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# *The Economic Reasons Behind the Policy Game Between China and the United States in Southeast Asia: An Analysis from the Perspectives of Trade and Trade Structure*

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***Abstract:*** The United States is the most influential country in Southeast Asia, while China, though starting later, is rapidly expanding its influence. In 2009, China's trade volume with ASEAN surpassed that of the United States, and since then, the U.S. has continuously introduced various policies in the Asia-Pacific region, attempting to curb China's growing influence. Changes in economic power are the main factors behind the policy game between China and the United States. This paper analyzes the economic reasons behind the geopolitical policy game between China and the United States in the Asia-Pacific region by comparing the changes in trade volume and trade structure between China, the U.S., and ASEAN.

***Keywords:*** Trade volume, Trade structure, Trade dependence, Asia-Pacific rebalancing strategy, Indo-Pacific economic framework.

## 1. Introduction

Since the 1950s, the United States has been at the center of the global economy. China's economy began to take off in the late 20th century, experiencing rapid growth. After joining the World Trade Organization in 2001, China's economic scale expanded rapidly, causing concern in the United States. In order to maintain its economic hegemony in the Asia-Pacific region, the U.S. has implemented a series of policies since the Obama administration aimed at reducing China's influence. This has led to what is known as the geopolitical and economic policy game between China and the U.S. in the Asia-Pacific region. This paper explores the economic reasons behind the geopolitical and economic policy game between China and the U.S. in Southeast Asia by analyzing the shifting trade volumes between China, the U.S., and ASEAN, as well as changes in trade structure.

## 2. The Evolution of Trade Between China, the U.S., and Southeast Asian Countries—How China's Growing Influence Affects U.S. Asia-Pacific Policy

### 2.1. The Economic Development of Asia and the Rise of China Impact U.S. Asia-Pacific Policy

U.S. Asia-Pacific policy is influenced by two factors: first, the global economic center has shifted toward the Asia-Pacific region; second, as China's economic scale has expanded, its economic and

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trade cooperation with Southeast Asian countries has deepened, leading to a growing trade volume and a shift in the regional trade pattern.

Southeast Asia, located in the southeastern part of Asia, borders the Pacific Ocean to the east and the Indian Ocean to the west. It is a crucial gateway for trade between the Indian Ocean and the Pacific, making it a region of strategic importance. As a result, it has become the "geopolitical center" of the Asia-Pacific region, naturally positioning it as one of the focal points of U.S. global policy.

#### 2.1.1. From APEC to TPP: The Growing Importance of the Asia-Pacific Region for the United States

In the 1980s and 1990s, as the global economic center gradually shifted toward the Asia-Pacific region, the United States, in order to consolidate its leadership position in the region, began to tilt its global policy toward Asia. The Asia-Pacific Economic Cooperation (APEC), established in 1989, became the primary international organization through which the United States participated in Asia-Pacific economic affairs during the 20th century.

In 2001, China's accession to the World Trade Organization (WTO) highlighted the increasing economic impact of China's rapid growth on the Asia-Pacific region. By 2010, the GDP of the Asian region had approached 30% of global GDP. Meanwhile, the U.S. had undergone the challenges of the Bush administration's war on terror and the 2008 economic crisis, and was in urgent need of boosting its economic development. In this context, the Obama administration introduced the "Asia-Pacific Rebalancing Strategy," aiming to strengthen economic ties with Asia and benefit from the region's economic growth[1]. During his second term, Obama placed particular emphasis on the Trans-Pacific Partnership (TPP), signaling that the "Asia-Pacific Rebalancing" strategy had shifted its focus from military and security objectives to fostering sustainable economic growth.

In the last two years of the Bush administration, the trade volume between China, the U.S., and ASEAN countries reversed. Prior to 2007, the total trade between China and ASEAN was always lower than that between the U.S. and ASEAN. However, in 2008, China's trade with ASEAN surpassed that of the U.S. By 2009, when Obama assumed office, the trade gap between China, the U.S., and ASEAN rapidly expanded. Following Obama's assumption of power, he quickly introduced the "Asia-Pacific Rebalancing" strategy. By 2013, during Obama's first term, China's trade with ASEAN had reached 1.7 times the trade volume of the U.S. with ASEAN. As a result, in 2014, during Obama's second term, the "Asia-Pacific Rebalancing" strategy shifted its focus from military security to economic growth. The reversal of economic influence between China and the U.S. in the Asia-Pacific region became the main factor driving the shift in U.S. policy objectives.

Figure 1 reflects the reversal in trade volume between China, the U.S., and ASEAN countries. The vertical axis in the figure represents the ratio of the trade balance between China, the U.S., and ASEAN, calculated as the difference between China's trade volume with ASEAN and the U.S.'s trade volume with ASEAN, divided by the U.S. trade volume. A ratio of 0 indicates that the trade volumes of China and the U.S. with ASEAN are equal, negative values indicate that China's trade with ASEAN is less than that of the U.S., and positive values indicate that China's trade with ASEAN is greater than that of the U.S. After 2013, China's trade with ASEAN has consistently maintained around 1.7 times the U.S. trade with ASEAN.

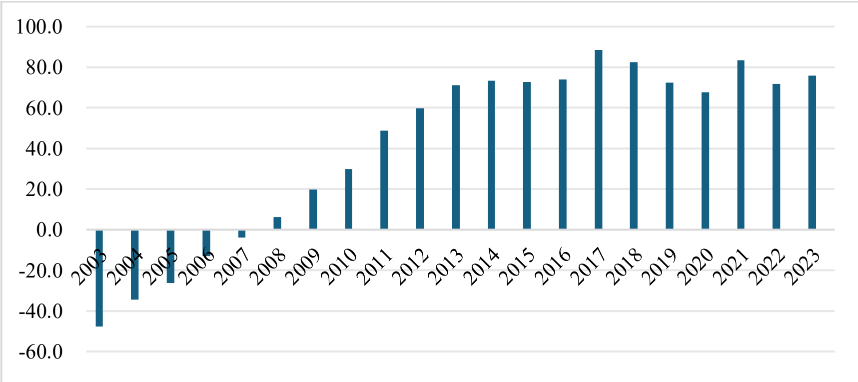


Figure 1: Trade Balance Between China and ASEAN / U.S. Trade Volume with ASEAN (2003-2023) (Unit: Million USD)

Data Source: ASEAN Statistical Data Portal [https://data.aseanstats.org]

### 2.1.2. Trump's Reversal and the Progress of China's Multilateral Cooperation

The Trans-Pacific Partnership (TPP), which Obama strongly promoted, was not only blocked by the U.S. Congress but also rejected by Trump. Upon taking office in 2017, Trump announced the withdrawal of the U.S. from the TPP agreement. The U.S. policy underwent a reversal, with Trump shifting away from multilateral cooperation and focusing more on bilateral trade agreement negotiations. During his four years in office, the Regional Comprehensive Economic Partnership (RCEP), led by China, entered its final negotiation stage and was officially signed in November 2020. This marked the conclusion of the world's largest free trade agreement. Despite the U.S. retreat from multilateral economic cooperation, China's efforts to strengthen regional economic cooperation with 15 Asia-Pacific countries continued unabated.

## 2.2. China's Leadership in Multilateral Regional Cooperation Stimulates the U.S. to Launch the "Indo-Pacific Economic Framework" (IPEF)

In 2012, China's economic growth rate slowed after years of annual growth exceeding 8%. During the period of rapid economic growth, China accumulated substantial infrastructure construction capabilities and gradually improved its manufacturing capacity across full industrial chains. Its economic scale expanded continuously, and by 2010, China's GDP surpassed that of Japan, becoming the world's second-largest economy. In 2013, the Chinese government introduced the Belt and Road Initiative (BRI), leading to the full-scale launch of multilateral economic cooperation. China's influence in the Asia-Pacific region steadily increased, and trade relations, infrastructure cooperation, and foreign direct investment (FDI) between China and ASEAN, which held a "central regional position," developed rapidly. After 2009, China became ASEAN's largest trading partner, and the trade gap between the U.S. and ASEAN countries quickly widened. By 2013, the trade volume between China and ASEAN had reached 1.7 times that of the U.S. and ASEAN, maintaining this level consistently since then. The deepening of economic cooperation between ASEAN and China led to a reduced dependence of ASEAN on the U.S. market.

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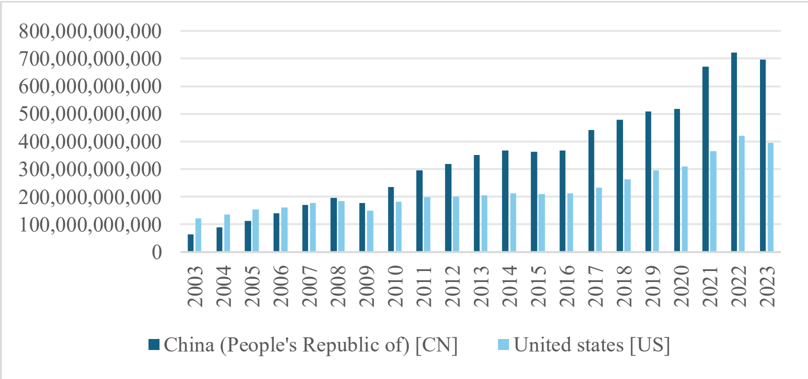


Figure 2: Total Trade Volume Between China, the U.S., and ASEAN (2003-2023) (Unit: Million USD)

Data Source: ASEAN Statistical Data Portal [https://data.aseanstats.org]

As China's economic cooperation with ASEAN deepened, China's influence in the Asia-Pacific region continued to grow, while the U.S.'s influence in ASEAN and the Asia-Pacific region relatively declined. The U.S. perceived China's rising influence in the region as a threat to its hegemony in the Asia-Pacific, even fearing that America's global economic hegemony would be impacted.

After Biden took office in 2021, to reverse this situation, the U.S. launched a series of geopolitical, economic, and military policies to strengthen cooperation with ASEAN countries. In the Asia-Pacific region, the U.S. introduced the U.S.-Japan-India-Australia Quadrilateral Security Dialogue (QUAD), the U.S.-UK-Australia AUKUS partnership, and the Five Eyes (FVEY) alliance, among other mechanisms. In response to ASEAN and other emerging economies, the U.S. launched the Indo-Pacific Economic Framework (IPEF), aiming to attract ASEAN countries and advocate for "de-risking" in the Asia-Pacific region. In essence, this was a strategy to weaken China's growing influence in the region and promote "de-Chinaization"[2].

As the global economic center shifts toward the Asia-Pacific, the rise of China's economy, its expanding economic scale, and its increasing influence on the Asia-Pacific region are reshaping the world economic structure and threatening America's global hegemony[3]. Since the Obama administration, the U.S. has introduced an increasing number of strategic policies to counterbalance China's influence[4]. Meanwhile, China, driven by its own economic development needs, has continuously pushed for multilateral regional cooperation, resulting in a geopolitical economic policy rivalry in the Asia-Pacific region. The fluctuations in trade volume reflect the changes in the economic power and influence of various countries, while the changing trade structure reflects shifts in the global economic landscape. The following sections of this paper will analyze the economic reasons behind the U.S.-China economic policy rivalry, starting with the changes in the trade structures between China, the U.S., and ASEAN countries.

## 3. Analysis of the Economic Factors Behind the U.S.-China Rivalry

### 3.1. The Different Economic Interests of Latecomer and Leading Nations

In terms of economic cooperation with Southeast Asian countries, China is a latecomer that actively seeks expansion, while the U.S. is a leading nation that aims to preserve its territory. In order to secure broader development space, China actively pursues multilateral cooperation. The U.S., on the other hand, not only seeks to maintain its dominant position in Southeast Asia but also to uphold its global hegemony, which often results in a situation where it struggles to balance its priorities, frequently responding to new policies in a passive manner.

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China's economic development requires multilateral cooperation to secure broader markets for its immense infrastructure building capacity and expanding manufacturing capabilities. The growth of China's economy has not only boosted trade with countries worldwide but also reshaped global trade patterns, even driving the upgrading of Southeast Asian industrial chains. Whether for trade development or cooperation, an open and inclusive global market environment is essential. Hence, China actively participates in multilateral economic cooperation with countries around the world, and its influence continues to grow.

The U.S. is the largest economy in the world, the largest consumer market, and the biggest beneficiary of the current world economic order. Therefore, maintaining the existing global economic order is in the best interests of the U.S. The rise of China's economy has altered the global trade landscape, disrupted the existing industrial chain arrangements of countries, and challenged the world economic order, impacting U.S. hegemonic interests. As a result, it is entirely foreseeable that the U.S. would adopt policies aimed at preventing or suppressing China's rise. However, the U.S. also seeks to maintain its economic, political, and military hegemony globally, and in doing so, it may sometimes prioritize one aspect over another. For instance, during the later years of George W. Bush's administration, despite recognizing China's rise, counterterrorism became the U.S. government's top priority, allowing China to grow largely unchecked. It was only during the Obama administration that the policy focus shifted back to the Asia-Pacific. However, when Trump took office, U.S. policies changed again. The inconsistency in U.S. government policies makes their long-term effectiveness uncertain.

China aims to expand its economic development space and broaden its global market, while the U.S. seeks to preserve its global hegemony and maintain the existing world economic order. These differing economic interests drive the two countries to continuously introduce various policies. The underlying cause of this policy rivalry is that China and the U.S. are at different stages of development, each with its own economic interests.

The following will analyze the economic interests of both China and the U.S. by examining changes in Southeast Asian trade structures and explore the economic factors behind the U.S.-China policy rivalry.

### 3.2. The Trade Structure Differences Between China, the U.S., and ASEAN

The product trade structures between China, the U.S., and ASEAN are a true reflection of the positions that China and the U.S. hold in the current global economic division of labor. As the world's largest consumer country, the U.S. has a significantly higher proportion of traditional consumer goods in its trade with ASEAN compared to China. On the other hand, China, as an emerging global manufacturing powerhouse, is driving the upgrading of ASEAN's industrial chain, with a higher proportion of trade in raw materials.

To maintain consistency, this paper uses bilateral trade data from official ASEAN sources, with categories classified under the HS 2-digit system.

First, this paper categorizes the goods trade between China, the U.S., and ASEAN into three types: high-end manufacturing products, raw materials such as minerals, metals, and cement, and consumer goods such as clothing, food, and furniture. High-end manufacturing products mainly include: electrical appliances, electrical machinery and parts, nuclear reactors, boilers, machinery, chemical products, fertilizers, pharmaceuticals, and optical, measuring, and surgical instruments and accessories. Raw materials such as minerals, metals, and cement mainly include: ores, mineral fuels, mineral oils, asphalt, steel and its products, metals like copper, nickel, aluminum, lead, zinc, and tin, cement, ceramics, and glass. Consumer goods such as clothing, food, and furniture mainly include: silk, cotton and wool textiles, clothing and footwear, agricultural, forestry, animal husbandry, and fishery products, food and beverages, alcoholic drinks, tobacco, and furniture and bedding.

The total annual trade volume between China, the U.S., and ASEAN from 2012 to 2023 was categorized according to the three types mentioned above. After categorizing, the proportion of each product type in total trade was calculated. The results are shown in Table 1.

Table 1: Main Product Trade Structures of China, the U.S., and ASEAN (%)

| | High-end Manufacturing Products | Minerals, Metals, Raw Materials | Clothing, Food, Consumer Goods |
|---|---|---|---|
| **China** | 55.4 | 19.6 | 25.0 |
| **U.S.** | 56.9 | 11.4 | 31.5 |

Data Source: ASEAN Statistical Data Portal [https://data.aseanstats.org]

According to the table, the common feature is that high-end manufacturing products account for over 55%, with the gap between China and the U.S. being minimal— the U.S. is slightly higher by 1.5 percentage points. The major differences lie in the raw materials and consumer goods categories. China has a higher share in minerals and metals, surpassing the U.S. by 8.2 percentage points, while the U.S. has a higher share in consumer goods, exceeding China by 6.5 percentage points. The product structure of goods trade truly reflects that the U.S. is a consumer country, while China is a manufacturing country.

As a manufacturing powerhouse, if China could lead Southeast Asian countries to focus on producing more consumer goods for export to developed countries such as the U.S. or Europe, this kind of production division and trade pattern would be welcomed by the U.S. and align with the global economic order established after World War II.

### 3.3. The Rise of China in High-End Manufacturing and Its Impact on the Global Trade Landscape, Triggering the U.S. De-Chinaization Policy

In Table 1, the trade share of high-end manufacturing products in the total trade volume between China and ASEAN is 55.4%, while for the U.S. it is 56.9%, slightly higher than China's. When examining the import and export of high-end manufacturing products separately, the economic reasons behind the U.S. policy of restricting China become evident.

Table 2: Import and Export of High-End Manufacturing Products Between China, the U.S., and ASEAN (Units: 100 Million USD)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exports from ASEAN to China** | 675 | 708 | 763 | 718 | 709 | 902 | 969 | 948 | 1074 | 1332 | 1410 | 1355 |
| **Imports from China to ASEAN** | 1131 | 1248 | 1285 | 1318 | 1306 | 1511 | 1636 | 1775 | 1858 | 2419 | 2642 | 2458 |
| **Exports from ASEAN to the U.S.** | 534 | 556 | 594 | 626 | 662 | 712 | 787 | 927 | 1101 | 1327 | 1605 | 1604 |
| **Imports from the U.S. to ASEAN** | 640 | 618 | 602 | 602 | 563 | 618 | 663 | 719 | 626 | 663 | 764 | 771 |

Data Source: ASEAN Statistical Data Portal [https://data.aseanstats.org]

From 2012 to 2023, Table 2 shows that ASEAN's exports of high-end manufacturing products to China doubled, from 67.5 billion USD to 135.5 billion USD, while imports from China increased by 117%, from 113.1 billion USD to 245.8 billion USD. The import-export ratio in 2012 was 1.67, and in 2023 it was 1.81, with imports from China surpassing exports to China. ASEAN's exports of high-end manufacturing products to the U.S. grew by twofold, from 53.4 billion USD to 160.4 billion USD, while imports from the U.S. grew by less than 21%, from 64.0 billion USD to 77.1 billion USD.

Figure 3 better illustrates the trend in the import and export of high-end manufacturing products between the U.S. and ASEAN. Until 2014, the U.S.'s exports of high-end manufacturing products to ASEAN exceeded imports from ASEAN. However, in 2015, this trend reversed, with U.S. imports from ASEAN surpassing exports to ASEAN. After 2018, the gap between imports and exports began to widen. By 2019, U.S. imports from ASEAN exceeded exports by 28.9%, and by 2020, this gap reached 75.9%. From 2021 to 2023, the U.S. imported more than twice as much from ASEAN compared to its exports.

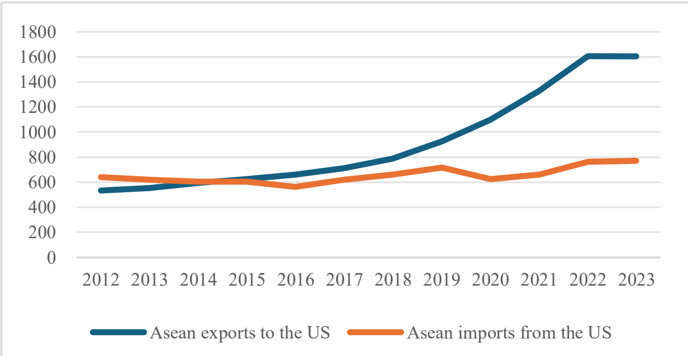


Figure 3: Trend of U.S.-ASEAN High-End Manufacturing Product Imports and Exports from 2012 to 2023 (Units: Million USD)

Data Source: ASEAN Statistical Data Portal [https://data.aseanstats.org]

The changes in the import and export of high-end manufacturing products between the United States and ASEAN are underpinned by the trade and industrial division of labor between China and ASEAN. The trends in ASEAN's import of high-end manufacturing products from China and its exports to the United States reveal the logic behind these changes.

Figure 4 illustrates the changes from 2012 to 2023 in ASEAN's imports of high-end manufacturing products from China and exports of these products to the U.S. Unlike Figure 3, the two curves in Figure 4 follow a similar trend, showing a high degree of correlation. From the data in Table 2, it can be observed that the growth rate of ASEAN's imports of high-end manufacturing products from China shifted from -0.9% in 2016 to 15.6% in 2017, and remained consistent at 8.3% and 8.5% in 2018 and 2019, respectively, reaching 30.2% in 2021. This growth trend mirrors the trend in ASEAN's exports of high-end manufacturing products to the U.S., which grew by 5.7% in 2016, followed by increases of 7.5%, 10.6%, 17.7%, 18.8%, and 20.6% from 2017 to 2021.

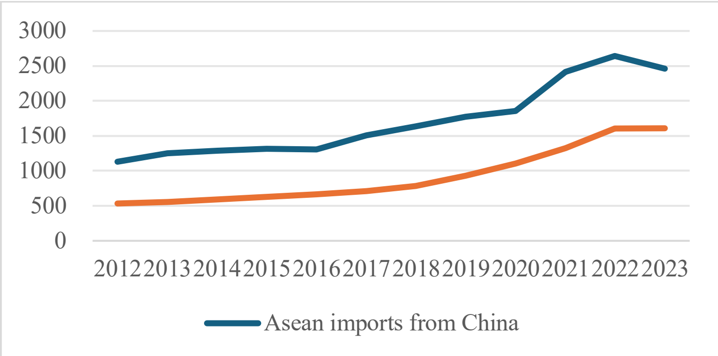


Figure 4: Trend of ASEAN's Imports of High-End Manufacturing Products from China and Exports to the U.S. (2012-2023) (Units: Million USD)

Data Source: ASEAN Statistical Data Portal [https://data.aseanstats.org]

The changes in trade structure are driven by the gradually formed division of labor and cooperation between China and ASEAN countries in the high-end manufacturing sector. This division and cooperation have not only altered the industrial division of labor between the U.S. and ASEAN in high-end manufacturing but also changed the trade patterns between ASEAN and both the U.S. and China, leading to shifts in the global trade structure. China's growing strength in manufacturing has transformed the global economic structure, which previously saw high-end manufacturing products divided between Europe, Japan, and South Korea, while low-end consumer goods were produced by developing countries. China's breakthroughs in high-end manufacturing have not only facilitated its own rise but also boosted industrial advancement in developing countries, such as those in Southeast Asia, leading to the upgrading of the industrial chain. The position of the U.S. and Europe at the top of the global industrial chain is now under threat. This shift is one of the main reasons the U.S. has introduced a series of policies aimed at preventing China's further development and hindering China's cooperation with countries like ASEAN. The aim is to restructure the Asia-Pacific industrial chain through the "Indo-Pacific Economic Framework." The Biden administration's Indo-Pacific Economic Framework seeks to decouple Southeast Asian and Indian countries from China, promoting a "de-Chinaization" policy to prevent the changes in the global economic structure triggered by China's rise [5].

### 3.4. Trade Dependency Analysis Shows ASEAN-China Economic and Trade Cooperation is Difficult to Reverse

ASEAN's trade dependency on China has been steadily increasing, while its trade dependency on the U.S. has been generally declining. ASEAN's trade dependency on China rose from 7.39% in 2003 to 19.76% in 2023, while its trade dependency on the U.S. decreased from 14.11% in 2003 to 11.23% in 2023. The reversal occurred in 2008. In 2018, the U.S. introduced the Indo-Pacific Strategy, and President Trump imposed tariffs on Chinese products, starting a trade war. As a result, ASEAN's trade dependency on the U.S. slightly increased, rising from 9.33% in 2018 to 10.5% in 2019 and 11.6% in 2020. However, it did not continue to grow after 2021. Based on the development trends of these two curves, it is difficult for the trend to reverse, and similarly, it is equally challenging to reverse the economic and trade cooperation between China and ASEAN.

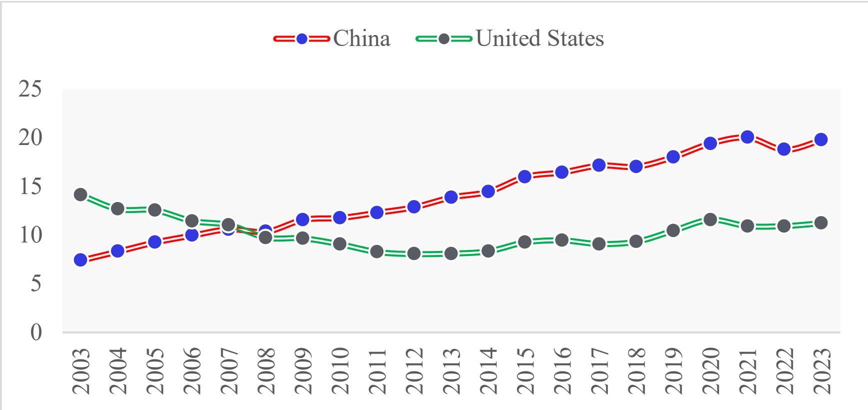


Figure 5: ASEAN's Trade Dependency on China and the U.S. (2003-2023) (%)
Data Source: ASEAN Statistical Data Portal [https://data.aseanstats.org]

## 4. Conclusion

The geopolitical game between China and the U.S. in the Asia-Pacific region represents a late-developing global manufacturing power leading a group of smaller Asian countries that are reshaping the global industrial chain, supply chain, and trade patterns. This transformation threatens the economic, political, and even military interests of a leading power with global hegemony [6]. Consequently, both sides have engaged in various policy battles. While the ultimate outcome of this game is still uncertain, the late-developing power's advantage in the industrial chain is now unshakable, and the changes in the trade structure that have already occurred are irreversible. In this game, the late-developing power is in a proactive position, while the leading power is busy responding, remaining in a passive stance.

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