

NARRATIVES AND ACTIONS REGARDING THE BELT AND ROAD INITIATIVE IN THE ASEAN COUNTRIES

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Abstract: - In contrast with countries such as the United States, Japan, India and Australia (the Indo-Pacific Quad), the ASEAN countries are in general in favour of a consolidated cooperation with China in the framework of the BRI. In spite of the territorial disputes with China in the South China Sea, they put their own economic development first, for which China is a relevant partner. They have a pro-growth and pro-development agenda and need additional resources to finance the implementation of their national development and modernisation plans. In general, they follow their national interest and have the ability to negotiate with strong partners, even with China. They support the BRI as a multilateral initiative led by multiple actors, are members of the Asian Infrastructure Investment Bank and are currently negotiating/implementing projects under the BRI. Bearing in mind these arguments, the present paper has as main goal an overview of China's relations with its ASEAN neighbours under the impact of the BRI.

Key-Words: - Belt and Road Initiative, ASEAN, economic diversification, infrastructure development, negotiation

JEL classification: - F14, F50, F55, G11, H54, H77

1 Introduction

The Chinese BRI goes well beyond the most famous geopolitical theories even if it is not conceived as a tool to establish a new geopolitical order. It reminds us of the Alfred Mahan's sea power theory, Sir Halford Mackinder's heartland theory and also Karl Haushofer's Indo-Pacific thalassocracy principles, but as opposed to these, it puts development first. Naturally, together with development comes power, therefore the BRI has generated harsh critiques from countries such as the United States, Japan, India and Australia (the Indo-Pacific Quad) but also the European Union institutions.

The BRI is not only about development and investment (in energy, infrastructure, manufacturing, technology, Internet) but also on sustaining China's on-going process of opening up and reform. It can be also considered as a country brand and an instrument of public diplomacy.

Tritto and Camba (2019) emphasize that the narratives on the BRI are **highly polarized**. At one extreme, there is a dialectic focused exclusively on threats, with strong effects on the public via powerful labels such as: "debt-trap," "Chinese colonialism," and "yellow peril". At the other, Chinese official documents present extensively the positive economic effects associated to the BRI projects, which let aside geopolitical ones. But exactly this kind of geopolitical consequences affect the already established powers, determining them to form a common front against China.

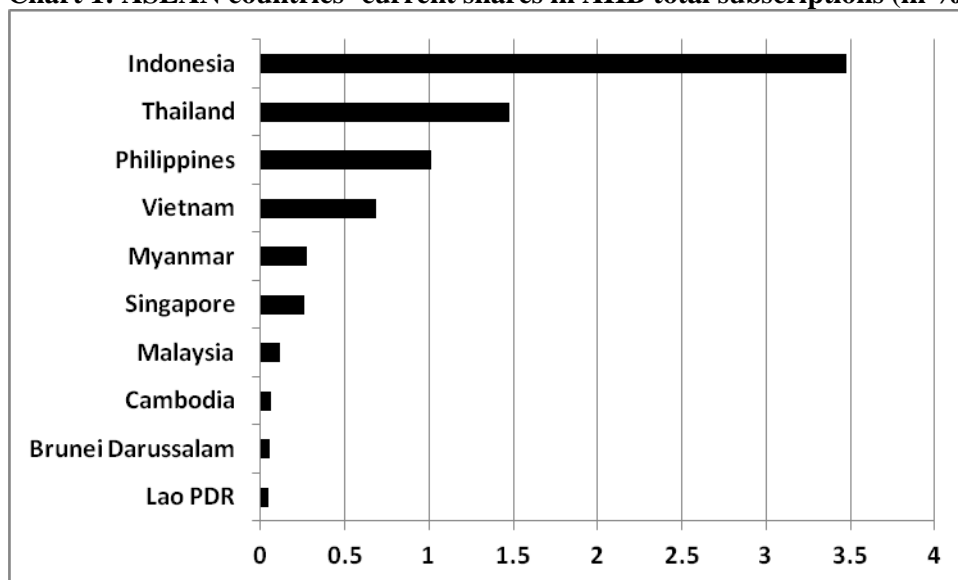
By contrast, the member countries of the Association of the Southeast Asian Nations (ASEAN), similarly to other emerging and developing economies, have adopted a rather balanced attitude. It is labelled in the literature as "hedging", which includes "both containment and engagement" with China (López i Vidal and Pelegrín, 2018, Fowdy, 2019). Intensifying Sino-ASEAN economic relations surpasses the framework of the China-Indochina Peninsula Economic Corridor (one of the six economic corridors initially proposed by China as New Silk Roads), and the complementarities between the Masterplan for ASEAN Connectivity 2025 and BRI offer a host of opportunities. Bearing in mind the importance played by the BRI for infrastructure

development in the ASEAN region, the present paper¹ focuses on narratives and actions in these countries as regards the large scale Chinese initiative.

2 Specificity of the ASEAN countries as regards relationship with China and the BRI

China is the first dialogue partner of the ASEAN, having a strategic partnership with the group as a whole since 2003. Strategic partnerships were subsequently signed by China with: Indonesia (2005), Vietnam (2008), Laos (2009), Cambodia (2010), Myanmar (2011), Thailand (2012) and Malaysia (2013). Brunei and Philippines are late comers in the group of China’s strategic partners (the bilateral relations were upgraded in November 2018 to a *Strategic Cooperative Partnership* and *Comprehensive Strategic Cooperation*, respectively). Singapore is the only ASEAN country with no clear strategic partnership with China, perhaps one factor explaining this situation being its position as the most important strategic partner for the United States in the region. However, China-Singapore bilateral cooperation is intense and the latter is one of the promoters of strong ASEAN-China ties, as well as a supporter of successful conclusions of the trade talks for the Regional Comprehensive Economic Partnership (RCEP) (ASEAN plus China, South Korea, Japan, India, Australia and New Zealand). The ASEAN countries support the BRI, but in accordance with the organisation’s principles, prefer a *multilateral initiative led by multiple actors*. Most of them have signed a Memorandum of Understanding, Joint Statement or other forms of cooperation documents attesting the support for the BRI.² All the ten countries are members of the *Asian Infrastructure Investment Bank (AIIB)* (Chart 1) and are currently negotiating/implementing projects under the BRI.

Chart 1: ASEAN countries’ current shares in AIIB total subscriptions (in %)



Note: These countries’ total percentage represent 7.5% of the total AIIB subscriptions, as compared to the regional total of 76.4%. China is the largest regional contributor (circa 30.8% of the total), followed by India (8.7%) and Russia (6.8%).

Source: Own representation based on AIIB (2019).

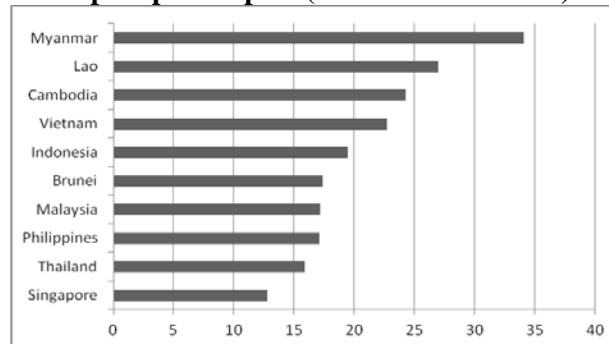
All of the ASEAN countries have a pro-growth and pro-development agenda (Das *et al.*, 2018) and need additional resources to finance their infrastructure development (ADB, 2017) as well as the other priorities of their national development plans. It is also worth mentioning that nine of the ten ASEAN countries were represented by their heads of state/government at the second BRI forum in Beijing in April 2019 and probably also the Indonesian President would have attended it, unless he had not been engaged in urgent activities at the national level following his re-election (Tiezzi, 2019). As regards *trade in goods*, China is the main trade

¹ This analysis is part of the study “Economic Relations between Great Powers in the Indo-Pacific under the Current Geopolitical Context”, coordinator Oehler-Şincai, I.M., Institute for World Economy, Romanian Academy, 2019.

² Please consult: <https://www.beltroad-initiative.com/memorandum-of-understanding-belt-and-road-initiative/>, Sayavong (2018).

partner for eight of the ASEAN countries and the second for two of them (in the case of Laos, Thailand dominates its trade flows, with 51.6% of the total in 2018 and for Brunei the first trade partner is Japan, with 22.8% of the total) (DG Trade, 2019).

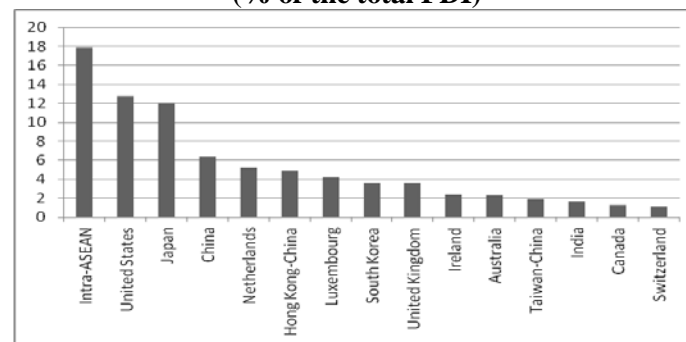
Chart 2: China’s shares in ASEAN countries trade in goods, export plus import (% of the total trade)



Source: Own representation based on DG Trade (2019).

The interdependencies with China have been increasing in the recent years, as indicated by the evolution of *FDI* sources. From a marginal investor ten years ago, China has become the third largest foreign investor outside the ASEAN, after the United States and Japan (with a share of 6.4% of the total) in terms of stocks between 2010 and 2017 and the second after Japan (8,2%) in 2017, in terms of flows (ASEAN Secretariat, 2018, p. 55) (Chart 3).

Chart 3: Main 15 investors in the ASEAN, cumulative 2010-2017 (% of the total FDI)



Source: Own representation based on ASEAN Secretariat (2019).

Trade and investment flows follow their course, but the BRI framework is a supplementary stimulus due to its ripple effects generated throughout the partner economies.

3 Specificity of the ASEAN countries as regards relationship with China under the BRI

In our opinion, there are three groups of countries in the ASEAN according to the specificities of their relations with China from the standpoint of the BRI. *First, Indonesia, Thailand, Malaysia, Singapore, Philippines and Vietnam* – the largest ASEAN countries in terms of GDP in current prices – represent the best case studies for this analysis. Generally, they follow their national interest and have the ability to negotiate with their partners, even with China, as underscored by recent examples.

For instance, in *Malaysia* one can remark: (1) critiques regarding many Chinese-backed projects launched under the government led by Najib Razak (2009-2018), described as a “corruption bonanza”; (2) renegotiation of major projects (such as the East Coast Rail Link) under the re-elected prime-minister Mahathir Mohamad (formerly in office between 1981-2003); (3) continuation of an intense relationship with China, especially under Malaysia’s *National Policy on Industry 4.0* (or Industry4WRD), initiated in 2018 and poised to transform the national manufacturing sector and the related services; (4) similarly to the success story of the Proton-Geely consortium, the actual government is encouraging “strategic ventures between national government and Chinese champions” (Tritto, Camba, 2019).

The BRI ongoing projects in the *Philippines*,³ under President Duterte's "Build, Build, Build" infrastructure initiative, demonstrate that these correspond to a strong demand for investment in infrastructure and connectivity development. Even if many of them are contested internally, on grounds related to environment issues, potential "debt trap" and disadvantageous dispute settlement mechanisms, such projects are necessary for the diversification of the economy.

In *Vietnam*, similarly to other ASEAN countries, there is ambivalence towards China's BRI: endorsement of this initiative is accompanied by caution as regards its complex implications (Le, 2018). Le Hong Hiep underscores that "there remains lingering distrust between the two countries and rising anti-China sentiments in Vietnam due to recent tensions over the South China Sea disputes, especially following the 2014 oil rig crisis" and the Vietnamese President supports the BRI but provided that several conditions are met, including: "sustainability, effectiveness and inclusiveness, openness, mutual respect and benefits, and compliance with the UN Charter and international law" (Le, 2018). These are exactly the principles set forth in the *Silk Road Spirit* by the Chinese authorities therefore the prerequisites for cooperation are in place.

Thailand, supporting connectivity development as a means to boost cooperation and peace, is aware of the complementarities between Chinese and Thai priorities, for instance those regarding: (1) Thailand 4.0 Strategy and Made in China 2025; (2) development of the regional North-South, East-West and Southern corridors under the BRI; (3) Chinese experience in poverty alleviation and the 20-Year National Strategy 2017-2036.

Singapore, in contrast to other ASEAN members, is a high-income country with a highly competitive economy, one of the key world financial and technology centres. Therefore it is a valuable partner for China under the BRI as a financing hub and source for third-countries partnerships (infrastructure consultancies).⁴

Indonesia's case study will be presented in detail in the following section.

Second, there are the least developed countries, **Cambodia, Lao and Myanmar**. The first two are in the category of fervent supporters of the BRI, while in Myanmar one can already remark a new trend of imposing more conditions such as transparency, social and environmental responsibility and protection of national interest (Frontier Myanmar, 2019). Such an approach is wise but it should be able to avoid the trap of labelling *ab initio* the BRI as a bad choice. Populations at large have become more sensitive and responsive to populist messages therefore the risk of losing good development opportunities is very high. Instead it is needed a critical, objective and impartial stance, in order to be able to balance risks and opportunities.

In spite of recent changes in Myanmar's attitude, all the three countries regard the BRI as a tool enabling their development strategies. For instance, Myanmar and China put forward at the second BRI forum in Beijing the idea of launching a *five-year plan on economic and trade cooperation under the BRI* (Myanmar Times, 2019). A Memorandum of Understanding in this regard has been already signed, together with a *Memorandum on the China-Myanmar Economic Corridor (CMEC) Plan for the period 2019-2030* and an *Agreement on economic and technical cooperation*.

As a part of their activities in international organizations, such as the United Nations (Department of Economic and Social Affairs), they consider projects under the BRI as a way to accomplish their **Sustainable Development Goals**. According to CCIEE-UNDP (2017), BRI "could serve as an accelerator, an effective enabler to achieve the Sustainable Development Goals".

Cambodia's Rectangular Strategy for Growth, Employment, Equity and Efficiency (following the *Triangular Strategy* of 1998-2003) entered the fourth phase in 2018. Among the government's priorities there are: economic diversification, private sector development, innovation, new technologies, governance reforms, rural development, natural resources management and environment protection, which are solid foundations for an upper-middle income country by 2030 and a high-income country by 2050 (Khmer Times, 2019). Examples of good practices in Cambodia include the special economic zone in Sihanoukville, which generated more than 20,000 jobs and also the Phnom Penh-Sihanoukville highway, which will become the first expressway of the country and is seen as an engine for regional trade and therefore economic growth.

For *Laos*, BRI is viewed as an enabler of its strategy of turning from a "land-locked" to a "land-linked" country. The "combined value of the Vientiane-Boten Railway, the Savannakhet-Lao Bao Railway, and some of hydropower plants exceeds \$17 billion" (Sayavong, 2018). However the value of the Chinese-backed projects by value as a share of Laos GDP is around 100%, level considered too risky. Laos supports also the *Development Plan for International Navigation on the Lancang-Mekong River* (together with Myanmar, while in Thailand ecologist groups strongly oppose this Plan).

³ Such as: Kaliwa Dam, Chico River Pump Irrigation Project, the Subic-Clark Railway Project, bridges etc.

⁴ Please consult: <http://www.siiiaonline.org/setting-the-record-straight-singapores-role-in-the-bri/#>.

Third, it is **Brunei**, which in November 2018 was included in the group of China’s strategic partners and signed a Memorandum of Understanding for cooperation within the BRI Framework. Considering the evidence of diminishing resources of oil and gas and also revenues in the long run, the Sultanate of Brunei is focusing on economic diversification and China is one of the relevant partners in this regard. Brunei is the second richest country of the ASEAN, with a GDP per capita of more than \$30,000 (after Singapore, with over \$65,000 per capita). With almost no public debt and with large current account surpluses, Brunei can afford to reform its economy.

4 Indonesia’s case study

It was during the Chinese President Xi Jinping’s visit to Indonesia in October 2013 that the BRI initiative was proposed for the first time. Focused on China’s neighbours at the beginning, the BRI map has been extending continuously so that nowadays it surpasses boundaries of Asia, Europe and Africa and reaches the Americas, the Arctic, cyberspace and even the outer space (Hillman, 2018).

With ambitious *plans to transform Indonesia into one of the top five economies by 2045* (when it celebrates 100 years of independence), but also into a *World Maritime Axis* (according to the *Maritime Policy* of 2017), the re-elected President Joko Widodo needs strong partners.

Indonesia’s Vision 2045 – outlined by the Indonesian President in 2015, in close connection with the Indonesian Dream 2015-2085 and in line with the nine priorities of the National Development Plan, *Nawa Cita* (Hanan, 2019, UNDP, 2015) –, underscores the importance of further economic diversification. In its turn, Indonesia 4.0 reflects the need to adapt according to the transformations accompanying the fourth industrial revolution. National priorities included in the *Making Indonesia 4.0 roadmap* are generic (e.g. improve the flow of goods, attract foreign direct investment, boost the quality of local human resources), but also specific (technology and productivity upgrades in food and beverages, textiles and garments, automotive, electronics and chemicals – ADB, 2019, p. 275). In a time when China is “exporting” its excess production capacities, such priorities underline the complementarities of the two partners. Moreover, infrastructure development stimulates competitiveness, productivity and trade, therefore manufacturing industry and economic diversification.

China and Indonesia have a strategic partnership since 2005, transformed into a comprehensive one in 2013. Since 2016, China has been the most important trade partner for Indonesia, surpassing the traditional partners such as Japan, the United States, Singapore and South Korea, due to the implementation of ASEAN-China Free Trade Agreement, which came into effect in 2010 and spurred bilateral trade (Damuri *et al.*, 2019). China is at the same time an important investor in Indonesia, the largest shares being oriented to: (1) electricity, gas and water supply (23%), mining sector (20%) and basic metal industry, metal production, machinery and equipment (15.6%) (Damuri *et al.*, 2019).

In spite of the strong bilateral relationships, the Indonesian people are cautious and suspicious as regards the great powers’ intentions (Priyandita, 2019), therefore also with regard to China’s initiatives. Indonesia supports the projects under the BRI but in line with the national development strategy, i.e. “private sector-driven”, “profit-oriented” and with no impact on the government debt (Soeriaatmadja, 2019).

In April 2018, companies from Indonesia and China signed in Beijing five contracts worth \$23.3 billion (Table 1). It was signed also a Memorandum of Understanding regarding Tanah Kuning Mangkupadi Industrial Park in northern Kalimantan and on the development of electric vehicles. With that occasion was also underlined Indonesia’s intention to cooperate with China on economic corridors (North Sumatra, North Kalimantan, North Sulawesi and Bali), the investment value being estimated at \$51.9 billion.

Table 1: List of Sino-Indonesian contracts signed in April 2018 under the BRI framework

Project	Value
Joint venture to build a hydropower plant on the Kayan river	\$17.8 billion
Hydropower plant in Kayan, North Kalimantan	\$2.0 billion
Joint venture to build a power plant in Bali	\$1.6 billion
Development of a steel smelter (sector important also for the upgrade of port infrastructure)	\$1.2 billion

Project	Value
Joint venture to build a hydropower plant on the Kayan river	\$17.8 billion
Hydropower plant in Kayan, North Kalimantan	\$2.0 billion
Facilities to convert coal to dimethyl-ether	\$0.7 billion

Source: The Jakarta Post (2018).

Soeriaatmadja (2019) underlines that many projects in Indonesia with strong Chinese government support have not been officially listed as BRI projects, even if the Chinese government includes them in this framework. Among them there are: the nickel industrial park in Morowali (completed before the BRI was launched) and the 142.3 km track between Jakarta and the textile centre Bandung, the first Indonesian medium-speed (200-250 km/hour) rail project, which is partially financed by the China Development Bank (75%).

The construction of the Jakarta-Bandung rail started in 2016, it should have been finished in 2019 but according to mass media (The Jakarta Post, 2019) and specialised web sites,⁵ there is a two-year delay from the initial plan. The total costs involved are estimated at \$5.5 billion. A joint venture (60% Indonesian, 40% Chinese, made up of China Railway Construction Corp and a consortium of Indonesian state-owned enterprises) is developing the project. It is worth mentioning that it was a competitive call, and China was elected instead of Japan, as it was prepared to offer *guarantee-free loans*. The maturity of the credit is 40-year, with 10-year grace period. The medium-speed rail is 40% cheaper than the original high-speed track. According to experts, the construction activities imply a new impetus for other industries (including smelting) and it is expected to generate 40,000 jobs each year during the project implementation.

The Indonesian government considers that state's role should be that of *facilitator*, and actual cooperation with China is not "government-to-government" but "corporation-to-corporation", even if most of the companies involved in the implementation of the projects are state-owned enterprises. However, as revealed by the List of signed documents during the official visit of the Chinese prime-minister to Indonesia during May 6-8, 2018,⁶ including that of promoting cooperation on the development of *Regional Comprehensive Economic Corridors*, the "government-to-government" memoranda of understanding offer a solid base for "corporation-to-corporation" cooperation.

It is not China which comes with "strings attached" to projects in Indonesia, but the host country itself. These are related to the: (1) rejection of second-class technology with a negative impact on the environment; (2) encouragement of the use of local labour; (3) transfer of knowledge of technologies to local partners through training programs; (4) value added creation in order to reduce the still high dependence on extractive industries (The Straits Times, 2019).

5 Conclusions

In their efforts to strengthen national competitiveness, economic development and diversification, the ASEAN countries consider China as a key partner. Most of them have signed cooperation documents attesting the support for the BRI and all the ten countries are members of the Asian Infrastructure Investment Bank and are currently negotiating/implementing projects under the BRI. China is the main trade partner for eight of the ASEAN countries and the second for two of them and also a key investor.

This analysis highlights three groups of ASEAN countries according to the specificities of their relations with China from the standpoint of the BRI: (1) Indonesia, Thailand, Malaysia, Singapore, Philippines and Vietnam, which in general follow their national interest and have the ability to negotiate with their partners, even with China. In spite of particular critiques towards the BRI instruments, Malaysia for instance is continuing previous projects, but these have been renegotiated under the re-elected prime-minister Mahathir Mohamad. (2) The least developed countries, Cambodia, Lao and Myanmar regard the BRI as a tool enabling their development strategies and also a way to accomplish their Sustainable Development Goals. The first two are in the category of *fervent supporters* of the BRI, while in Myanmar one can already remark a new trend of imposing more conditions such as transparency, social and environmental responsibility and protection of national interest. (3)

⁵ Please consult: <https://www.railway-technology.com/projects/jakarta-to-bandung-high-speed-rail/>.

⁶ Please consult: http://www.xinhuanet.com/english/2018-05/08/c_137163660.htm.

Brunei is a late-comer in the group of countries which signed with China a Memorandum of Understanding for cooperation within the BRI Framework. Similarly to the other ASEAN countries, the Sultanate of Brunei is focusing on economic diversification and China is one of the relevant partners in this regard.

The case study on Indonesia's stance towards the BRI underlines on the one hand caution but on the other hand openness and support, but in line with the national development strategy, namely "private sector-driven", "profit-oriented" and no impact on the government debt. The Indonesian government considers that state's role should be that of *facilitator*, even if most of the companies involved in the implementation of the projects are state-owned enterprises. In contrast to other projects, the Jakarta-Bandung rail will be developed in the absence of the usual government guarantee, which highlights the Chinese government and companies' flexibility in negotiations with determined partners.

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