

INSIGHT SOUTHEAST ASIA

Looking Eastwards From New Delhi



MANOHAR PARRIKAR INSTITUTE FOR
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Overview

Intensified geopolitical manoeuvring continued in Southeast Asia as major powers deepened diplomatic and military engagements. Chinese President Xi Jinping toured Vietnam, Malaysia, and Cambodia, pushing economic integration while urging the region to resist U.S. protectionism. In parallel, Japan's Prime Minister Ishiba Shigeru visited Vietnam and the Philippines, signaling Tokyo's sustained strategic presence. Meanwhile, friction between China and the Philippines escalated with Beijing's Coast Guard asserting control over Sandy Cay, coinciding with the start of the annual U.S.-Philippines Balikatan military drills—this year joined by Japan and Australia. Beyond the maritime theatre, the region faces growing humanitarian concerns. Cuts to U.S. aid have worsened conditions for displaced Myanmar refugees across Southeast Asia and Bangladesh, creating a vacuum China is keen to fill.

President Xi's Southeast Asia Tour aimed at Deepening Ties, Expanding Influence

President Xi Jinping's first overseas tour of 2025—covering Vietnam, Malaysia, and Cambodia—marked a strategic push to solidify China's economic and geopolitical footprint in Southeast Asia amid intensifying U.S.-China rivalry. In Vietnam, Xi oversaw the signing of 37 agreements spanning trade, infrastructure, and maritime cooperation. A key highlight was China's pledge to support three cross-border standard-gauge railway lines in northern Vietnam, reinforcing

connectivity and supply chain integration. In Malaysia, Xi met with the King and Prime Minister Anwar Ibrahim, resulting in over 30 cooperation deals across emerging sectors like AI, the digital economy, and agriculture. The two nations also announced a “China-Malaysia community of destiny,” signalling a long-term strategic alignment. In Cambodia, the visit culminated in a \$1.2 billion agreement to build the 151-km Funan Techo Canal linking the Mekong River to the Gulf of Thailand. While touted as a boost to trade and regional development, the project has raised concerns over its potential ecological impact on the Mekong basin. Despite the charm offensive, experts. China's promises and infrastructure deals won't bridge the trust gap without real changes on the ground. To be seen as a viable security partner over the U.S., Beijing must address ASEAN's core concerns—industrial overcapacity, uneven trade ties, and growing tensions over maritime and Mekong security.

Southeast Asia's Delicate Dance Amid U.S.-China Rivalry

As the U.S. pushes allies to reduce reliance on China, Beijing is countering with economic outreach and warnings. President Xi Jinping's April visit to Vietnam, Malaysia, and Cambodia resulted in a flurry of infrastructure deals and a pointed reminder: aligning with Washington at China's expense carries consequences. Yet Southeast Asia's response remains measured and pragmatic. A 2025 ISEAS survey reveals that while over half of Southeast Asian respondents would choose the U.S. over China if forced, most prefer

neutrality. China remains the region's top economic and strategic actor, but concerns persist—particularly over maritime disputes and Beijing's coercive diplomacy. Simultaneously, many ASEAN nations benefit from both U.S.-linked investment and Chinese infrastructure under the “China plus one” strategy. The U.S. has paused new tariffs for 90 days, triggering a scramble for bilateral trade deals, while China warns against decoupling. For Southeast Asia, the challenge is maintaining strategic flexibility. Countries seek continued access to China's markets and capital—without jeopardising ties with the U.S. In this high-stakes rivalry, experts argue ASEAN's priority is clear: strengthen internal unity and resilience to resist being drawn into binary alignments. Hedging, not choosing, remains the region's default strategy.

Japan's PM Shigeru Ishiba visits Vietnam and the Philippines

Prime Minister Shigeru Ishiba's recent visits to Vietnam and the Philippines signal Japan's intent to anchor itself more firmly in Southeast Asia amid rising tensions and China's growing assertiveness. In Hanoi, Ishiba met with Prime Minister Pham Minh Chinh to reaffirm support for free trade in the face of global economic uncertainty and escalating U.S. tariffs. Japan pledged official security assistance, including defence equipment, and discussed major infrastructure cooperation, notably a proposed high-speed rail link between Hanoi and Ho Chi Minh City. Japanese firms such as Honda and Panasonic continue to expand their footprint in

Vietnam, underscoring long-term investment confidence. In Manila, Ishiba and President Ferdinand Marcos Jr. focused on strengthening bilateral security cooperation, particularly the implementation of the Reciprocal Access Agreement (RAA), which facilitates joint training and logistical support. While ratified by the Philippines, the RAA still awaits approval from Japan's legislature. The visit emphasized shared commitments to a rules-based international order and enhanced cooperation in defence and disaster response. Ishiba's tour reflects Japan's evolving posture as a proactive security and economic partner in Southeast Asia.

Chinese coast guard says it seized sandbank in the South China Sea

The Chinese Coast Guard recently asserted control over Sandy Cay, a small sandbank in the South China Sea near the Philippines' Thitu Island (Pag-asa). This action has intensified tensions between China and the Philippines, both of which claim sovereignty over the area. On April 25, 2025, Chinese state media reported that the Chinese Coast Guard had landed on Sandy Cay, raised the Chinese flag, and declared maritime control. In response, the Philippines dispatched its navy and coast guard to the area, hoisting its flag to assert sovereignty. Both countries maintain competing claims over the sandbar, with China referring to it as the Tiexian Reef. Despite China's actions, the Philippines denies that China has established permanent control over Sandy Cay. The United States has expressed concern over China's actions, emphasising

commitments to regional stability and international law. The dispute over Sandy Cay is part of broader tensions in the South China Sea, where multiple countries have competing territorial claims. The situation remains fluid, with both nations maintaining their positions and the international community closely monitoring developments.

Joint US-Philippines Military Exercise (Balikatan exercise) underway

The annual US-Philippines “Balikatan” (shoulder-to-shoulder) military exercise is taking place in the northern Philippines from 21 April to 9 May. More than 17,000 troops are participating in the 2025 Balikatan Exercise, including several hundred soldiers from Japan and Australia, who were invited to join as active participants in the drills. This year's exercise features a comprehensive "Full Battle Test" that integrates live-fire drills, command post exercises, and cyber operations to simulate real-world defence scenarios. The training spans all domains—air, land, sea, space, and cyber—to enhance interoperability and readiness. The U.S. has deployed the Navy-Marine Expeditionary Ship Interdiction System (NMESIS) and the Typhon missile system to the Philippines for the first time. The exercise is taking place amidst rising geopolitical tensions in the region, particularly in the West Philippine Sea. Philippines military spokesperson confirmed a Chinese naval formation led by the aircraft carrier Shandong was spotted, coming within three nautical miles of the Philippines' northern

islands. The battle group included six warships and two support vessels. While the passage falls under the UNCLOS right of innocent passage, the Philippine Navy said it had closely monitoring the movement.

Myanmar: Refugee Crisis Deepens as China Fills U.S. Vacuum

Myanmar's refugee crisis is worsening as U.S. aid cuts take a heavy toll on vulnerable populations, particularly the Rohingya. Essential services—healthcare, sanitation, and nutrition—have been slashed in camps like Cox's Bazar, the world's largest refugee settlement, raising the risk of a major humanitarian breakdown. Aid agencies warn that without immediate alternative funding, living conditions will deteriorate further, potentially fueling instability across Southeast Asia. The U.S., once the leading donor to Myanmar's pro-democracy movement and refugee support, has pulled back sharply, weakening its influence in a volatile region. China has swiftly capitalized on this vacuum. In the wake of a recent earthquake, Beijing dispatched emergency teams and humanitarian aid to Myanmar—outpacing the U.S. and reinforcing its image as a reliable partner. Beyond short-term aid, China is expanding its long-term footprint through Belt and Road-linked infrastructure and military cooperation, steadily embedding itself within Myanmar's political and economic architecture. With Washington's retreat, China's strategic position has strengthened, offering it greater leverage over both the junta and the region.