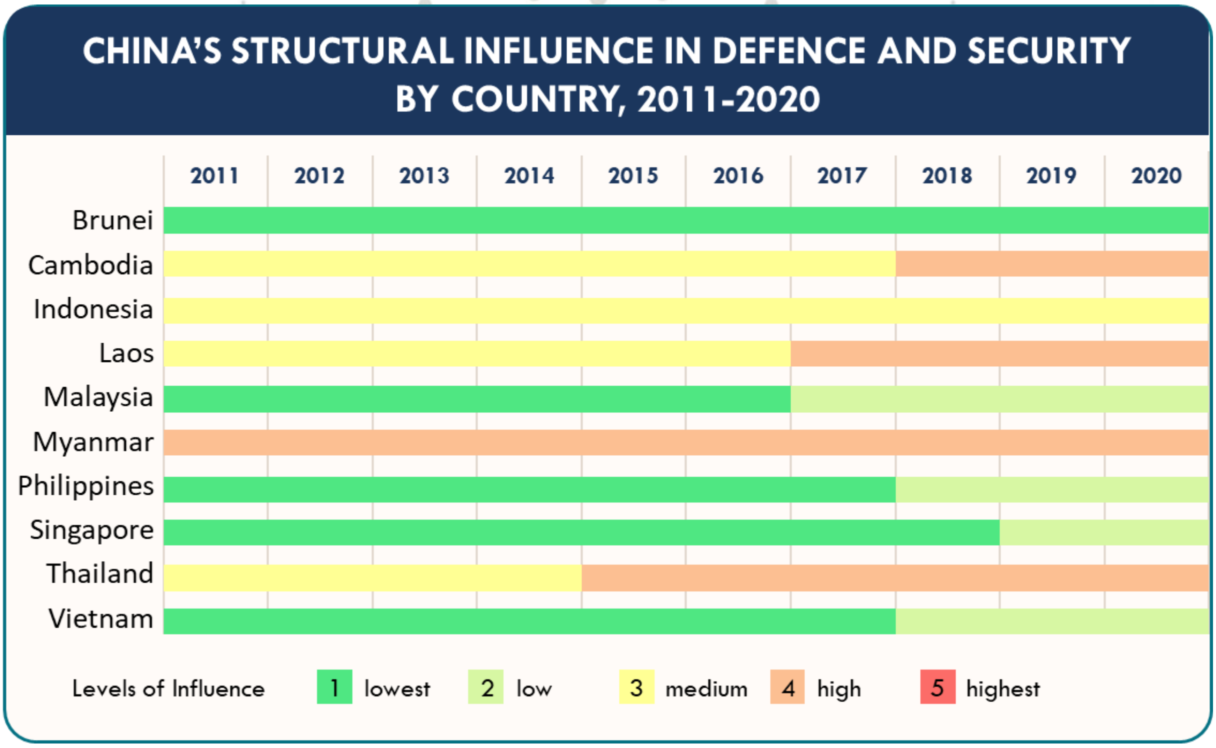


Figure 3.1.3a: CII Scores for the Defence and Security Strand by country, 2011-2020.[82]

China's Structural Influence over Defence and Security was assessed using data on the following:

- **Arms Sales**

  While Thailand bought an increasing quantity of Chinese weapons over the period assessed, in general China's arms sales to the region are in decline and thus not a major tool of influence-building. (See Box 4 for more commentary.)

- **Digital Infrastructure**

  The increasing importance of technology in warfare and its systematic integration means that China's construction and maintenance of all or part of a country's digital infrastructure grants it the capacity to dominate that country's defence and security orientation.

- **Grey-Zone Tactics**

  These constitute China's indirect use of law enforcement, defence, and dual-use technologies to further its interests in ways which would provoke international rebuke if pursued directly. Currently they form a limited but expanding vector of Structural Influence, with China's capabilities having increased since 2012 in terms of physical

82. Evenstar Institute China Influence Index

assets (such as the People's Armed Forces Maritime Militia) and digital assets (including cyber, space, electronic warfare, and information operations).[83]

- **Joint Exercises**

  China has been organising bilateral and multilateral training with countries in the region since around 2014. Such exercises allow for the mutual acclimatisation of both nations' armed forces, reducing barriers to future cooperation. While some countries in Southeast Asia, such as the Philippines, have limited themselves to participation in multilateral exercises with China, others have embraced the opportunity for bilateral exercises, notably Thailand. No correlation appears to exist between the frequency of joint exercises and the number or value of arms sales.

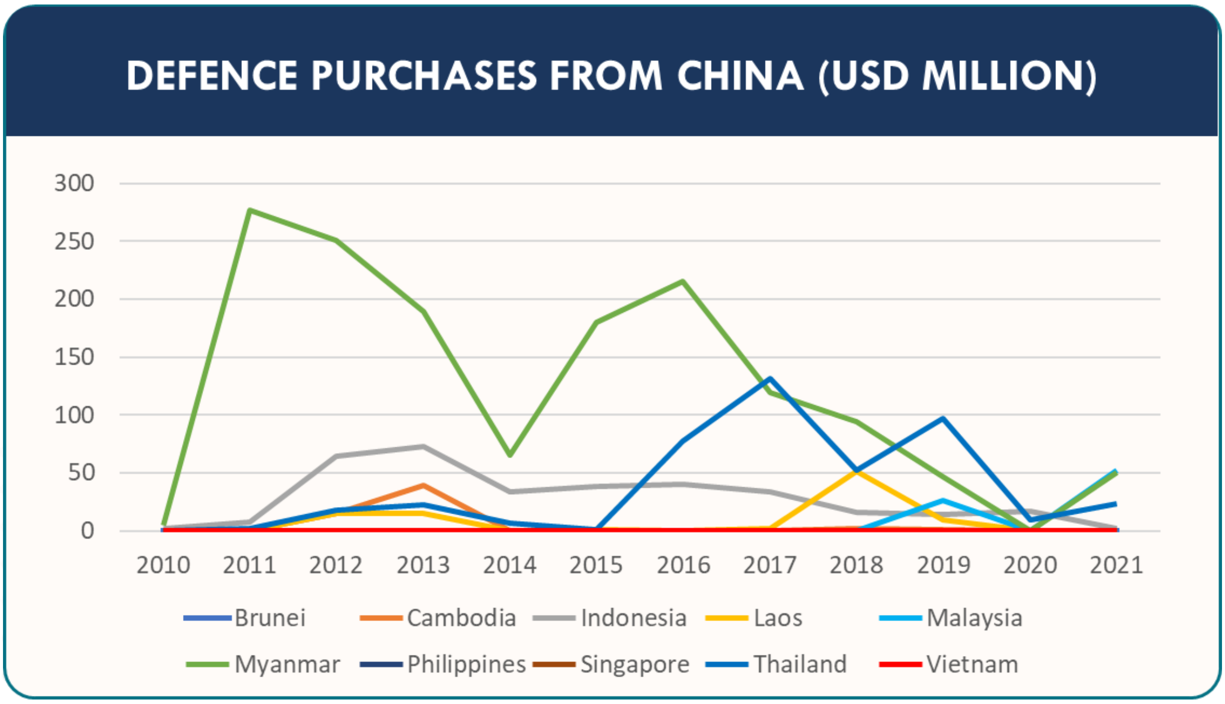


Figure 3.1.3b: The volume of defence purchases from China by year for ASEAN states in USD million.[84]

China's Structural Influence over Defence and Security the countries analysed varies widely, but across the region China gradually increased this over the ten-year period, thanks to an increase in joint exercises and training agreements despite decreasing arms sales. **CII ratings for Defence and Security are highest for Myanmar, followed by Cambodia, Laos, and US treaty ally Thailand**, which has seen the highest growth.

While **Indonesia has attempted to strike a balance between reliance on China and the USA, its decision to adopt Chinese digital infrastructure will likely lead to increased Chinese Structural Influence.** In contrast, a lack of technological reliance on China for defence and law enforcement corresponds to the **low CII scores for Brunei, Malaysia, the Philippines, Singapore, and Vietnam.**

83. While United Front activity can be considered an example of grey-zone tactics, due to its significance and targeting it is assessed in this report under Politics and Culture and Demographics.
84. Stockholm International Peace Research Institute (SIPRI)

Box 3. Arms Sales vs Digital Infrastructure in Building Influence

According to SIPRI, the arms sales database, China was the fourth biggest exporter of arms globally between 2017-21 and the third largest 2012-16.1 2 In Southeast Asia, however, the picture is less rosy as China has struggled to build a dominant position in the region. The exceptions are Cambodia, Laos, and Myanmar, each of which relies heavily on China for its weaponry - although exact percentages differ year by year. Indonesia and Malaysia buy Chinese equipment but proportionately not much. Four countries – Brunei, the Philippines, Singapore, and Vietnam – bought no Chinese equipment in the period studied (2011-20). Thailand, on the other hand, bucked the regional trend by significantly increasing its arms imports from China over the last decade as Beijing's influence increased in the country overall. Overall, we see no evidence that China's arms sales are increasing its influence as a whole in the region.

Where Beijing has been better able to build long-term influence in defence and security is through digital infrastructure. If Country X's digital defence and security plumbing is provided by China, then this means that the US and its allies will be hesitant at sharing advanced equipment with Country X in case secrets are leaked. This in turn will lead to China becoming a leading, if not default supplier of advanced defence and security equipment. This is already the case in Pakistan, which recently integrated the Chinese GPS-equivalent Beidou into its military.3 (See Box 8 for further commentary on Beidou within the overall space context.)

Thailand, a US treaty ally, is possibly about to discover that using Chinese digital infrastructure makes it difficult to source advanced military technology from elsewhere, including its official allies. Bangkok recently ordered advanced F35 fighters from Washington. However, the US Congress is still to ratify the purchase amid worries that technological secrets could be leaked to the Chinese, something that is distinctly possible given that the digital infrastructure of Thailand has been mainly built by Huawei.4 If Bangkok is cut out of both the F35 deal and subsequent flows of American hardware, then it will have no choice but to turn to China – thus increasing Beijing's influence there.

1. https://www.sipri.org/sites/default/files/2022-03/fs_2203_at_2021.pdf
2. https://www.sipri.org/sites/default/files/Trends-in-international-arms-transfers-2016.pdf
3. https://economictimes.indiatimes.com/news/defence/pakistan-military-to-use-chinese-navigation-system-beidou-to-improve-interoperability/articleshow/77675471.cms?from=mdr
4. https://thediplomat.com/2022/08/thailands-awkward-pursuit-of-american-f-35as/

3.1.4 Technology and Telecoms

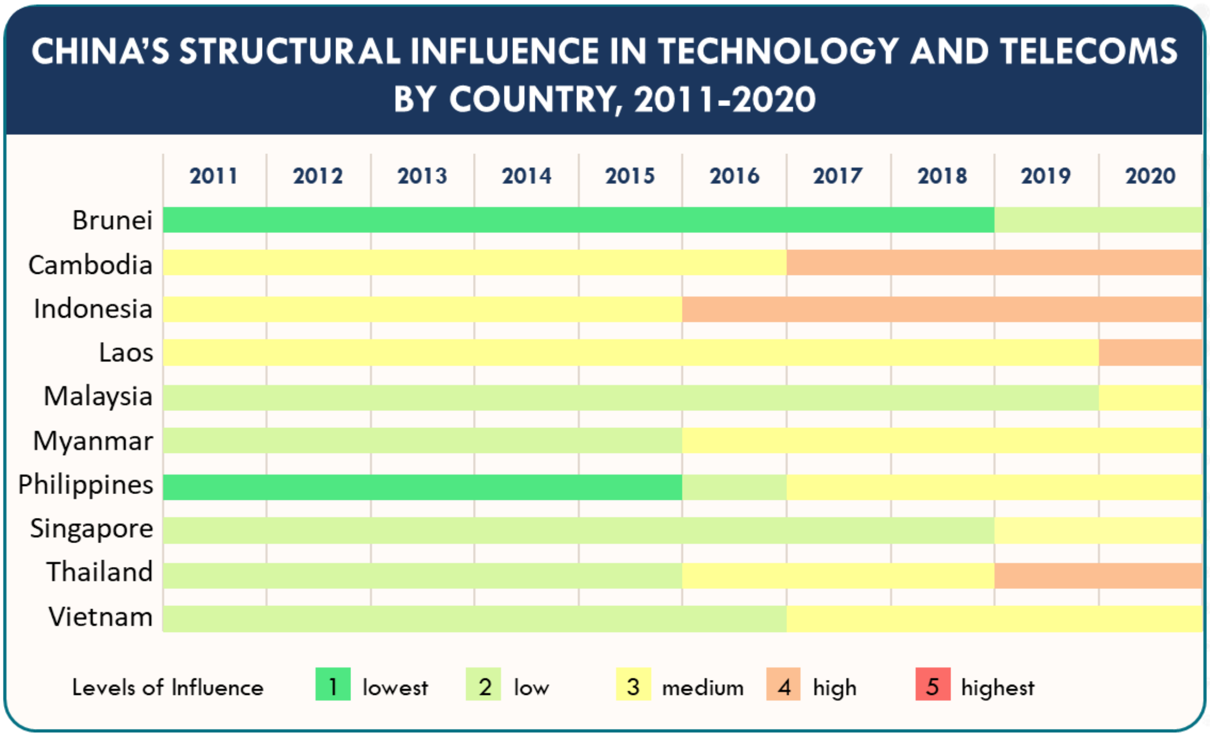


Figure 3.1.4: CII scores for the Technology and Telecoms Strand by country, 2011-2020.[85]

Technology and Telecoms is of particular significance due to the knock-on effects of Structural Influence on other Strands (as discussed in Section 3.1.3 in relation to Defence and Security). In sum, China is using its technology, (and digital infrastructure in particular) to create reliance that is long-term because of the expense and effort needed to build the infrastructure in the first place, and the need for maintenance and upgrades according to the correct technical standards going forward. Given the importance of technology and digital infrastructure to all aspects of modern life – from defence to education, from agriculture to trade - this effectively locks in Chinese influence across multiple strands. **Digital technology has become an important enabler of Chinese influence in Southeast Asia.**

This connection will only deepen with global digitisation. China recognises the commercial, political, military, and law enforcement benefits of digitisation, and has made technological progress central to its national development. We have analysed China's Structural Influence over Technology and Telecoms based on the following:

- **Digital Infrastructure Investment**

  As part of the BRI (under the rubric of the 'Digital Silk Road'), China has invested heavily in 5G infrastructure and technological assets such as subsea cables, especially in the larger regional economies as these represent larger markets for China's private companies. This appears to be a purposeful attempt to dominate foundational technology in influenced countries, which will make it easier for Chinese companies to outcompete their rivals by providing further compatible services and

85. Evenstar Institute China Influence Index

products. Significantly, this involves Chinese technical standards becoming established as the norm in the region. This makes it more likely that Chinese physical assets will have to be bought in future because Western or Japanese alternatives would also need to adopt such standards, which they are unlikely to do at least in the short term.

- **Investment in Communications and Technology Platforms**

  China's overseas direct investment (ODI) in data transmission, software, and information technology services to ASEAN countries grew annually by an average of 70% from 2013-2017.[86] This includes the encouragement and adoption of Beidou, an alternative global positioning system to the US' GPS, with uses across agriculture, defence, logistics, and commerce.

- **Private Software Investment**

  Major Chinese companies such as Alibaba and Tencent have invested in the region, focusing on areas such as e-commerce and facilitating economic integration with China to the commercial advantage of Chinese firms. According to Evenstar Institute research, this investment is concentrated in three larger regional economies: Indonesia (47% of recorded Chinese investment in Southeast Asia from 2011-20), Singapore (31%), and Malaysia (9%).[87]

- **Digital Cooperation Initiatives**

  These are a key means by which China is pushing standard-setting, engaging both through regional bodies and via bilateral engagement. China's greatest advantage here is the amount of digital infrastructure it is building in the region, based on Chinese standards and encouraging their spread through the digital economy.

- **Standard Setting**

  Beijing understands the importance of setting technological standards in terms of promoting its influence. In 2021, Beijing announced the "China Standards 2035" project, which is a blueprint for China's government and leading technology companies to set global standards for emerging technologies in areas such as artificial intelligence and advanced communications technology.[88] If successful, this will give Chinese companies a significant commercial advantage over their international rivals, as well as providing the Chinese government structural influence, and not just economic. (See Box 5 overleaf for more commentary.)

86. https://bit.ly/DigitalSilkRoadAndSoutheastAsia3XTe5B1
87. Evenstar Institute China Influence Index data.
88. https://www.aeaweb.org/forum/2187/policies-influence-international-standards-technologies

Box 5. China's Technological Standard Setting Programme

We have identified multiple channels where China is attempting to redefine technological standards to have "Chinese characteristics". The assessed aim is to give China more control of these technologies for economic and political advantage. The standard setting channels include:

1. The Belt and Road Initiative (BRI). The construction of digital infrastructure in Southeast Asia is being done as part of the "Digital Silk Road", a subset of the BRI. By building this infrastructure, Chinese technological standards are established and so anything integrating with that infrastructure needs to be Chinese tech-compliant. For example, the China-Laos high speed railway uses Huawei 5G on the trains, and so any systems linking to this need to be compatible with Chinese tech standards.
2. Made in China 2025.[1] Launched in 2019, this is a state-led industrial policy aiming to make China dominant in global high-tech manufacturing. Thus as China's exports of technological goods to the region increases, so regional countries will be more willing to accept Chinese technological standards.
3. Investing in smart cities. China has put considerable effort into developing the digital infrastructure for smart cities around the world, including in Southeast Asia. These include two in the Philippines, and one each in Malaysia, Thailand, and Myanmar. China's investment in the digital aspects of these projects gives them the ability to "bake-in" their standards, for example in surveillance and other security systems.
4. ASEAN dialogue. ASEAN's digital ambitions are encapsulated in its Digital Masterplan 2025 (ADM2025), which aims to guide the region's digital cooperation from 2021 to 2025.[2] A key part of this is the harmonisation of standards, which – because of China's dominance of technological infrastructure – are likely to coalesce around Chinese standards.
5. Applying to join the Digital Economy Partnership Agreement (DEPA), a Singapore-New Zealand-Chile initiative, in November 2021.[3] If China succeeds with its application, then it will be at an advantage to dominate the setting of the bloc's digital standards. Another consequence of this is the likely curtailment of any American, British, and other Western appetite to join the bloc, thus reducing the scope of their digital structural influence in the region.

1. https://isdp.eu/content/uploads/2018/06/Made-in-China-Backgrounder.pdf
2. https://asean.org/wp-content/uploads/2021/09/ASEAN-Digital-Masterplan-EDITED.pdf
3. https://research.hktdc.com/en/article/ODk1MTI1NTE3

The CII scores for Technology and Telecoms are based on a range of metrics; while the overall scores are in the moderate to moderately high range, **it should be noted that for digital infrastructure investment specifically, China has established significant influence in ASEAN.**

Our data indicates a regional pattern of investment focused on using technological infrastructure to establish long-term influence. Economic linkages tend to be followed up with investment in physical infrastructure, followed by the diffusion of civil technology, and finally entrenched through the construction of digital infrastructure such as 5G and Beidou connectivity. The result is Structural Influence in the form of technological dependence.

China has been successful in developing its Structural Influence over Technology and Telecoms in Southeast Asia thanks to the region's open-door policy on technology investment, coupled with a lack of meaningful domestic technology industries. All countries assessed are heavily reliant on Chinese imports, whereas exports are more diversified. The highest level of Structural Influence is found in Cambodia, Indonesia, Laos, and Thailand, while Malaysia, Singapore, and Brunei have the lowest.

Thailand has seen major Chinese investment in technology and telecoms and is reliant on China for over a third of its technology imports (a figure which is increasing).[89] **Cambodia has similarly seen major investment in national telecoms firms and a rapid increase in reliance on Chinese technology imports**, a trajectory which is highly likely to continue, while Laos' increase to a level 4 CII score in 2020 reflects China's increasing influence over telecoms and investment in digital infrastructure.

In the absence of any coordinated plan to deliver alternatives, for example from Western companies, Chinese influence over digital infrastructure in the region is likely to accelerate. China's systems are likely to continue to be the most convenient, prevalent, and cheap, and governments and organisations will thus continue to use them. Even if an alternative is taken up, the entrenchment of digital standards and physical infrastructure mean this will be a long-term project which will take years. **China's dominance over the region's digital infrastructure will have increasingly significant strategic implications within and beyond the region,** reducing the commercial opportunities of non-Chinese firms and disrupting Western defence ties, as is already happening in the case of Thailand. Likewise, **increasing adoption of Beidou will boost China's influence** (see Box 8 for more commentary).

China is likely to continue to increase its technology and telecoms presence following its acceleration of digital development.

89. Evenstar Institute China Influence Index data

3.1.5 Energy and Natural Resources

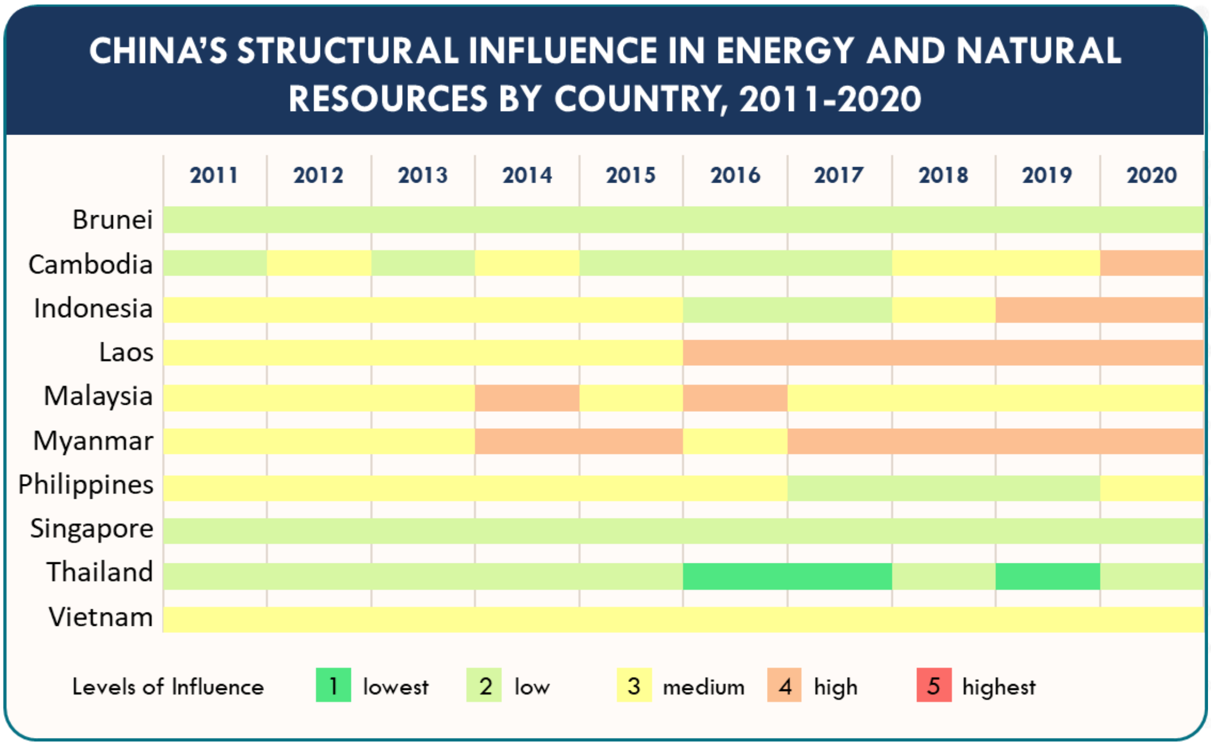


Figure 3.1.5: CII scores for the Energy and Natural Resources Strand by country, 2011-2020.[90]

China's domestic demand for energy and mineral resources can no longer be met by domestic supply, making the country a net importer of both energy and raw materials. Beijing's awareness of the potential strategic influence this grants other countries on which it relies has led it to diversify its supply chains as a de-risking measure. To limit foreign influence, it has favoured weaker and politically isolated countries as suppliers.

In terms of Structural Influence, this means that as a forced buyer, China is subject to Structural Influence and must use its own influence to obtain resources at the expense of competing buyers. That said, as a monopolistic buyer with alternative suppliers, China can also create Structural Influence. We have analysed China's Structural Influence over Energy and Natural Resources in the region based on the following:

- **Bilateral Trade in Minerals, Metal Ores and Metal Products, and Rare Earths**

  China is a net exporter of metal products to the region but a net importer of mineral ores, reflecting its dominance in metal smelting and processing. China is now a net importer of rare earths, and imports them from the region (for example from Myanmar), but it is unclear how critical this is to China's supply chain.

- **Bilateral Trade in Energy**

  China is a net importer of fuels from Southeast Asia. While these trade flows provide supply chain diversification to China, China is not dependent on them.

- **Chinese Investment in Energy and Minerals**

90. Evenstar Institute China Influence Index

China has invested in the energy and minerals sectors across the region. For example, Indonesia's Sulawesi Nicker Mining Power Station Project is run by the Chinese company Tsingshan, and while ores are provided by smaller, predominantly locally-owned mines, Chinese companies dominate processing.[91] Likewise, the Chinese-funded PMB refinery in Brunei will likely increase energy connectivity between the two countries (see Section 3.1.6 overleaf for the discussion of Critical National Infrastructure).

Box 6. Brunei's PMB Refinery

China has built a new oil refinery in Brunei that, because of its size, is likely to substantially alter the Sultanate's trade patterns and orientate it more towards the PRC. The Pulau Muara Besar (PMB) complex refinery project is a joint venture between China's Zheijiang Hengyi Group (70%) and the Bruneian government (30%). Phase 1 of the refinery opened in 2019, with Phase 2 planned for 2023.

(The United Front were active in helping the Chinese firm win the contract to build the refinery, with the PMB project being openly cited as exemplary United Front work.[1])

The PMB project is the largest FDI investment into Brunei in recent times, with our research revealing that Phase 2 alone accounts for two times the country's total FDI stock. This will make Brunei's exports significantly dependent on the operation of the PMB complex, thus increasing China's economic influence.

1. http://www.hangzhou.gov.cn/art/2020/12/14/art_812262_59022130.html

China's Structural Influence over Energy and Natural Resources is concentrated in a few countries. **China has a dominant position in key sectors in Cambodia, Indonesia, Laos, and Myanmar**, but its influence in these sectors increased over the period assessed in almost all ASEAN states.

Cambodia is almost entirely dependent on China as an export market for energy and natural resources, a dependency which increased very rapidly over the period analysed (for example, from 0% of mineral exports and 0.06% of ore and metals exports going to China in 2010, to 85% and 56% respectively in 2019). **Laos is even more reliant on China as an export market, and has undergone a similar shift.** Likewise, **China's Structural Influence in Myanmar has increased.**

Indonesia relies on China for its exports, but China is also reliant on Indonesia for certain imports, notably thermal coal, resulting in two-way Structural Influence. Malaysia, the Philippines, and Vietnam engage with China over Energy and Natural Resources, but are not dominated by it, while Brunei and Thailand have low levels of engagement with China in this Strand.

The current trajectory of China's influence is likely to continue, evolving to match China's changing resource needs. In particular, increasing adoption of renewable energy and other forms of technology such as electric vehicles will lead to a decline in China's need for

91. https://www.news.com.au/finance/business/mining/energy-shortage-forces-china-to-turn-to-australian-coal-but-dont-expect-meaningful-lift-in-ban/news-story/fa62a43d02252a26b7c57f5a80c457b0

conventional hydrocarbons and an increasing need for minerals. Therefore, **China is likely to attempt to increase its influence in the region to guarantee its supply of rare earths**, given their importance to the energy transition and industries of the future.

3.1.6 Critical National Infrastructure

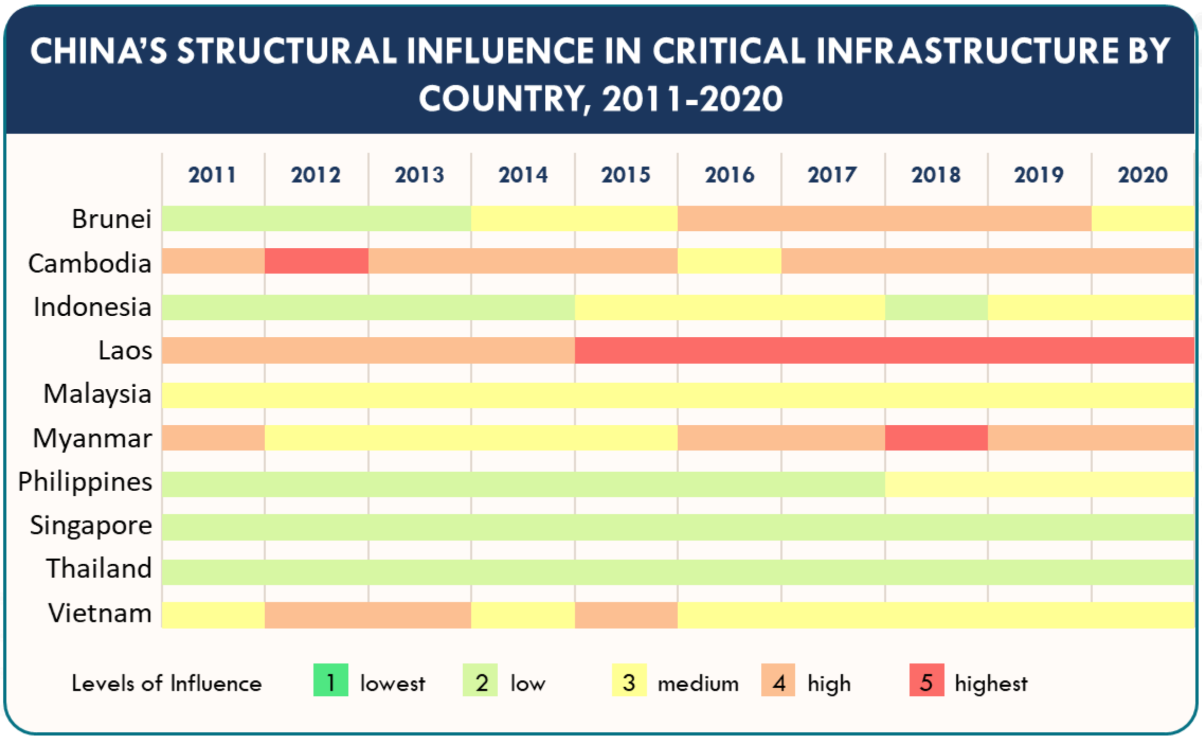


Figure 3.1.6a: CII scores for the Critical National Infrastructure Strand by country, 2011-2020.[92]

Through its domestic infrastructure development, China has fostered large-scale state-owned enterprises (SOEs) with significant expertise in CNI provision and the capacity to operate on a huge scale. Combined with China's need to recycle its current account surpluses and diminishing returns on domestic investment, this is a strong driver of the internationalisation of China's critical national infrastructure (CNI) construction activity, including the Belt and Road Initiative (BRI).

A significant focus of Chinese overseas CNI investment is ensuring the security, diversification, and reduced cost of key strategic inputs to its supply chains. In addition to augmenting its own resilience and growth prospects, **this deepens trade relationships, thus producing Structural Influence in other Strands, such as Economics and Finance**.

The success of CNI as a means of building influence depends on the recipient country's degree of political alignment with China, the availability of alternative sources of finance, and the level of investment required. In Southeast Asia, this has been limited by Japan's role as a major source of finance and expertise, both directly and via the Asian Development Bank. Moreover, **China-backed projects have met significant political resistance in countries**

92. Evenstar Institute China Influence Index

with a greater degree of democracy and civic engagement. China's attempts at collaboration in infrastructure investment have been met with mixed results in the larger ASEAN countries.

China's Structural Influence over Critical National Infrastructure is assessed based on various aspects of China's investment in the region, focusing particularly on power transmission, railways, and ports:

- **Ownership of Key Assets**

  China is increasingly becoming the owner rather than just the builder of key overseas CNI assets, such as ports, through the activities of its sovereign wealth funds, development banks, and SOEs.

- **Operation of Key Assets**

  Chinese SOE's have increasing secured contracts to operate overseas CNI assets, whether as part of Build Operate Transfer (BOT) models or via simple operating contracts involving provision of expertise. This presents opportunities to establish Chinese technology, set technical standards, and harvest data.

- **Technical Expertise**

  In many cases, China possesses technical expertise lacked by recipient countries; CNI projects and investment thus often involve technology transfer, creating dependency.

- **Technical Standards**

  As noted in the section on Technology and Telecoms, embedding technology according to Chinese standards leads to repeat business and can make interconnectivity contingent on continued Chinese involvement in future projects. For example, China's construction of the Mekong dams and high-speed rail link in Laos have involved the use of Chinese technical standards (set by Huawei in the latter case), meaning most if not all subsequent rail and electricity technology will have to follow suit.[93] This is potentially the longest-lasting source of influence.

- **Financing Largesse**

  Particularly in capital-starved countries, prior to the construction of CNI assets which would otherwise not be build, China's willingness to provide finance tends to be seen as concessional and benevolent (despite the post-hoc phenomenon of 'debt-trap diplomacy').

- **Discursive Power**

  Through presenting the BRI as a project of 'shared destiny' and 'common development', alongside an emphasis on 'south-south' economic cooperation, China has created a narrative of its own centrality as a benevolent dispenser of largess to the international community.[94]

93. https://www.rfa.org/english/news/special/china-build-laos-dams/
94. https://www.southcentre.int/question/chinas-boost-to-south-south-cooperation/

Box 7. **China's Ownership of Ports in the Region**

Chinese firms own ports across the region, including in Myanmar, Thailand, and Vietnam. By owning and running ports, Beijing gains economic influence over these countries, but there are other benefits too. First, by installing Chinese digital infrastructure in the facilities (as Huawei is doing), oversight is gained into what is going in and out of the country, including exports to Western nations.

Second, it is suggested that these ports could act as dual-use facilities for the military too. Indeed, Evenstar Institute research reveals that several of these have hosted Chinese military vessels for repair, including Port Klang in Malaysia and Tanjung Priok in Indonesia. Western officials suggest that China is building a military port in Ream in Cambodia, something that Beijing denies, although the Chinese Ambassador was photographed breaking ground on the base in 2022. China is also funding the expansion of Cambodia's Ream naval base, which will make it suitable for hosting larger warships than any possessed by Cambodia itself.

1. https://www.voanews.com/a/6224958.html
2. https://apnews.com/article/hun-sen-thailand-beijing-china-cambodia-ac6a298e9b4d142139be99403d42f6ad
3. https://thediplomat.com/2020/10/cambodia-china-and-the-dara-sakor-problem/

With the exceptions of Singapore and Thailand, China's Structural Influence in CNI has increased in all ASEAN states since 2011, driven primarily by major domestic need for infrastructure development, coupled with fiscal and technical constraints. However, this gradual overall increase translates into moderate CII scores, though with high variation between countries.

Laos, followed by Cambodia, has the highest level of Chinese Structural Influence in CNI; both countries have taken a disproportionate amount of Chinese investment by value. Major Chinese investments in Laos include the Vientiane-Kunming High Speed Railway, Mekong hydroelectricity generation projects, the electricity grid, and the Vientiane-Vang Vieng Expressway.[95] [96] [97] [98] In Cambodia, China's CNI projects include the Phnom Penh-Sihanoukville Expressway as the country's main road artery, the Sihanoukville Special Economic Zone, expansion of the Phnom Penh International Airport, and construction of the Siem Reap and Dara Sakor airports, now due to be completed in 2023 and the latter of which will be able to host military aircraft.[99] [100]

Due to its isolation from alternative sources as a consequence of sanctions, Myanmar has also become dependent on China for investment and expertise. Chinese investments accounted for between 30% and 82% of the country's infrastructure spending each year from 2016-2020. Major projects include the Kyaukphyu deep-sea port, the development of which was accelerated by the ruling junta in 2021, and high-speed rail links between Myanmar and Yunnan as part of the broader cluster of BRI projects known as the China-Myanmar Economic

95. https://www.reuters.com/markets/deals/china-laos-open-6-billion-high-speed-rail-link-2021-12-03/
96. https://www.globaltimes.cn/page/202211/1280715.shtml
97. https://www.seetao.com/details/112620.html
98. https://www.globaltimes.cn/page/202012/1210809.shtml
99. https://www.phnompenhpost.com/business/dara-sakor-airport-delayed-till-mid-2023
100. https://thediplomat.com/2020/10/cambodia-china-and-the-dara-sakor-problem/

Corridor (CMEC), linked closely to China's desire to cement overland access to the Indian Ocean.[101] [102]

While Indonesia is the largest market for Chinese Engineering, Procurement, and Construction (EPC) companies and the largest recipient of infrastructure investment, the levels observed are not disproportionate relative to the country's size.

China's Structural Influence is low in the Philippines and Thailand, and in Vietnam. Meanwhile, Singapore and Malaysia have limited exposure due to their already well-developed infrastructure, and in Singapore's case, domestic resources and expertise. While China has been involved in major projects in Malaysia, such as the East Coast Rail Link agreed in 2016, this does not approach the level of involvement seen in Cambodia, Laos, and Myanmar.[103]

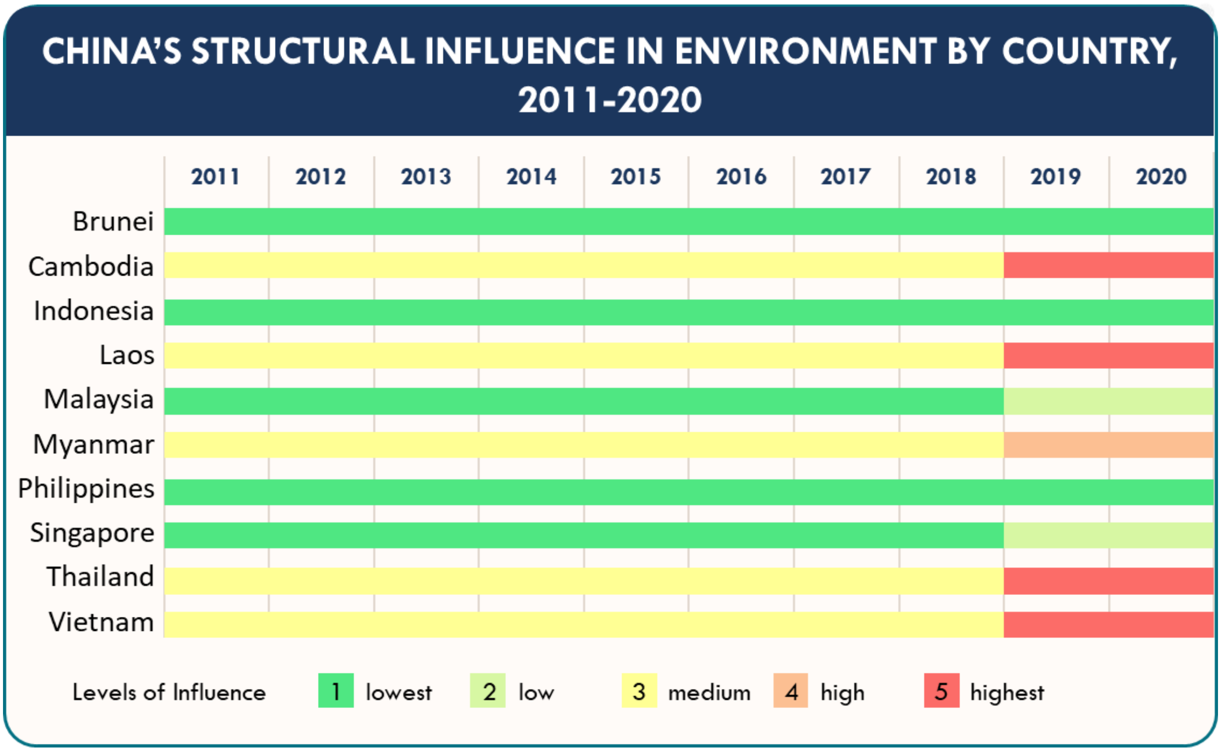
China's Structural Influence over Critical National Infrastructure is likely to increase across ASEAN in an entrenched developmental relationship, thanks to China's financial and technical capacity and the continued weak development of infrastructure in the region. Countries with less developed infrastructure are more susceptible to China's influence through the building of CNI, as infrastructure becomes increasingly interconnected between states (such as with electricity grids), so China's influence will grow in the region as a whole. **China may attempt to establish infrastructural capacity in an increasingly Sino-centric way** due to the limited success of ASEAN in improving interconnectivity between member states.

101. https://economictimes.indiatimes.com/news/international/world-news/myanmar-junta-expedites-work-on-china-funded-kyaukphyu-port/articleshow/85167272.cms?from=mdr

102. https://thediplomat.com/2021/09/chinese-high-speed-rail-network-reaches-myanmars-border/

103. https://www.nst.com.my/news/2016/11/192672/mind-gap-ecrl-can-close-east-west-coast-economic-divide-says-najib

3.1.7 Environment and Science



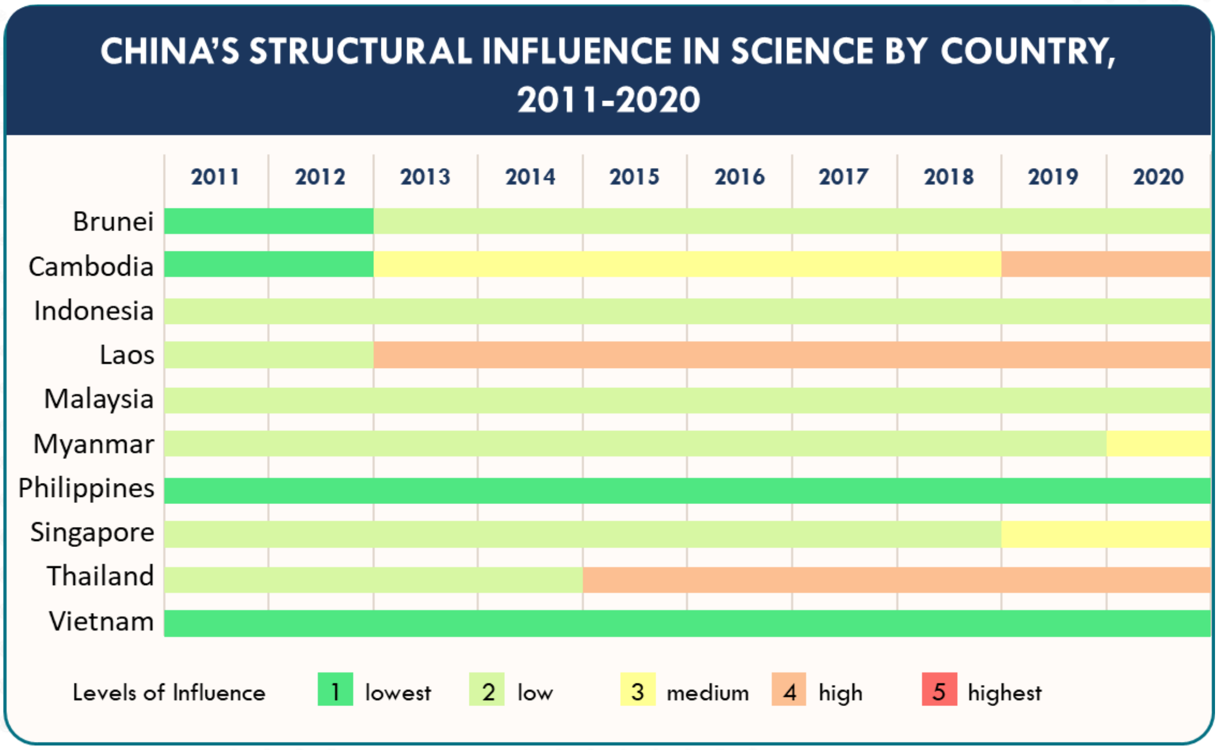


Figure 3.1.7a: CII scores for the Environment and Science Strand by country, 2011-2020.[104]

104. Evenstar Institute China Influence Index

China's Structural Influence in the Environment and Science Strand has been assessed in terms of the following means of influence. CII scores are separated for Environment and Science given the huge degree of influence granted by the Mekong dams over downstream countries, as reflected in Figure 2.3a.

- **The Mekong Dams**

  China's 11 dams on the Mekong (Lancang) River mean it can almost certainly severely impact water flow to the five nations downstream, with consequent potential impact on environment, industry, agriculture, and electricity generation – on which the shared ASEAN power grid partially relies. US research company Eyes on Earth Inc. claimed that China withheld water using the dams in 2019, worsening a downstream drought, based on satellite data.[105] [106] Beijing, however, disputes this.[107]

- **Space**

  Though it has had limited success in selling space hardware, such as satellites, to ASEAN nations, China has been successful in selling software and applications based on its Beidou GNSS, a rival to the US' GPS. In an approach reflective of its wider industrial and defence policies, China is encouraging region-wide adoption of technological partnerships with Beidou, which would create dependency as discussed in Section 3.1.4 Technology and Telecoms.

- **Science and Research Initiatives**

  China has made efforts to create ASEAN-level initiatives, including a technology transfer mechanism, and used joint initiatives such as the ASEAN-China Environmental Cooperation Action Plan 2016-2020 to foster relations over the environment.[108] However, China has little noticeable Structural Influence over environmental policy and these initiatives have had little impact; the 2021 COP26 meeting in Glasgow saw no sign of coordination between China and ASEAN.

- **Vaccine Diplomacy**

  The COVID-19 pandemic provided an opportunity for China to attempt to build Structural Influence via vaccine diplomacy. This has proven a good indicator of China's priorities in cultivating ties: Brunei, Cambodia, Laos, Malaysia, Myanmar, and Thailand all received large pledges of Chinese vaccines, while Indonesia, the Philippines, and Vietnam did not.

105. https://www.reuters.com/article/us-mekong-river/chinese-dams-held-back-mekong-waters-during-drought-study-finds-idUSKCN21V0U7
106. https://foreignpolicy.com/2020/04/22/science-shows-chinese-dams-devastating-mekong-river/
107. https://www.chinanews.com.cn/gn/news/2010/03-31/2199506.shtml
108. https://asean.org/asean-china-to-formulate-environmental-cooperation-plan/

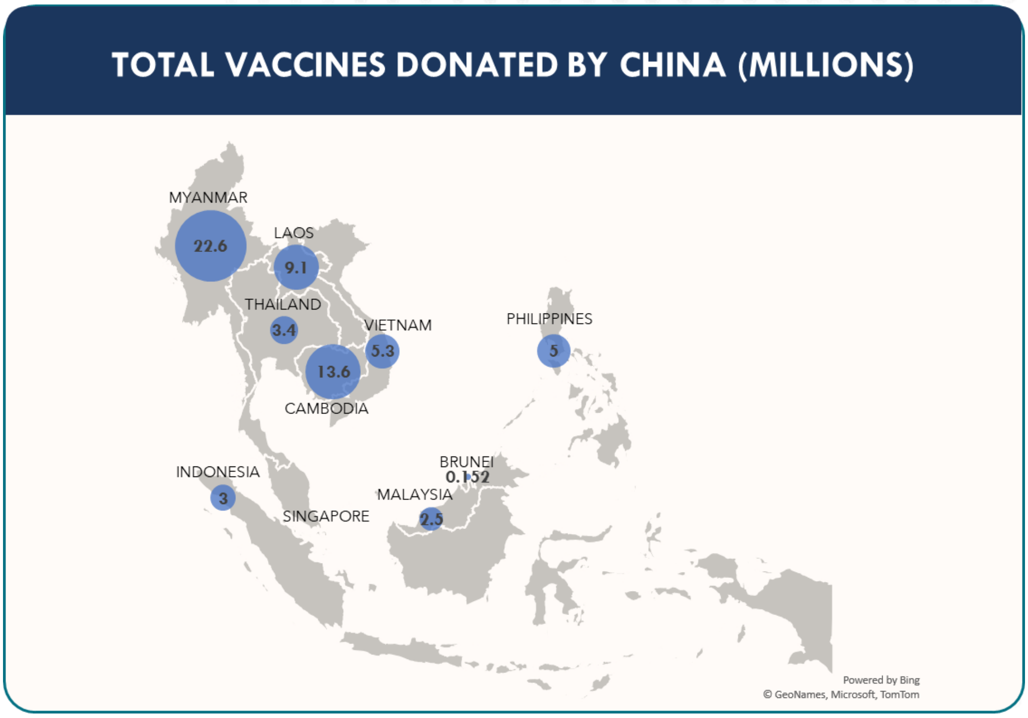


Figure 3.1.7b: The number of vaccines donated by China to each ASEAN state to 2022. Data for Singapore shows no donations.[109]

CII scores for Environment **reflect the high level of Structural Influence generated by China through the Mekong River dams** over Cambodia, Laos, Myanmar, Thailand, and Vietnam.

The launch of the China carbon market in July 2021 means environmental Structural Influence in the region is likely to increase over the coming years. The market is designed to help China reduce its emissions ahead of its 2060 net-zero goal, and Singapore's Temasek fund has already indicated interest.[110] **If Southeast Asian countries choose China's carbon market over alternatives such as that of the EU, it will further entrench China's influence in the region.**

In Cambodia, Laos, and Thailand, China also has a high level of Structural Influence over Science. Thailand has been a particular focus of Chinese scientific engagement, having been the first overseas nation to host an office of the Chinese Academy of Sciences, China's pre-eminent scientific body, and engaging in a level of joint research beyond that of other ASEAN states, for example on nuclear fusion. **Space is likely to be the key are where China will increase its influence, especially via Beidou**, which is linked to China's development of digital infrastructure.

Very low levels of scientific research in Brunei and Myanmar mean there is less potential for China to establish Structural Influence, and the Philippines and Vietnam have almost no scientific engagement with China. While Singapore (as the key regional science power) has good ties with China, the relationship is relatively balanced.

109. Bridge Consulting
110. https://www.chinadaily.com.cn/a/202107/21/WS60f7735fa310efa1bd6633c7.html

Box 8. China's Involvement in Southeast Asia's Space Sector

China's involvement in Southeast Asia's space sector has primarily been via encouraging the adoption of China's GPS-equivalent Beidou as a technological partner in everything from transportation to construction. Cambodia is keen to integrate Beidou into its public transportation network, and Indonesia and Malaysia are reported to be utilising the system in smart cities.[1] [2]

Thailand was the first Southeast Asian country to connect to Beidou, signing an agreement in 2013 to promote navigation services for disaster relief and power distribution. More formal arrangements have since been made with Brunei, Cambodia, and Laos, although our research shows that Beidou is being used in one way or another in every single regional country studied.[3]

As with most advanced technologies, once Beidou is embedded in a nation it is hard for it to be removed. This will ultimately provide China far more structural influence over these nations, especially if Beidou becomes embedded in the military, in city planning, and in advanced industries.

China has a wider involvement in the region's space programmes, especially those in Cambodia and Laos. In addition to Cambodia's use of Beidou for transportation, Phnom Penh has expressed hope for wider ASEAN adoption of Beidou.[4] [5] [6] In 2018, Cambodia signed an agreement for China to provide the country with its first communications satellite, Techo1, including development, launch, ground systems, training, and technology transfer.[7] Likewise in addition to establishing Beidou, China has built and launched a communications satellite for Laos, as well as a satellite control centre.[8] [9] [10] China has also established a joint radar and satellite communications laboratory with Myanmar as part of the BRI-linked China-Myanmar Economic Corridor.[11]

Unlike Laos and Cambodia, Thailand has an ambitious space programme with growing domestic development capabilities. Thailand has also adopted Beidou and become a major regional hub for it via the China-ASEAN Beidou Technology City, involving Wuhan Optics Valley Beidou Holding Group Co. Ltd.[12] This company holds two subsidiaries in Thailand which are involved in a range of Beidou-related projects, including collaboration with the Thai National Science and Technology Development Agency to introduce smart transportation.[13] [14] Thailand maintains a wide range of bilateral and multilateral collaborations in developing its space programme, which is increasingly incorporated into the country's overall development strategy and relies primarily on US and European sources for components, launch facilities, and expertise in combination with its growing domestic capabilities.[15] [16] Going forward, while China does not dominate Thailand's space supply chain, increasing integration with Beidou may present challenges analogous to those Thailand is already facing in attempting to acquire advanced US military systems, if Western suppliers are unwilling to expose technology and expertise to Chinese digital systems.

China has no involvement in the space programmes of Malaysia, the Philippines, Singapore, or Vietnam.

1. https://www.phnompenhpost.com/national/ministry-integrate-beidou-navigation-system-transport-sector
2. http://english.scio.gov.cn/in-depth/2020-08/07/content_76355916.htm
3. https://spacewatch.global/2021/03/spacewatchgl-column-pssi-perspective-8-china-deploys-beidou-to-project-power-and-influence/
4. https://www.phnompenhpost.com/national/ministry-integrate-beidou-navigation-system-transport-sector
5. https://www.khmertimeskh.com/50855366/cambodia-to-cooperate-in-promoting-the-use-of-beidou-gps-satellite-system-for-vehicles-and-ships/
6. https://www.orfonline.org/research/southeast-asian-space-programmes-capabilities-challenges-collaborations-48799/#_edn17
7. https://spacenews.com/laos-with-chinese-aid-is-latest-arrival-to-crowded-satellite-telecom-field/
8. https://www.spacedaily.com/reports/China_to_build_launch_satellite_for_Laos_999.html
9. https://www.gps.gov/cgsic/meetings/2020/geng.pdf
10. https://spacewatch.global/2018/11/space-silk-road-china-and-myanmar-create-joint-satellite-laboratory/
11. https://www.lowyinstitute.org/the-interpreter/enter-dragon-thailand-gets-closer-china
12. https://stip.oecd.org/assets/TKKT/CaseStudies/38.pdf
13. http://en.hubei.gov.cn/business/enterprises/201607/t20160705_1437767.shtml
14. https://www.thaienquirer.com/22045/is-the-thai-government-serious-about-space
15. https://www.orfonline.org/research/southeast-asian-space-programmes-capabilities-challenges-collaborations-48799/

3.1.8 Culture and Demographics

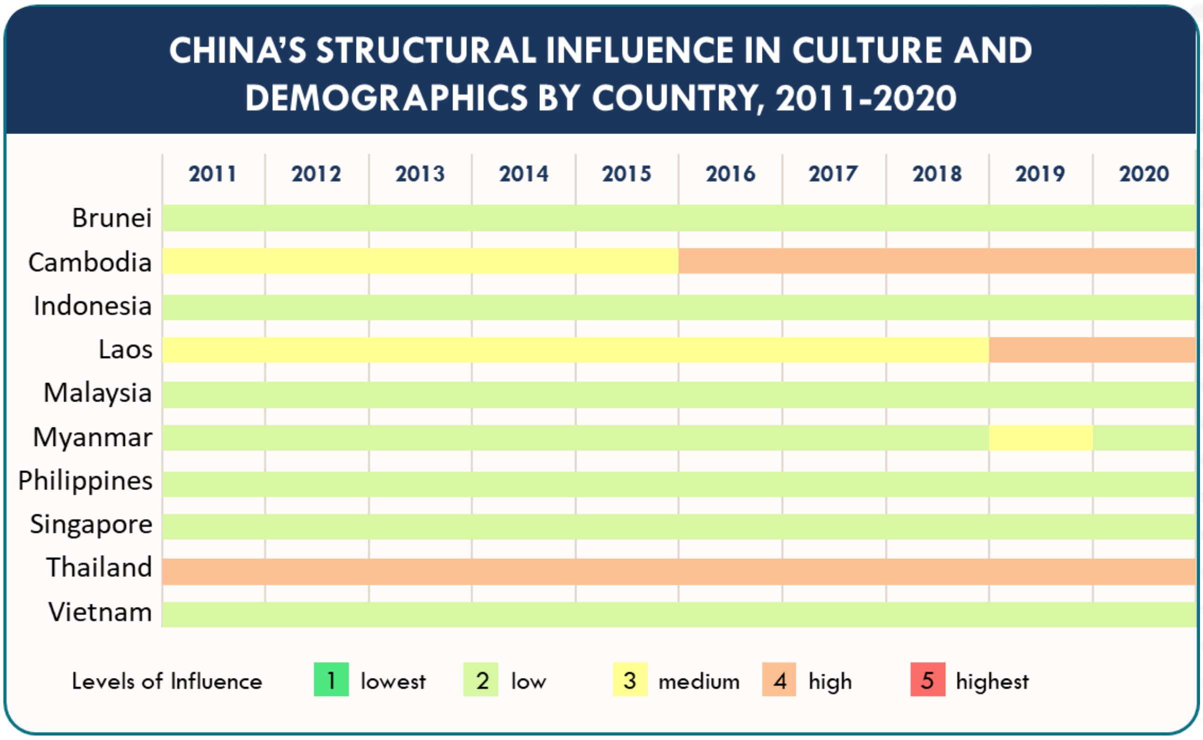


Figure 3.1.8: CII scores for the Culture and Demographics Strand by country, 2011-2020.[111]

China's cultural influence largely remained low over the assessed period, but its demographic influence is strong, and associated with local economies and ethnic Chinese populations. Despite the lack of success of China's efforts to promote cultural influence, this does appear to be seen by Beijing as an important tool for realigning networks and population mobility in the region, given its level of investment. China's Structural Influence in this Strand is assessed in terms of the following:

- **Cultural Institutions**

  The most notable effort to increase cultural influence via institutions is via the 42 Confucius Institutes in the region.[112] As a formal effort at influence-building it also provides a means of assessing China's relative interest in changing national attitudes to China.

- **Ethnic Chinese Networks**

  As discussed above, China attempts to cultivate influence via ethnic Chinese populations in Southeast Asia, often through economic targeting of the elites. The assessed aim is to create a Sinosphere within the region that Beijing can control. China's success in the establishment of such a Sinosphere, although variable, usually correlates with the presence of larger numbers of Mandarin-speaking recent migrants from the PRC, as opposed to ethnic Chinese groups with a longer history in the region and weaker ties to the PRC. The latter may be resistant to Beijing's overtures, as has

111. Evenstar Institute China Influence Index
112. Evenstar Institute China Influence Index data

been the case in Brunei and the Philippines. Nonetheless, the Evenstar Institute's research has yielded substantial evidence for successful elite capture in countries with long-established Chinese populations, including Indonesia, Malaysia, and Thailand.

- **Chinese Tourism and Students**

  The huge numbers of Chinese nationals visiting the region as tourists pre-COVID (32 million in 2019 alone) had an economic impact significant enough to realign local economic networks to be more focused on China. Chinese tourism to the region, and its associated economic impact, looks set to return as China opens up post-pandemic.[113] The presence of students from China also has an economic impact, but is difficult to assess due to paucity of data.

- **Cultural 'Soft Power'**

  China's cultural 'soft power' in the region is not strong in comparison with elsewhere, and does not reflect the weight of resources allocated to its development. While many countries in the region have historic cultural ties through religion and Confucian norms and ideas, modern Chinese culture and cultural products such as music and films have had little success (see Box 9 overleaf).

- **Public Attitudes to China**

  In general, China is not perceived very favourably by the public across ASEAN countries. Polling research aggregated by the Evenstar Institute reveals that in 2021 China's average favourability rating was 17% according to polling data, roughly the same as 2020, while its unfavourability rating average was 63%, up from 60% in 2020. In contrast, the USA's average favourability was 49% in 2021, and unfavourability 31%.[114]

Overall, CII scores for the region are fairly low, with the exceptions of Cambodia, Laos, and Thailand; this should be expected given the proximity of these countries to China and relatively favourable public opinion.

Given public perceptions of China in the region, a rapid shift in Structural Influence is unlikely. **In the longer term, the spread of Chinese digital infrastructure and investment may promote an increasingly positive attitude to some elements of Chinese culture, but is unlikely to do so towards China's media and government.**

China's attempted and actual targeting of ethnic Chinese groups via the United Front is likely to increase, especially in countries such as Thailand where this has already proven successful. This may have a long-term impact on Structural influence over Culture and Demographics.

113. https://thediplomat.com/2023/01/southeast-asia-prepares-to-welcome-back-chinese-tourists/
114. https://www.iseas.edu.sg/wp-content/uploads/2021/01/The-State-of-SEA-2021-v2.pdf

Box 9. The Lack of Success of China's Popular Culture Influence

The importance of America's soft power in spreading its influence abroad is well known, and has been since the early days of Hollywood. Unfortunately for Beijing, there is little sign of Chinese popular culture having a significant presence in the public consciousness of Southeast Asia, even in countries with a large ethnic Chinese community.

Chinese music has failed to make an impact outside of its home territory, with the Asian music scene dominated by South Korean and Western artists (as shown by the winners of awards ceremonies like MAMA and Asian Pop Music Awards).[1] [2] Chinese movies also struggle to make a commercial impact in the region even if they are very domestically successful: 2017's *Wolf Warrior 2*, one of the most internationally known Chinese movies of all time, saw 99.47% of its revenue come from China itself.[3] In 2019, the last full year before COVID, not a single Chinese film made the Top 20 box office for any major country in Southeast Asia.

Where China is making an impact in popular culture is through Chinese firms investing into the region's entertainment in Southeast Asia. The most successful of these is Tencent, which has been quietly building up a global entrainment empire (including a stake in Swedish streaming company Spotify). In Southeast Asia, the Chinese firm bought the regional streaming company Iflix in 2020, has a multi-billion-dollar stake in SEA, the Singaporean gaming and e-commerce giant, and investments in various Thai and Vietnamese entertainment companies.[4] [5] Singapore is now the main hub of Tencent in the region, joining Alibaba and ByteDance in selecting the island state as its beachhead into the rest of Asia.[6]

Some observers have compared Tencent's entertainment and media ambitions to Disney, in that it wants to control intellectual property production in the industry. Success here will give it – and the Chinese government, which has ultimate control over all its technology firms through the national security laws - far more structural control and influence here.[7] Whether Tencent's commercial success will popularise Chinese popular culture in the region remains to be seen.

1. https://www.mwave.me/en/mama
2. https://www.thetealmango.com/entertainment/asian-pop-music-awards-2022-complete-list-of-winners/
3. https://www.boxofficemojo.com/releasegroup/gr3036500485/
4. https://www.reuters.com/article/us-tencent-iflix-idUSKBN23W0H4
5. https://kr-asia.com/a-key-to-decode-tencents-southeast-asian-investment-landscape
6. https://indianexpress.com/article/technology/tech-news-technology/tencent-picks-singapore-as-asia-hub-after-india-us-bans-6802957/
7. https://www.forbes.com/sites/ywang/2017/12/19/chinas-tencent-has-quietly-built-an-

4. THE EMERGING GEOPOLITICAL ORDER IN SOUTHEAST ASIA

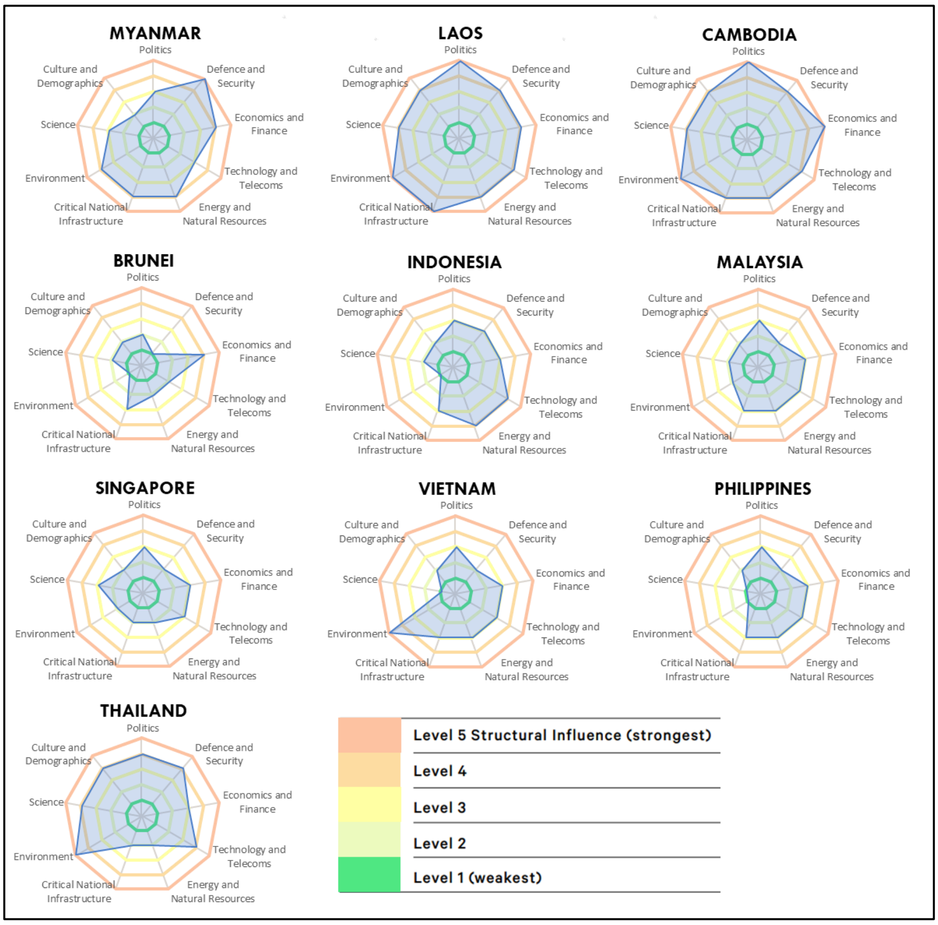


Figure 4a: China's Structural Influence in Southeast Asia in 2020 – a comparative perspective.[115]

The CII scores discussed above indicate an overall trend of increasing Chinese Structural Influence across ASEAN member states. Particularly when considered in terms of China's strategic interests in Southeast Asia, notably its push to its southwest and its claims over the South China Sea, it becomes clear that **the evolution of China's influence is an important causal factor behind an emerging new geopolitical order in the region**.

In sum, **countries with a high degree of Chinese Structural Influence must give significant consideration to China's interests when making decisions**, and thus should be expected to increasingly align with China. As mentioned, this can already be seen by, for example, the shifting support of highly influenced Cambodia and Laos away from Vietnam and towards China over the South China Sea dispute.

The speed of increase in China's Structural Influence also reveals shifting geopolitical patterns. In addition to Cambodia and Laos, this can be seen in the cases of **Myanmar and**

115. Evenstar Institute China Influence Index

Thailand; in both cases, China's Structural Influence has increased rapidly in the wake of the US distancing itself diplomatically since the two countries' respective coups. In contrast, the increase has been significantly slower in countries such as Vietnam, which has taken an active stance against China's influence, and the regional economic bloc of Indonesia, Malaysia, and Singapore.

The emerging pattern of geopolitical alignment in the region cannot solely be understood in terms of China's influence. The China Influence Index data and wider strategic context are therefore considered in relation to the interests of individual ASEAN member states, their relationships with and influence over each other, and their relations with other powers.[116] Of these, the US is particularly significant, and maintains strong ties with many ASEAN member states. How Washington engages with a number of countries in the region, such as Myanmar, the Philippines, and Thailand, will be just as important for their geopolitical futures as Beijing's influence campaigns.

WEIGHTED MEAN AVERAGE OF STRUCTURAL INFLUENCE ACROSS ALL STRANDS BY COUNTRY, 2011-2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Brunei	1.6	1.6	1.7	1.9	1.9	2.1	2.1	2.1	2.2	2.2
Cambodia	3.2	3.4	3.5	3.4	3.3	3.3	3.7	3.9	4.4	4.4
Indonesia	2.6	2.6	2.6	2.6	2.7	2.5	2.7	2.5	2.9	2.9
Laos	3.4	3.4	3.5	3.5	3.6	3.7	4.0	3.7	4.3	4.4
Malaysia	2.3	2.3	2.3	2.6	2.5	2.6	2.6	2.4	2.6	2.7
Myanmar	2.8	2.7	2.7	3.3	3.2	3.3	3.4	3.5	3.6	3.6
Philippines	2.0	2.0	2.0	2.0	2.0	2.3	2.2	2.3	2.3	2.5
Singapore	1.9	1.9	2.1	2.1	2.1	1.9	1.9	2.5	2.5	2.5
Thailand	2.6	2.7	2.7	2.8	3.1	3.2	3.1	3.1	3.5	3.4
Vietnam	2.5	2.6	2.6	2.3	2.6	2.5	2.6	2.7	2.9	2.9

Levels of Influence 1 lowest 2 low 3 medium 4 high 5 highest

Figure 4b: How China's Structural Influence evolved from 2011-2020.[117]

116. Note that the CII scores inherently take into account the resilience of countries to external influence, and the influence of third countries in general, through the metrics for openness and exposure.
117. Evenstar Institute China Influence Index

EMERGING GEOPOLITICAL ORDER IN SOUTHEAST ASIA

The Chinese Sphere

Cambodia and **Laos** have the highest influence level of all ASEAN member states during the period analysed. Their autonomy is effectively compromised and they are likely to make decisions based on China's strategic interests, even if potentially undermining their own interests.

Both countries would struggle to rebalance their relationship away from China, should they choose to do so. Additionally, their infrastructural links with the region may increasingly become a vector for Chinese influence to spread.

Shifting Alignments

China has increased targeting in response to US distancing from **Myanmar** and **Thailand**. **Brunei** is also subject to dynamic shifts of influence.

- China's influence in **Myanmar** may continue to increase amid its isolation from Western nations due to the 2021 coup. Due to limited alternatives, Myanmar has increased digital and infrastructural reliance on China, which may become entrenched.
- Although **Thailand** traditionally seeks to balance engagement with the US and China, Beijing has taken advantage of a US withdrawal following the 2014 coup. China has used United Front activity to target the elite alongside investment in digital infrastructure, and defence and science links in an effort to 'flip' the US treaty ally.
- **Brunei** has seen a rapid increase in influence in the Economics and Finance Strand. This may be an effort to develop influence at a strategic location in the South China Sea. As a smaller economy, Brunei is susceptible to economic engagement and a diversification from hydrocarbons may be a vector for increasing influence.

Resilience and Resistance

The Philippines and Vietnam have proven relatively resistant to China's influence, partly due to economic reluctance and territorial disputes.

- Influence in the **Philippines** may shift quickly if economic ties accelerate, though President Marcos has indicated he will balance relations between China and the US amid widespread public distrust of China.
- **Vietnam** is cultivating economic ties with Japan, South Korea, and Taiwan, which may become an economic counterbalance to China.

A Regional Counterweight

Together, **Singapore, Malaysia, and Indonesia** represent an economic bloc with the potential to resist the growth of China's Structural Influence. This would be enhanced by any efforts or assistance to increase their mutual economic, political, and other ties. This could provide a Southeast Asian core to which other states could gravitate.

Indonesia is economically vulnerable to increased Chinese influence due to ESG challenges, alongside vulnerability in Defence and Security due to China's provision of digital infrastructure.

Figure 4c: The emerging geopolitical order in Southeast Asia: a summary of the analysis.

4.1 China and the US in Southeast Asia

A core aspect of the shifting geopolitical order in Southeast Asia is the relationship between the influence of China on the one hand and that of the US on the other. Historically, the US has played a dominant role in the region since the Second World War. However, **China has been able to significantly outpace the USA in terms of trade and infrastructure investment**, leading Jonathan R. Stromseth, a regional expert and Senior Fellow at the Brookings Institution, to characterise economic engagement as the 'Achilles' heel' of US policy; **China's bilateral trade with the region was more than double that of the USA in 2020.**[118] Ultimately, **most countries in Southeast Asia continue to attempt to balance engagement with China and the US**, and will make strategic decisions accordingly. Those strategic decisions, though, are inherently limited by the options available.

China's expanding influence in Southeast Asia cannot be considered in isolation. In cases such as Myanmar and Thailand, as shown through the CII data, there is a correlation between increasing Chinese influence and the diplomatic distancing of the United States. Meanwhile, countries which have been more successful in resisting China's influence, such as the Philippines and Vietnam, have robust ties to other economies; for example, Vietnam is the recipient of major infrastructure provision from Japan, valued at USD 209 billion in 2019.[119]

Despite the significant presence of the US in Southeast Asia, including large-scale FDI investment, an ongoing issue through both the Trump and Biden administrations has been a lack of a regionally-focused, multi-domain framework for engagement with Southeast Asia as a whole, and one that includes the support and leverage of allies like Japan, the UK, and Australia.

The Trump administration's overall Indo-Pacific strategy provoked resistance among Southeast Asian nations to distancing themselves from China; it remains the case under Biden that perceived US emphasis on competition with China, including via regional agreements exclusive of ASEAN members such as AUKUS and the Quadrilateral Security Dialogue (the USA, Australia, India, and Japan), gives the impression that US security concerns eclipse a focus on closer comprehensive engagement with the region.[120]

US actions such as withdrawal from the Trans-Pacific Partnership (TPP) and a comparative lack of in-person high-level official engagement have also damaged trust.[121] [122] The Biden administration's promotion of its Indo-Pacific Economic Framework for Prosperity (IPEF) lacks equivalent commitments to the TPP and does not provide additional trade access to the US for ASEAN members.[123] The contrast to China's regional involvement through multilateral frameworks such as RCEP is stark.

While the Biden administration has led to growing levels of confidence in the US among Southeast Asian elites, this is accompanied by perceptions, particularly in partners such as Indonesia, Malaysia, and Thailand, that some countries are neglected as US engagement focuses on bilateral ties with the Philippines, Singapore, and Vietnam.[124] US statements of

118. https://www.nytimes.com/2021/12/14/world/asia/blinken-indonesia-china.html
119. https://www.brookings.edu/wp-content/uploads/2019/10/FP_20191009_dont_make_us_choose.pdf
120. https://www.rand.org/blog/2023/01/bidens-southeast-asia-policy-improves-in-second-year.html
121. https://www.brookings.edu/wp-content/uploads/2019/10/FP_20191009_dont_make_us_choose.pdf
122. https://thediplomat.com/2020/02/us-must-recapture-lost-ground-in-southeast-asia-or-risk-being-shut-out/
123. https://www.rand.org/blog/2023/01/bidens-southeast-asia-policy-improves-in-second-year.html
124. https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2022-17-southeast-asia-holds-mixed-perceptions-of-the-biden-administration-by-hoang-thi-ha/

commitment to the region have been undermined by a lack of diplomatic representation thanks to unfilled ambassadorial posts, including that of Ambassador to ASEAN, which had been unfilled for five years prior to the appointment of Yohannes Abraham in 2022.[125] [126] Meanwhile, the Biden administration's May 2022 pledge of just USD 150 million to deepen US-ASEAN ties undermined the US-ASEAN Special Summit's message of 'ASEAN centrality'.[127]

The analysis in Section 3 demonstrated that this dynamic shift in influence has followed identifiable patterns, which can be used as a basis for forecasting future trends. Given the reliance of ASEAN member states on the external provision of digital infrastructure, technology, critical national infrastructure, economic investment, energy and natural resources, and so on, the emergence of external influence is inevitable. What is not inevitable is that that influence comes from a single power such as China.

However, as the CII data shows, **China's influence has grown rapidly in countries which have become diplomatically isolated, such as Myanmar, and in which China has been able to dominate core aspects of nation-building such as CNI and digital infrastructure, such as Cambodia and Laos.** Countries with high levels of civic engagement, such as the Philippines, have resisted China's influence in part because popular opposition presents a barrier to potential influence-building projects (see Section 4.5.1).

A core lesson is that **it is the means by which China has cultivated regional ties and dependencies, rather than simply the volume of its engagement, which has allowed it to rapidly increase its influence**. In contrast to the US' preference for bilateral engagement, China has cultivated long-term regional and subregional frameworks for economic and political engagement, including RCEP and the LMC whilst also strengthening bilateral ties within wider initiatives like the BRI-linked CMEC.

Moreover, investment in CNI and digital infrastructure has an inherent capacity to lock in influence over the long term, because unlike other forms of economic engagement it is very difficult for a recipient country to switch to alternative providers once in place; this is amplified by the fact that other Strands, such as Defence and Security, necessarily become integrated into such infrastructure.[128] When combined with regional integration, whether via bilateral and multilateral agreements on technical standard setting or via integration into growing regional platforms like the Beidou GNSS, such digital influence is locked in further and increasingly able to spread. It follows that **the presence of robust and credible alternative providers, particularly in Strands such as Technology and Telecoms, Critical National Infrastructure, and Energy and Mineral Resources, would have the potential to mitigate disproportionate Chinese influence.**

Taken together, the factors discussed in this section suggest that **Southeast Asia – a region of major economic and geopolitical importance to the US and its allies – is increasingly falling into the sphere of influence of a major strategic competitor, in part through a lack of proactive engagement.** This report demonstrates and quantifies the means of establishment, and depth of, China's influence in the region; further equivalent research is needed to thoroughly document the extent of US and wider Western influence in order to draw accurate comparisons with that of China.

125. https://thediplomat.com/2022/01/washington-needs-to-sort-out-its-ambassadors-to-southeast-asia/
126. https://thediplomat.com/2022/09/the-us-fills-asean-ambassadorial-posting-after-5-year-vacancy/
127. https://www.politico.com/news/2022/11/11/biden-southeast-asia-00066594
128. The same is likely to be true for the region's increasing reliance on renewables and green technology.

4.2 The Chinese Sphere: Cambodia and Laos

Cambodia and Laos have the highest CII ratings of all ASEAN member states, throughout the ten-year period analysed. **China's Structural Influence in these countries is now so great that much of their autonomy is compromised; they are effectively client states of China.** This means, practically, that they are increasingly likely to make decisions based on China's strategic interests, as discussed in Section 2.1.2 in terms of shifting voting patterns over the South China Sea. **China's influence is such that these countries may make decisions which are otherwise harmful to their own interests if they are in line with China's.** An example of this was Cambodia's ban on online gambling in 2019, apparently due to China's security concerns, which had a significant economic impact through lost taxation, tourism revenue, and employment – a decision unlikely to be taken in the absence of China's influence.[129]

China maintains pervasive, well-structured means of influence over Cambodia's politics, facilitated by a well-developed and regularised relationship between the Chinese Communist Party (CCP) and Cambodian People's Party and a disproportionate amount of diplomatic attention from China for a country of its size and economic power. Economically, **China's Structural Influence over Cambodia is very high, and the relationship is inherently asymmetric.** Cambodia has a trade deficit with China of USD 6 billion (Cambodia's total trade is USD 36 billion), bilateral trade is highly asymmetric (USD 7 billion of USD 8 billion total being Cambodian imports from China), and China accounts for just under 30% of FDI in Cambodia, with major activity in energy, transport, and construction.[130] China controls the supply chain of Cambodia's garment industry, the country's key export driver, providing two thirds of the raw materials (see Box 3).

Likewise, China's influence over Defence and Security in Cambodia has grown. The country imports most of its arms from China and the two countries cooperate closely on law enforcement within Cambodia itself, relating to high numbers of Chinese immigrants in the country.[131] [132] [133] China is reported to be constructing military bases in Cambodia, including airbases such as that at Dara Sakor and a deep-water port at Ream.[134] It should be noted though that, despite holding annual joint military exercises with China since 2016, these were cancelled in 2021; Phnom Penh cited the COVID-19 pandemic as the reason but it may reflect concerns over Washington's arms embargo on the country, spurred by concerns with Chinese influence.[135] [136]

Even if Cambodia wishes to rebalance its relationship away from China based on such concerns, the extent of China's Structural Influence over other Strands would make this extremely difficult. This should serve as an indication to Washington and its allies that the success of attempts to counterbalance China's influence depends on acting before such influence becomes entrenched.

129. Evenstar Institute (2022) 'An Overlooked Risk: China's Indirect Influence over the UK's National Security Supply Chain', December 2022
130. American Enterprise Institute China Global Investment Tracker
131. https://www.sipri.org/sites/default/files/2019-12/1912_arms_flows_to_south_east_asia_wezeman.pdf
132. http://www.gd.jcy.gov.cn/jcyw/sfxz/flfgytyxd/201812/t20181212_2440091.shtml
133. https://www.voacambodia.com/a/china-Cambodia-mark-successful-law-enforcement-cooperation/5128307.html
134. https://thediplomat.com/2020/10/cambodia-china-and-the-dara-sakor-problem/
135. https://www.voacambodia.com/a/china-Cambodia-mark-successful-law-enforcement-cooperation/5128307.html
136. https://www.aseantoday.com/2021/03/cambodia-signals-foreign-policy-shift-by-halting-military-drills-with-china/

Going forward, **Cambodia's economy will become increasingly oriented to China** due to the level of Chinese digital infrastructure and CNI involvement. However, China's influence is already such across core areas of Cambodia's activity that it would be extremely difficult for it to extricate itself from China's orbit.

Like Cambodia, **Laos has a low level of international engagement beyond that with China, creating political dependency**. The completion of the Vientiane-Kunming rail link between the two countries in 2021 is indicative both of the closeness of Laos' political relationship with China and its balance in Beijing's favour. The high-speed rail link is a key BRI project in the region, one which grants China significant Structural Influence over Laos' Critical National Infrastructure and facilitates further economic influence, and which will act as a test case of the viability of similar projects and their effects on reorienting the region towards China.

Laos' key export is electricity, accounting for USD 1.2 billion of export revenue, and through the construction of dams and hydroelectric power generation facilities is promoted as a core strategic industry by the Laotian government; in 2019, 29% of Laos' total trade was with China.[137] In March 2021, a joint venture company consisting of Électricité de Laos, China Southern Power Grid (a Chinese SOE), and the Laotian government was granted a 25-year concession to operate Laos' electricity transmission network, which will also facilitate connectivity with neighbouring countries.[138] Thus, **a Chinese SOE has effective control over the growth and direction of Laos' core export, with the potential to reorient this towards China and away from ASEAN neighbours**, which would increase Laos' dependence on China for foreign exchange earnings. As Malaysia, Singapore, and Thailand become linked to Laos' electricity exports through the Laos-Thailand-Malaysia-Singapore Power Integration Project, this in turn widens and deepens China's regional influence in this regard.[139]

4.3 Shifting Alignments: Myanmar, Thailand, and Brunei

There is a dynamic relationship between Western, particularly US, and Chinese influence in Southeast Asia. Brunei, Myanmar, and Thailand are all subject to, and themselves influence, this dynamic.

China has increasingly targeted **Thailand** and **Myanmar** for influence in the wake of their estrangement from the West following their recent coups.

Brunei, meanwhile, may find itself necessarily shifting alignment due to its now highly asymmetric economic relationship with China. Notably, the Philippines is also caught between China and the US, but is notably more resilient to China's Structural Influence; it is therefore considered together with Vietnam in Section 4.5.

4.3.1 Myanmar

As Myanmar opened up in the early 2010s, China made considerable efforts to realign its policies towards Aung San Suu Kyi's government, leading up to a visit from Xi Jinping in 2020.

137. http://www.news.cn/english/2021-11/05/c_1310292067.htm

138. https://www.reuters.com/article/us-china-laos-exclusive-idUKK

139. https://www.channelnewsasia.com/singapore/singapore-import-hydropower-renewable-energy-laos-through-thailand-malaysia-2766251

The 2021 coup has led to Myanmar becoming increasingly isolated, particularly from Western nations, as evidenced by the flight of companies like Norway's Telenor after the overthrow of Aung Sun Suu Kyi.[140] **It is likely that China's influence in the country will increase further as a result.** This is particularly true for core areas of nation-building capacity as Chinese digital infrastructure projects progress (including a BRI- linked Beidou-based joint radar and satellite communications laboratory) in the absence of realistic alternatives, increasing Myanmar's indebtedness, and alternative sources of capital and resources for CNI and energy and resource requirements are lacking.[141]

Although there are areas where Myanmar appears to be resisting China's influence, reflected for instance in limited UF activity and the absence of any Peaceful Reunification Association, the current trajectory suggests growing alignment with China. Indeed, **Myanmar is a good example of how a lack of alternative sources, such as Western nations, for key digital and national infrastructure projects has the potential to lock-in dependence on China's expertise, technology, standards, and capital.** Once entrenched, it will be difficult for Myanmar to shift to alternatives.

This is bolstered by **China's almost total influence over Myanmar's Defence and Security**; in 2011, Myanmar's arms purchases from China peaked at 22% of China's total sales, falling to 16% in 2012 and 9% in 2013, since when Myanmar has accounted for an average of 7% of Chinese arms sales including missiles, aircraft, and unmanned aerial vehicles (UAVs).[142] The unrest caused by the 2021 coup, on top of existing domestic regional conflicts, will require major emphasis on law and order much of which will come from the military.

4.3.2 Thailand's Status as a US Treaty Ally

Thailand, a key US treaty ally, is a major actor in Laos, Myanmar, and Cambodia, and is a target of expanding Chinese influence through investment in digital infrastructure, growing defence and scientific linkages, and a concerted effort by the United Front organisation to cultivate influence at the elite level, notably through targeting of the country's ethnic Chinese business elites. The CII scores for Thailand indicate growing levels of economic structural influence in the country overall, with a major potential source of influence being Beijing's ability to impact the important tourist trade.

Thailand's longstanding approach has been to balance engagement with the US and China, but the country's traditional default position of accommodating the US has become increasingly difficult due to China's growing influence.[143] **Since the 2014 coup, China has taken advantage of the US distancing itself from Thailand to develop these links**, aided by UF activity at the elite level. We assess that **China's focus on building influence in Thailand indicates a concerted effort to 'flip' a US treaty ally**, thereby significantly altering the balance of alignment in the region.

As Thailand has increasingly turned towards China, the trajectory of increasing Structural Influence is likely to continue. Current success in building influence will likely encourage Beijing to increase its efforts in political influence building through UF activity and elite capture, as well as via bilateral engagement.

140. https://foreignpolicy.com/2022/09/27/western-companies-leaving-myanmar-totalenergies-telenor-human-rights/
141. https://spacewatch.global/2018/11/space-silk-road-china-and-myanmar-create-joint-satellite-laboratory/
142. https://armstrade.sipri.org/armstrade/page/trade_register.php
143. Busbarat, Pongphisoot 2016. '"Bamboo Swirling in the Wind": Thailand's Foreign Policy Imbalance between China and the United States', Contemporary Southeast Asia: 38 (2), 233-257

It should be noted though that Thailand is not firmly in China's sphere of influence in the way that is true for Cambodia and Laos. Rather, **Thailand's approach should still be understood in terms of actively negotiating a path between China and the United States, but Thailand's intent to maintain the balance appears less firm than that of other ASEAN countries such as Indonesia.**

While Thailand has bucked a regional trend (apart from Myanmar) of decreasing reliance on arms from China, and has participated in the highest number of joint military exercises, it still retains close military ties with the US. However, the challenge of securing the purchase of F35 fighter jets due to concerns over the exposure of US technology to Chinese-provided digital infrastructure is indicative of the potential implications of growing Chinese influence (see Box 4).

Thailand represented less than 3% of China's global arms sales prior to the 2014 coup, but this figure subsequently rose to 9% in 2017, and 7% in 2019. Thus, Thailand now represents an established market for Chinese arms which could grow if China's increasing influence further impacts Thailand's procurement from the US and Western nations.

Without a demonstrable commitment to multi-domain bilateral engagement from the US and other Western nations, China's influence in Thailand is likely to increase and affect the country's geopolitical alignment accordingly.

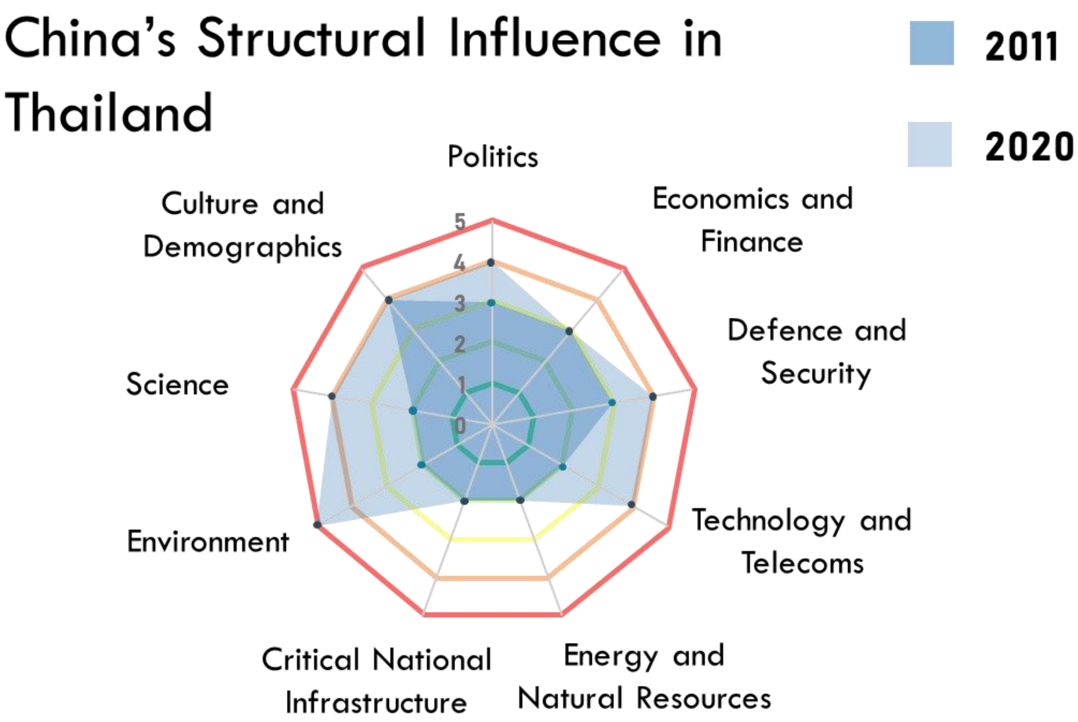


Figure 4.3.2a: China's Structural Influence over Thailand by Strand, 2011-2020.[144]

144. Evenstar Institute China Influence Index

4.3.3 Brunei as a Target for China's Influence

Brunei has also been actively targeted by China's influence-building, and has seen a major increase in Structural Influence in the Economics and Finance Strand. It may be that China is doing so in part to cultivate dependence in location of strategic importance for its activities in the South China Sea.

Due to its smaller economy, **Brunei is highly susceptible to asymmetric economic engagement**, which has the capacity to outweigh China's minimal Structural Influence over other Strands. Brunei is a hydrocarbon-driven economy, with 95% of exports being oil and gas or derivatives, and resource revenues accounting for 75% of total fiscal revenue; the country's key economic challenge is diversification away from oil and gas, which Brunei has pursued by marrying its own capital with foreign expertise, for example via the Brunei Economic Development Board (BEDB).[145] **China is well-placed to offer resources for such diversification, for example in green technology, in the absence of alternative sources.**

Brunei's trade patterns may increasingly reorient towards China due to its exposure to Chinese involvement in CNI – particularly if Phase 2 of the Chinese Hengyi-owned PMB refinery project goes ahead (see Box 7), which will dwarf all previous foreign involvement in the country (it is currently the largest foreign-owned asset in the Sultanate).[146]

Brunei is adopting Chinese digital infrastructure, and China owns and operates the Port of Muara; it may be looking to add it to the "string of pearls" of Chinese military maritime positions in the South China Sea. Although Brunei did sponsor an ASEAN initiative to push back on Chinese military influence in the institution, it has also been criticised for refusing to condemn Beijing's stance in the South China Sea.[147]

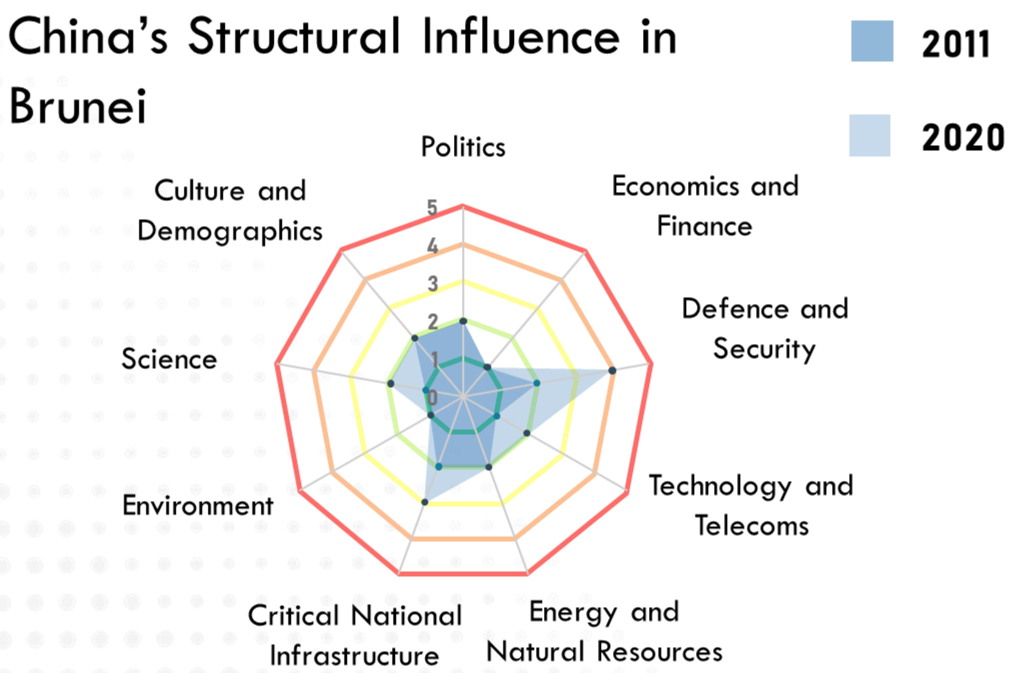


Figure 4.3.3a: China's Structural Influence over Brunei by Strand, 2011-2020.[148]

145. https://www.oecd.org/dev/asia-pacific/saeo-2019-Brunei_Darussalam.pdf
146. https://www.nsenergybusiness.com/projects/hengyi-pmb-refinery-and-petrochemical-project/
147. https://thediplomat.com/2018/02/has-china-bought-bruneis-south-china-sea-silence/
148. Evenstar Institute China Influence Index

4.4 A Regional Counterweight: Singapore, Malaysia, and Indonesia

Together, **Singapore, Malaysia, and Indonesia represent an economic bloc with the potential to resist the growth of China's Structural Influence**. This would be enhanced by any efforts or assistance to increase their mutual economic, political, and other ties. The result would be a dominant Southeast Asian core to which other ASEAN states could gravitate – **notably Thailand and the Philippines, where there is serious internal debate about alignment with China or the US.**

While Singapore maintains a relatively strong political relationship with China, and has increased party-to-party and bilateral engagements over the last decade, relations have fluctuated at times, for instance over the 2016 South China Sea arbitration which led to a temporary freeze in high-level official interactions. **Singapore actively resists UF activity, including via anti-interference legislation**. As a regional economic hub, **Singapore's economic diversification provides a high degree of resilience and an incentive to China to engage constructively in order to avoid being cut out of its network effects**. Both **Singapore and Malaysia have well-developed Critical National Infrastructure, and are not reliant on China for digital infrastructure provisi**on such as 5G, both factors which limit China's ability to lock in long-term influence.[149] [150]

China's political influence in Malaysia increased due to a warming of relations under former Prime Minister Najib (in office 2009-2018), but China's attention in the form of bilateral visits has waned since his fall; nonetheless, China's UF activity appears to have remained constant, particularly targeting the ethnic Chinese business elite.

The position of Indonesia going forward is arguably most crucial to whether these three countries together are able to continue to develop as a regional counterweight to China. Indonesia is by far the largest economy in ASEAN. Economically, it has the lowest level of FDI relative to GDP in ASEAN, and China's FDI makes up a small share of this, but one which rose rapidly over the period studied from 1% to around 12%. This investment is focused on extractive industries, an example being Xiamen Xiangyu's USD 1 billion plus nickel and stainless-steel operation, which commenced in 2020. Arguably, **China's focus on the metals and energy sectors in Indonesia gives the latter a degree of Structural Influence over the former** – this is notably the case for thermal coal, for which China depends on Indonesia and which was highlighted by Jakarta's 2022 temporary export ban aimed at prioritising domestic needs.[151]

However, **Indonesia is economically vulnerable to increased Chinese influence due to potential ESG challenges**, given around a third of its exports consist of vegetable oils (13%, including palm oil), pulp and paper (5%), and fossil fuels including thermal coal (16%). It is also potentially vulnerable due to its major infrastructure requirements, though China had an estimated market share of just 11% in 2019, including a range of BRI-related projects. The core question going forward is that of whether alternative providers to China continue to be available to Jakarta.

Like Malaysia, Indonesia is notable as the only other country where China's Structural Influence over Politics fell over the 10 year period studied. Although there have been tensions

149. https://www.channelasia.tech/article/691650/malaysia-hands-ericsson-decade-long-deal-national-5g-rollout/
150. https://thediplomat.com/2020/07/singapore-decides-on-5g-networks-is-huawei-banned/
151. https://www.abc.net.au/news/rural/2022-01-05/indonesia-suspends-thermal-coal-exports/100739106

with Beijing, such as over the Natuna Islands in 2016, this fall in influence is due more to Indonesia's openness to other countries as part of its continued move away from its traditionally non-aligned status than to outright rejection of Beijing. Nonetheless, **increased UF activity is likely in an attempt to mitigate a government shift away from China**.

Unlike Malaysia and Singapore, Indonesia is vulnerable to increasing Chinese Structural Influence over Defence and Security due to China's provision of digital infrastructure, including the development of the country's 5G network by Huawei.[152] [153] However, despite growing defence collaboration agreements with China, Indonesia has well-established agreements with the US and Australia.[154] [155] [156] Indonesia's defensive links with China remain minor in comparison to those with the West, Russia, and South Korea, and the country's relationship with China has been impacted by tensions over the South China Sea, including a two-week standoff following the Chinese Coastguard escorting fishing boats to the disputed Natuna Islands.[157] Indonesia continues to attempt to balance relations with China and the US. From the strategic perspective of the West, the key risk is whether China begins to dominate digital infrastructure relied on by modern military and law enforcement systems.

4.5 Resilience and Resistance: The Philippines and Vietnam

For different reasons, **the Philippines and Vietnam have proven relatively resistant to China's influence.** Despite overtures towards China under Duterte, the nature of the Philippines' economy, combined with ongoing tensions over the South China Sea and high levels of civic engagement from a population with an unfavourable view of China, mean that China's influence is inherently constrained. However, it remains to be seen how this could change under President Marcos Jr., particularly if agreements on Chinese investment and strengthening economic ties prove fruitful. Vietnam, in contrast, has taken a proactive approach to resisting China's influence and diversifying its economic ties. In both cases, economics and territorial disputes play a significant role in limiting China's influence.

4.5.1 The Philippines

The Philippines maintains close ties with the US and has had a fluctuating relationship with China. President Duterte's high level of engagement with the Chinese leadership led to warming political relations between the Philippines and China.[158] In contrast, **President Marcos Jr., who took power in 2022, has shown a desire to balance the country's relationship**

152. https://developingtelecoms.com/telecom-technology/enterprise-ecosystems/12483-indonesia-invites-huawei-to-develop-digitalization.html
153. https://asia.nikkei.com/Spotlight/Huawei-crackdown/Huawei-s-5G-deal-with-Indonesia-spearheads-Southeast-Asia-push
154. https://theforge.defence.gov.au/publications/indonesia-and-china-geostrategic-implications-adf
155. https://www.state.gov/wp-content/uploads/2020/08/TIF-2020-Full-website-view.pdf
156. https://www.reuters.com/world/asia-pacific/indonesia-australia-renew-defence-pact-sign-security-agreements-2021-09-09/
157. https://bit.ly/kas3DvriYF
158. https://www.aljazeera.com/news/2019/8/29/duterte-arrives-in-beijing-as-south-china-sea-tensions-grow

with both China and the US, cultivating economic ties with the former while fortifying defence and security ties with the latter amid ongoing maritime disputes.[159] [160]

Over the period assessed, China maintained moderate Structural Influence over the country's politics, facilitated in part by significant freedom of operation for the UF. **Economically, the Philippines has comparatively limited links to China compared to other ASEAN states, and the huge importance of overseas remittances to its economy grant it a significant degree of resilience.** Meanwhile, delays to BRI projects that were enthusiastically embraced by Duterte suggest China's efforts have been hampered by procedural complexities and rent-seeking elites. That said, in early 2023 President Marcos Jr secured USD 22.8 billion in new investment pledges from China, along with 14 bilateral cooperation agreements.[161] [162]

China's influence ambitions in the Philippines, which often make use of the United Front, dipped following Manila's South China Sea arbitration victory in 2016. The end of President Duterte's rule might herald another diminishment in activities too. The development of China's influence going forward will likely depend not only on the strength of the Philippines' bilateral ties with China on the one hand, but those with the US as well, combined with public opinion which is heavily biased in favour of the US.

Evidence from Thailand and Myanmar suggests that a perceived distancing of the US or warming to China would spur significant Chinese efforts to ramp up influence-building. Moreover, China is likely to increase UF activity as a means of mitigating shifting government attitudes to Beijing and, following its experience in Thailand, intensify it if efforts prove successful going forward.

China and the Philippines' competing claims have led to serious tensions, including pushback from the latter against Confucius Institutes in 2020, in response to China's refusal to recognise the 2016 arbitral ruling against its territorial claims.[163] The impact of these tensions appears to be reflected in Philippine public opinion. According to polling by the Yusof Ishak Institute, China's favourability rating is one of the lowest in Southeast Asia, and **while China is perceived as more economically powerful than the US, the US is considered far more favourably**, likely reflecting Manila's longstanding ties with Washington.[164] China's efforts at cultural influence have met with little understanding or success in the Philippines, where civil society is far stronger but the state far weaker than in China.[165]

China and the Philippines both claim portions of Reed Bank, near the Spratly Islands, which contains unexplored hydrocarbon stores; despite ongoing tensions the two countries have previously maintained intention to jointly explore these, but proposed plans have not been made public.[166]

159. https://asiatimes.com/2022/11/harris-offers-marcos-more-muscle-to-counter-china/
160. https://asiatimes.com/2022/12/marcos-jr-shows-the-way-to-balance-us-and-china/
161. https://asiatimes.com/2023/01/marcos-jr-returns-from-china-with-a-pocketful-of-promises/
162. https://www.fmprc.gov.cn/eng/zxxx_662805/202301/t20230105_11001064.html
163. https://globalnation.inquirer.net/187338/carpio-shut-down-confucius-institutes-until-china-accepts-south-china-sea-ruling
164. https://www.iseas.edu.sg/wp-content/uploads/2021/01/The-State-of-SEA-2021-v2.pdf
165. Strangio, Sebastian (2020) 'In the Dragon's Shadow: South East Asia in the Chinese Century' (Yale University Press, London)
166. https://www.eia.gov/international/analysis/country/PHL

4.5.2 Vietnam

Vietnam is a major regional economy which has increasingly resisted the development of China's Structural Influence, the two countries having a history of difficult relations, not least China's 1979 invasion which left tens of thousands killed or injured.[167] In recent years, **Hanoi has refused to allow China to access its 5G infrastructure, and is cultivating economic ties with Japan, South Korea, and Taiwan, a network with the potential to represent a significant economic counterbalance to China**.

Vietnam has a high level of political exposure to China, for example through strong party-to-party ties, but is not politically dependent and appears not to tolerate UF activity. Relations have often been fraught, notably following a 2014 clash over an oil rig in disputed territory in the South China Sea, which was followed by a 2015 visit from Xi Jinping to attempt to reset relations. In terms of defence, Vietnam remains suspicious of China's intentions and, while it has conducted bilateral joint exercises with China, has sought to mend ties with the US, held joint exercises with Russia, India, and in 2021 with the UK, and signed arms transfer agreements with Japan.[168] [169] [170] Diversified relations such as these will likely help Vietnam to continue to resist China's influence.

Similarly, while China is Vietnam's largest trading partner (accounting for 25% of the total to the USA's 17%), notably for China's supply of components and capital goods, Vietnam's growing export orientation provides some degree of resilience. This is bolstered by Vietnam's large current account surplus and consequent capacity to fund investment, its deepening ties with South Korea, and its strong investment relationships beyond China. **Vietnam's significant solar investment could lead to increased Chinese influence given China's monopoly over the supply chain** as climate change mitigation becomes an important driver of economic relations.

167. https://www.businessinsider.com/what-china-war-with-vietnam-means-for-its-next-war-2021-3?r=US&IR=T
168. https://bit.ly/kas3DvriYF
169. https://www.state.gov/wp-content/uploads/2020/08/TIF-2020-Full-website-view.pdf
170. https://news.usni.org/2021/10/04/u-s-u-k-aircraft-carriers-drill-with-japanese-big-deck-warship-in-the-western-pacific

5. CONCLUSIONS AND POLICY RECOMMENDATIONS

5.1 Conclusions

China's Structural Influence increased in all ASEAN member states over the period 2011-2020, and increased across all Strands, most notably in Technology and Telecoms, Defence and Security, and Economics and Finance. As this report has shown, the rate of increase and depth of influence depend on a range of factors; specific findings are detailed by Strand in Section 3.

One of the most important vectors for influence is the depth of a country's economic engagement with China; this includes through integration into China's global value chains, via asymmetric trade relationships, through reliance on Chinese investment for core nation-building capacity, and via capture of elite economic interests. Economic engagement thus helps to drive influence in other Strands, such as Technology and Telecoms and Critical National Infrastructure.

The remainder of this section discusses particularly significant trends in the evolution of China's influence over ASEAN nations.

5.1.1 The Impact of Digital Infrastructure and Critical National Infrastructure

China's investment in digital infrastructure and critical national infrastructure has the potential to lock-in influence over the long term, due to dependency on Chinese technology and expertise combined with China's setting of technical standards. This makes it difficult to counter from the point of view of host countries and other influencing countries once it is established.

- **As a core component of a globally-integrated modern economy, digital infrastructure is perhaps the most significant focus of China's Structural Influence**, because via standard-setting and provision of digital architecture it is able to lock-in influence and accelerate influence growth. Digital infrastructure represents a major area of economic investment which yields high influence for moderate cost, has the potential to extend influence across Strands, and locks in reliance on Chinese providers to the exclusion of competitors. China has been able to dominate the technological space in many ASEAN countries and thereby set standards and create dependency on its technology, for example by making interconnectivity contingent on continued Chinese involvement, with implications across other Strands, including Defence and Security and Critical National Infrastructure. This enabling of influence in other Strands is likely to be a core driver of geopolitical and geoeconomic realignment going forward. Given China's significant existing advantages in the region this is likely to continue to be the case, and such influence will grow as new technological initiatives, such as smart cities, become established. This is particularly the case for any initiatives reliant on the Beidou GNSS, including smart city initiatives in Thailand, as this creates a high level of technological dependency (a core reason why China, the EU, and Russia have developed GPS alternatives).[171]

- **China's influence on Critical National Infrastructure** is likely to continue to be significant. China has demonstrated a willingness to make significant investments in this area where it aligns with its wider strategic interests, to the extent that major projects such as the Hengyi-provided PMB refinery in Brunei have the potential to shift ASEAN members' overall economic orientation towards China.
- **Digital Infrastructure and Critical National Infrastructure investment grants China significant influence over wider supply chains**, through data harvesting, tracking platforms, ports, and rail networks. This projects China's influence beyond host countries to third countries whose supply chains flow through them. This makes it significantly more difficult for Western companies to friendshore away from China, as alternative source countries may also be subject to China's influence. The implications of this for the UK are assessed in the Evenstar Institute's report, *An Overlooked Risk.*[172]

5.1.2 The Importance of Economic Influence

High levels of economic Structural Influence are sufficient to compromise autonomy, and strong economic ties with other nations reduce China's influence and provide a counterweight to it.

- **It is not necessary for China to establish high levels of Structural Influence across all Strands in order to compromise a country's autonomy.** The examples of Cambodia and Laos demonstrate that influence over Economics and Finance and Politics alone is so great that it is arguably sufficient to effectively make these countries client states. Countries such as Malaysia and Brunei, with high levels of Structural Influence in these Strands, thus face similar risks.
- **The existence of strong economic ties with nations other than China provides a counterweight to China's influence.** This is notably the case for Vietnam, which in addition to actively resisting China's influence over, for instance, digital infrastructure, has actively cultivated economic ties with other major economies such as Japan and South Korea. Likewise, economic ties between Indonesia, Malaysia, and Singapore have the potential to counterbalance increasing Chinese influence within ASEAN.

5.1.3 The Distancing of the US

The distancing of the US and allies from countries such as Thailand and Myanmar has given China increased opportunities to rapidly expand its influence, including efforts to flip Thailand as a US treaty ally.

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171. Petroni, Giorgio and Bianchi, Davide Gianluca Bianchi (2016) 'New Patterns of Space Policy in the Post-Cold War World', Space Policy, Special Issue Developing Countries, 37 (1 August 2016): 12-19, https://doi.org/10/1016/j.spacepol.2016.10.002
172. Evenstar Institute (2022) 'An Overlooked Risk: China's Indirect Influence over the United Kingdom's National Security Supply Chain', December 2022

- **Diplomatic and economic isolation from the West is associated with increasing Chinese Structural Influence and attempts to engineer geopolitical realignment.** The US and its allies have distanced themselves from Myanmar and Thailand since their respective military coups; in both cases, China has taken advantage of the opportunity to rapidly expand its Structural Influence across Strands. Myanmar is now highly dependent on China and Thailand is actively targeted. Were it to align more closely with China, this would represent a significant regional shift in the balance of geopolitical influence.

5.1.4 Mixed Success – Elite Capture and Cultural Influence

While China has had significant success extending its influence via elite capture in certain countries, such as Thailand, this depends on specific conditions. In the Philippines, a high level of civic engagement means that an unfavourable popular opinion of China presents a significant obstacle to its influence over culture.

- Despite significant investment, **China's attempts at mass cultural influence are largely ineffective**, especially in comparison with the US.
- **Elite capture is a key means by which China attempts to build influence, but its success rests on specific conditions**, such as close elite connections to business and financial interests, and the presence of recent migrants from the PRC who align themselves with China's interests.

5.2 Policy Recommendations for Western Countries and ASEAN Nations

The findings of this report have important policy implications for countries withing and beyond ASEAN.

For ASEAN countries, reliance on external provision for core nation-building capacity and the potential for asymmetric relationships with larger economies are core potential vectors for external influence. The rapid growth of China's influence in Southeast Asia should be of pressing concern to Western nations; **a region of core importance to the West is increasingly under the influence of a major strategic competitor**, with implications for regional security, risk to supply chains, and geopolitical realignments which will be increasingly difficult to reverse.

The disproportionate Structural Influence of a single power presents a risk to national autonomy and the international norms associated with it. Overall, for ASEAN member states to maintain autonomy, more, and more targeted, investment from the US and its allies is needed in the region overall. **Multiple streams of external investment provide a healthier environment, in which any single influencing country is less likely to be able to dominate individual Strands.** The following general policy recommendations stem from the key vectors of influence identified in this report, and their implications for the responses of countries within and beyond ASEAN which seek to maintain national autonomy and the international norms reliant on it.

1. **Competitive alternative offerings for digital infrastructure provision are particularly important for preventing the establishment of disproportionate long-term Structural**

Influence. From the point of view of ASEAN nations, using a diverse range of providers and avoiding reliance on Chinese technical standards presents a means of maintaining autonomy.

2. **Competitive alternative providers in the green technology, energy, and space sectors should be encouraged by Western and allied countries and ASEAN member states.** In the absence of such alternatives, China's influence is highly likely to increase in these areas due to its ability to readily provide cheap offerings. **Countries such as the UK should strengthen existing commitments to the region** via International Climate Finance (ICF), the ASEAN Catalytic Green Finance Facility (ACGF), and similar schemes, to support mitigation and adaptation to climate change through measures including renewables, sustainable clean growth, and clean transportation.[173]

3. **Strengthening intra-regional economic networks and promoting and facilitating the diversification of economic partners should be prioritised by ASEAN member states and the US and its allies as an effective means of mitigating disproportionate extra-regional Structural Influence.**

4. **The US and its allies should priorities adopting a multilateral, multi-domain engagement strategy with a regional and subregional focus beyond bilateral relations, including but not limited to ASEAN itself.** This should be receptive to the needs of Southeast Asia as a whole in addition to the strategic priorities of individual ASEAN member states. China has successfully developed such a strategy; its range of multilateral and sub-regional engagements with ASEAN have allowed it to develop Structural Influence across the region, including through provision of infrastructural connectivity between member states. In contrast, the US continues to be perceived as prioritising a limited number of bilateral relationships and failing to offer a credible regional engagement strategy, as discussed in Section 4.1.

5. **The US and its allies should maintain and strengthen assurances to the region regarding international norms such as freedom of navigation in the South China Sea, in a way which is sensitive to the desire of ASEAN members to avoid being forced to take sides with the US or China.**

6. **Countries within and beyond ASEAN should maintain international cultural engagement as an effective means of countering disproportionate influence**, particularly in democratic countries and those with high levels of civic engagement.

173. https://www.gov.uk/government/publications/uk-asean-factsheet/uk-asean-factsheet

For more information on our research, methodology, and proprietary models, please contact **Sam Olsen, CEO and Co-Founder**, at *sam.olsen@evenstarglobal.com.*

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APPENDIX: LIST OF ACRONYMS

ACGF – ASEAN Catalytic Green Finance Facility

ADMM-Plus – ASEAN Defence Ministers' Meeting Plus

ADS – Approved Destination Status

AIIB – Asian Infrastructure Investment Bank

APEC – Asia-Pacific Economic Cooperation forum

ASEAN – Association of Southeast Asian Nations

BEDB – Brunei Economic Development Board

BOT – Build Operate Transfer

BPO – Business process outsourcing

BPM– Business process management

BRI – Belt-and-Road Initiative

CBPR – Cross-Border Privacy Rules

CCP – Chinese Communist Party

CCPNR - China Council for the Promotion of Peaceful National Reunification

CII – China Influence Index

CLC – Computers, laptops, and components

CMEC – China-Myanmar Economic Corridor

CNI – Critical national infrastructure

COC – Code of Conduct

DEPA – Digital Economy Partnership Agreement

DOC – Declaration on the Conduct of Parties in the South China Sea

EPC – Engineering, procurement, and construction

ESG – Environmental, social, and governance

E&E – Electrical and Electronics

FDI – Foreign Direct Investment

FTA - Free Trade Agreement

GDP – Gross Domestic Product

GNSS – Global navigation satellite system

GPS – Global Positioning System

GVC – Global value chain

ICF – International Climate Finance

IVS – Individual Visit Scheme

MNC – Multinational corporation

PNR – Peaceful National Reunification

RCEP – Regional Comprehensive Economic Partnership

SOE – State-owned enterprise

TPP – Trans-Pacific Partnership

UAV – Unmanned aerial vehicle

UF – United Front Work Department

USD – United States dollars