

## CHAPTER 4: CROSSROADS OF COMPETITION: CHINA AND SOUTHEAST ASIA

### Executive Summary

As a region, Southeast Asia constitutes the world's third-largest population center and fifth-largest economy and straddles strategic sea lanes connecting the Indian Ocean to the Western Pacific—making the region a crucial arena for U.S.-China competition. Beijing has long viewed Southeast Asia as its own “backyard” and has sought to establish economic and military dominance in the region as part of its overall strategy for weakening U.S. power in the Indo-Pacific.

China has made large and sustained investments in expanding high-level diplomacy, security relationships, soft power programs, and influence operations in Southeast Asia. China's goal is to entrench itself as the regional hegemon while undermining the United States' reputation with both policymakers and the publics in Southeast Asian countries. On the military front, China has pursued access to bases and dual-use facilities in Southeast Asia while deploying aggressive gray zone tactics to advance its unfounded territorial claims in the South China Sea—risking embroiling the region in a devastating military conflict. At the same time, China has sought to expand its cooperation with Southeast Asian countries on non-traditional security issues such as transnational crime as a means to export authoritarian policing practices and expand its security influence in the region.

Beijing has also amassed significant economic leverage in the region. China is Southeast Asia's largest trading partner, and countries in the region have been among the top destinations for China's Belt and Road Initiative (BRI) projects. Chinese companies have invested heavily in the region's critical infrastructure, including telecommunications equipment, electrical grids, data centers, and undersea cables, exposing Southeast Asian countries and—potentially—U.S. firms and military assets in the region to data security and sabotage risks. China's efforts in Southeast Asia—alongside its campaign to erode U.S. partnerships and gain access to dual-use infrastructure in the Pacific Islands—threaten the United States' ability to protect its economic and security interests throughout the Indo-Pacific region.

### Key Findings

- China views establishing regional economic and military hegemony in Southeast Asia as core to its strategy to undermine U.S. power in the Indo-Pacific. China's overarching goals in the region include full control of the South China

Sea, expanding access to basing and dual-use infrastructure for its military, guaranteeing the People's Liberation Army (PLA) Navy's access to crucial sea lanes, providing land access to the Indian Ocean around the chokepoint of the Strait of Malacca, and keeping Southeast Asian markets open to Chinese exports and investment. At the same time, China is working to ensure that Southeast Asian countries do not provide access and logistical support to the United States in the event of conflict in the Indo-Pacific.

- Over the past two decades, China has increased its influence in Southeast Asia relative to the United States by devoting extensive resources to diplomacy and soft power initiatives alongside its growing trade and investment ties with the region. More recently, China has sought to exploit changes in U.S. trade policy and foreign aid to present itself as the more reliable partner for regional countries' development goals.
- China has taken increasingly coercive actions to assert its control over the South China Sea, an area of tremendous strategic significance to the country and one of the busiest maritime trade routes in the world. China's aggressive actions in the South China Sea, especially those targeting the Philippines—a country with which the United States has a mutual defense treaty—make the region a potential flashpoint for U.S.-China military conflict.
- In addition to pursuing access to military facilities in Southeast Asia, Beijing has adopted an “inside-out” approach to expanding its security influence in the region that aims to gain a foothold inside the internal security apparatuses of regional countries—which it can then use as a source of leverage to constrain their external security behavior. China has deployed its internal security forces in several Southeast Asian countries—including Burma (Myanmar), Cambodia, and Thailand—in an attempt to gain the allegiance of regional leaders by helping them maintain “regime security” through authoritarian policing and surveillance methods.
- Chinese crime syndicates operate industrial-scale “scam centers” across Southeast Asia that generate tens of billions of dollars in annual revenue by employing forced laborers to conduct online scams under conditions observers have likened to modern slavery. Beijing has selectively cracked down on scam centers that target Chinese victims, leading Chinese criminal organizations to conclude that they can make greater profits with lower risk by targeting the United States instead. According to conservative estimates, Americans lost at least \$5 billion to such scams in 2024. Scam centers have also provided a pretext for China to expand its security presence in the region by pressuring Southeast Asian countries—including U.S. allies such as Thailand—to allow Chinese security personnel to operate on their territory.

- China has expanded its economic ties with Southeast Asia through trade and is growing its foreign direct investment (FDI) in strategic sectors like manufacturing and technology. China is the leading trade partner with ASEAN as a whole and with almost every ASEAN country individually. These extensive trade and investment ties, combined with ASEAN's continued rapid growth and "the ASEAN way" favoring "neutrality" in geopolitics, indicate that Southeast Asia is likely to be the locus of significant economic competition between the United States and China.
- Southeast Asia's trade relationship with China has become increasingly unbalanced in recent years, with the region's trade deficit almost doubling between 2020 and 2024 amid a surge in exports from China. This trend reflects efforts by Chinese exporters to find markets other than the United States, the shifting of intermediate supply chains to avoid tariffs, and an accelerated flow-over from China's massive and growing domestic excess capacity in many manufacturing industries. Southeast Asia may be ground zero for the second China Shock.
- China's dominance of regional supply chains and control over critical infrastructure provide it considerable leverage to further its strategic aims. Although Southeast Asian countries are cognizant of risks associated with those ties to China, geographic reality and China's position as the largest external trade partner for the region constrain their ability to respond to this threat.
- Chinese technology firms are competing with U.S. and European firms for dominance in Southeast Asia's digital infrastructure. The presence of Chinese providers and equipment in telecommunications networks, data centers, and undersea cables exposes host countries to data security and potential sabotage risks. These risks may also impact U.S. firms and military assets operating in the region.

## Introduction

On April 17, 2025, General Secretary of the Chinese Communist Party (CCP) Xi Jinping landed in Phnom Penh, Cambodia—his final stop on a three-country trip to Southeast Asia that had first taken him to Vietnam and Malaysia.\* In Phnom Penh, where a major road was recently renamed “Xi Jinping Boulevard” in honor of his contributions to Cambodia's development, Xi was greeted by red banners, large portraits of him draping government ministries, and crowds of Cambodians waving Chinese flags.<sup>1</sup> Cambodia's Prime Minister Hun Manet had announced the visit two weeks earlier, when he presided alongside Chinese officials over the opening of a Chinese-funded expansion of Cambodia's Ream Naval Base, where PLA forces appear to have secured access for a permanent presence.<sup>2</sup>

\*For the purposes of this chapter, Southeast Asia refers to the 11 countries in the Association of Southeast Asian Nations (ASEAN): Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Timor-Leste, and Vietnam.

Yet tensions lurked beneath the surface of these lavish celebrations. Xi arrived in Cambodia on the 50th anniversary of the Khmer Rouge seizing power in Phnom Penh, upstaging what would have been a solemn day of mourning for the genocide perpetuated by the Khmer Rouge with CCP support.<sup>3</sup> Xi's visit to Cambodia also coincided with the week of Khmer New Year, forcing countless Cambodian officials, police, and soldiers to cancel their holiday plans.<sup>4</sup> Analysts suggested the visit's curious timing might have been a way for Xi to signal his displeasure with the Cambodian government over its failure to stop Chinese criminal groups operating scam centers in Cambodia from targeting Chinese victims.<sup>5</sup> In many ways, Xi's trip to Cambodia was a microcosm for China's relations with Southeast Asia in 2025: Beijing is attempting to capitalize on leverage it has built through decades of expanding trade and investment to increase its geopolitical and security influence in the region. Yet, while most Southeast Asian countries publicly praise China's contributions to the region's development, significant tensions rooted in overlapping territorial claims and divergent interests bubble beneath the surface. Ties to China have helped integrate Southeast Asian countries into global manufacturing supply chains, and China has become a large market for the region's commodities exports, but these ties have also put Southeast Asia in the crosshairs of global pushback on China's rising export wave.\*

## **China Seeks to Establish Regional Hegemony in Southeast Asia**

China views establishing regional hegemony in Southeast Asia as an essential component of its strategy to undermine U.S. power in the Indo-Pacific. China's overarching goals in the region include full control of the South China Sea, guaranteeing the PLA Navy access to crucial sea lanes, providing land access to the Indian Ocean around the chokepoint of the Malacca Strait, ensuring that Southeast Asian countries do not provide access and logistical support to the United States in the event of conflict in the Indo-Pacific, and keeping Southeast Asian markets open to Chinese exports and investment. In pursuit of regional hegemony in Southeast Asia, Beijing has devoted extensive resources to formal diplomacy and soft power initiatives in the region. More recently, China has sought to capitalize on perceptions that the United States is pulling back from Southeast Asia to present itself as the more responsible and reliable partner for the development aims of countries in the region.

### **Southeast Asia Is a Central Battleground in U.S.-China Strategic Competition**

#### ***The Countries of Southeast Asia Are Highly Diverse but Linked by Proximity to China***

Southeast Asia is a region defined by its diversity. The region has a variety of systems of government, ranging from democracies

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\*This chapter's findings are based on the Commission's March 2025 hearing on "Crossroads of Competition: China in Southeast Asia and the Pacific Islands"; fact-finding trips to the Philippines, Indonesia, Vietnam, and Cambodia; meetings with government officials and business leaders; and open source research.

(including the Philippines, Indonesia, Timor-Leste, and Malaysia) to repressive regimes such as Burma and Cambodia.<sup>6</sup> The region also hosts a range of development levels, encompassing wealthy countries such as Singapore (with a per capita gross domestic product [GDP] of \$93,000) and poor countries like Laos (per capita GDP of \$2,100).<sup>7</sup> Finally, the region is culturally and religiously varied, including Muslim-majority countries (Brunei, Indonesia, and Malaysia), Catholic-majority countries (the Philippines and Timor-Leste), and Buddhist-majority countries (Burma, Cambodia, Laos, and Thailand).<sup>8</sup> More than 1,000 languages are spoken throughout the region.<sup>9</sup> Yet all countries in Southeast Asia share an important commonality: geographic proximity to China. China's growing economic and military power is a fact of life with which all Southeast Asian countries must contend. Nevertheless, Southeast Asian countries also exhibit considerable variation in their approach to managing relations with China, ranging from the Philippines—which has closely aligned with the United States and forcefully criticized China for its aggressive and illegal behavior in the South China Sea—to Cambodia, which has more closely aligned with China, blocked ASEAN statements on the South China Sea, and recently inaugurated the Chinese-funded and -constructed expansion of its major naval base.<sup>10</sup> Competing with China in this highly diverse region requires a sustainable approach that is tailored for the particularities of each country, their disparate needs and priorities, and their varying ties with China.<sup>11</sup>

### **The Association of Southeast Asian Nations (ASEAN)**

ASEAN is an intergovernmental organization headquartered in Jakarta, Indonesia, that aims to foster economic and security cooperation among the countries of Southeast Asia.<sup>12</sup> ASEAN currently includes 11 countries: Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Timor-Leste, and Vietnam.<sup>13</sup> ASEAN operates according to the guiding principles of consensus decision-making and noninterference in the internal affairs of member countries—collectively known as “the ASEAN way.”<sup>14</sup> The ASEAN Charter also includes the principle of “ASEAN centrality,” the idea that ASEAN should be the “primary driving force” for the region’s external relations.<sup>15</sup> While many observers credit ASEAN for helping facilitate decades of economic development and relative peace in the region, critics have argued that ASEAN’s consensual decision-making process has prevented the bloc from playing a constructive role in handling contentious issues like the civil war in Burma and China’s aggressive actions in the South China Sea.<sup>16</sup>

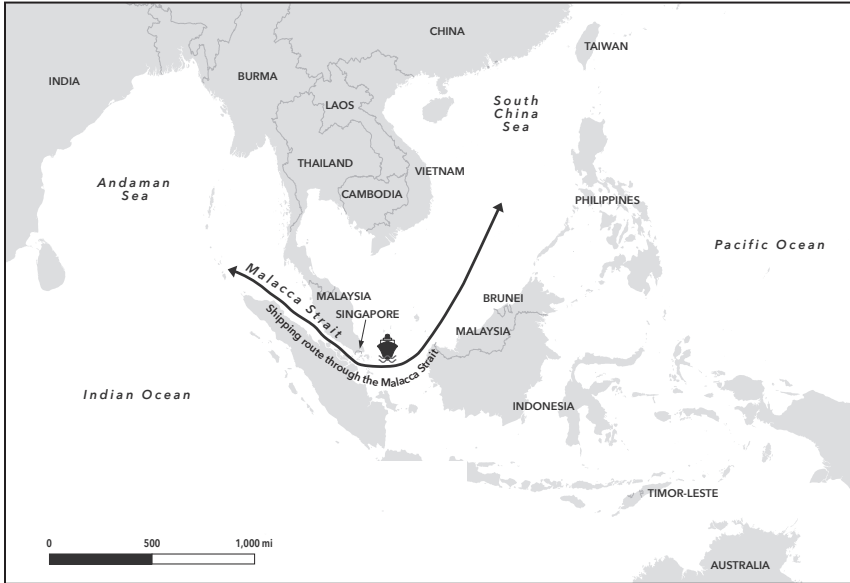
### ***The United States and China Have Critical Economic and Security Interests in Southeast Asia***

Both China and the United States have enormous economic interests in Southeast Asia. In the aggregate, Southeast Asia constitutes the world’s third-largest population center and fifth-largest economy.<sup>17</sup> Since the 2008 global financial crisis, Southeast

Asia has consistently ranked among the fastest-developing regions in the world, with a combined GDP of around \$4.0 trillion as of 2024, approximately equal to the GDP of India.<sup>18</sup> Despite stagnating growth since the COVID-19 pandemic, Southeast Asia is also home to a large and growing middle class of consumers.<sup>19</sup> The region is poised for a significant demographic dividend over the coming decades, with a young population and growing labor force that is not projected to peak until 2050.<sup>20</sup> Southeast Asian countries occupy a crucial position in global supply chains linking China and the United States, and an estimated one-third of all global shipping passes through the South China Sea.<sup>21</sup> China and the ASEAN countries are each other's largest trading partners, and total trade between them reached \$984 billion in 2024.<sup>22</sup> Yet collectively, ASEAN countries are also the United States' fourth-largest trading partner, with bilateral trade totaling over \$475 billion in 2024.<sup>23</sup> Moreover, the United States far outpaces China in FDI in ASEAN countries.<sup>24</sup> In 2023, the United States provided 32.4 percent of all FDI in ASEAN countries, compared with only 7.5 percent from China.<sup>25</sup> The United States' FDI in ASEAN countries in 2023 exceeded that of China, Hong Kong, Japan, Korea, Taiwan, and India combined.<sup>26</sup>

Southeast Asia is also crucially important to the security of the Indo-Pacific and the overall military balance of power in the region. The region is home to two U.S. treaty allies—the Philippines and Thailand—as well as key U.S. partners such as Singapore, Vietnam, and Indonesia.<sup>27</sup> China's aggressive actions in the South China Sea targeting the Philippines—a country with which the United States has a mutual defense treaty—make the region a potential flashpoint for U.S.-China military conflict. Southeast Asia would also play a crucial role in the event of a military conflict over Taiwan. U.S. access to bases, overflight rights, and logistics support from countries in the region could greatly affect how quickly and effectively the United States could respond to a Chinese provocation.<sup>28</sup> China is likewise concerned with what then-General Secretary of the CCP Hu Jintao termed the “Malacca Dilemma”: the possibility that the United States and its allies could respond to a Chinese action against Taiwan by blockading the Strait of Malacca—which runs between Malaysia, Indonesia, and Singapore—cutting off the majority of China's maritime trade and energy imports.<sup>29</sup>

**Figure 1: A Significant Portion of Global Maritime Trade Transits Southeast Asia**



*Note:* Southeast Asia is one of the busiest regions for global trade. In 2023, 38 percent of maritime goods trade transited through the Strait of Malacca. “Risks and Resilience in Global Trade,” *OECD*, 2024, 37.

## **China Views Southeast Asia as a Stepping Stone for Its Regional and Global Ambitions**

### ***China Sees Southeast Asia as Its Own “Backyard”***

China views Southeast Asia as its own “backyard” due to its geographical proximity and historical ties to the region. China shares a land border with Southeast Asian countries that stretches 3,100 miles across Burma, Laos, and Vietnam.<sup>30</sup> Due to Beijing’s broad and unsubstantiated sovereignty claims over almost all of the South China Sea, it has maritime territorial disputes with Brunei, Indonesia, Malaysia, the Philippines, and Vietnam.<sup>31</sup> As of 2023, approximately 30 million people of Chinese descent resided in Southeast Asia, nearly 70 percent of all overseas Chinese worldwide, with particularly high concentrations in Indonesia (11.2 million), Thailand (7.0 million), Malaysia (6.9 million), and Singapore (3.1 million).<sup>32</sup>

Beijing’s views on Southeast Asia are also shaped by history. China ruled Vietnam—sometimes indirectly as a vassal state, sometimes as a province of the Chinese empire—for approximately 1,000 years, often resorting to brutal military force to suppress Vietnamese resistance.<sup>33</sup> During China’s Ming (1368–1644) and Qing (1644–1911) dynasties, China engaged with maritime Southeast Asia through a hierarchical “tribute system” in which foreign states ritually expressed deference to the Chinese emperor as a condition for trade relations.<sup>34</sup> Analysts have argued that China’s historical sense of superiority based on that anachronistic system shapes its aggressive approach toward Southeast Asia in the contemporary era.<sup>35</sup>

In a moment that many analysts interpreted as revealing Beijing's sense of entitlement to dominate Southeast Asia, then-Chinese Foreign Minister Yang Jiechi lectured his Southeast Asian counterparts at a 2010 ASEAN Regional Forum Meeting: "China is a big country and other countries are small countries, and that is just a fact."<sup>36</sup>

***Southeast Asia Is at the Core of Beijing's "Neighborhood Diplomacy" Strategy to Displace the United States in the Indo-Pacific***

Beijing views Southeast Asia as a central battleground in its strategic competition with the United States that could determine the regional and global balance of power between the two countries. Since Xi Jinping came to power in 2012, China's foreign policy has prioritized "neighborhood diplomacy," a strategy that seeks to undermine U.S. power in the Indo-Pacific by first building Chinese influence in nearby countries.<sup>37</sup> Xi and other top Chinese leaders have frequently referred to Southeast Asia as the "priority direction" for China's neighborhood diplomacy strategy.<sup>38</sup> For the past decade, leading Chinese academics have also described Southeast Asia as the center of a high-stakes struggle to prevent the United States from strengthening its position in the Indo-Pacific by countering U.S. initiatives like the "Asia-Pacific rebalance" and "Indo-Pacific strategy."<sup>39</sup> Yan Xuetong, one of China's most influential foreign policy thinkers, has argued that building Chinese influence in Southeast Asia "is related to the core substance of China's rise."<sup>40</sup> Zhao Weihua, director of the Center for China's Relations with Neighboring Countries at Fudan University, has likewise stated that Southeast Asia should be viewed as "the area of China's core interests within the geopolitical sphere of its periphery."<sup>41</sup>

Moreover, Beijing sees Southeast Asia as a proving ground and showcase for the global initiatives it is using to challenge the rules-based international order. Recent Chinese government documents have described Southeast Asia as a "model" and "pilot zone" for the implementation of both BRI and the Global Security Initiative (GSI). In 2023, a State Council Leading Small Group described China-ASEAN efforts to promote China's BRI as a successful "model" for regional cooperation and an "illustrative example for promoting the construction of a community of common human destiny."<sup>42</sup> Beijing's 2023 *Global Security Initiative Concept Paper* likewise described the Mekong region of Southeast Asia as a "pilot zone" for the GSI.<sup>43</sup> Duke University professor and Southeast Asia expert Jonathan Stromseth has concluded that Southeast Asia serves "both as a testing ground for China's development as a great power and as a gateway for its global expansion in the future."<sup>44</sup>

**Southeast Asian Elite Sentiment Is Shifting toward China**

***Most Southeast Asian Countries Prefer Not to "Choose Sides" in U.S.-China Competition***

Most countries in Southeast Asia have traditionally pursued a "hedging" strategy that aims to maintain close ties with both China and the United States while avoiding overreliance on either. Numerous recent academic and think tank studies have concluded that the overwhelming preference among policymakers throughout South-



east Asia is to avoid choosing between Beijing and Washington and instead leverage relations with both countries for their own development aspirations.<sup>45</sup> For example, Drew Thompson, an expert on Southeast Asia's international relations at Nanyang Technological University, recently found that the "consistent theme" among different Southeast Asian countries' responses to intensifying U.S.-China competition was "don't make us choose sides."<sup>46</sup> In particular, for countries such as Vietnam (with its long history of resisting both Chinese and Western imperialism) and Indonesia (which played a key role in the non-aligned movement during the Cold War), maintaining an independent foreign policy is a pillar of modern nationalism—a sentiment reflected in Indonesia's "friends to all, enemies to none" policy and Vietnam's "four nos" policy (no military alliances, no siding with one country against another, no foreign military bases, and no threat or use of force).<sup>47</sup> Despite ASEAN's oft-criticized inability to reach consensus on contentious issues like the South China Sea, regional states still place high value on the concept of "ASEAN centrality" as a way to maintain the region's independence in the face of escalating U.S.-China competition.<sup>48</sup>

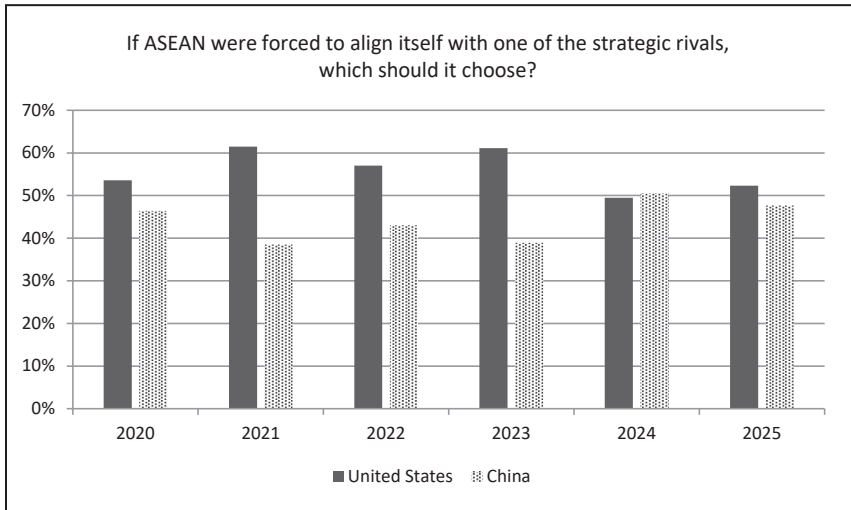
Both China and the United States face considerable challenges in seeking to build greater influence in the region. Prashanth Parameswaran, a fellow with the Wilson Center's Asia Program, has argued that China faces an "influence-trust gap" in Southeast Asia, where many countries see China as the most influential but least trusted power in the region.<sup>49</sup> Recent survey results have shown that while respondents throughout Southeast Asia rank China as the most influential economic and strategic power in the region, only a minority trust China to act "in the wider interests of the global community."<sup>50</sup> In contrast, Dr. Parameswaran noted that the United States faces a "power-commitment gap" in which regional powers question whether the United States' capabilities in the region will translate into sustained commitments that address regional priorities.<sup>51</sup> The survey showed that fewer than half of respondents in the region view the United States as a "reliable strategic partner."<sup>52</sup>

### ***Survey Evidence Shows the United States Losing Ground to China among Southeast Asian Policymakers and Elites***

While the majority of Southeast Asian policymakers and elites continue to prefer a balanced approach to navigating U.S.-China tensions, studies of elite Southeast Asian opinion show the United States losing ground to China over the past two years. The region's most prominent opinion survey is the *State of Southeast Asia Survey Report*, an annual study conducted by the ISEAS-Yusof Ishak Institute, a research institution funded by the Singaporean government. Based on a sample of government officials, researchers, and representatives from civil society and the private sector across all ASEAN countries, the survey captures "the prevailing attitudes among those in a position to inform or influence policy on regional issues."<sup>53</sup> Since 2020, the ISEAS survey has asked the question: "If ASEAN were forced to align itself with one of the strategic rivals, which should it choose?" In 2023, 61.1 percent of respondents chose the United States (compared to 38.9 percent that chose China).<sup>54</sup> However, in 2024, a slim majority (50.5 percent) chose China—a

swing of 23 percentage points in a single year.<sup>55</sup> In 2025, the survey showed a slight uptick in the percentage of respondents who would choose alignment with the United States (52.3 percent) over China (47.7 percent).<sup>56</sup> Nevertheless, the number of respondents who chose alignment with the United States remained lower than any year prior to 2024. The 2025 survey was conducted in January and February, so it does not capture reactions to recent changes in U.S. policy.<sup>57</sup>

**Figure 2: Survey Results Show Elite Sentiment Tilting toward China, 2020–2025**



Source: "ISEAS State of Southeast Asia Survey Reports, 2020–2025," *ISEAS-Yusof Ishak Institute*.

Other large-scale studies conducted over the past two years confirm China is gaining ground relative to the United States. A 2024 Pew Research Center survey that included nationally representative samples of public opinion in Malaysia, Singapore, the Philippines, and Thailand found that a greater portion of the population had a favorable opinion of China than the United States in all but the Philippines.<sup>58</sup> In the same survey, respondents in all four Southeast Asian countries surveyed were more likely to state that China has a positive rather than a negative effect on their country's economy.<sup>59</sup> According to a 2024 Asia Society Policy Institute analysis of more than 3,000 surveys, China had a positive net favorability rating in all Southeast Asian countries except for Burma and the Philippines.<sup>60</sup> A September 2025 study published by the Lowy Institute, a think tank that receives funding from the Australian government, concluded that China was the "leading" external power in Southeast Asia, outranking the United States in terms of overall influence in the region.<sup>61</sup>

Two key factors behind this shift in Southeast Asian public opinion are the negative perception of the U.S. role in the situation in Gaza and the widespread belief that China is a more reliable economic partner.<sup>62</sup> In the 2024 and 2025 ISEAS surveys, the Israel-Hamas

conflict ranked as one of respondents' top geopolitical concerns, on par with issues such as maritime disputes in the South China Sea and the proliferation of scam centers.<sup>63</sup> Reflecting this widespread concern with the humanitarian situation in Gaza, all ASEAN countries voted in favor of a UN General Assembly Resolution in May 2024 expressing "deep regret and concern" that the United States had vetoed a Security Council resolution recommending Palestine's admission to the UN.<sup>64</sup> Lynn Kuok, the Lee Kuan Yew chair in Southeast Asia studies at the Brookings Institution, testified before the Commission that the Israel-Gaza conflict has undercut U.S. messaging in the region by reinforcing "perceptions of Western hypocrisy and double standards in the application of international law."<sup>65</sup> At the same time, China's sustained economic engagement in the region has been helping to win hearts and minds in countries such as Cambodia and Laos.<sup>66</sup> In the 2025 ISEAS survey, 56.4 percent of respondents ranked China as the "most influential economic power in Southeast Asia" (compared to 15.4 percent who chose the United States).<sup>67</sup>

### **China Is Making Progress Building Influence in Southeast Asia at the Expense of the United States**

While China's influence in Southeast Asia is rooted in its large economic presence, Beijing has also devoted considerable resources to diplomacy and soft power to expand and deepen its sway in the region. Dr. Kuok testified to the Commission that China's "vital economic role" in Southeast Asia is the primary source of its influence.<sup>68</sup> China is the largest trading partner for almost every ASEAN country, and although China's BRI has had a mixed impact for the region, most Southeast Asian countries view BRI as positive on balance, and Chinese investments have funded transformative infrastructure improvements in places such as Laos and Cambodia.<sup>69</sup> Moreover, China's economic influence in Southeast Asia is likely even greater than what would be expected based on hard numbers alone.<sup>70</sup> Chinese investments in Southeast Asia have tended to be in highly visible infrastructure megaprojects, whereas U.S. investments in areas like services are much less prominent in daily life.<sup>71</sup> Some analysts have argued that as result, Southeast Asian countries tend to overestimate China's economic importance relative to the United States.<sup>72</sup> Yet Chinese influence in Southeast Asia is not limited to economics. China has sought to convert its economic clout into greater "comprehensive national power" by expanding its levers of influence in the region through diplomacy, soft power initiatives, united front work, and media programs.<sup>73</sup>

### ***China Prioritizes High-Level Diplomacy with Southeast Asia to Present Itself as the More Dependable Partner for the Region's Development and Security Needs***

In addition to its large economic role in the region, China devotes greater resources than the United States to diplomacy in Southeast Asia. Top Chinese leaders allocate a large portion of their official diplomatic visits to Southeast Asian countries—22 percent over the 18 months after the end of China's zero-COVID policies.<sup>74</sup> In recent years, China's high-level diplomatic engagements with the region

have outpaced the United States by a ratio of approximately two to one. For example, in 2022, China held 40 meetings with Southeast Asian countries at the leader and foreign minister levels, compared to 19 such engagements for the United States.<sup>75</sup> China has also been highly active in other engagements with ASEAN. As of 2023, China's Foreign Ministry listed 39 separate "cooperation initiatives" with ASEAN on issues including trade, security, and people-to-people exchanges.<sup>76</sup> China has sought to leverage its diplomacy with ASEAN to pressure the organization to side more openly with China over the United States. In an address to the 2024 ASEAN-China Forum in Hong Kong, China's Ambassador to ASEAN, Hou Yanqi, touted China as the "most leading," "most dynamic," and "most fruitful" partner of ASEAN and made thinly veiled criticisms of the United States for "trade bullying," "protectionism," and "decoupling."<sup>77</sup>

Since the beginning of 2025, China has doubled down on both "neighborhood diplomacy" and "head-of-state diplomacy" with Southeast Asian countries in an attempt to capitalize on the perception that the United States is pulling back from the region. On April 8–9, 2025, Xi Jinping participated in a "Central Conference on Work Related to Neighboring Countries" in Beijing that was attended by the CCP's entire Politburo Standing Committee, the highest-level meeting devoted to neighborhood diplomacy in 12 years.<sup>78</sup> In his address to the conference, Xi sought to present China as the more suitable security partner for Southeast Asian countries. He introduced the new concept of an "Asian security model" rooted in "sticking together through thick and thin," "seeking common ground and shelving differences," and "dialogue and consultation."<sup>79</sup> Xi further highlighted the high diplomatic priority he places on Southeast Asia by making his first overseas trip of 2025 to Vietnam, Malaysia, and Cambodia on April 14–18.<sup>80</sup> Chinese propaganda has repeatedly contrasted Xi's high-profile visit to the region with uncertainty surrounding U.S. tariffs, seeking to present China as the more trustworthy and reliable partner to Southeast Asian countries.<sup>81</sup> Some Southeast Asian leaders have echoed Beijing's rhetoric. In a speech welcoming Xi to Malaysia, Prime Minister Anwar Ibrahim criticized "some quarters" of the world for imposing tariffs "without restraint."<sup>82</sup> "Amid this turbulence," he added, "China has been a rational, strong, and reliable partner."<sup>83</sup> High-level officials from seven Southeast Asian countries—Burma, Cambodia, Indonesia, Laos, Malaysia, Singapore, and Vietnam—attended the September 2025 military parade in Beijing, which analysts interpreted as a deliberate signal to Washington that U.S. tariffs could push countries in the region closer to China.<sup>84</sup>

China has wielded its diplomatic influence in Southeast Asia to block actions that undermine Beijing's policy preferences. For example, China has long used its leverage over ASEAN countries such as Cambodia and Laos to block ASEAN from adopting a unified stance in opposition to China's aggression in the South China Sea.<sup>85</sup> China has dragged out negotiations with ASEAN aimed at implementing a "Code of Conduct" for the South China Sea for more than two decades.<sup>86</sup> George Washington University professor David Shambaugh has argued that "Beijing has so successfully co-opted and intimidated the ASEAN states" that it now holds a form of "veto power" in which Southeast Asian countries are "conditioned not to criticize

China publicly or directly.”<sup>87</sup> Southeast Asian countries—including Muslim-majority countries like Indonesia and Malaysia—have remained largely silent in the face of China’s human rights abuses against Uyghurs in Xinjiang. In February 2025, Thailand deported 48 Uyghurs to China over the objection of the United States and UN human rights experts.<sup>88</sup>

Beijing also wields its diplomatic leverage to attempt to ensure that Southeast Asian countries would not support Taiwan in the event of a conflict. All countries in Southeast Asia recognize Beijing rather than Taipei, and seven ASEAN countries (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, and Timor-Leste) have adopted Beijing’s preferred language that Taiwan is an “inalienable” part of China.<sup>89</sup> The 2024 ISEAS survey found that only 5.7 percent of respondents thought their country should “facilitate military support for Taiwan” in the event of conflict in the Taiwan Strait.<sup>90</sup>

Nevertheless, the bloody border conflict between Thailand and Cambodia that broke out in July 2025 illustrated the limits of Beijing’s diplomatic influence in the region. On July 24, 2025, fighting erupted between Thailand and Cambodia near a long-disputed segment of their shared border, killing at least 38 people and displacing hundreds of thousands more.<sup>91</sup> As part of its broader efforts to project influence in Southeast Asia, Beijing publicly declared its desire to play a leading role in mediating a resolution to the conflict.<sup>92</sup> In a meeting with the Secretary-General of ASEAN Kao Kim Hourn, China’s Foreign Minister Wang Yi blamed the conflict on the “legacies of Western colonialists” and stated that as a “friendly neighbor” to both Cambodia and Thailand, China was willing to play a “constructive role” in reducing tensions.<sup>93</sup> Yet, in part due to a widespread perception in Thailand that China was biased in favor of Cambodia, as well as wariness of China’s growing influence among other ASEAN countries, Beijing played only a very limited practical role in ceasefire negotiations.<sup>94</sup> Malaysian Prime Minister Anwar Ibrahim hosted the talks in his capacity as the current chair of ASEAN, and the United States helped push the two sides to an agreement by threatening higher tariffs if the fighting continued.<sup>95</sup>

### **China Attempts to Expand Its Influence in Indonesia**

The United States has longstanding economic and security ties with Indonesia and has prioritized strengthening U.S.-Indonesia relations as a key component of broader U.S. efforts to maintain a free and open Indo-Pacific.<sup>96</sup> Indonesia plays a crucial role in Southeast Asia and the broader Indo-Pacific region. In addition to being the largest economy in ASEAN, it is the fourth most populous country in the world, the third most populous democracy, and the most populous Muslim-majority state.<sup>97</sup> In 2023, the United States and Indonesia upgraded their relationship to a “comprehensive strategic partnership” and signed a defense cooperation arrangement aimed at bolstering already strong security ties between the two countries, which include arms sales and joint military exercises.<sup>98</sup> The United States and Indonesia have also engaged in talks regarding a critical minerals partnership, and Indonesia agreed to lift restrictions on critical mineral exports to

### **China Attempts to Expand Its Influence in Indonesia— *Continued***

the United States as part of a trade deal reached with the Trump Administration on July 22, 2025.<sup>99</sup>

Realizing Indonesia's importance to the region, China has made a concerted effort over recent years to expand its own influence in Indonesia. In November 2024, China agreed to \$10 billion worth of investment deals with Indonesia.<sup>100</sup> Chinese companies are major investors in Indonesia's emerging technology firms and are making efforts to expand their market share in the country's undersea cables, data centers, cloud computing, and artificial intelligence (AI) sectors.<sup>101</sup> Chinese companies have also secured dominant positions in some of Indonesia's most strategically important industries. Chinese firms control about 75 percent of Indonesia's nickel refining capacity, and Huawei provides the majority of Indonesia's telecommunications network infrastructure.<sup>102</sup> In line with Beijing's strategy of providing targeted foreign aid where it serves CCP interests, China also announced support for Indonesian President Prabowo Subianto's signature program to provide free meals to poor Indonesian communities and donated anti-narcotics detection equipment to Indonesia's National Narcotics Board.<sup>103</sup>

While Indonesia aims to remain neutral in U.S.-China competition in accordance with its traditional non-aligned foreign policy, China has made concerning inroads toward expanding its security influence in the country.<sup>104</sup> During President Prabowo's November 2024 trip to Beijing—his first overseas trip as president—he appeared to break with Indonesia's longstanding position by implicitly acknowledging China and Indonesia's "overlapping claims" in the South China Sea—although Indonesia later clarified that it does not recognize China's claims and has not altered its stance.<sup>105</sup> In January 2025, Indonesia became the first Southeast Asian country to join BRICS, which some analysts argued could be interpreted as implicit support for China and Russia's efforts to remake the international order.<sup>106</sup> According to a 2025 survey of policymakers and elites, 72.2 percent of respondents in Indonesia would choose strategic alignment with China over the United States—a nearly 20 percent increase over two years earlier.<sup>107</sup> It is likely that China would attempt to exploit any reductions to the United States' economic and security engagement with Indonesia to further expand its influence in one of the region's most important countries.

### ***China Tries to Mobilize Overseas Chinese for United Front Work in Southeast Asia***

In addition to formal diplomacy, Beijing has also attempted to use united front work to mobilize China's large diaspora in Southeast Asia in service of the CCP's agenda. The CCP's United Front Work Regulations call for cultivating support for the CCP among overseas Chinese and mobilizing them for tasks such as "constraining 'Taiwan independence' forces" and "creating a favorable international environment."<sup>108</sup> Particularly in Southeast Asian countries with

a high proportion of ethnically Chinese citizens, CCP united front work has taken the form of disseminating propaganda through Chinese-language media, leveraging access to permits to conduct business in China, and pressuring ethnically Chinese businesspeople to lobby for China's interests.<sup>109</sup> While the exact scope of China's success is unclear, there have been notable prominent examples. In March 2024, Singapore invoked its foreign interference law to designate Philip Chan, a Hong Kong-born Singaporean citizen and former president of the Hong Kong Singapore Business Association, as a "politically significant person" subject to special reporting requirements pertaining to his activities. In 2023, Mr. Chan had attended China's "Two Sessions" parliamentary meetings in Beijing as an "overseas Chinese representative" and gave an interview to Chinese media in which he stated, "It is our duty as overseas Chinese to tell China's story well."<sup>110</sup> In the Philippines, a woman named Alice Guo managed to get elected mayor of the town of Bamban and use her position to provide cover to Chinese transnational criminal groups. Philippine authorities have since alleged Guo is a Chinese citizen who moved to the Philippines as a child, later obtained a fraudulent Philippines birth certificate, and is a Chinese spy whose campaign for mayor was "arranged by Chinese state security."<sup>111</sup>

***China Seeks to Exploit Recent Cuts to U.S. International Media Programs to Deepen Its Control over Southeast Asia's Information Environment***

China has made a concerted push over many years to dominate Southeast Asia's information space by cultivating media influence throughout the region and wielding it to promote Beijing's narratives and suppress negative stories about China. Over the past two decades, the Chinese government has devoted considerable resources to expand the reach of Chinese state-run media outlets—such as Xinhua, China Global Television Network (CGTN), and China Radio International—in Southeast Asia as well as to improve their content by hiring away journalists from respected international and local media outlets.<sup>112</sup> Chinese government bodies also often host all-expenses-paid "training" sessions for Southeast Asian journalists in China designed to encourage reporting that frames China and its relationship to the region in a positive light.<sup>113</sup> (For more on China's extensive efforts to use local media and journalists to spread China's propaganda, see U.S.-China Economic and Security Review Commission, Chapter 2, Section 2, "Battling for Overseas Hearts and Minds: China's United Front and Propaganda Work," in *2023 Annual Report to Congress*, November 2023, 239–244.)

Xinhua has also signed content-sharing deals with independent media outlets throughout Southeast Asia, enabling it to embed non-attributed, state-produced Chinese propaganda into local-language news sources that have trustworthy reputations and large audiences—a strategy that the former head of China Radio International called "borrowing the boat to go out to sea."<sup>114</sup> In 2019, Xinhua signed a content-sharing deal with the popular Thai-language newspaper *Khaosod*, which is well known for its critical coverage of politically sensitive subjects. Almost immediately after inking the agreement, *Khaosod* began running Xinhua-provided pieces portraying protesters in Hong Kong as "tools of Western agitators" and de-

scribing Xinjiang as a haven for “equality, solidarity and harmony among ethnic groups and religions.”<sup>115</sup> In Malaysia, the Malay-language newspaper *Sinar Harian* has published Xinhua articles with disinformation about Xinjiang, with the “Xinhua” label included only in small print at the bottom of the article.<sup>116</sup>

Prior to recent cuts to their staff and programming, Voice of America (VOA) and Radio Free Asia (RFA) had been the largest media platforms pushing back against Beijing’s narratives in Southeast Asia. VOA programming, which focused on promoting understanding of the United States and delivering unbiased news, had enormous reach throughout the region, broadcasting in many Southeast Asian languages (including Burmese, Indonesian, Khmer, Lao, Thai, and Vietnamese) as well as broadcasts in English, Mandarin, and Cantonese that reached Southeast Asian listeners.<sup>117</sup> The VOA Vietnamese YouTube channel had 1.6 million subscribers and more than 1.2 billion views on its videos.<sup>118</sup> VOA Khmer was the No. 1 Facebook media page and No. 1 X account in all of Cambodia.<sup>119</sup> RFA, which provides uncensored news to countries lacking press freedom, also offered local-language coverage of Burma, Cambodia, Laos, and Vietnam and had a similarly impressive reach in the region, with an estimated total weekly audience of 58.3 million, 38.1 million followers across social media platforms, and 257 million website views in 2024.<sup>120</sup> In Southeast Asian countries with a highly restricted media environment, RFA provided exclusive local-language coverage of topics such as Chinese influence activities in the region, People’s Republic of China (PRC) aggression in the South China Sea, and China’s atrocities in Xinjiang.<sup>121</sup> Dr. Parameswaran testified before the Commission that RFA had been the only news outlet exposing scandals such as Chinese-owned potash mines causing massive sinkholes and Chinese rubber companies harassing local farmers in Laos.<sup>122</sup> Due to cuts to the United States Agency for Global Media, VOA has stopped broadcasting in all Southeast Asian languages.<sup>123</sup> RFA has eliminated its Burmese and Lao language services and significantly scaled back its content for Cambodia and Vietnam.<sup>124</sup>

China has openly celebrated cuts to RFA and VOA via its state-run propaganda outlets and moved to replace U.S. international media broadcasts with its own propaganda. A *People’s Daily* editorial criticized VOA and other U.S. international media outlets as “anti-China institutions” that deepened “prejudice and misunderstanding toward China” and described the United States cutting their funding as “a happy case of karmic retribution.”<sup>125</sup> China’s state-run *Global Times* mocked VOA for being “discarded by its own government like a dirty rag.”<sup>126</sup> According to an analysis prepared for the United States Agency for Global Media, Chinese state radio programs have significantly expanded their broadcasting in Asia in recent months by flooding shortwave radio frequencies previously used by RFA with their own content.<sup>127</sup>

### ***China Exploited Changes to U.S. Foreign Aid for Propaganda Purposes in Southeast Asia***

China has also attempted to exploit uncertainty surrounding the future of U.S. foreign aid to present itself as the more reliable partner to Southeast Asian countries. During his April 2025 trip



to Southeast Asia, Xi Jinping emphasized China's continued commitment to development aid, promising "high-quality development cooperation" in Malaysia, "projects to improve people's livelihood" in Vietnam, and greater "development assistance" in Cambodia.<sup>128</sup> While many of these statements are consistent with language Chinese officials have used in the past in similar settings, and because there is not yet evidence of a widespread attempt by China to replace U.S. foreign aid funding, it is likely that Beijing sees added propaganda value in touting its development cooperation initiatives this year.<sup>129</sup>

China has further attempted to exploit U.S. debates around foreign aid cuts to question U.S. motives. The Chinese government has long criticized the U.S. Agency for International Development (USAID) as a political weapon designed to preserve U.S. "hegemony."<sup>130</sup> Xinhua suggested that developing countries should not mourn the loss of U.S. aid, as it was a "tool of geopolitical control" intended to "maintain rather than eradicate global inequalities."<sup>131</sup> The *Global Times*, a notoriously nationalistic Chinese newspaper, contended that criticisms of USAID cuts focused on U.S. competition with China prove that the United States only provided aid to obtain political benefits rather than out of a genuine desire to help developing countries.<sup>132</sup>

Yet, while China has sought to exploit cuts to U.S. development aid for propaganda purposes, it has not—to date—significantly increased its overall development assistance to Southeast Asia or other regions. Unlike the United States, China has not traditionally provided large amounts of foreign aid in the form of grants for humanitarian relief and development projects.<sup>133</sup> Rather, China has offered loans for large-scale infrastructure projects under the umbrella of BRI.<sup>134</sup> In recent years, Beijing has signaled its intention to fund more "small and beautiful" projects under the Global Development Initiative (GDI), but many GDI-labeled projects are still funded through loans, and traditional grants remain a comparatively small portion of China's development assistance.<sup>135</sup>

Moreover, China's overall foreign aid budget has decreased significantly in recent years. According to the China International Development Cooperation Agency (China's closest equivalent to USAID), China provided a total of 270 billion renminbi (RMB) (\$37.6 billion) in foreign aid from 2013 to 2018, for an average annual total of approximately \$6.27 billion.<sup>136</sup> While China has not published comprehensive data since 2018, analysts have estimated China's 2024 foreign aid budget at \$2.85 billion.<sup>137</sup> Xi has also previously faced domestic criticism for spending lavishly abroad in the face of poverty at home.<sup>138</sup> In light of China's recent economic downturn and growing fiscal challenges, it seems unlikely that Beijing would reverse course and dramatically increase aid in the near future.

Rather than significantly increasing foreign aid to Southeast Asia, Beijing appears to have adopted a strategy of selectively backfilling a small handful of programs affected by U.S. cuts where it believes it can achieve maximum soft power benefit at minimal cost. Chinese funding for demining activities in Cambodia illustrates how China has successfully exploited even temporary pauses in U.S. foreign as-

sistance for propaganda purposes. On February 5, the Cambodian Mine Action Center (CMAC), the leading demining organization in Cambodia, announced that the Chinese government had committed to provide it with \$4.4 million in grant funding, an announcement framed in Cambodian media as China “step[ping] in” to replace frozen U.S. funds.<sup>139</sup> The United States had previously provided approximately \$2 million per year to the CMAC, but after the United States froze foreign assistance on January 24, the CMAC announced it would need to furlough 210 staff members and halt operations in eight provinces.<sup>140</sup> Although the United States quickly exempted the program from its aid freeze, China has continued to reap the lion’s share of positive press for its support of the CMAC.<sup>141</sup> During Xi’s April 2025 visit to Cambodia, the two countries released a statement in which Cambodia expressed “great appreciation” for China providing resources, training, and equipment for demining activities.<sup>142</sup>

China also sought to exploit cuts to USAID in Southeast Asia for propaganda purposes in the aftermath of the 7.7 magnitude earthquake that struck Burma on March 28, 2025, killing more than 3,700 people and displacing many more.<sup>143</sup> On March 31, the Chinese government announced it would provide \$14 million in emergency humanitarian assistance to Burma and that 400 Chinese personnel were already on the ground assisting with rescue and relief efforts.<sup>144</sup> One day earlier, the U.S. Embassy in Burma had announced \$2 million in humanitarian assistance.<sup>145</sup> The United States sent a three-person USAID assessment team to Burma to determine how the United States could assist with relief efforts, but all three members of the team received termination emails shortly after arriving.<sup>146</sup> While China is often criticized by social media users in Burma due to its support for the unpopular military government, a Reuters report found that expressions of gratitude for Chinese earthquake relief efforts were common on Burmese social media and that expressions of “anti-China sentiment” had significantly declined.<sup>147</sup> Nevertheless, later investigations found that China provided most of its aid through the military junta while neglecting opposition-held regions—and that at least some of the money went to helping the junta establish administrative control in areas affected by the earthquake rather than directly helping victims.<sup>148</sup>

## **China Uses Many Tools to Develop Control over the Security Environment in Southeast Asia**

China seeks to establish hegemony in Southeast Asia not only because of its proximity and importance as a trade partner but also for its military significance owing to its critical geostrategic location. China regards access to the region’s sea lanes as critical to its national security due to the volume of trade that passes through them—as much as 38 percent of global maritime goods trade passes through the Strait of Malacca.<sup>149</sup> Several of the region’s countries lie on the island chains Beijing views as essential to what it characterizes as a longstanding U.S. strategy to “contain” China by obstructing the PLA Navy’s access to the broader Pacific Ocean. Beijing also views control over the entire

South China Sea as vital to its national security interests, and China's use of aggressive gray zone tactics to assert its illegal maritime territorial claims have heightened the risk of triggering military conflict in the region. China's pursuit of greater access to bases and dual-use facilities throughout Southeast Asia—alongside similar efforts in the Pacific Islands—are part of its broader goal of expanding the PLA's capacity to prevent the United States from intervening effectively in a military conflict in the South China Sea, Taiwan, or the broader Indo-Pacific region.

In addition to expanding the PLA's military presence in the region, Beijing has also adopted a multifaceted approach to expanding its security influence in Southeast Asia while simultaneously undermining that of the United States. Beijing has both expanded its participation in bilateral and multilateral military exercises in the region and engaged in internal security outreach to embed its security personnel inside several Southeast Asian countries. Beijing recognizes that if it can gain leverage over regional countries by helping their leaders maintain power and address non-traditional security concerns like transnational crime, it may be able to convince them to deny access, basing, and overflight rights to the United States in the event of a conflict. Although most countries in the region generally do not see China as an imminent military threat, many are becoming concerned by China's expanding traditional and non-traditional security influence and welcome the presence of the United States to provide a counterbalance to an increasingly assertive China.

### **China Is Using Increasingly Aggressive Tactics to Assert Its Control over the South China Sea**

China has increasingly pressed its expansive and legally unsupported claims to the South China Sea with a near-constant, aggressive maritime presence and related gray zone intimidation activities throughout the region. It has also successfully thwarted the ability of Southeast Asian claimants to coordinate their efforts to assert rights over their exclusive economic zones (EEZs) or to develop a Code of Conduct in ASEAN.<sup>150</sup> However, China has not always succeeded in deterring other claimants from asserting their territorial rights. Instead, China's actions are making the situation in the South China Sea more volatile, increasing the potential of a miscalculation that could disrupt sea lanes or even draw the United States into a violent conflict by triggering the U.S.-Philippines Mutual Defense Treaty.<sup>151</sup>

China has utilized gray zone tactics—broadly defined as coercive military, economic, and influence operations short of war—in the South China Sea since the late 2000s.\*<sup>152</sup> (China's gray zone tactics are also discussed in Chapter 2, "U.S.-China Security and Foreign Affairs (Year in Review)" and Chapter 11, "Taiwan.") These include using the Chinese Coast Guard (CCG) to enforce PRC maritime law and regulations outside of its jurisdiction, fre-

\*Perhaps learning from the success (from its perspective) of its gray zone activities in the South China Sea, China extended such activities to the East China Sea in the 2010s, and most recently it has been engaged in significantly more aggressive gray zone activities in and around Taiwan. Isaac Kardon, "Combating the Gray Zone: Examining Chinese Threats to the Maritime Domain," *Carnegie Endowment for International Peace*, June 4, 2024.

quently in coordination with maritime militia forces, PRC civilian fishing vessels, and marine scientific vessels and often with PLA Navy vessels nearby as a deterrent to an aggressive response.<sup>153</sup> Since 2021, the CCG has increased the size and number of its patrols and engaged in more aggressive actions in the South China Sea, often utilizing a variety of non-lethal coercive tools such as water cannons, lasers, and acoustic weapons. The goals of these actions have included establishing effective control over disputed areas, interfering with legitimate commercial activity by competing claimants, challenging lawful freedom of navigation in the disputed areas, and in some cases undermining the credibility of U.S. alliances.<sup>154</sup>

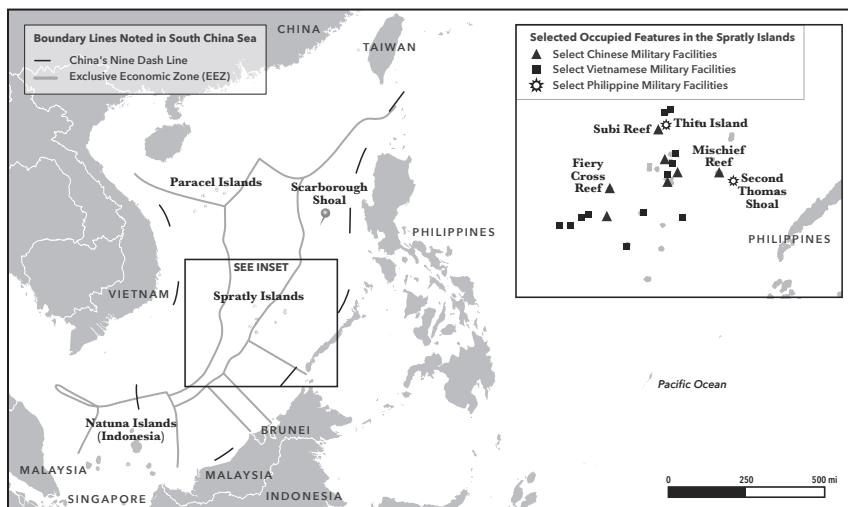
To justify its coercive gray zone activities, China has sought to use “lawfare” to legitimize its claims to almost all of the South China Sea, often invoking the UN Convention on the Law of the Sea (UNCLOS) to support its claims. Although the Permanent Court of Arbitration ruled in 2016 that China’s claims were unlawful and its actions had violated the Philippines’ EEZ, China has continued to insist it has the legal right to enforce Chinese law over areas it claims.<sup>155</sup> By using legal arguments and CCG vessels to reinforce its claims, China has sought to create a façade of legality, presenting its activities as legitimate law enforcement actions. For example, under CCG Order #3,\* which went into effect on June 15, 2024, China has asserted the CCG’s right to use force against “acts that infringe on China’s national sovereignty” and to detain foreign vessels and individuals in all the waters China claims in the South China Sea.<sup>156</sup>

In a number of ways, China’s gray zone activities in the South China Sea have succeeded. Over time, China has managed to normalize its presence and escalate its activities in other countries’ EEZs—and sometimes even their territorial waters—while mostly avoiding actions that would trigger direct conflict or internationalize an incident.<sup>157</sup> Other countries have not been able to stop these activities and have often faced dilemmas in determining appropriate responses and even in how to pursue entirely legal activities within areas rightfully subject to their own jurisdiction. In order to dispel the ambiguity of the term “gray zone,” encourage clearer thinking on potential responses, and impose greater reputational costs on China’s aggression, the Philippine Armed Forces has coined the term “ICAD”—illegal, coercive, aggressive, and deceptive—to describe China’s actions.<sup>158</sup>

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\*“Provisions on Administrative Enforcement Procedures for Coast Guard Agencies 2024.”

Figure 3: Map of the South China Sea



Note: EEZs are depicted using the standard 200 nautical mile baseline from countries' coastlines.

Source: Various.<sup>159</sup>

### ***The Philippines Has Borne the Brunt of Chinese Aggression***

China has focused its most intense gray zone activities on the Philippines, likely reflecting that country's geostrategic importance to freedom of navigation in the South China Sea and the strategic value the Philippines could play in a Taiwan contingency. (For more information, see U.S.-China Economic and Security Review Commission, Chapter 8, "China's Evolving Counter-Intervention Capabilities and the Role of Indo-Pacific Allies," in *2024 Annual Report to Congress*, November 2024, 574–580.) Additionally, harassing the Philippines serves China's goal of attempting to undermine U.S. credibility as the Philippines' treaty ally. China may also perceive the Philippine Coast Guard and Armed Forces as an easy target to demonstrate the CCG's capabilities and to deter other claimants from asserting their rights.

In June 2024, China's ICAD activities against the Philippines came to a head over the Philippines' attempts to resupply the *Sierra Madre* outpost on Second Thomas Shoal as China escalated its efforts to block Philippine ships from approaching. Two days after the above-mentioned CCG Order #3 went into effect, CCG ships attacked Philippine Navy boats attempting to resupply the outpost. CCG personnel stormed the vessels using bladed weapons, seriously injured a Filipino sailor, and destroyed communications equipment.\*<sup>160</sup> Subsequent negotiations led to an agreement in July 2024 that allowed the *Sierra Madre* to be resupplied, which the Philippines has successfully done approximately every two months as of September 2025.<sup>161</sup>

\*China has used force in attempting to prevent the resupply of the *Sierra Madre* ten times since 2021, but it has only succeeded in stopping Philippine forces twice. "Shifting Tactics at Second Thomas Shoal," *Center for Strategic and International Studies, Asia Maritime Transparency Initiative*, August 22, 2024.

However, China has continued its ICAD provocations. Chinese forces use a wide variety of aggressive tactics in the South China Sea, including swarming, ramming, boarding, and blocking Philippine vessels as well as utilizing water cannons, military-grade lasers, sonic weapons, and aggressive maneuvers in the air.<sup>162</sup> The CCG has retained or expanded its near-constant presence around features within the Philippines' EEZ, particularly the Scarborough, Sabina, and Second Thomas Shoals.<sup>163</sup> At Sabina Shoal in August 2024, the CCG rammed the Philippine Coast Guard flagship, *Teresa Magbanua*, three times, inflicting damage.<sup>164</sup> In August 2025, this reckless behavior resulted in a collision between ships from the CCG and PLA Navy as they pursued and attempted to ram a Philippine Coast Guard vessel near the Scarborough Shoal.<sup>165</sup> The CCG vessel sustained severe damage, and footage released by the Philippines, and search and rescue operations conducted by the CCG following the incident, suggest at least two casualties among the CCG crew.<sup>166</sup> China did not acknowledge the crash but condemned the Philippine Coast Guard for "dangerous maneuvering."<sup>167</sup> According to experts, the embarrassment suffered by China is likely to result in increased aggression. Soon after the incident, the CCG sent a swarm of small vessels to the Second Thomas Shoal, which made a close approach to the *Sierra Madre*.<sup>168</sup> China also announced it was designating the Scarborough Shoal a nature reserve in what is a new form of lawfare intended to solidify its control over the area.<sup>169</sup>

In April 2025, the CCG grabbed headlines when it sent sailors to pose with a flag on Sandy Cay, claiming to have "enforced maritime management and exercised sovereign jurisdiction," which prompted the Philippine Coast Guard to do likewise in the following days.<sup>170</sup> Sandy Cay is part of the Spratly archipelago, lying 1.5 nautical miles from Thitu Island,\* which hosts Philippine Navy and Coast Guard stations and a small Filipino civilian population.<sup>171</sup> Notably, it is also 9.3 miles from Subi Reef, one of China's artificial island bases, described by the Philippine Navy as the anchoring hub for Chinese ships in the area, including PLA Navy, CCG, and maritime militia ships.<sup>172</sup> Some analysts suggest China may be asserting sovereignty over Sandy Cay in order to reinforce its rights over the naturally low-tide Subi Reef—and potentially Thitu Island as well.<sup>173</sup>

Although the Philippines had attempted to take a softer stance on South China Sea issues during then-President Rodrigo Duterte's strategy of leaning toward China and away from the United States, China continued its aggressive behavior in the South China Sea, ultimately forcing him to once again seek U.S. support.<sup>174</sup> Chinese aggression increased markedly in 2022 after the election of President Ferdinand Marcos Jr., who has built a "transparency strategy" as a cornerstone of efforts to counter China's ICAD activity in the South China Sea. The Philippines has released images and video of incidents to underscore their unlawfulness, counter Chinese narratives, rally public opinion, and gain international support. However, the degree to which China can be swayed by reputational costs is limited.<sup>175</sup>

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\*Known in the Philippines as Pag-asa Island. Jonathan Head, "The Islanders Facing China's Menacing Presence on Their Horizon," *BBC*, May 20, 2025.

Chinese aggression, including preventing Filipino access to traditional fishing grounds, has increased the Philippines' resolve.<sup>176</sup> The Philippines is developing an external orientation for its armed forces through the Comprehensive Archipelagic Defense Concept, has enhanced the legal framework for control of its territorial waters, and has created a National Maritime Council to ensure a unified and coordinated approach to maritime security and domain awareness.<sup>177</sup> It has renewed its partnership with the United States to enhance its deterrence capacity, including by upgrading its military facilities through the Enhanced Defense Cooperation Agreement (EDCA). The United States and the Philippines have also extended EDCA to additional sites selected to bolster the Philippines' ability to defend its rights in the South China Sea, such as Oyster Bay in Palawan.<sup>178</sup> The Philippines is working with the United States and other partners on modernizing its military and enhancing maritime domain awareness, while expanding military exercises with Australia and India.<sup>179</sup> The Philippines is also cognizant of the role it might be called on to play in a Taiwan contingency, with Armed Forces Chief of Staff General Romeo Brawner telling troops that "if something happens to Taiwan, inevitably we will be involved," particularly to ensure the safety of the approximately 250,000 Filipino citizens residing there.<sup>180</sup>

### ***Vietnam Has Quietly Reinforced Its Position in the South China Sea***

Vietnam has also long been a target for PRC harassment in its EEZ, but it has not been subjected to the same level of Chinese aggression as the Philippines in recent years. The lower intensity of China's behavior toward Vietnam has been reflected in its response to Vietnam's rapid artificial island construction campaign at its Spratly Island outposts. By 2024, the acreage of Vietnam's artificial islands was already 71 percent of China's, and they now feature at least one 8,000-foot runway in order to enhance Vietnam's logistical capabilities, allowing it to maintain a more persistent presence.<sup>181</sup> Beijing's response has been fairly muted; only a single mild rebuke was issued via the Ministry of Foreign Affairs in February 2025 over the construction of the runway.<sup>182</sup> China has not attempted to halt construction of the islands through deployments of PLA Navy or CCG ships, nor has it retaliated economically.

Vietnam's approach to dealing with Chinese aggression has also been comparatively opaque in contrast to the Philippines' transparency strategy. In general, Vietnam has not sought to publicize incidents of China's aggression, even when the CCG has targeted Vietnamese civilian vessels in Vietnam's EEZ. For example, in June 2024, a fishing boat and its crew disappeared after reporting an encounter with Chinese authorities, but the Vietnamese government did not immediately disclose the incident.<sup>183</sup> However, perhaps because of the brazen and public nature of China's actions, Vietnam did feel the need to respond in October 2024 when the CCG chased and boarded a Vietnamese fishing vessel in the Paracel Islands, severely beating the crew and taking their equipment and catch.<sup>184</sup> Vietnam denounced the attack and a month later demanded the release of all detained Vietnamese ships and crew.<sup>185</sup> Since that inci-

dent, there have not been major public actions or reactions between China and Vietnam in the South China Sea. While Vietnam and the United States both call for freedom of navigation through the South China Sea, Vietnam is likely to maintain a cautious approach.<sup>186</sup>

### ***Other South China Sea Claimants Have Downplayed Conflicts with China***

China's gray zone activities occur throughout the South China Sea, but other countries have downplayed the incidents. The CCG regularly patrols Malaysia's EEZ, attempting to deter it from exploring and extracting resources, and China has issued demands for Malaysia to halt such activities.<sup>187</sup> Automatic Identification System (AIS) data analyzed by the Center for Strategic and International Studies' Asia Maritime Transparency Initiative showed the CCG operated vessels in Malaysia's EEZ nearly every day in 2024, mostly around Luconia Shoals, where Malaysia drilled large numbers of new wells in 2023 and 2024.<sup>188</sup> Malaysian Prime Minister Anwar Ibrahim publicly stated that Malaysia will not cease utilizing resources in its EEZ, but he downplayed the severity of the problem.<sup>189</sup>

China, likewise, has attempted to dissuade Indonesia from developing its oil and gas resources in the South China Sea. In October 2024, the CCG shadowed a survey vessel operating in the gas field north of Indonesia's Natuna Islands.<sup>190</sup> The Indonesian Coast Guard released videos of its encounter with the CCG in a move reminiscent of the Philippines' transparency strategy but novel for Indonesia.<sup>191</sup> The encounter took place without the use of water cannons, ramming, or other violent tactics frequently utilized by the CCG against the Philippines, and the Indonesian Coast Guard credited itself with driving off the Chinese vessel, although it repeatedly returned.<sup>192</sup> Indonesian President Prabowo Subianto signed a joint statement with China on the mutual development of maritime areas during his November 2024 state visit to Beijing, which was Indonesia's first formal acknowledgement that it has overlapping claims with China in the South China Sea. Shortly thereafter, however, the Indonesian Ministry of Foreign Affairs released a statement indicating that its position on South China Sea issues had not changed, clarifying that Indonesia does not recognize the nine-dash line, and stating that all negotiations must be based on UNCLOS.<sup>193</sup>

### **China Is Expanding Bilateral and Multilateral Military Exercises in the Region**

Even as it utilizes aggressive tactics against other claimants in the South China Sea, China seeks to build trust with Southeast Asian countries through military exercises. It has been expanding the scale and scope of these exercises in the region in order to showcase the increased capabilities of the PLA and to keep pace with the United States' expanded regional exercises. Engaging with the PLA is one method for Southeast Asian countries to signal non-alignment, including for countries with longstanding military relations with the United States. While China has held record numbers of exercises with Southeast Asian countries in recent years, it still lags behind the United States in the number and size of its military exercises in the region.<sup>194</sup> According to research published by the



Australia-based Lowy Institute, the United States still conducts the largest number of bilateral and multilateral exercises in the region, with seven out of the 11 ASEAN countries engaging in more exercises with the United States than China.<sup>195</sup> U.S. exercises are still favored by most Southeast Asian countries for their focus on interoperability and combat readiness; in contrast, China has framed its bilateral and multilateral exercises in Southeast Asia around humanitarian relief and disaster response and countering non-traditional security threats such as terrorism and piracy.<sup>196</sup> China's regional military exercises are also becoming increasingly multilateral, potentially reflecting a desire to compete with U.S.-led multilateral exercises.<sup>197</sup> This is exemplified by the Aman-Youyi (Peace and Friendship) exercise series, which by 2023 had expanded to include Cambodia, Laos, Malaysia, Thailand, and Vietnam and featured the largest number of personnel for a China-led multilateral exercise in the region to date.<sup>198</sup>

Military exercises may provide an indicator of the state of Southeast Asian countries' relations with the United States and China, respectively. Following the deterioration of Thailand's relations with the United States after its 2014 military coup, China used the opportunity to expand military-to-military relations with Thailand. Their most recent Falcon Strike joint air force drills and Blue Strike naval drills have featured drones and submarines, potentially reflecting Thailand's ongoing acquisition of a Chinese submarine.<sup>199</sup> Indonesia's resumption of the bilateral Peace Garuda exercises with China in 2024 also represents their closer engagement; the exercises had been suspended in 2015 over a South China Sea dispute.\*<sup>200</sup> Even Cambodia wishes to retain a hedging strategy in its military exercises. In 2025, it asked the United States to restart the bilateral Angkor Sentinel joint exercise series, last held in 2016, shortly before the China-Cambodia Joint Support and Training Centre at Ream Naval Base was inaugurated with the largest bilateral Golden Dragon exercises ever held.<sup>201</sup>

### **China Is Making Progress on Strategic Ports and Basing Ambitions**

In order to ensure its ability to prevent disruptions to trade and energy flows through the Strait of Malacca and the South China Sea, China requires access to reliable logistical strongpoints in Southeast Asia for PLA forces. The economic and political influence China is cultivating in Southeast Asia is already allowing it to gain access to strategically located bases and dual-use ports in the region, advancing its ability to operate overseas and project power. Such facilities may create opportunities to engage in intelligence collection, pre-position supplies, and launch counter-intervention efforts that could play an important role in a Taiwan contingency or other crisis.<sup>202</sup> The recently inaugurated Ream Naval Base in Cambodia and the Kyaukphyu port under construction in Burma add to China's growing network of security facilities in Southeast Asia, bolstering existing bases in the South China Sea and stretching into the Pacific

\*However, China continued to participate in Indonesia's Komodo multilateral exercises throughout this period. Ian Seow Cheng Wei, "What's behind the Resumption of China-Indonesia Military Exercises?" *Diplomat*, August 2024.

Islands region. Chinese entities own stakes in six ports throughout the region that have the capacity to host naval vessels, potentially offering opportunities for espionage and logistical support for the PLA while allowing China to maintain plausible deniability about their strategic utility.<sup>203</sup>

***Cambodia's Ream Naval Base Likely Represents China's First Military Facility in the Region***

The Ream Naval Base in Cambodia, which entered operation in April 2025 after years of construction, represents China's most significant attempt to develop a military facility in Southeast Asia.<sup>204</sup> While Cambodia and China have both denied that Ream amounts to a new overseas Chinese military base and assert that no Chinese personnel will be permanently stationed there, the United States believes otherwise. In 2019, U.S. officials reported seeing a secret draft deal that would give China exclusive access to a 62-acre portion of the base for 30 years, including military personnel, ship access, and weapons storage—effectively making Ream China's first overseas naval base in Southeast Asia and second worldwide.<sup>205</sup> While its distance from the Strait of Malacca and its shallow waters limit its strategic value to some extent, Ream could prove valuable as an intelligence-gathering outpost and as a way to reinforce Chinese influence in Cambodia.<sup>206</sup> It is of particular concern for Vietnam, as it represents a potential PLA threat on its eastern flank, which could reinforce Chinese bases in the South China Sea to the west.

The Ream base appears to have been divided into two sections, with the northern pier potentially reserved for the exclusive use of Chinese forces. Two Chinese corvettes have maintained a persistent presence at this pier since December 2023.<sup>207</sup> The pier has features suggesting it is intended to benefit China, including its unusual configuration, which resembles a pier at China's Djibouti base.<sup>208</sup> While it is long enough to accommodate aircraft carriers and other vessels larger than any yet operated by the Cambodian Navy, the waters around the base are still not deep enough to accommodate the PLA Navy's largest vessels.<sup>209</sup> In April 2025, Deputy Chief of Staff of the Central Military Commission Cao Qingfeng joined Cambodian Prime Minister Hun Manet for the inauguration ceremony.<sup>210</sup> The new facilities include a China-Cambodia Joint Support and Training Center, a 2,130-foot pier, and a dry dock.<sup>211</sup> A February 2025 visit by the Chinese ambassador to an air defense facility under construction to the north of the base may represent further Chinese involvement in strengthening the base's capabilities.<sup>212</sup>

Cambodia attempted to prove its claims that the base was open to all by inviting Japan, Vietnam, Russia, and the United States for port visits following the base's inauguration. So far this effort has been unconvincing, as it is not yet clear whether Cambodia has allowed another foreign military to enter the northern part of the base.<sup>213</sup> Two Japanese Self Defense Force minesweepers arrived the day after Xi Jinping's departure from the country following his state visit, with Vietnamese and Russian vessels visiting shortly afterward.<sup>214</sup> However, the visiting ships did not dock at the large new pier in the northern part of the base used by PLA Navy vessels, instead docking at the wharf in the southern part of the base.<sup>215</sup>

During its May 2025 trip to Cambodia, the Commission sought permission to visit Ream Naval Base. Ultimately, the day before the visit would have happened, the Government of Cambodia denied access without providing any explanation. The following week, Cambodia and China initiated their largest-ever joint military exercises, called Golden Dragon 2025, based in part at Ream.

Chinese influence extends beyond Ream Naval Base into the adjacent city of Sihanoukville and around Kampong Som Bay, where a Chinese company secured a 99-year lease to a full 20 percent of Cambodia's coastline and recently completed a major airport that could supplement the facilities at Ream.\*<sup>216</sup> The Dara Sakor Airport is the only completed portion of the company's plans to develop an industrial park, deep-water port, and luxury resorts in the area. Although the plans were drawn up in 2008, the airport only opened to commercial flights in April 2025 and operates just one flight per week.<sup>217</sup> Despite this apparent lack of commercial viability, the airport is massive, with runways large enough to accommodate military aircraft, which has raised speculation that the facility could provide access to the PLA Air Force, providing an air power complement to the naval facilities at Ream.<sup>218</sup>

### ***China's Expanding Security Footprint in Burma Reopens the Opportunity for a Strategic Port***

Burma plays a critical role in China's strategy to secure a land access route to a port on the Bay of Bengal/Indian Ocean to reduce its vulnerability to a potential blockade of the Strait of Malacca.<sup>219</sup> The Burmese civil war has, at least for the time being, created setbacks for China's efforts to connect the Chinese city of Kunming to a deep-sea port at the strategically located Burmese town of Kyaukphyu.<sup>220</sup> China is utilizing its increased leverage over the multiple parties to intervene in the conflict in order to advance its interests, extend its security presence, and work toward restarting its infrastructure projects to connect the city and the port.<sup>221</sup>

In early 2025, China pressured the Burmese military to concede to its request to allow its private military companies (PMCs) to operate in the country, and a joint PMC was established in Kyaukphyu Port in a deal signed with CITIC Group.<sup>222</sup> The PMC is likely to include both Burmese and Chinese personnel and could play a role in making it safe for Chinese workers to resume construction at Kyaukphyu, which was disrupted in late 2024.<sup>223</sup> Chinese PMCs are closely tied to the PLA and are expected to be deployed with an array of intelligence and surveillance capabilities, which may provide targeting data to the Burmese military.<sup>224</sup> China extended further support to the Burmese military by banning exports of dual-use technology to opposition groups in November 2024 and increasing arms sales to the military, including aircraft, drones, and a diesel submarine.<sup>225</sup> China's Ministry of Public Security is also expanding China's security footprint in Burma, working to set up a coordination center with the junta's security forces and provide them equipment.<sup>226</sup> China has thrown its support behind the military govern-

\*The company was sanctioned by the United States in 2020 in response to the project illegally displacing Cambodian residents and its potential military use. U.S. Department of the Treasury, *Treasury Sanctions Chinese Entity in Cambodia under Global Magnitsky Authority*, September 15, 2020.

ment and started making efforts to legitimize junta leadership on the global stage.<sup>227</sup> It is also using its longstanding significant influence over many of Burma's most powerful ethnic armed opposition groups to force their withdrawal from some of their captured territories, handing the junta outcomes they could not achieve on the battlefield.<sup>228</sup> Through its interference in Burma, China is gaining experience in an active war zone, making progress toward securing a strategically located dual-use port, and seeking to retain exclusive access to key resources, including rare earth minerals.<sup>229</sup>

### **China Develops New Methods to Build Security Inroads in Southeast Asia**

China is expanding its security footprint in Southeast Asia in ways that go beyond conventional engagement, using cooperation on non-traditional security issues to export authoritarian norms and practices. Under the umbrella of its GSI, China has sought to formalize and expand its non-traditional security cooperation in Southeast Asia. China is also exploiting the rapidly growing problem of scam centers to pressure countries in the region—including U.S. allies such as Thailand—to allow Chinese security personnel greater leeway to operate on their territory. The presence of officers from China's Ministry of Public Security and other internal security forces in the region enhances China's domain awareness, creates opportunities for intelligence gathering, and strengthens its ability to police its own citizens abroad. It also has the potential to become an additional lever of Chinese influence by helping leaders in the region maintain regime security.<sup>230</sup>

### ***China Leverages Non-Traditional Security Issues to Expand Its Security Presence in Southeast Asia***

For over two decades, China has promoted non-traditional security cooperation with Southeast Asia to expand its security influence in the region. As early as 2002, China signed a joint declaration with ASEAN to increase cooperation on non-traditional security issues such as the illicit drug trade, human trafficking, and terrorism.<sup>231</sup> As part of the agreement, China also agreed to hold training courses for security personnel from ASEAN countries, enabling it to begin promoting its authoritarian policing practices among countries in the region.<sup>232</sup> In the 2010s, China began working to establish new multilateral and bilateral security mechanisms that enable it to dispatch its security personnel to conduct patrols and participate in raids on transnational criminal activity in Southeast Asia. Since 2011, China has coordinated joint patrols of the Mekong River together with Laos, Burma, and Thailand. In 2017, it further institutionalized parallel regional security cooperation by establishing the Lancang-Mekong Integrated Law Enforcement and Security Cooperation Center in the border province of Yunnan, which brought in Cambodia and Vietnam and serves to share intelligence, conduct training, and organize joint operations.\*<sup>233</sup> China has likewise set up bilateral law enforcement coordination centers with countries in

\* Under the framework of the Lancang-Mekong Cooperation mechanism. Lu Guangsheng, "China Seeks to Improve Mekong Sub-Regional Cooperation: Causes and Policies," *S. Rajaratnam School of International Studies*, February 2016, 12.

the region, establishing one with Cambodia in 2019, followed by one with Laos in 2022. The operation centers provide Chinese security personnel wide latitude to operate in these countries.<sup>234</sup> As part of these efforts, China has trained security personnel in Cambodia and Laos on issues such as “anti-interference,” “anti-secession,” and “resistance to color revolutions”—effectively exporting its own draconian policing practices to countries with which it is closely aligned in Southeast Asia.<sup>235</sup>

***China Uses the Global Security Initiative to Formalize and Deepen Its Security Presence in Southeast Asia***

Since its launch in 2022, China’s GSI has served as a framework for further formalizing and expanding China’s non-traditional security cooperation with Southeast Asia. Intended as an alternative to the U.S.-led international security architecture, China’s GSI has emphasized promoting internal regime security (which China refers to as “political security”) and eschewing formal military alliances in favor of greater cooperation on non-traditional security issues.<sup>236</sup> China has actively courted the participation of Southeast Asian countries in the GSI, and since 2022 Indonesia, Laos, Vietnam, Cambodia, Thailand, and the Philippines have all issued statements expressing varying levels of support for China’s GSI.<sup>237</sup>

The case of Vietnam provides a clear illustration of how China has used non-traditional security cooperation branded under the GSI to enhance its security presence, even in a country with which it has long had a contentious security relationship. After Vietnam endorsed the GSI in 2023, Xi Jinping traveled to the country and declared that Vietnam and China should enhance their mutual trust by collaborating on “government security and regime security,” including sharing intelligence on how to prevent “external infiltration” and strengthening cooperation on monitoring religious groups and foreign non-governmental organizations.<sup>238</sup> The increased interaction between the two countries’ internal security services has created an avenue for China to influence the Vietnamese government despite their diverging interests in the South China Sea.<sup>239</sup>

***China Exploits the Growing Problem of Scam Centers to Deepen Its Security Influence in Southeast Asia***

Over the past several years, China has exploited the growing crisis of scam centers operated by Chinese crime syndicates—many of which spread throughout Southeast Asia with, at a minimum, implicit backing from elements of the Chinese government—as a pretext to further entrench its security presence in the region. (For more on scam centers, see Appendix: “China’s Exploitation of Scam Centers in Southeast Asia.”) Since the outbreak of the COVID-19 pandemic, scam centers operated by Chinese criminal networks based in Southeast Asia have exploded into a massive criminal industry that has begun to rival the global drug trade in scale and sophistication.<sup>240</sup> In 2023, scam centers in Burma, Cambodia, and Laos generated an estimated \$43.8 billion in revenue—equivalent to about 40 percent of their combined official GDP.<sup>241</sup> The explosive growth of scam centers in Southeast Asia has also fueled large-scale human trafficking. In August 2023, the Office of the UN Commis-

sioner for Human Rights estimated that 220,000 people from dozens of countries were being held as forced laborers in scam centers in Cambodia and Burma alone.<sup>242</sup>

Beijing has used the scourge of scam centers to pressure regional countries to grant Chinese security personnel even greater leeway to operate within their territory to conduct raids on scam centers that target Chinese victims. In January 2025, China hosted a meeting of the Lancang-Mekong Law Enforcement Cooperation mechanism with representatives from Burma, Cambodia, Laos, Thailand, and Vietnam in which those countries agreed to strengthen intelligence sharing and joint operations with China to crack down on scam centers.<sup>243</sup> In particular, China has exploited the problem of scam centers to pressure Thailand—a U.S. treaty ally that has long resisted allowing Chinese police to operate on its territory—to permit Chinese security forces to work within its borders. After a Chinese actor named Wang Xing was abducted in Thailand and trafficked into a scam center in Burma in January 2025, Chinese tourist arrivals in Thailand reportedly dropped by 33 percent, causing significant harm to Thailand’s economy.<sup>244</sup> Under pressure to reassure Chinese tourists, Thailand acceded to China’s request to establish police coordination centers, and Thailand’s then-Prime Minister Paetongtarn Shinawatra vowed to “strengthen law enforcement cooperation with China” during a meeting with Xi Jinping in February.<sup>245</sup> Later that month, Thailand allowed high-level Chinese officials and Chinese security forces to participate in cross-border raids on scam centers in Burma that resulted in thousands of Chinese citizens being turned over to Chinese personnel in Thailand and repatriated to China on Chinese charter flights.<sup>246</sup> However, numerous Thai academics and opposition Members of Parliament have since argued that granting China such access violated Thailand’s sovereignty and sections of Thailand’s Penal Code prohibiting actions that undermine the independence of the state.<sup>247</sup>

Perhaps most concerning from the perspective of the United States, Chinese security personnel in Southeast Asia have selectively cracked down on scam centers that target Chinese victims, leading Chinese criminal groups to assess that they can make greater profits with less risk by targeting American victims instead. In 2024, China reported a 30 percent decrease in money lost to online scams. In the same year, the United States witnessed a 40 percent increase in losses from online scamming.<sup>248</sup> According to very conservative estimates, Americans lost at least \$5 billion to such scams in 2024.<sup>249</sup>

## **China Increases Its Leverage in Southeast Asia through Expanding Trade and Investment**

Collectively, Southeast Asian countries constitute a large and rapidly growing economic region, with a regional population of nearly 380 million people under the age of 35 and economies projected to grow by an average of over 4 percent over the next five years.\*<sup>250</sup> There is not a single “ASEAN” economy, however, as there is significant economic diversity across the ASEAN countries. China is the

\*Unless stated otherwise, figures in this section are based on the ten countries that formed ASEAN prior to Timor-Leste’s accession in October 2025.

region's largest external trading partner and has strong economic ties to Southeast Asia through intertwined supply chains for manufactured goods.<sup>251</sup> This two-way trade has created opportunities for Southeast Asian countries, particularly as multinationals seek to diversify supply chains, but it also has increasingly created risks. Indonesia, Malaysia, Vietnam, and Thailand are already experiencing China Shock 2.0—a surge in Chinese imports that compete with local manufacturers and put downward pressure on wages and employment.

China's investment ties in the region have also had mixed impacts. As two-way trade links between China and the region grew, China invested heavily in regional transport infrastructure under BRI, building ports, roads, and railways to serve its expanding export-oriented economy.<sup>252</sup> This investment, at times, fueled instances of elite capture and involved white elephant projects that provided little benefit for the local population. In recent years, China began investing more heavily in digital infrastructure, including telecommunications networks and undersea cables as well as emerging technologies like AI-enabled data centers that could pose security risks to host countries.

### **China's Economic Relationship with Southeast Asia Has Become Increasingly Unbalanced**

Southeast Asia seeks to maintain ties with its two largest trade partners through the lens of the "ASEAN Way," which emphasizes avoiding alignment with external stakeholders. China and the United States are ASEAN's largest external trade partners, and both have a substantial impact on development in the region.<sup>253</sup> China is the largest source of visitors to the region, while accumulated FDI from U.S. firms has spurred global value chain participation and exports.<sup>254</sup> Because of these linkages, Southeast Asia is deeply concerned about the potential impact to its economy from U.S.-China decoupling, generating pressure to choose sides.<sup>255</sup> The ASEAN Community Vision 2045 called out the need to navigate the impact and potential opportunities of key trends, including major power rivalries, rising barriers to trade and investment, and supply chain resilience.<sup>256</sup> ASEAN's statement envisioned "strong and mutually beneficial economic relations with external partners... that maintain ASEAN Centrality."<sup>257</sup> The ASEAN region's commitment to avoiding alignment is reflected in the choice by multiple members to seek membership in both the Organisation for Economic Co-operation and Development and BRICS.<sup>258</sup>

China's extensive trade and investment links with Southeast Asia are driven by integrated global supply chains. ASEAN countries conducted \$3.8 trillion in total goods trade in 2024, with intra-ASEAN trade accounting for the largest share, at 21.4 percent.<sup>259</sup> China, however, represents the largest external trade partner for combined ASEAN countries, at 20 percent of ASEAN trade.<sup>260</sup> The significance of the trade relationship between China and ASEAN is mutual—ASEAN as a bloc is China's largest trade partner.<sup>261</sup> In 2024, China was also the largest bilateral trade partner for every individual ASEAN country except for two: Thailand and Brunei.<sup>262</sup> Chinese manufacturers' need for raw materials has provided a market

for exports of natural resources from Southeast Asia.<sup>263</sup> Conversely, ASEAN countries depend on China for imports of intermediate goods.<sup>264</sup>

China's trade with ASEAN benefits from several trade agreements. ASEAN and China have had a free trade area—the ASEAN-China Free Trade Area (ACFTA)—since 2010, though a relatively weak one.\*<sup>265</sup> China and ASEAN recently concluded negotiations on a second upgrade to ACFTA (the first upgrade was completed in 2015) that would deepen economic cooperation in areas including digital and green economies.<sup>266</sup> The Regional Comprehensive Economic Partnership (RCEP), which links ASEAN with other bilateral free trade agreement partners, was intended to boost regional trade by strengthening supply chains. However, the wide diversity among RCEP's participants led to significant loopholes being built into the agreement, including a very limited dispute settlement mechanism.<sup>267</sup> China is also seeking to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a significantly more extensive trade agreement that includes Brunei, Malaysia, Singapore, and Vietnam among its members.†<sup>268</sup>

In recent years, the China-ASEAN trade relationship has become increasingly unbalanced, and ASEAN countries are already at the forefront of the second China Shock. The ASEAN trade deficit with China nearly doubled between 2020 and 2024.<sup>269</sup> Monthly ASEAN exports to China peaked in December 2021, while ASEAN imports from China have only continued to grow, hitting a new monthly peak in April 2025.<sup>270</sup> While many of these imports from China are intermediate goods—some of which are incorporated into ASEAN's exports to third countries—increasing amounts of Chinese exports are final goods, potentially displacing domestic production and intra-ASEAN trade, resulting in economic harm to ASEAN countries.<sup>271</sup> Many Southeast Asian countries have implemented measures to protect local industries and push back on the flood of excess capacity from China.<sup>272</sup> However, given the scale of China's market distortions and the size of its manufacturing sector, it is likely that China's economic model will hinder Southeast Asia's efforts to move up the value chain. (For more on the impact of China's unfair trade practices, see the case study on Southeast Asia in Chapter 8, "China Shock 2.0.")

Although China is Southeast Asia's largest single trade partner, trade and investment with the United States is also very important to the region. The United States is the largest export market for ASEAN countries, and—collectively—ASEAN is the fourth-largest

\*The desire to forge new and improved deals stems from weaknesses in existing trade agreements. Notably, ACFTA has a low utilization rate. Inkyo Cheong and Yeri Ryu, "Issues on the ASEAN-China Free Trade Area," in *Further ASEAN-China Cooperation for Joint Prosperity: Envisioning ACFTA 3.0 in the Digital Era* (Economic Research Institute for ASEAN and East Asia, 2024), 74; Xirui Li, "ASEAN's Trade-Off between Economic Nationalism and Development," *East Asia Forum*, February 24, 2024.

†The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, formed by the remaining members of the Trans-Pacific Partnership after the United States withdrew, is a comprehensive agreement including relatively high environmental, labor, intellectual property, and investment standards; market access provisions for both goods and services; and a dispute settlement mechanism. The combined GDP of its 12 members is around 13 percent of the world total. New Zealand Foreign Affairs and Trade, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership Overview*, accessed August 22, 2025; Cathleen D. Cimino-Isaacs, "CPTPP: Overview and Issues for Congress," *Congressional Research Service* (Report No. IF 12078), June 16, 2023.



trading partner of the United States, accounting for over \$120 billion in U.S. exports.<sup>273</sup> ASEAN is also the top destination for U.S. FDI in the Indo-Pacific, with estimates of FDI stock ranging from \$346 billion to over \$500 billion.<sup>274</sup> As a result, the United States remains the largest source of inbound FDI to ASEAN countries.\* In 2023, the United States invested \$74.4 billion, over 30 percent of total FDI flows, while China only made up 7.5 percent of the total.<sup>275</sup> Many U.S. and other foreign companies have made one or more ASEAN countries the centerpiece of their efforts to diversify supply chains away from China.<sup>276</sup>

Given the “ASEAN way” of avoiding alignment in geopolitics, both the United States and China are likely to see further growth in trade and investment ties with ASEAN, suggesting the region will continue to be a key area for U.S.-China economic competition in the coming years.

### Chinese Investment Has a Mixed Record

U.S. investment in ASEAN economies has been driven by multinational corporations investing in electronics, other manufacturing industries, and services that have helped Southeast Asian countries integrate into global value chains. By contrast, China’s investment in the region is heavily driven by BRI,† which has provided extensive infrastructure investment and loans primarily through state-owned entities, creating issues of lingering debt burdens and underperforming assets. More recently, China’s investment in the region has shifted from large-scale physical infrastructure projects like roads, railways, and ports to focus on “small and beautiful” projects.<sup>277</sup> China’s private technology firms are beginning to invest in industries including semiconductors, AI, and data centers under BRI’s Digital Silk Road (DSR) initiative, creating security risks for host countries and competing with U.S. firms for market share. Chinese manufacturers are also setting up factories in Southeast Asia to avoid being subject to tariffs on made-in-China goods. Goods produced in these factories compete with local suppliers for market share, and their further export into global markets could expose ASEAN to retaliatory tariffs. (For more on China’s manufacturing investment in Southeast Asia, see Chapter 8, “China Shock 2.0.”) Furthermore, the dominance of Chinese firms in industries like critical minerals and

\*The US-ASEAN Business Council estimates that ASEAN has received more FDI from the United States than China, India, Japan, South Korea, and Taiwan combined. Singapore receives by far the most inbound investment (\$141 billion out of \$226 billion total in 2022) due to its strong supporting financial and regulatory infrastructure. Singapore then serves as a jumping-off point for investment into ASEAN countries, where Singapore is the largest investor. This phenomenon obfuscates flows and stock of investment and heightens the difficulty in determining which foreign countries are the largest source of investment to Southeast Asian countries. “China’s Investments in Southeast Asia Snarl US Plans on Supply Chains,” *Bloomberg*, April 24, 2025; Vikram Nehru, written testimony for U.S.-China Economic and Security Review Commission, *Hearing on Crossroads of Competition: China in Southeast Asia and the Pacific Islands*, March 20, 2025, 7; ASEAN Secretariat, *ASEAN Key Figures*, 2023, 46; “ASEAN Matters for America Matters for ASEAN,” *US-ASEAN Business Council*, 2023, 26.

†The BRI label encompasses both state-led initiatives and private corporate actions. Although Chinese private firms often initiate investment without a directive from the state, the Chinese government coopts private Chinese investments and reframes them under the umbrella of BRI messaging to advance its own strategic and political aims abroad. Likewise, because of the advantages in terms of government support and access, Chinese companies are incentivized to welcome taking on the label of BRI. Yuen Yuen Ang, “Demystifying Belt and Road,” *Foreign Affairs*, May 22, 2019; Jonathan Hillman, written testimony for U.S.-China Economic and Security Review Commission, *Hearing on China’s Belt and Road Initiative: Five Years Later*, January 25, 2018, 3.

batteries reduces opportunities for the United States to work with its allies and partners in the region on de-risking supply chains. (For more on the risks from China's dominance over supply chains, see Chapter 9, "Chained to China: Beijing's Weaponization of Supply Chains.")

***China's Physical Infrastructure Investment Has Helped Entrench Chinese Commercial Interests while Bringing Questionable Benefits***

In the decade since it was launched, China's BRI has failed to live up to its promises for global development, leaving countries around the world facing higher debt loads while imbedding Chinese firms and equipment in local economies and infrastructure. After hitting a peak around 2016, China's volume of international lending began to fall as poor risk management practices, implementation difficulties, and China's own flagging domestic conditions forced a reevaluation of its overseas commitments.<sup>278</sup> China is now the single-largest creditor for a vast portfolio of loans to developing countries, many of which will likely face repayment difficulties for projects that failed to deliver the promised benefits.<sup>279</sup> For example, in 2023, China accounted for 37 percent of Cambodia's external debt load.<sup>280</sup> Although Cambodia's risk of debt distress is considered low, China extended no new loans to the country in 2024 after a string of unsuccessful projects.<sup>281</sup> Laos, which the International Monetary Fund labels as in debt distress, owed 32 percent of its public debt to China at the end of 2023.<sup>282</sup> Cambodia and Laos, two of Southeast Asia's countries that most embraced China's promise of infrastructure assistance, are also probably least well positioned to negotiate for better terms on future projects.<sup>283</sup>

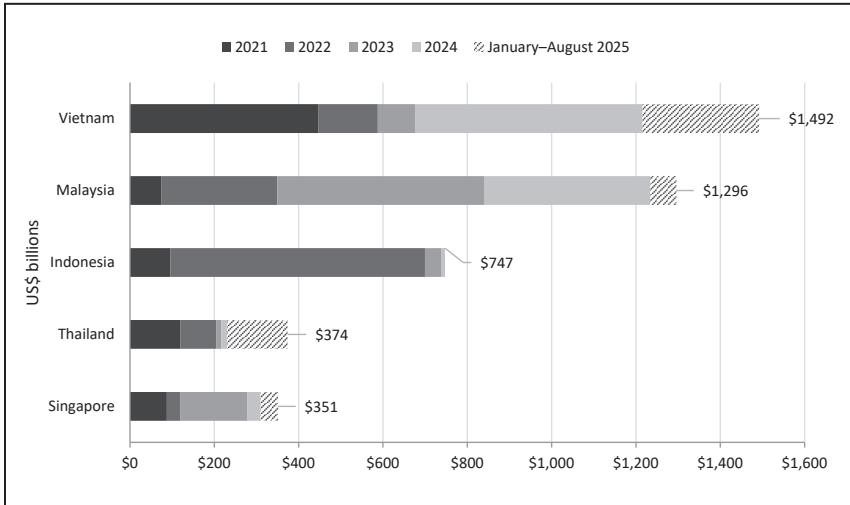
Local elites have sought to leverage Chinese infrastructure projects for political gain, and a lack of governance and opaque bidding processes have led to poor project outcomes. Chinese firms often made unrealistic promises on speed of execution and pricing in order to win contracts but reneged on their promises once the projects started, leaving governments on the hook for unanticipated expenses.<sup>284</sup> For example, in the case of a project to build a high-speed rail connection between Jakarta and Bandung in Indonesia, Chinese contractors outbid their Japanese competitors by promising faster completion and lower interest costs, neither of which they were ultimately able to deliver on.<sup>285</sup> The railway as it currently exists seems likely to generate a negative rate of return for the near term, and some analysts argue it needs further expansion to other cities before the economic case becomes viable.<sup>286</sup>

Although citizens from Southeast Asian countries, on the whole, have a positive impression of BRI as it has brought some tangible improvements in transportation and other infrastructure, it has also brought detrimental side effects for local development.<sup>287</sup> Communities hosting BRI investment projects have leveled criticism at Chinese construction firms for bringing in Chinese laborers and intensifying ethnic tensions.<sup>288</sup> Both Chinese and host country laborers have become victims of human trafficking as Chinese officials have insufficient oversight of the actions of firms using the BRI label.<sup>289</sup>

### ***Chinese Investment in Critical Infrastructure in Southeast Asia Is Raising Security Concerns***

Chinese companies are investing in key critical infrastructure systems throughout Southeast Asia, sometimes competing with U.S. firms and creating vulnerabilities that could impact U.S. national security interests in the region. China's DSR investments are clustered in telecommunications, 5G, data centers, fintech, and e-commerce.<sup>290</sup> Laos and Thailand were the first Southeast Asian countries to explicitly sign DSR cooperation agreements, but since then, all ASEAN countries have received some DSR investment, with Indonesia, Singapore, and Malaysia receiving the most projects through 2020.<sup>291</sup> Since then, according to data from Rhodium Group's China Cross-Border Monitor, China's investment into the region's information and communications technology sector has exceeded \$12 billion, with major investments in Indonesia, Malaysia, and Vietnam (see Figure 4). Southeast Asian countries generally welcome these investments for their potential to stimulate domestic growth, a consideration that sometimes outweighs competing security concerns for host countries.

**Figure 4: Value of Completed Chinese FDI Transactions in Information and Communications Technology Sector, 2021–August 2025**



Source: Rhodium Group, “China Cross-Border Monitor—Information and Communications Technology, 2021–2025.”

Chinese DSR investment represents a shift from the state-driven approach that previously dominated BRI to investments led by private Chinese firms. Huawei, ZTE, and Alibaba were major Chinese players in DSR projects through the latest publicly available comprehensive datasets as of 2021, and more recent analysis indicates that these firms remain the leading Chinese investors in emerging technology in Southeast Asia.<sup>292</sup> U.S. and Chinese investment has led to fierce competition in areas like cloud computing and data centers, where China has established itself as a leader in Thailand, the

Philippines, and Malaysia.<sup>293</sup> Alibaba and Huawei have contributed to AI-enabled smart city initiatives in Malaysia and Singapore and have made or are planning investments in data centers in Malaysia, Indonesia, Singapore, Thailand, Vietnam, and the Philippines.<sup>294</sup> Additionally, almost every Southeast Asian country has used Huawei as a core network equipment provider in their telecommunications infrastructure.<sup>295</sup>

China's DSR and private sector tech investments can raise national security concerns for host countries and, in some cases, even for the United States. Chinese investments in information and communications technology are often welcomed based on relatively low cost and quick execution, and host countries did not consider them a security threat until recently.<sup>296</sup> Huawei has supplied 70 percent of Indonesia's network equipment and has offered to take over the remaining percentage with a free rip-and-replace program.<sup>297</sup> All Chinese firms, including Huawei, are required to cooperate with requests from the Chinese government for data and to cooperate with the CCP on "matters of national security," raising concerns over data collection and surveillance abroad.<sup>298</sup> State-owned State Grid Corporation of China owns 40 percent of the National Grid Corporation of the Philippines, the company that operates the Philippines' national electricity grid.<sup>299</sup> This ownership stake has raised concerns among Philippine lawmakers that China could remotely access and disable the grid.<sup>300</sup> To the extent that U.S. defense sites in the Philippines rely upon that critical infrastructure, the United States could be exposed to many of the same security concerns.<sup>301</sup> (For more on risks posed by China's investments in energy grids around the world, see Chapter 10, "Power Surge: China's Electrification Drive and Push for Global Energy Dominance.")

### **Singapore Seeks to Balance Trade, Investment, and Security Relationships**

As a regional finance and trade hub, Singapore plays a key role in connecting ASEAN to the rest of the world. Singapore is attempting to maintain this role against the backdrop of amplified U.S.-China competition in the region. The Singaporean government believes the need for regional stability and its role as an economic middleman necessitates a position of strategic neutrality toward China. According to a 2025 survey, elites in Singapore view "intensifying economic tensions between major powers" as one of the top three challenges facing the region.<sup>302</sup> While China is Singapore's largest trade partner, the United States and Singapore have had a free trade agreement since 2004, and the United States is the largest source of FDI for the country.<sup>303</sup> During a visit to China this year, Prime Minister Lawrence Wong emphasized Singapore's commitment to working with the country to maintain free trade.<sup>304</sup>

Singapore's importance as a trade and investment hub is augmented by a vibrant and growing technology sector, and Chinese and U.S. firms are both taking advantage of its pro-business environment. Startups in "deep tech"—autonomous vehicles, semiconductors, robots, and other cutting-edge technologies—are flourish-

### **Singapore Seeks to Balance Trade, Investment, and Security Relationships—*Continued***

ing due to Singapore's talent base, location, and policy support.<sup>305</sup> The country produces 10 percent of the world's semiconductors and 20 percent of its semiconductor manufacturing equipment, and in recent years it has attracted investment for new semiconductor manufacturing facilities from Taiwan and U.S. companies looking to diversify production.<sup>306</sup> At the same time, Chinese firms have invested in Singapore's AI industry, including a cloud services partnership between Huawei and the country's major financial institutions.<sup>307</sup> Other Chinese AI startups have moved to Singapore because it offers better access to capital and a more open regulatory environment—and also because operating out of Singapore can help alleviate the concerns of overseas customers wary of working with companies based in China.<sup>308</sup>

Singapore recognizes the security risks from China and has taken steps to harden its infrastructure. In 2024, China-linked cyber threat actor Volt Typhoon attacked Singapore's largest telecom company in what experts believe was a test run for attacks on U.S. telecommunications infrastructure.<sup>309</sup> In July 2025, Coordinating Minister for National Security and Minister for Home Affairs K Shanmugam described a China-linked hacking effort on strategic targets in Singapore as posing a risk for espionage and disruption to vital services.<sup>310</sup> Japan and Singapore are reportedly collaborating on upgrading the resiliency of shared undersea cables and cyber systems.<sup>311</sup>

Despite its small size, Singapore is proactive in establishing national security relationships, maintaining longstanding close ties to the United States that include access, basing, and overflight privileges and significant purchases of U.S. armaments.<sup>312</sup> However, Singapore also has carefully cultivated security ties with China, including participating in high-level military exchanges and joint exercises.<sup>313</sup> Furthermore, Singapore also maintains discreet defense ties with Taiwan, engaging in military training at facilities in Taiwan despite Chinese pressure.<sup>314</sup>

China is also seeking to provide and service undersea cables that enable global connectivity for the region. Southeast Asia is a hub for undersea cable connections, and demand for connectivity is growing both to link smaller islands to modern internet infrastructure and to serve the needs of population centers aiming to become hubs for digital services.<sup>315</sup> Japan dominates cable laying in Southeast Asia (41 percent), with the United States (20 percent) and China (19 percent) ranked second and third in terms of total subsea cables supplied in the region.<sup>316</sup> For now, China remains a distant fourth place in the global undersea cable industry, which has been dominated by French, U.S., and Japanese firms.<sup>317</sup> However, China is making efforts to promote domestic cable-laying companies on the world stage, and the China Academy of Information and Communications Technology projects that Chinese companies will be involved in the installation of 45 percent of cables globally between 2023 and 2028.<sup>318</sup> Additionally,

China maintains a significant presence in the undersea cable repair industry—primarily in the northwest Pacific Ocean—and launched several new cable-laying ships in 2024.<sup>319</sup>

Technology investment in Southeast Asia has also become another avenue for Chinese firms to work around U.S. export controls on advanced semiconductors. Chinese firms are at least partially driven by commercial motivations to access new markets, talent, data, and information, and their investments overlap with those pursued by U.S. firms.<sup>320</sup> Countries in Southeast Asia have at times been receptive to this investment. In May 2025, Malaysia announced it had reached an agreement to incorporate Chinese technology, including Huawei’s Ascend AI chips and DeepSeek’s AI models, into a large domestic computing project.<sup>321</sup> After the announcement drew scrutiny from the United States over security concerns, the Malaysian government removed references to Huawei and distanced itself from the project, but the incident exemplifies the ongoing competition for dominance in Southeast Asia’s developing AI industry.<sup>322</sup> Chinese and U.S. firms have occasionally invested in the same AI firms in Southeast Asia, raising the possibility of unintentional tech transfer to China.<sup>323</sup> Operations in Southeast Asia may also provide a way around U.S. export controls for Chinese companies. For example, Singapore has become a major destination for investment by Chinese AI companies seeking to avoid U.S. restrictions on exports of chips and other high-tech equipment to China.<sup>324</sup> Chinese firms have also been able to access advanced Nvidia chips by flying physical hard drives to Malaysia and renting data center servers there to train AI models.<sup>325</sup> Although Malaysian officials announced they were launching an investigation into the incident, they reiterated that the country maintains a “neutral stance on unilateral sanctions” and only advised companies to comply to avoid secondary sanctions.<sup>326</sup> The incident highlights the difficulty of securing technology amid ASEAN’s desire to maintain access to both U.S. and Chinese technology.

## Implications for the United States

**If Beijing’s bid for regional hegemony in Southeast Asia succeeds, it would significantly alter the global balance of power in China’s favor, with serious implications for the United States’ ability to protect its economic and security interests in the region.** China’s growing influence and leverage in Southeast Asia could threaten the United States’ ability to rely on regional partners for access, basing, and overflight—undermining U.S. capacity to support Taiwan and other Indo-Pacific allies and partners. It would also undercut the United States’ capability to ensure a free and open Indo-Pacific and free passage in some of the world’s most crucial sea lanes.

Beijing has adopted a long-term, multifaceted approach toward building influence in Southeast Asia at the expense of the United States. China has spent many years amassing economic leverage over Southeast Asian countries through expanding trade and large-scale infrastructure investments. Beijing has also devoted significant resources to reshaping the information environment in the region with the aim of promoting Beijing’s influence and undercutting

U.S. credibility. More recently, Beijing has sought to capitalize on its economic and political clout to increase its military access and security footprint throughout the region. **If Southeast Asian countries perceive that the United States is pulling back economically and diplomatically, it will be increasingly difficult for the United States to retain its position as the security partner of choice in the region.**

China's persistent and aggressive actions in the South China Sea targeting the Philippines also make the region a potential flashpoint for U.S.-China military conflict. Gregory B. Poling, director of the Southeast Asia Program and Maritime Transparency Initiative at the Center for Strategic and International Studies, testified before the Commission that if China continues with its current pace of operations in the South China Sea, "It is a mathematical certainty that a Southeast Asian mariner—most likely a Filipino—will be killed with unpredictable escalation risks."<sup>327</sup> Such an event could trigger the U.S.-Philippines Mutual Defense Treaty and potentially lead to direct confrontation between the United States and China. The Philippines is an important and longstanding U.S. ally that would play a crucial role in enabling U.S. military support for Taiwan or other regional contingencies. **In order to maintain the credibility of U.S. deterrence in the Indo-Pacific, it is essential that the United States continues to signal strong support for the Philippines and help it enhance its capacity to resist and deter China's illegal, coercive, aggressive, and deceptive activities in the South China Sea.**

China's expanding police cooperation with Southeast Asian countries should also be concerning to U.S. policymakers. Beijing has adopted an "inside-out" approach to building its security influence with several countries in the region. **Beijing is using cooperation with internal security forces in various Southeast Asian countries in an attempt to gain the allegiance of regional governments by helping them maintain power through authoritarian policing practices and high-tech surveillance methods.** Beijing can then use these arrangements as leverage to obtain support for China's positions—and, potentially, to pressure them to deny access, basing, and overflight to the United States during a military conflict.

Beijing is exploiting the growing problem of scam centers to pressure Southeast Asian countries (including Thailand, a U.S. treaty ally) to grant Chinese security forces even greater leeway to operate on their territories. **If the United States does not strengthen law enforcement cooperation with Southeast Asian countries to help them build the capacity to tackle scam centers, they are more likely to accept the further expansion of China's police presence in the region.**

China's raids on scam centers targeting Chinese victims have only incentivized Chinese criminal groups to focus on scamming Americans instead. **If the United States does not act to raise public awareness domestically and better equip U.S. law enforcement to handle sophisticated new cyber scams, the Chinese crime syndicates behind scam centers in Southeast Asia are likely to continue targeting Americans.**

China's growing investment in critical infrastructure in Southeast Asia and its surging exports to the region also pose concerning security risks. Chinese technology companies have invested heavily in telecommunications equipment, electrical grids, data centers, and undersea cables in Southeast Asia—potentially exposing U.S. firms and military assets in the region to data security and sabotage risks. China's growing trade and technology links with the region could also deepen supply chain dependencies on China. At the same time, the reality of China Shock 2.0's negative impact on Southeast Asia may make regional countries more receptive to efforts to respond to China's heavily distorted economic model. **It is essential for the United States to continue engaging the region economically.**

Southeast Asia is a highly dynamic, economically significant, and geostrategically crucial region that will continue to play a pivotal role in U.S.-China competition. **If the United States does not step up its economic and security engagement with the region, China's dominance will likely continue to expand, threatening the ability of the United States to protect its economic and security interests throughout the Indo-Pacific.**

## Recommendations

The Commission recommends:

- Congress direct the President to create an interagency task force to combat scam centers, which are primarily operated by Chinese criminal networks in Southeast Asia and defraud Americans of billions of dollars annually. The task force should:
  - Work with the Intelligence Community to:
    - Assess the extent to which China has obtained Americans' sensitive personal data stored on computers and phones confiscated in raids on scam centers and evaluate how Beijing could use that data; and
    - Prepare a report in both classified and, if possible, unclassified form detailing the extent to which the Chinese government has ties to the individuals and criminal enterprises that run scam centers.
  - Foster cooperation with U.S. technology companies and financial intermediaries to detect and stop scams, particularly cryptocurrency investment fraud;
  - Create training programs for U.S. law enforcement on sophisticated new cyber scams and implement a national public awareness campaign;
  - Enhance law enforcement cooperation and intelligence sharing with allies and partners to dismantle scam centers, recover stolen assets, and protect victims' personal data; and
  - Implement sanctions on individuals, corporations, and foreign government officials that perpetrate and enable online scams.
- Congress pass legislation to equip the Philippines to more effectively counter China's military aggression and malign influence and support U.S. national security goals in the region. The legislation should:



- Support the Philippines Coast Guard (PCG) on the front lines of deterring Chinese aggression by:
  - Providing the necessary resources to the U.S. Departments of State, Defense, and Homeland Security to maintain PCG capacity-building programs funded by the Bureau of International Narcotics and Law Enforcement Affairs (INL); and
  - Ensuring the PCG is prioritized in Foreign Military Financing (FMF).
- Enhance Philippines engagement with the Quadrilateral Security Dialogue (Quad) by directing the State Department to develop a Quad Plus dialogue and/or working group on gray zone or ICAD (illegal, coercive, aggressive, and deceptive) activities.
- Provide the necessary resources and direct the State Department and other implementing agencies to prioritize initiatives related to:
  - Cybersecurity, to counter attacks on the Philippines' government and critical infrastructure;
  - Energy security and digital infrastructure, to support economic development, including near U.S. military installations, and to secure connectivity in the Indo-Pacific;
  - The Luzon Economic Corridor (LEC) initiative with the United States, Japan, and the Philippines, to develop infrastructure, connectivity, and supply chains across the Luzon Island region;
  - Emergency preparedness, to support disaster response and joint U.S.-Philippines defense infrastructure development; and
  - Public health, in part to maintain and build goodwill with the Filipino public.
- Utilize the Quad Critical Minerals Initiative to support the Philippines' development of alternative critical minerals supply chains, including in coordination with Indonesia and other relevant ASEAN states. In coordination with partners, funding from the U.S. International Development Finance Corporation and Export-Import Bank of the United States should prioritize the development of the Philippines' domestic refining and processing capabilities and provide export credit insurance and supply chain finance solutions.
- Strengthen defense and commercial shipbuilding in the Philippines in coordination with broader efforts among Indo-Pacific allies, including South Korea and Japan, and support mechanisms to enhance maintenance, repair, and overhaul services in the Philippines.
- Congress pass legislation to restore Radio Free Asia's (RFA) full funding and operations by providing a direct appropriation to RFA or providing funding through a grant agreement with another entity, such as the National Endowment for Democracy. The legislation should:

- Preserve RFA's ability to report on events and issues in China that are censored or unreported by Chinese state-controlled media;
- Enhance RFA's unique capacity to break through Beijing's "Great Firewall" and connect to people in China through its Mandarin, Cantonese, Tibetan, and Uyghur language services; and
- Endorse and strengthen RFA's capability to counter Chinese influence and propaganda throughout Asia by providing local-language information about China's repressive, coercive, and aggressive actions—such as incursions in the South China Sea, threats against Taiwan, and the harmful effects of Belt and Road Initiative projects.

## Appendix: China’s Exploitation of Scam Centers in Southeast Asia \*

### Key Findings

- Chinese criminal networks operate industrial-scale scam centers across Southeast Asia that steal tens of billions of dollars annually from people around the world—a massive criminal enterprise that rivals the global drug trade in scale and sophistication.
- The Chinese criminals behind scam centers have built ties—some overt, some deniable—to the Chinese government by embracing patriotic rhetoric, supporting China’s Belt and Road Initiative (BRI), and promoting pro-Beijing propaganda overseas. As a result, Chinese crime syndicates have expanded across Southeast Asia with, at a minimum, implicit backing from elements of the Chinese government.
- The spread of China-linked scam compounds in Southeast Asia is fueling corruption and violence, undermining the ability of governments in the region to control what happens in their territory, and promoting human trafficking.
- China is exploiting the problem of scam compounds to increase its leverage over Southeast Asian governments, conduct intelligence and influence operations, and expand its security footprint in the region.
- Beijing has selectively cracked down on scam centers that target Chinese victims, leading Chinese criminal organizations to conclude that they can make greater profits with lower risk by targeting citizens of wealthy countries such as the United States.
- Americans are now among the top global targets of China-linked scam centers, with an estimated \$5 billion lost to online scams in 2024 alone—a 42 percent increase over the previous year.

### Introduction

In March 2024, an 82-year-old Virginia man named Dennis committed suicide after losing his life savings in an online scam.<sup>1</sup> Dennis had connected with a woman named “Jessie” on Facebook, and the two built a close relationship over months of chatting. Jessie told Dennis she earned money by investing in cryptocurrency and gradually persuaded Dennis to invest his savings too. Then one day, all of Dennis’s money—and Jessie—disappeared.<sup>2</sup> Dennis was one of tens of thousands of Americans who have collectively lost billions of dollars to online “pig butchering” scams, in which scammers build personal relationships with victims over months (“fattening the pig”) before stealing their money by convincing them to invest in fraudulent financial schemes (“slaughtering the pig”).<sup>3</sup> According to very conservative estimates, Americans lost at least \$5 billion to

\*This appendix was previously published as a Commission Spotlight. U.S.-China Economic and Security Review Commission, *China’s Exploitation of Scam Centers in Southeast Asia*, July 18, 2025.

such scams in 2024—an increase of 42 percent over the previous year.<sup>4</sup> Unbeknownst to most victims, these pig butchering scams are perpetrated primarily by sophisticated Chinese criminal networks that operate large-scale scam compounds in Southeast Asia.<sup>5</sup>

This Commission Spotlight examines how China-linked scam centers are fueling corruption and violence in Southeast Asia, paving the way for greater Chinese influence in the region, and directly harming Americans in the process. Its findings are based on the Commission’s March 2025 hearing on “Crossroads of Competition: China in Southeast Asia and the Pacific Islands”; fact-finding trips to the Philippines, Indonesia, Vietnam, and Cambodia; and open source research.

## **The Rise of China-Linked Scam Centers in Southeast Asia**

During the early 2000s, Chinese criminal groups made enormous profits through illicit casinos and online gambling facilities before pivoting to scamming.<sup>6</sup> After General Secretary of the Chinese Communist Party (CCP) Xi Jinping launched his anticorruption campaign in 2012, many Chinese criminal organizations relocated their illicit gambling operations to Southeast Asia—particularly the Philippines, Cambodia, Laos, and Burma (Myanmar)—outside the reach of Chinese law enforcement.<sup>7</sup> Yet as China continued to crack down on online gambling platforms, criminal syndicates turned to scamming as an alternative source of revenue.<sup>8</sup> The first reported cases of “pig butchering” scams, which initially targeted Chinese victims, emerged in China in 2018.<sup>9</sup> According to Chinese reports, between January and August 2019 Chinese citizens lost more than \$500 million to these scams.<sup>10</sup>

During the COVID-19 pandemic, Chinese criminal organizations expanded their scamming operations in Southeast Asia by exploiting forced laborers to target non-Chinese victims around the world. After the outbreak of the pandemic, China recalled many of its citizens from Southeast Asia, depriving Chinese criminal organizations of workers and customers for their casinos.<sup>11</sup> At the same time, China banned cryptocurrency transactions and launched new crackdowns on online gambling and scamming. Chinese criminal groups adapted to these changes in several ways:

- To replace lost revenue from casinos and online gambling, Chinese criminal organizations expanded their operations to focus more heavily on scamming, converting empty hotels and casinos into compounds devoted specifically to pig butchering scams and other forms of online fraud.<sup>12</sup>
- To make up for the loss of Chinese workers, criminal organizations turned to human trafficking as their main source of labor, forcing trafficking victims to work in scam compounds under conditions observers have described as “modern slavery.”<sup>13</sup>
- As Beijing’s domestic crackdowns made it more difficult to target people in China, Chinese criminal groups increasingly focused on scamming non-Chinese victims in wealthy countries like the United States.<sup>14</sup>

The sophisticated Chinese criminal groups behind scam centers deploy an ever-evolving array of technologies to ensnare victims and evade detection. The perpetrators of pig butchering scams often reach out to potential victims on social media and dating applications.<sup>15</sup> After contacting a potential victim, scammers often move their communication to encrypted messaging services to make their activities more difficult to track.<sup>16</sup> Scamming operations also increasingly use tools such as translation software, generative artificial intelligence (AI) chatbots, and AI-powered face-changing technology to expand their reach and efficacy.<sup>17</sup> After establishing trust, scammers convince their victims to invest in fraudulent investment schemes connected to accounts controlled by the scammers.<sup>18</sup> Finally, the scammers use money laundering services advertised on encrypted messaging apps to move the stolen assets across thousands of digital wallets before laundering it into the formal economy.<sup>19</sup>

### **China-Linked Scam Centers in Southeast Asia Have Exploded into an Enormous Criminal Industry**

Over the past several years, scam centers have exploded into a massive criminal industry that rivals the global drug trade—including the fentanyl market—in scale and sophistication.<sup>20</sup> An expert working group convened by the United States Institute of Peace (USIP) estimated that pig butchering scams generated \$63.9 billion in global revenue in 2023.<sup>21</sup> Burma, Cambodia, and Laos are currently the epicenter of scamming operations.<sup>22</sup> Scam centers in these three countries produced approximately \$43.8 billion in revenue in 2023, equivalent to about 40 percent of their combined official gross domestic product (GDP).<sup>23</sup> The explosive growth of scam centers in Southeast Asia has also fueled large-scale human trafficking. In August 2023, the Office of the UN Commissioner for Human Rights estimated that 220,000 people from dozens of countries were being held as forced laborers in scam centers in Cambodia and Burma alone.<sup>24</sup> Often lured into scam centers through fake recruitment ads offering positions in fields like “online marketing,” scammers are forced to work long hours in compounds that resemble industrial-scale call centers surrounded by armed guards and subject to brutal beatings if they fail to meet their quotas or attempt to escape.<sup>25</sup> On May 19, 2025, a group of UN experts released a joint statement warning that human trafficking tied to scam centers in Southeast Asia “has reached the level of a humanitarian and human rights crisis.”<sup>26</sup>

### **Chinese Criminal Groups Have Promoted China’s BRI and CCP Propaganda to Gain Chinese Government Support**

As Chinese criminal networks expanded across Southeast Asia, they developed a mutually beneficial relationship with officials eager to promote China’s Belt and Road Initiative (BRI).<sup>27</sup> Known syndicates invested large sums in infrastructure projects branded under the BRI, helping build the physical and digital backbone of their scamming operations in places like Cambodia and the Thai-Burmese border.<sup>28</sup> In turn, Chinese officials and state-owned enterpris-

es (SOEs) backed these projects to demonstrate progress advancing the BRI—despite their ties to transnational crime.<sup>29</sup>

While Beijing has taken action against criminal groups that defy its control, it has often turned a blind eye when syndicates align with the CCP's broader agenda. The cases of two notorious Chinese kingpins—She Zhijiang and Wan Kuok-Koi (“Broken Tooth”)—highlight how criminal actors gained tacit support from Chinese authorities while amassing vast profits from scam centers.

### **From a “Model BRI Project” to a “City Built on Scams”: She Zhijiang’s Yatai New City Project**

The case of Chinese criminal kingpin She Zhijiang’s “Yatai New City” project in the town of Shwe Kokko on the Thai-Burmese border illustrates how the Chinese criminal groups behind scam centers secured Chinese government support by embracing BRI.<sup>30</sup> In 2017, She Zhijiang, a convicted criminal with a long history of involvement in illegal gambling operations in the Philippines and Cambodia, launched a \$15 billion project to construct a “smart city” in Shwe Kokko, which he promoted as part of China’s BRI.<sup>31</sup> Despite She’s criminal history and reports that Yatai New City was designed to host illicit activities, Chinese officials embraced the project. China’s official Xinhua news agency promoted the Yatai New City project as “a model for deep economic and cultural cooperation between China and Myanmar,” and China’s state-owned *Global Times* extolled the project as a model example of private entrepreneurs contributing to BRI.<sup>32</sup> Senior Chinese Embassy officials participated in the signing ceremony for the project, which was held in front a large banner promoting it as part of China’s BRI.<sup>33</sup> Multiple Chinese SOEs signed lucrative contracts to help construct Yatai New City.<sup>34</sup> By 2021, the development in Shwe Kokko had become “the largest hub for sophisticated Chinese online scam syndicates” in Southeast Asia, which international media has described as a “city built on scams.”<sup>35</sup> After Shwe Kokko became synonymous with transnational crime, Beijing retroactively claimed that the Yatai New City project never had any links to BRI, and in 2022 China issued an international warrant for She Zhijiang’s arrest. Nevertheless, She Zhijiang’s Yatai New City Project illustrates how a known Chinese criminal obtained Chinese government support and resources to help build a development that now houses one of the largest clusters of scam centers in Southeast Asia.

### **The Patriotic Crime Boss: Broken Tooth’s Pro-CCP Criminal Network**

The case of Macau-born Chinese crime boss Wan Kuok-Koi (“Broken Tooth”) demonstrates that China has been willing to look the other way for criminal networks that expand Chinese influence and promote Beijing’s narratives in Southeast Asia.<sup>36</sup> Previously the head of the 14K triad, one of the most notorious criminal groups in Asia, Broken Tooth spent 14 years in prison before reestablishing his criminal operations in Southeast Asia.<sup>37</sup> In 2019, Broken Tooth reached an agreement with the Karen Border Guard Force in Burma to establish the Dongmei Zone near the Thai-Burmese border, which was initially billed as a high-end tourism project but quickly

became a notorious cluster of scam compounds.<sup>38</sup> As Broken Tooth was rebuilding his criminal empire based on scam centers, he also strategically rebranded himself as a patriotic pro-CCP businessperson. In 2017, Broken Tooth founded the World Hongmen History and Culture Association in Cambodia, which claims to be dedicated to promoting the “great rejuvenation” of the Chinese nation and which frequently disseminates articles echoing Beijing’s propaganda on issues such as Hong Kong and Taiwan.<sup>39</sup> Broken Tooth famously stated, “I used to fight for the cartels, and now I fight for the CCP.”<sup>40</sup> Broken Tooth has reportedly laundered profits from his criminal enterprises into business ventures in China, including investing in China’s struggling real estate and construction sectors.<sup>41</sup> To date, China has not taken any action to crack down on Broken Tooth’s criminal enterprises, suggesting Beijing is willing to tolerate Chinese criminal groups that use the profits from scam centers to help support its agenda.<sup>42</sup>

### **China-Linked Criminal Operations Undermine Security and Fuel Corruption in Southeast Asia**

Scam centers operated by Chinese transnational criminal organizations have become one of the most significant problems undermining security and governance in Southeast Asia. According to a 2025 survey of Southeast Asian policymakers and elites, “global scam operations” ranked as the region’s second most important geopolitical concern, only behind aggressive behavior in the South China Sea.<sup>43</sup>

#### **China-Linked Scam Centers Drive Violence in Burma**

In Burma, scam centers have helped finance both the military and ethnic armed organizations (EAOs).<sup>44</sup> Since Burma’s military junta overthrew a democratically elected government in a 2021 coup, Chinese criminal groups have exploited the country’s lawless environment to build clusters of industrial-scale scam centers near Burma’s borders with China and Thailand.<sup>45</sup> Jason Tower, USIP’s Country Director for Burma and a leading expert on Chinese transnational crime, testified before the Commission that scam centers in areas controlled directly by armed groups have “brought in billions of dollars in revenue annually,” with both the military and EAOs using their cut of the profits to purchase weapons.<sup>46</sup> According to a 2024 USIP report, scam centers in Shwe Kokko provide the Karen National Army, which controls the surrounding territory along the border with Thailand, with about \$192 million annually, half of which it hands over to the military junta.<sup>47</sup> Reports based on phone geolocation data gathered in 2024 showed regular movement between scam centers and central government buildings, suggesting the military government coordinates closely with the criminal groups operating scam centers.<sup>48</sup>

#### **Scam Centers Fuel Government Corruption in Cambodia, Laos, and the Philippines**

According to recent reports, high-level Cambodian officials have deep ties to the Chinese criminal networks operating scam centers in the country.<sup>49</sup> Hun To, a cousin of the prime minister, is on the board of directors of Huione Group, which has been accused of laun-

dering hundreds of millions of dollars in profits from online scams.<sup>50</sup> It has also been widely reported that in 2017, Sar Sokha, who at the time was the son of the Minister of Interior, partnered with Chen Zhi, a well-known China-born criminal, to construct the Jinbei Casino, which became “one of the largest and most notorious scam centers in the country.”<sup>51</sup> Sar Sokha inherited his father’s position as Minister of Interior in 2023 and is now Cambodia’s top government official in charge of cracking down on scamming.<sup>52</sup> Recently published reports indicate that his family remains “deeply and directly implicated” in scam centers.<sup>53</sup>

Chinese criminal groups are also fueling large-scale government corruption in Laos.<sup>54</sup> In 2007, the Laos government agreed to a deal with a Chinese criminal boss named Zhao Wei to create the Golden Triangle Special Economic Zone, which is fully operated by Zhao’s Kings Romans Group, but in which the Laos government holds a 20 percent stake.<sup>55</sup> Long associated with drug trafficking and wildlife smuggling, the Golden Triangle Special Economic Zone has recently become a hub for scam centers. According to a USIP report, the zone houses “tens of thousands of individuals engaged in online scamming operations.”<sup>56</sup> The Laos government has continued to support Zhao Wei as it has profited from his illicit activity, and in October 2022 it even presented him with its “Medal of Bravery.”<sup>57</sup>

In the Philippines, online gambling hubs serving the Chinese market (locally known as POGOs—Philippine offshore gaming operators) were often able to serve as fronts for scam centers by paying off police and officials in the Bureau of Immigration, including funding a large-scale bribery scheme at the Manila airport.<sup>58</sup> In 2024, the Marcos Administration banned POGOs, and the Philippines has since made significant progress cracking down on scam centers.<sup>59</sup> Nevertheless, reports have indicated that local government and police complicity have enabled some of the criminals behind these scam centers to evade punishment.<sup>60</sup>

## **China Has Exploited Scam Centers to Expand Its Security Presence in Southeast Asia**

China has exploited the problem of scam centers to expand its influence throughout Southeast Asia. In the case of the Philippines, large-scale scam centers were allegedly linked to Chinese espionage. In the mainland Southeast Asian countries of Burma, Cambodia, Laos, and Thailand, China has used the presence of transnational criminal organizations operating scam centers as an excuse to expand the role of its security forces in the region.

### **Scam Centers Have Allegedly Enabled Chinese Cyber Operations, Signals Collection, and Espionage in the Philippines**

Numerous reports have indicated that scam centers in the Philippines were likely linked to Chinese espionage efforts. Philippine police have raided POGOs serving as fronts for scam centers near Clark Air Base (a Philippine Air Force Base previously operated by the United States) and Basa Air Force Base, one of the key bases to which the United States has access under the U.S.-Philippines Enhanced Defense Cooperation Agreement (EDCA).<sup>61</sup> According to



Philippine Senator Risa Hontiveros, “There is persuasive information from the [Philippines] intelligence community” showing that scam compounds have been used for surveillance and hacking activities.<sup>62</sup> Philippine authorities reportedly seized sophisticated listening equipment during raids on scam centers and found evidence of Chinese state-sponsored hackers operating out of scam compounds.<sup>63</sup> The most well-known example of scam centers serving as instruments of Chinese infiltration in the Philippines is the case of Alice Guo, the former mayor of the rural town of Bamban north of Manila.<sup>64</sup> According to media reports, Guo purchased a plot of land in the town in 2019 and invested in constructing a large-scale compound with a license to operate a POGO.<sup>65</sup> After Guo became mayor in 2022, she granted a permit to a company named Zun Yuan Technology Incorporated to continue operating a POGO out of the compound.<sup>66</sup> In February 2024, Philippine police raided the compound and found what reports called “one of the largest scam hubs ever uncovered in the Philippines.”<sup>67</sup> According to Philippine investigators who looked into Guo’s background after the raid, Alice Guo is actually a Chinese national named Guo Huaping who moved to the Philippines as a child and later obtained a fraudulent Philippine birth certificate.<sup>68</sup> It has since been alleged that Alice Guo was a Chinese spy whose campaign for mayor was “arranged by Chinese state security.”<sup>69</sup>

### **China Has Exploited Scam Centers to Deepen Its Security Presence in Mainland Southeast Asia**

Beijing has used the issue of Chinese transnational criminal organizations operating in Southeast Asia as an excuse to pressure Southeast Asian countries to agree to a greater role for Chinese security forces in the region.

- On May 25, 2023, China and Laos agreed to strengthen law enforcement and security cooperation to crack down on transnational criminal activities.<sup>70</sup>
- In September 2024, Cambodia’s Minister of Interior Sar Sokha traveled to Beijing and agreed to deepen joint law enforcement cooperation, particularly with regard to transnational crime.<sup>71</sup>
- In January 2025, China hosted a meeting of the Lancang-Mekong Law Enforcement Cooperation mechanism with representatives from Cambodia, Laos, Burma, Thailand, and Vietnam in which the parties agreed to strengthen intelligence sharing and joint operations to crack down on scam centers.<sup>72</sup>

China has successfully exploited the problem of scam centers to pressure Thailand—a U.S. treaty ally that has long resisted allowing Chinese police to operate on its territory—to permit Chinese security forces to work within its borders. After a Chinese actor named Wang Xing was abducted in Thailand and trafficked into a scam center in Burma in January 2025, Chinese tourist arrivals in Thailand reportedly dropped by 33 percent, causing significant harm to Thailand’s economy.<sup>73</sup> Under pressure to reassure Chinese tourists, Thai Prime Minister Paetongtarn Shinawatra met with Xi Jinping in Beijing on February 6, 2025, and vowed to “strengthen law enforcement cooperation with China.”<sup>74</sup> In late February, Thai-

land allowed high-level Chinese officials and Chinese security forces to participate in cross-border raids on scam centers in Burma that resulted in thousands of Chinese citizens being turned over to Chinese personnel in Thailand and repatriated to China on Chinese charter flights.<sup>75</sup> However, numerous Thai academics and opposition Members of Parliament have since argued that granting China such access violated Thailand's sovereignty and sections of Thailand's penal code prohibiting actions that undermine the independence of the state.<sup>76</sup>

## **China's Selective Crackdowns Have Prompted Criminal Groups to Target Americans**

Beijing has placed intense pressure on governments in Southeast Asia to crack down on scam centers that target Chinese victims.<sup>77</sup> Yet these selective crackdowns have done little to disrupt the increasing scale and scope of scam centers in the region. Instead, China's focus on protecting Chinese victims has accelerated the shift toward targeting Americans.<sup>78</sup>

## **Despite High-Profile Crackdowns, Scam Centers Continue to Proliferate in Southeast Asia**

Recent reports have indicated that scam centers in Southeast Asia are expanding at an "unprecedented scale" despite recent crackdowns.<sup>79</sup> An April 2025 report by the UN Office on Drugs and Crimes concluded that the criminal organizations behind scam centers are "rapidly outpacing" government efforts to contain them.<sup>80</sup> Reports have described scamming operations in Cambodia as being on an "explosive growth trajectory," noting that occasional "show crackdowns" have only served the purpose of alleviating international pressure while the scam industry continues to grow.<sup>81</sup> In Burma, a series of high-profile raids on scam centers has not significantly interrupted their operations. After Chinese law enforcement moved to shut down compounds along the Chinese border with Burma, many simply relocated to the Thai-Burmese border.<sup>82</sup> Attempts to shut down internet access to known scam compounds have likewise proved ineffectual. A *Wired* investigation found that after Thailand began attempting to cut off internet access to scam centers on the other side of its border with Burma in spring 2024, some compounds installed satellite-based internet service to continue their operations without interruption.<sup>83</sup>

## **Chinese Criminal Groups Have Shifted Focus to Target Americans**

China's crackdowns on scam operations targeting Chinese citizens have incentivized criminal groups to target Americans instead.<sup>84</sup> As Beijing has deepened its surveillance over Chinese social media platforms and tightened controls on its banking systems, criminal networks have found it comparatively less risky to target Americans.<sup>85</sup> In 2024, China reported a 30 percent decrease in money lost to online scams.<sup>86</sup> In the same year, the United States witnessed a 40 percent increase in losses from online scamming.<sup>87</sup> According to a February 2025 USIP report, after recent China-led crackdowns, the criminal syndicates operating scam centers in Shwe Kokko shifted

their online recruitment to target individuals with English proficiency to scam Americans and Europeans.<sup>88</sup> In Cambodia, Chinese pressure to crack down on scam centers targeting Chinese citizens has reportedly “had a displacement effect, leading to greater targeting of English-speaking scam victims.”<sup>89</sup> Since 2024, scam centers based in Laos have used fraudulent employment advertisements to lure large numbers of Indians who are able to use English to target European and American victims.<sup>90</sup>

According to numerous U.S. indictments, associates of Chinese criminal syndicates are operating on U.S. soil to assist with laundering the profits of scams targeting Americans. In December 2023, the U.S. Department of Justice (DOJ) indicted four individuals in California and Illinois for opening shell companies and bank accounts to launder more than \$80 million in losses from pig butchering scams.<sup>91</sup> Since the beginning of 2024, numerous other individuals residing in the United States have been indicted on similar charges related to money laundering for these scams. In May 2024, DOJ announced indictments of two foreign nationals apprehended in the United States for allegedly managing an international criminal syndicate that laundered \$73 million in scam proceeds.<sup>92</sup> In February 2025, the U.S. Attorney’s Office for the Central District of California announced the arrest of two individuals residing in Los Angeles for laundering \$13 million in scam profits.<sup>93</sup>

### **Chinese Security Forces Have Likely Obtained Sensitive Personal Data of American Scam Victims during Raids**

According to Chinese government documents, when Chinese security forces participate in raids on scam centers in Southeast Asian countries, they often confiscate large quantities of devices used by scammers. For example, in 2023 Chinese officials participated in numerous raids on scam centers in Laos and confiscated at least 640 computers and phones used for scamming.<sup>94</sup> In August 2024, China’s Ministry of Public Security announced that Chinese security forces had participated in a raid on scam centers in Burma and confiscated a “large quantity” of computers and phones used by scammers, all of which they took back with them to China.<sup>95</sup> These devices likely contain important intelligence pertaining to the Chinese criminal networks as well as highly sensitive private information pertaining to scam victims, including Americans. Jason Tower testified before the Commission that China has been unwilling to share information gleaned from these devices with other countries.<sup>96</sup>

### **U.S. Government Efforts Have Been Insufficient to Protect Americans from the Increasingly Sophisticated Scams Perpetrated by Chinese Criminal Networks**

While the United States has recently implemented several measures to protect Americans from pig butchering scams and combat the Chinese criminal syndicates behind them, the threat from China-linked scam centers to Americans continues to grow rapidly. In January 2024, the Federal Bureau of Investigation (FBI) launched Operation Level Up to identify and notify victims of ongoing scams. As of April 2025, the FBI had notified 5,831 victims of cryptocurrency investment fraud (the vast majority of whom were unaware

they were being scammed), leading to an estimated \$359 million in savings.<sup>97</sup> In May 2025, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) labeled the Cambodia-based Huione Group as a primary money laundering concern and proposed severing its access to the U.S. financial system.<sup>98</sup> The United States has also imposed sanctions on several individuals accused of being key players in scam operations.<sup>99</sup> Nevertheless, these measures have not yet deterred Chinese criminal networks, which continue to steal billions of dollars annually from American victims through increasingly sophisticated scams. As long as Chinese criminal networks believe they can earn higher profits with lower risk by scamming Americans, they will likely continue shifting resources away from Chinese targets and toward U.S. victims.

### **Considerations for Congress**

- Americans are now top targets of Chinese criminal organizations operating scam centers in Southeast Asia. In 2024, Americans lost a conservatively estimated \$5 billion—a figure that is both likely low and continues to climb. Despite this growing threat, U.S. efforts remain fragmented and under-resourced. Without a coordinated push to raise public awareness, equip law enforcement, and take aggressive action to expose and deter these scams, American losses will almost certainly escalate.
- Chinese criminal networks routinely exploit American social media, dating, and job search platforms to identify and ensnare victims of pig butchering scams. When Southeast Asian governments have cut off internet access to known scam centers, Chinese criminal groups working out of these compounds have used a satellite internet provider to continue scamming uninterrupted. The U.S. government needs to work with technology companies and financial intermediaries to develop systems and procedures to detect and stop sophisticated new scams from reaching Americans. Otherwise, Chinese criminal groups will likely continue exploiting their platforms and services to target Americans with impunity.
- Chinese criminal networks are not only undermining governance across Southeast Asia, they are also providing a pretext for China to expand its security presence in the region. Many Southeast Asian countries lack the capacity to counter sophisticated criminal syndicates, making them increasingly vulnerable to Chinese influence. China-linked scam centers offer the United States a strategic opportunity to strengthen law enforcement cooperation with regional partners—especially allies like the Philippines and Thailand—on an issue of shared concern. If the United States does not strengthen its relationships with Southeast Asian countries and help them build the capacity to tackle scam centers, these countries will likely grow more reliant on China to address transnational crime, further entrenching Beijing's presence and influence.

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