

聆听东盟的声音
ASEAN's Voice

一带一路

汇看
on

The Belt and Road Initiative

The Golden Bridge between China and ASEAN



指导机构：中国驻泰国大使馆

With the cordial support of the Embassy of the People's Republic of China in Thailand



"A Project of Century", Xi Jinping, May 2017

2013 Promises

- Set up a New Silk Road Fund of US\$40 billion to promote B&R's investment in 2014.
- Established the Asian Infrastructure Investment Bank (AIIB) with US\$100 billion initial capital in 2015.

2017 Promises

- Pledge at least US\$113 billion in extra funding, ranging from infrastructure to people's well-being.
- Sign economic and trade cooperation agreements with 30 countries.
- Host the first-ever China International Import Expo from 2018 onwards.
- Set up 50 joint sciences laboratories in 2020.
- Launch 100 "happy home" projects, 100 poverty alleviation projects and 100 health care and habitation projects in 2020.

ASEAN as the first door to the Belt and Road route of China



Opportunities to ASEAN/Thailand

- Increase in EXPORT TRADE to China as China has become the global consumer centre.
- Rise in INVESTMENT from China to ASEAN.
- Upgrade ASEAN INFRASTRUCTURE as the key link to major economies.
- Deepen PEOPLE-TO-PEOPLE BOND to maximise culture fusion, tourism, and industries like health care, property, etc.
- Diversify CAPITAL AND FINANCIAL MARKET due to the increase of RMB internationalisation.

Challenges to ASEAN/Thailand

- Aggravated LOCAL PROTECTIONISM due to China's dominance.
- Increased DEBT OBLIGATIONS from the huge funding.
- Increased BORDER ISSUES with neighboring countries that might influence business issues.
- Intensified COMPETITION among local markets because of capital and goods from China.

PREFACE

The Belt and Road: The view from ASEAN

Since its inception, China's Belt and Road (B&R) initiative has created much fanfare both inside, and outside, China. At the same time, the B&R also raised questions and doubts, especially outside China. ASEAN, as the region geographically connected to China, will play an important role in linking China to the rest of the countries along the B&R route. The Siam Commercial Bank, with the cordial support of the Embassy of the People's Republic of China in Thailand, is honoured to have the opportunity to work with experts from China and ASEAN to share their views on issues ranging from geopolitics to business, from macro-to micro-perspectives, and from the opportunities to challenges surrounding the initiative.

This book is a collection of well researched and thought provoking articles from prominent authors across China and the ASEAN region. It serves to encourage discussion and collaboration among all those who have an interest in understanding and making the B&R a reality.

Chinese officials have often mentioned that the B&R is an initiative and not policy. In the first B&R Summit in May 2017, President Xi Jinping reiterated that the goal of the B&R is based on mutual benefits and mutual responsibilities among participating countries. While the B&R promises lots of opportunities by forging closer economic and cultural cooperation, not all experts from ASEAN believe their countries or business communities will benefit. They also reflect on concerns and challenges. A number of experts provide a list of suggestions as to how to make the B&R function better.

We believe this report is among the first to communicate opinions from ASEAN in a collective manner with respect to China's B&R framework. The views conveyed herein are by no mean exhaustive and complete; so are the tasks and actions required to take the B&R initiative to a level that would result in tangible win-win solutions.

As a leading financial institution in Thailand with networks in five other ASEAN nations and China, Siam Commercial Bank has been servicing B&R-related businesses and will continue to contribute to the development of B&R-ASEAN cooperation. We would like to express our sincere gratitude to Chinese and ASEAN experts for their thoughtful contributions. We are also grateful to the Embassy of the People's Republic of China for guidance and support, without which this report would have never been possible.

We wish you great success and prosperity.

Siam Commercial Bank PCL
July 2017



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Embassy of the People's Republic of China in the Kingdom of Thailand

FOREWARD

In the autumn of 2013, Chinese President XI Jinping proposed the cooperative initiative of collectively building the Belt and Road (B&R) Initiative, with the aim of synergizing the national development strategies of relevant countries along the Belt and Road to promote complementary advantages through the strengthening of pragmatic cooperation in the areas of connectivity, so as to achieve mutual development and mutual benefit. Since its proposal, the Belt and Road Initiative has seen positive responses from more than 100 countries and international organizations in the world, reached a broad international consensus, and made a number of important early harvests.

As the sixth largest economy in the world, ASEAN countries are promoting in-depth regional economic integration and joint construction. This is highly compatible with the goal of the Belt and Road Initiative, which is the fundamental reason that it has gained widespread support from ASEAN countries. China has always regarded the ASEAN region as a priority in diplomatic relations, as well as the key region to build the Belt and Road. China is willing to synergize the B&R initiative with the ASEAN Community blueprint, based on the principle of mutual benefit, to promote sustained and stable regional economic growth, and to provide new impetus for the development of Sino-ASEAN relationships with new prospects.

Thailand is an important member of the ASEAN community. The concept of "China and Thailand being kith and kin" has rooted into people's hearts. The "Thailand 4.0" economic development strategy and the "Eastern Economic Corridor" project, proposed by the Thai government, is highly compatible with China's B&R initiative. China is willing to treat Thailand as an important partner to synergize the ASEAN region to build the Belt and Road. China is also willing to comprehensively promote bilateral cooperation on infrastructure, economic and trade investment, and other areas between China and Thailand, so as to deepen the China-ASEAN economic integration and achieve mutual prosperity.

The Siam Commercial Bank of Thailand has been actively committed to promoting the bilateral cooperation of business and culture between China and Thailand, and even between China and ASEAN. The "Thesis Collection" edited and published by the Siam Commercial Bank of Thailand, compiled a collection of opinions and wisdom from relevant experts from China and ASEAN countries. These papers provide useful proposals for China, and the ASEAN region, to further promote the construction of Belt and Road Initiative.

I believe that this "Thesis Collection" will help ASEAN countries to better understand, support, and participate in the construction of the Belt and Road. It will also help Chinese people to deepen their understandings of the ASEAN region, and thus make a new contribution to enhancing communication and friendship between China and ASEAN countries.



(H.E. Mr. Ning Fukui)

Ambassador Extraordinary and Plenipotentiary
of the People's Republic of China in the Kingdom of Thailand
24 April 2017

EDITORIAL NOTE

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Enough for the Vision, Time to Mean Business

Don't ask where the belt and the road are. Nor should one be obsessed with the reference to the ancient silk road. Indeed, the Belt and Road (B&R) is a grand vision crafted by the Chinese government to work with countries along the route in many dimensions, ranging from economy to culture. It is an overarching framework for Chinese at all levels, including government agencies, state-owned, and private firms throughout the country to forge cooperation with the outside world. Ironically, many of the aspects embodied in the vision of the B&R have seen progression with or without the B&R; for example, the going out of Chinese firms, the rise of the RMB as an international currency, the increasing awareness of Chinese culture globally, and so on. To outside world, the inaugural B&R summit recently held in Beijing with President Xi Jinping pledging a series of additional financial supports is a show of confidence. To Chinese experts, the event may signal the contrary.

In either case, our message to businesses in the ASEAN region is to get ready. Winners will emerge among companies who prepare strategic action plans and engage in, or react, to relevant B&R projects. To benefit from a burgeoning Chinese market no longer requires physical penetration into Chinese territories (though that will obviously

help), because Chinese market opportunities are knocking on doors in our backyard. That will also mean fiercer competition and threat. The rise of Chinese power is both unavoidable and irreversible.

This paper sets out to summarise and examine the views of Chinese and ASEAN experts on the B&R, with the focus on implications to the ASEAN community.

The Principles of the B&R Initiative

The core principles of the B&R initiative are based on five cooperations (policy, infrastructure, trade, capital, and people-to-people bonds and three sharing (mutual benefits, mutual destiny, and mutual responsibilities). From the "Vision & Action" document, the co-creation of the B&R is not about establishing new orders to replace old ones, but rather to support a global free trade system and a liberalised global economy. It is meant as a framework to deepen ongoing globalisation in a multi-dimensional manner. The initiative is designed to be an open architecture, not a closed one.

These principles may not be well understood, even within China.

First, the B&R is not to simply speed up the "going out" process by Chinese corporations without regard to risk awareness. In fact, the flow of out-

bound direct investment (ODI) from China has seen a slowdown due to tighter capital control on the back of RMB depreciation pressure recently. A negative list has been imposed on ODI into real estate projects and certain sport industry-related acquisitions. As such, the B&R framework will result in a new ODI trend that will have more rationale and be of a higher quality.

Second, the B&R is by no means a geopolitical strategy for China to assert offensive dominance or to export excess capacity. The core principles of “mutual benefits” mentioned above will be strongly adhered to. Most projects under the B&R framework will be in foreign countries, and as such, China will not be able to force a top down implementation. In fact, China has had rather uneven track records in striking large scale infrastructure project deals with governments within the ASEAN region.

Third, the B&R is not a policy to develop inland China, nor to replicate ancient silk road. Certain local governments in western Chinese regions have mistakenly tried to identify their local connections with the ancient silk road. It is not about

western regions that may have roots linked to ancient silk road, nor east coast provinces who may be ready to invest abroad. The B&R is a national level framework to pool nation-wide resources to forge cooperation with countries along the route.

ASEAN Countries Embrace the B&R with Varying Degrees of Engagement

A study by Beijing University in 2016 assessed the responsiveness of ASEAN countries in each of the “five cooperation” areas.

- On “policy cooperation with China,” Malaysia, Thailand, Laos, Cambodia, and Indonesia were ranked very “smooth” (the most favourable ranking).
- In areas of “infrastructure”, Malaysia, Vietnam, and Indonesia scored “relatively good” while others fell under “relatively poor, but exhibit good potential.”
- On “trade,” Singapore, Indonesia, Malaysia, and Thailand received a “smooth” scoring.
- On “capital,” Singapore, Thailand, Malaysia, and Indonesia received a “smooth” scoring.
- On “people-to-people bonds” Singapore, Thailand, Malaysia, and Indonesia received a “smooth” scoring.

ASEAN countries that received the highest mentions in all five categories are Malaysia and Indonesia. Thailand received four mentions, whilst Singapore received three mentions. In the case of Malaysia, the government-to-government (G-to-G) cooperation has been favourable, even before the announcement of the B&R initiative. Twin industrial parks (one in Kuantan, another in Guangxi) were established in 2012-13, not to mention recent China’s massive investment in Malaysia’s transport and power systems.



Thailand's scores suffered from a set-back in China-Thailand rail projects in recent years, despite strong engagement in other areas and a seemingly good G-to-G relationship.

Challenges

Experts from both China and ASEAN all believed that whilst there are great opportunities, the B&R initiative will also present challenges to China if it were to achieve tangible outcomes.

Huge funding needs. Among the five cooperation areas, infrastructure is the most tangible, yet requires the largest amount of funding. China can be the initiator but cannot be the sole contributor, especially over the next few years with Yuan depreciation pressure. President Donald Trump's protectionism policy should make it incrementally more difficult for China to acquire global key currencies via foreign direct investment (FDI) or exports, as it may mean China will need to import more from the US. Rising consumer demand in China itself would already foster this trend. Both the Asian Development Bank (ADB) and the Asia Infrastructure Investment Bank (AIIB) can only provide loans of about US\$10 billion each per year, while the annual demand for infrastructure investment in Asia alone is around US\$1.7 trillion, according to the Panyapiwat Institute of Management. Subsequent debt obligation in certain ASEAN economies as a result of massive infrastructure buildout can hinder the progress on connectivity under the B&R initiative.

Overcoming local protectionism. Rising concerns over China's dominance, coupled with protectionism trends elsewhere, have aggravated local protectionism within ASEAN. Such local protectionism sentiments may take place at either a

broad macro level, or at a project specific level. Take Thailand as an example. Closer transport links, and therefore trade flows, with China may make Thailand a weak link as Thai Small-Medium Enterprises (SME) mainly adopt responsive business strategies rather than pro-active ones. When it comes to the Chinese market, a number of Thai businesses do not have the resources nor a real commitment to building brands. Therefore, Thai companies who are successful in China are limited in number. The more successful ones tend to be successful only in core areas.

A large scale property project in Malaysia with an influx of Chinese home buyers has triggered concern about spiking property prices for local people. Moreover, the diverse racial society in the country adds to the complexity of the issue.

High debt obligation and project sustainability are concern for infrastructure projects in Indonesia.

It is important for China, and other parties involved, to explore the issues and put in place effective action plans to overcome concerns.

Understanding local practices. To Chinese investors, understanding the local business environment, both in terms of regulations and cultural discrepancies, is very important to long-term success. This sounds very simple but is indeed difficult to embrace. Take Thailand as an example. On the face of it, the country has a large overseas Chinese community and has cultural proximity to China. Yet monetary incentives alone to boost workers' productivity are often cited as challenging and not as straight forward by Chinese investors who are used to a 'more pay, more works' practice.

Recommendations

Our panel of experts have separately provided a list of recommendations. We have tried to compile them and put them into two broad categories. The recommendations are not meant to be for either China or for ASEAN members, but rather for all sides to take the critical issues into account and work out solutions together.

Policy coordination and communication. A top-down Chinese-style, state-driven policy implementation will not necessarily work in ASEAN, as even within the ASEAN region, there remain significant economic and social differences. The upper ASEAN region is characterized by fast growth and emerging economies with an overall GDP per capita of below US\$2,000, whilst the lower ASEAN region represents more mature and slower growth economies. Ethnically and culturally, the ASEAN region is made up of very diverse groups. The B&R is best deployed where local needs are. It is easy to mention that we need effective policy coordination and communication programmes. Such action plans need to go beyond the usual check list of seminars and training courses. Here are a few good starting points.

- **Use culture as a strategic tool.** Our experts have highlighted the importance of the use of culture as a strategic tool. We want to highlight the word “strategic” as key because there have already been many cultural exchange events. Korea has been successful in exporting K-Pop culture in the sense that it blends tourism, Korean brands, and traditional culture very well with its key message to the outside world. The K-pop model also has continuity in delivering a positive image and messages. We believe it would make a difference if relevant Chinese organisations and authorities were to

think along this line. China has abundant choices of historical, as well as contemporary, cultures and arts to deploy.

Cultural exchanges should be well planned, not ad hoc, and targeted to the right local audience group with key messages. Our observation is such cultural exchange events are driven more by organisations or groups within China who happen to want to put together a show overseas, without regard to the need of local audience. Many of the cultural shows are based on traditional cultures, and may not be well understood by local people in ASEAN. Modern and contemporary Chinese culture and art should be considered, or even formulated, as cooperation projects. To this end, we would like to highlight the movie “Lost in Thailand” as an example. The movie was a success in China and boosted tourism revenue for Thailand. However, this movie may not necessarily create the same impression on Chinese people among Thai viewers.

- **Set up an ASEAN overseas Chinese think-tank.** One thing that ASEAN countries have in common is a large base of overseas Chinese communities. They can effectively assist in establishing a good understanding of the B&R framework in local communities. To this end, an ASEAN overseas Chinese think-tank should be considered. The proposal begs to differ from many business associations already in existence throughout the region. We would like to add that such a think-tank can be seeded at the outset by Chinese government, but later be run independently though collectivity within ASEAN. This think tank can give advice in areas related to local regulations, business practice, as well as policy advice. At the same time, such an initiative would also strengthen ties with overseas Chinese businesses locally, many of which are local SMEs.

- **B&R credit insurance scheme.** In response to the massive funding needs for B&R projects, China should quicken RMB internationalisation to allow flexibility to use the Yuan as a mean of development in the B&R areas. A dedicated credit insurance scheme for B&R projects is seen as a way to promote more funding from conservative sources, like pension and insurance funds.

- **China-dedicated industrial parks.** One expert proposed Chinese enterprise dedicated industrial parks, based on a G-to-G model, as a very effective platform to promote cross border FDI from China. Such an initiative would allow Chinese industries to learn from each other more effectively, as well as encourage supply chain migration and better coordination on local policy and regulations. This initiative should be viewed as a mutual benefit, as such platforms would indeed help host countries to screen out Chinese firms that are not qualified to invest overseas. Thailand's Thailand-China Rayong Industrial Park serves as a good example. Within the past three years, the park attracted 35 new Chinese firms with an investment value worth US\$800 million.

- **Maximise potential of 'friendship city' models.** Currently, China and ASEAN countries have already established quite a number of 'friendship cities.' Vietnam has the maximum of 34 cities, followed by Thailand with 32 cities, and the Philippines has 27 cities. However, friendship scores have not been keeping up with the number of friendship cities in certain countries. A study by Beijing University revealed that despite the higher number of friendship cities in Vietnam and the Philippines, the "people-favourability" score was only 10%. On the contrary, the score for Malaysia is as high as 70%, despite of only 11 friendship cities. Therefore, there

is a need for both sides to turn the friendship city model into a fruitful exchange of culture and goodwill at the city level, which, in turn, will support the development under the B&R framework.

Balance of "political/security issues" and "business issues"

To ASEAN countries, it is important to strike a balance between working with emerging Chinese power and maintaining relationships with Western super-powers. Internally, the governments of ASEAN countries also need to balance between their political agenda and long-term economic benefits. However, one point to note is that given the economic importance of China, business will continue to flow despite some political tension. Let's take a look at China-Philippines trade statistics during the South China Sea tension. At the peak of the tension, trade volume between the two countries rose 16.8% in 2014, 2.7% in 2015 (against the backdrop of 1.7% decline in China-ASEAN trade), and 5.9% in the first half of 2016.

For emerging ASEAN countries that have borders with China, the security environment is one factor inhibiting the successful realisation of the B&R. For them, a grand vision of the B&R can start from a programme of border area development to streamline basic trade services, and provide social protection on both sides. Present policies on border trade are hindered by bureaucratic constraints as well as inadequate infrastructure and financial institutions. To this end, the Lancang-Mekong Cooperation (LMC) framework can be broadened to include trade and investment cooperation in the sub-regional context.



CHAPTER I

THE VIEWS FROM CHINA

THE BELT AND ROAD INITIATIVE AND A NEW TYPE OF COOPERATION FOR DEVELOPMENT

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The Belt and Road Initiative (hereinafter referred to as B&R) has attracted growing domestic and international attention since it was put forward. Behind this are two reasons: first, the new concepts of cooperation embedded in the Initiative are widely accepted by all; second, these concepts are not empty words, but are turned into action and have delivered tangible benefits. Today, the Belt and Road Initiative is not only an initiative for regional cooperation, but a broad cooperation concept and platform for the world⁽¹⁾.

Create Growth Momentum

The Initiative links Asia to Europe and Africa through inland and maritime networks, and puts the construction of infrastructure, industrial park, port economic zone and port logistics network high on the agenda. This helps to achieve inter-connectivity between major cities and regions in these three continents, facilitates the free flow of investment, goods, services, capital, technology and personnel, and forms new growth momentum to shape a new picture of economic development.

China, of course, has its own strategic considerations in putting forward the B&R. Its top purpose is to expand development space for its economic transformation. Since the reform and opening up, the eastern coastal cities in China, due to their geographical advantages, have emerged to become economic centers and the most dynamic areas, thus attracting more resources and labor forces. Western China, on the other hand, has seen sluggish development and as a result the regional development imbalance in China has intensified. In turn, this has become an important

factor affecting the stability and sustainability of the whole society. The most influential project in China's continuous efforts to rebalance regional development is the "western development drive," which covers 12 provinces, autonomous regions, and municipalities. The central government provided strong support for infrastructure construction (including roads, highways, railways, electricity and natural gas projects, etc.) and formulated preferential policies to encourage the flow of resources from the east to the west. Although the "western development drive" has made huge strides, it failed to significantly improve the competitiveness of the western region or close the development gap between Eastern and Western China. One of the deep-rooted reasons for this is because the western region is subject to geographical "internal restraints." Different from the "western development drive," the B&R Initiative (BRI) adopts a two-pronged development approach exploring both domestic and international market connection, which enables western China to engage in a more open market.

1. Since 2016, UN ESCAP, UN Development Program, UNIDO and WTO have signed agreements to jointly build the Belt and Road or memorandums of cooperation, the 71st General Assembly also passed the resolution to support the implementation of the initiative.

The Silk Road Economic Belt links China, Central Asia, West Asia, Russia, and Europe as well as China, Southeast Asia, and South Asia through the land network, and is dedicated to shaping a new and open development belt. The Maritime Silk Road connects China, Southeast Asia, the Indian Ocean, Africa, and Europe, as well as China and Oceania, to build cross-sea cooperation zone and achieve common development.⁽²⁾ Linking China with countries along the Belt and Road helps build a new economic space that explores cooperation in development for Western China, and the rest of the country.

With a large number of neighboring countries, China itself is a huge connecting belt from a geographical perspective. The interconnectivity between China and its neighboring countries calls for a sound cross-border infrastructure support network, including roads, railways and aviations, but all of these infrastructures are lagging behind both in hardware and in software. The B&R can help enhance the inland cross-border infrastructure network, improve the connection of modern ports, develop port economy, and build a maritime logistics network. Obviously, the B&R will greatly improve the infrastructures that link China to the outside world, enabling the region to become a shared place to achieve development for China and its neighboring countries.

The interconnectivity between China and its neighboring countries calls for a sound cross-border infrastructure support network, including roads, railways and aviations, but all of these infrastructures are lagging behind both in hardware and in software.

China's economy has entered a "new normal" after more than 30 years of rapid growth, and shifted from high-speed to medium growth. In order to create a new growth engine, China needs to build domestic, demand-driven growth momentum while expanding external market opportunities. While developing countries are able to provide new space for the global economy, their backward infrastructure and industrial supply chains are bottlenecks that restrain development. But with the Belt and Road Initiative, their comprehensive economic environment will be improved, benefiting the development of the local economy and providing Chinese enterprises with opportunities to expand trade.

The B&R takes development cooperation as its priority, which enables China to explore new economic development opportunities through projects like infrastructure network building and constructing industrial parks in regions and nations along the Belt and Road. China needs to find a new production base for its manufacturing industry to reduce costs, improve technology, and maintain competitive advantages while developing countries in Asia and Africa can offer a huge space for development and available cost advantages. The capacity cooperation under the BRI is by no means the same as the previous simple capacity transfer mechanism, which will not move outdated and pollution-producing capacities to other countries, but jointly design and build a new industry through negotiations with local markets. From this perspective, it can be seen as an industrial expansion and upgrading. This capacity cooperation mechanism is a new type of cooperative development mode, different in nature from traditional assistances and market-based transfer of outdated capacity.

2. Vision and actions on jointly building Belt and Road, http://news.xinhuanet.com/english/china/2015-03/28/c_134105858_2.htm.

Innovate Ideas for Development

The B&R proposes a new idea of development through innovation. Innovation under the B&R mechanism is cooperative innovation. Different from conventional technical innovation, it is committed to build a new comprehensive development environment, cultivate a new economic growth engine, and achieve inclusive and balanced sustainable development through the sharing of experience, resources, and benefits.

Innovation includes establishing new cooperation mechanisms, such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB). They don't aim to replace the World Bank (WB), Asian Development Bank (ADB), or other existing international institutions. Instead, they intent to build on, and seek complementary cooperation with, the current ones. For example, infrastructure projects supported by the AIIB are jointly financed by the ADB and WB.⁽³⁾

The development of the world economy is in a new period of adjustment, and is in need of new ideas and initiatives. The B&R is the most influential one that is more widely-supported and participated in than any other initiatives. It explores cooperation, promotes opening-up, facilitates the cross-border flow of economic factors, achieves efficient allocation of resources and market integration by building up interconnectivity, and it pools common interests through opening-up and cooperation. By

Upholding “open regionalism,” the Initiative is not “limited to the area of Belt and Road” but is “open to all countries, and international and regional organisations for engagement.”

doing so, it pushes countries along the Belt and Road to coordinate economic policy, carry out in depth and high-standard regional cooperation, and jointly create an open, inclusive, and balanced regional economic cooperation architecture.



Upholding “open regionalism,” the Initiative is not “limited to the area of Belt and Road” but is “open to all countries, and international and regional organizations for engagement.”⁽⁴⁾ In other words, it welcomes the participation of countries along the Belt and Road, as well as the rest of the world. Take the AIIB as an example, where membership is open to all countries that are truly interested and willing to contribute.⁽⁵⁾ Besides, interconnectivity is not limited to these routes, but covers various connections and links across the Eurasian continent.⁽⁶⁾

The cooperation priorities for implementing the Initiative: (1) countries along the Belt and Road may coordinate their economic development strategies and policies, work out plans and measures to jointly provide policy support for the implementation of practical cooperation and large-scale projects; (2) achieve interconnectivity through infrastructure networks including the connectivity of construction plans and technical standard systems; (3) improve investment and

3. See “AIIB and ADB provide loan together on the project”, <http://bank.jrj.com.cn/2016/03/22102320721783.shtml>.

4. Vision document, http://english.mofcom.gov.cn/article/zt_beltandroad/.

5. AIIB established on Dec. 25, 37 of its 57 founding members are Asian countries while other 20 are from other region.

6. Summers, Tim: “China's ‘New Silk Roads’: sub-national regions and networks of global political economy”, *Third World Quarterly*, 2016, 37(9), pp.1628-1643.

trade facilitation, and remove investment and trade barriers for the creation of a sound business environment; (4) build a currency stability system, investment and financing system and credit information system, carry out bilateral currency swap, develop the bond market and establish new financial institutions such as the AIIB, BRICS New Development Bank (NDB), and Shanghai Cooperation Organization (SCO); (5) promote extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges, and volunteer services, so as to win public support. As a major developing country, China is playing a special role in the practices mentioned above, as both an advocate and major participant by providing critical capital and technological support.⁽⁷⁾

Connectivity is an important reason to implement the Initiative. It includes the connectivity of infrastructure construction, laws, regulations and standards, as well as the exchanges and flows of personnel. Infrastructure construction should focus on building modern transportation networks; connectivity of laws, regulations, and standards focus on facilitation and removing or reducing restrictions on transportation, trade, and investment; personnel flows facilitate the exchanges and travels of engineers, technicians, civilians and people working in business, education, and cultural fields. To this end, a wide variety of cooperation mechanisms and rules are set up under the B&R Initiative.

Investment and trade cooperation is a major task in building the Belt and Road. It strives to improve investment and trade facilitation, and remove investment and trade barriers for the creation of a free trade zone within the countries and regions

Investment and trade cooperation is a major task in building the Belt and Road. It strives to improve investment and trade facilitation, and remove investment and trade barriers for the creation of a free trade zone within the countries and regions along the B&R.

along the B&R. Cooperation under the Initiative will expand trade and investment, upgrade trade and investment structures, create new development areas by improving infrastructure, build industrial parks and port networks, raise funds and build capacity.

Financial cooperation is an important underpinning for implementing the Belt and Road Initiative. It covers a wide range of cross-border financial agendas including currency stability, project financing, bilateral currency swap, settlement, bond market, RMB denominated bonds, etc. AIIB, NDB, the Silk Road Fund, China-ASEAN Interbank Association, and SCO Interbank Association all have a role to play in this regard. In implementing the Initiative, related countries should also strengthen financial regulation cooperation, establish an efficient regulation coordination mechanism, improve the system of risk response and crisis management, build a regional financial risk early-warning system, and create an exchange and cooperation mechanism of addressing cross-border risks and crises. All these joint efforts can help ensure currency stability, enhance credit systems, and encourage commercial equity investment funds and private funds to participate in the construction of key projects of the Initiative.

7. The B&R document, http://english.mofcom.gov.cn/article/zt_beltandroad/.

People-to-people bonds provide public support for implementing the Initiative. The B&R Initiative not only covers economic agendas, but also involves cultural and academic exchanges, personnel training, media cooperation, youth and women exchanges, and volunteer services, thus “wins public support for deepening bilateral and multi-lateral cooperation.” The Initiative, through various cooperation mechanisms, promotes personnel exchanges, tourism, sports exchanges, epidemic information sharing, exchange of prevention and treatment technologies, and the training of medical professionals. It also enhances science and technology cooperation, practical cooperation on youth employment, entrepreneurship training, vocational skill development, social security management, public administration and management, as well as exchanges with NGOs and cooperation between cities.

Given the economic diversity of countries along the Belt and Road, there is no single plan that applies to all, thus construction in every field should align with the development strategies of the host country so as to achieve a win-win result that benefits all.

Given the economic diversity of countries along the Belt and Road, there is no single plan that applies to all, thus construction in every field should align with the development strategies of the host country so as to achieve a win-win result that benefits all.⁽⁸⁾ As a matter of fact, most countries along the Belt and Road face a low level of economic development and inadequate investment in infrastructure. The Initiative enables them to integrate domestic development into a large

regional cooperation network, which is crucial for them to go beyond the constraints of national capacity, cross-border links, and logistics networks.

China has accumulated a wealth of experience in building infrastructure networks, both in equipment technology and management experience, and thus can play an important role in improving infrastructure. It is possible to build a web of transnational infrastructure networks, including railways, highways, port networks, oil and gas pipelines, telecommunications, and power networks if China takes the lead to negotiate and promote these cross-border projects, since the Belt and Road Initiative covers a huge region and a large number of countries. In terms of financing, other financial institutions will also actively participate in the implementation of the Initiative, in addition to the Silk Road Fund and AIIB. More importantly, with the framework of public-private partnership (PPP) and cooperation, enterprises, as a major participant, are able to break their own financing restrictions and avoid the risk of playing alone.

From the perspective of future development, the construction along the Silk Road Economic Belt and the Maritime Silk Road will gradually improve the interconnection between Asia, Europe, and Africa. The construction of an infrastructure network will provide a new environment for the development of new industrial parks, financial centers, free trade and investment zones, as well as other integrated projects such as oil and gas pipelines, power grids, the Internet, transmission lines and communications networks, and a huge market covering Asia, Europe, and Africa will take shape.⁽⁹⁾

8. Wang, Yong: “Offensive for defensive: the belt and road initiative and China’s new grand strategy”, *The Pacific Review*, 2016, 29(3), pp.455-463.

9. Summers, Tim: “China’s ‘New Silk Roads’: sub-national regions and networks of global political economy”, *Third World Quarterly*, 2016, 37(9), pp.1628-1643.

Innovate Development Cooperation

The B&R Initiative is jointly participated, planned, constructed, and its results are shared by all. It is a cooperation mechanism different from traditional development assistance, where all participants are equal partners. In terms of geography, the Initiative covers an area of more than 60 countries and it requires the active participation of, and close cooperation between, all relevant partners. The Initiative follows the principle of “making great efforts to align national development strategies of all participants through consultation and joint construction while satisfying their interests.”⁽¹⁰⁾

Most countries and regions along the Belt and Road are developing economies, with a per capita GDP of less than half of the world average level. It is difficult for a single country to establish a good infrastructure network. A joint support of public funding and financial institutions is essential to secure long-term investment that the development of infrastructure requires. AIIB is a new model for infrastructure financing, which helps to solve the bottleneck constraints of long-term investment. Its operation will strictly follow the internationally accepted principles and its decisions will be made by all members. In this global context where we need to meet new needs and address new challenges, reform existing international institutions and establish new ones, the AIIB aims to inject new impetus for world economy. Although the United States and Japan refused to participate in the AIIB, many Asian, African, and European countries actively joined the AIIB as its founding members. The AIIB can provide investment funds, technical assistance, and cater to the projects in partner countries. In fact, since infrastructure investment is expected to increase in the coming years, developing countries are under

In fact, since infrastructure investment is expected to increase in the coming years, developing countries are under great pressure to meet their infrastructure needs.

great pressure to meet their infrastructure needs. The United Nations Conference on Trade and Development estimated that developing countries would need to invest between \$3.3 and \$4.5 trillion per year for the achievement of the 2030 Sustainable Development Goals (SDGs), which are concentrated in infrastructure projects (electricity, telecommunications, transport, water and sanitation), as well as specific infrastructure-related projects such as food safety, mitigation, and adaptation for climate change, health, and education. The implementation of the 2030 sustainable development agenda is important for some countries to use global resources, and both public and private infrastructure investments.⁽¹¹⁾

In terms of funding sources, development cooperation is traditionally financed by bilateral and multilateral donors. However, studies have shown that development assistance accounted for only 6-7 percent of infrastructure financing,⁽¹²⁾ which reflects a need for innovative ways for development cooperation while the joint participation and public-private partnership under the BRI has offered a new cooperation arrangement. Past experience has shown that developing countries have less foreign direct investment in areas such as electricity, telecommunications, transport, and water supply. The existing investments are far from enough to fulfill the sustainable development agenda. The AIIB has prioritized the construction of infrastructure since it was established.

10. The B&R document, http://news.xinhuanet.com/english/china/2015-03/28/c_134105858_2.htm.

11. UNCTAD: “World Investment Report”, 2016, United Nations Publications.

12. Miyamoto, Kaori and Emilio Chiofalo, “Official Development Finance for Infrastructure: Support by Multilateral and Bilateral Development Partners”, 2015, OECD Development Cooperation Working Papers, No. 25, OECD Publishing.

Sustainable economic development can't be achieved without sound infrastructures, but the financing of infrastructure investment has long been a bottleneck. Hopefully the AIIB, through its own financing, financing in the international market, and both domestic public and private sectors, will inject new vitality into infrastructure construction. The same is true of the NDB established by BRIC countries, which is primarily intended to help solve the bottlenecks of financing for development by providing loans, guarantees, equity, and other financial instruments to support sustainable social, environmental, and economic development through cooperation. From a long-term perspective, it is necessary to set up more development-oriented institutions that can bring new vitality to inclusive development.

The world economy is in a difficult period of adjustment. The income distribution gap has increased, the development imbalances intensified, trade and investment growth slowed down, and protectionism is prevailing. The Belt and Road Initiative serves as a breath of fresh air featuring opening-up, cooperation, and development. It becomes more attractive to public and private investment due to government support and international involvement, which will help improve the internal and external trade and investment environment, thereby mobilizing the potential for economic growth.

Of course, diverse national conditions and interests make it hard for countries along the Belt and Road to take concerted actions. A variety of risks, such as national political risk, investment risk, and terrorist threat, should be analyzed and handled carefully, and should be weighed against advan-

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tages from an overall perspective. Moreover, the Initiative is for long-term development. It is a "centenary project" that should be implemented in order of priority, and countries should not seek quick success or instant benefits.

China, as the initiator of the B&R, needs to coordinate the interests of all parties, evaluate the risks of different business projects, strengthen bilateral economic and trade agreements and rules, promote successful cooperation models, build key business projects, and seek converging points in economic development, political cooperation, security, and personnel exchanges with other countries. As the Initiative involves dozens of countries, an effective cooperation and coordination mechanism should be put in place. The five priority areas for implementing the Initiative also call for an effective coordination mechanism to assign priorities and expand common interests between different countries. In particular, many countries along the Belt and Road are underdeveloped and face multiple challenges including poor connectivity, terrible road conditions, and low transport efficiency caused by a lack of unified railway technology standards. It is hard to build cross-border high-speed railways to ensure the same standard procedures, efficiency, and safety

among different countries. Frequent maritime safety incidents occur in some countries due to limited maritime transport information sharing. A large amount of investment needs to be in place if changes are to be made, but all these projects will inevitably cost time before generating profits.

As the global economy undergoes profound changes, the Belt and Road initiative can propel a new regional and international order featuring win-win cooperation. It provides a new concept and approach, which is to improve the comprehensive development environment of developing countries and create a new development momentum through mobilizing countries' enthusiasm to participate and invest. This will help the world economy step out of the doldrums and into a new stage of development. All kinds of responses and countermeasures have emerged to address the development challenges facing the world. The Belt and Road Initiative for open cooperation and common development⁽¹³⁾ resonates with many when the US government adopts a protectionist policy of "putting America first." The B&R is an initiative for cooperation, not for strategic competition. It helps to cultivate the spirit of cooperation, enhance awareness to build a community around a shared future, and thus helps to promote regional and international cooperation and peace.



13. Feng, Zhongping and Jing Huang: "Sino-European Cooperation on the Belt and Road Initiative: Drive, Dynamics, and Prospect", *Contemporary International Relations* (现代国际关系), 2016, 2, pp.9-15.

"THE BELT AND ROAD INITIATIVE"

DEPICTED THE THIRD REFORM AND OPENING-UP STRATEGY

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Select Major Support Countries

The resolution of the "Belt and Road" Initiative (hereafter referred to as "B&R") has been changed to "Vision & Proposed Actions," rather than the originally envisioned B&R plan. This sent a signal that China was very cautious about this issue. Compared to the previous working method, the Chinese government conducted an exploration of the characteristics of each country, each city, and each project accordingly. China did not pursue uniformity on pattern, time, approach, and projects, but sought flexibility and a common wish. In the actual implementation of this plan, each department in China will synergize with each country to promote the implementation by means of funds, policies, projects, and planning. However, it is not a unified promotion because it is dependent on each country's decision. The country that begins implementing this plan may not be the nearest one, it can be one that is far from China but possesses the most favorable and qualified conditions.

The "Vision & Proposed Actions" is the best measure to implement the B&R initiative.

- It refines the plans and visions of the B&R with a specific time frame for different programs.
- It refines in the process in detail, strives for connectivity with relevant countries in five aspects as soon as possible, and establishes a detailed road map and timetable. This includes signing bilateral and regional FTA with relevant countries, accelerating FTA negotiations as well as the BIT (Bilateral Investment Treaty) negotiation with relevant countries, and speeds up negotiations with certain countries on investment and trade protection agreements.

The announcement of the "Vision & Proposed Actions" is conducive to promoting the specific implementation of the "Five Connectivities." The road map and schedule has been specified and will be implemented for the next step. In the implementation process, I think it is important to focus on the key areas and countries. We cannot conduct the implementation simultaneously in 65 countries, of which there are 13 relevant countries along the Silk Road Economic Belt and 52 relevant countries involved in the 21st Century Maritime Silk Road.

Therefore, I recommend selecting 10 to 20 major landlocked and coastal support countries as key developing countries. The criteria for selecting these major support countries include evaluating the needs of each country, looking at the maturity of the conditions, and considering the maturity of policy coordination and facility connectivity. For the cooperating countries, we should firstly consider the policy coordination, then the facility connectivity, then the unimpeded trade, and finally the people-to-people bond.

Industrial Parks are the Best Platform for Implementation

Building an industrial park is the best platform for Chinese enterprises going out to the world. First, the agreement of building an industrial park is signed by two governments, and the industrial park is the best platform for the relevant country to implement policies that are conducive to business, local taxation, and other policies. Since there are protections from two governments, it can prevent enterprises from going out to the world alone. Second, the industrial park has a perfect infrastructure to facilitate the enterprise to handle various local procedures, including taxes, visa applications, etc. The industrial park can also meet the requirements of transportation and raw material supply. On the other hand, the industrial park is built based on the local advantages, rather than a “hodgepodge.” Thus, it is a tailor-made industrial park for the local government, which can give full play to certain advantages and encourage development of the basic industry of cooperating countries, as well as their advanced industry.

This kind of industrial park is fundamentally different from the Haier Lubai Industrial Park in Pakistan and the Chambchi Copper Mine in Zambia, both of which were built more than a decade ago and were similar to the “hodgepodge.” We want to build this kind of industrial park as a high-tech local industrial base, with the capacity to manufacture machinery and equipment, serves as the local export processing base, and develop it into a technology research and development base.

Not all enterprises can go out to the world. The enterprises intending to go out to the world must possess certain characteristics. The most important ones are the ability to pay attention to local social responsibility, to know the needs of the local people and market, to communicate with the local government and comply with the rules, rather than taking the under-table transactions or taking the upper bureaucratic route. This is the best time for Chinese companies to show their new faces, and is also the key for Chinese enterprises to verify whether they can establish a foothold in the international arena.

For Chinese enterprises, building the B&R is not like the previous “hodgepodge” pattern, and it does not mean that enterprises rush to one country or region. The reason to select major support countries is to set a qualification or threshold, so as to allow the enterprises that are open, transparent, and compliant with laws and regulations to cooperate with local companies under the strategy of building the B&R.

The reason we encountered problems with projects for Mexico's high-speed rail and the Sri Lankan port was apparently due to resistance from foreign opposing forces. However, the more important reason is that the Chinese-funded



enterprises did not understand the local conditions. They should pay more attention to local social responsibility and respect local laws and regulations, so as to avoid being attacked by local opposing forces and other forces with excuses. If we do not make improvements in these aspects, we will not go out to the world. Of course, not all Chinese companies have these kinds of problems.

It should be noted that when Chinese-funded enterprises go out to the world under the B&R initiative, we should eliminate internal competition and disorderly price competition. From this perspective, relevant departments, especially the Ministry of Commerce, the National Commission of Development and Reform, the Ministry of Foreign Affairs and so on, should be responsible for the related works. China's foreign affairs departments abroad, especially the business and commercial offices of the embassy, shall play an important role.

The criteria for selecting these major support countries include evaluating the needs of each country, looking at the maturity of the conditions, and considering the maturity of policy coordination and facility connectivity.

Open Up New Markets with a Win-Win Perspective

In the perspective of opening up new markets, China has undergone three reforms in opening up to the world. The first reform was the construction of special zones proposed by Deng Xiaoping. The second reform was China's ascension to the WTO, which has made China shift completely. The third reform is the B&R initiative, which is constructed on the basis of the previous two reforms, but with more openness and a higher level of quality. During the course of this third reform and opening up to the world, China will deliver the best, rather than any unwanted things, to the world. Therefore, when seeking new markets to open up to, we should abandon the previous concepts, which reduces production capacity to the world.

When seeking new markets, we should not primarily consider the interests of Chinese enterprises, nor only think about the benefits to them. On the contrary, we should adhere to the principles of "win-win cooperation" and "giving more and taking less" during the process of building the B&R.

The "Vision & Proposed Action" is very important. To implement this program, government departments and enterprises should not look for quick success. This program is a long-term and cooperative one. It should bring benefits to local enterprises, local people, and the local country, so that they will know that China is a reliable and cooperative partner.

I used to work in Africa. I often said that going alone would be faster, but you will go farther with partners. "Partner" may become a key word in future foreign affairs. We will not build an alliance, but a long-lasting partner. We will not damage the interests of other countries to benefit ourselves, like some countries do. This is an important factor of the Belt and Road initiative.

Difficulties and Problems with Promoting the B&R Initiative

To begin constructing the B&R initiative, the first step is to select the major support countries. The key issue is to gradually popularize the experience so as to quickly build the B&R into a mutually beneficial model. Whether the B&R initiative is welcome, promoted, and further developed depends on whether it can generate a win-win situation.

What I worry about most is whether the B&R can pair China with other countries for mutual benefit, and whether China can collaborate with the other partners of the AIIB to create a win-win situation. Mutual benefits and win-win situations are the best indicators to measure the success of this strategy. Before building the “Community of Shared Future for Mankind,” we should build the “Community of Shared Interests.” When interests are shared and the benefits of one project are positive for both sides, it will slowly become the “Community of Shared Future for Mankind.” The key issue is whether we can build the “Community of Shared Interests” as well.



SCIENTIFIC CONNOTATIONS OF THE “BELT AND ROAD” INITIATIVE AND RELATED ISSUES FOR GEOGRAPHY

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[Abstract]: The Belt and Road Initiative, in which the "Belt" stands for the Silk Road Economic Belt and the "Road" stands for the 21st Century Maritime Silk Road, is a new international regional cooperation model proposed by China with the aim of deepening the development of globalization. The core goal of the Belt and Road Initiative is to promote the free flow of economic factors, efficient allocation of resources, and deep market integration to promote larger scale, higher level and deeper layers of regional cooperation, so as to jointly build an open, inclusive, balanced, and mutually beneficial regional economic cooperation platform. The Belt and Road Initiative implies a completely different concept from that of previous economic globalization, which is "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit," just like the spirit of the ancient Silk Road. This paper analyses the relationship between the Belt and Road Initiative, economic globalization, and the changing face of the world, as well as its spatial connotation. Based on this analysis, this paper argues that the Belt and Road Initiative has the characteristics of multi-spatial connotation and cross-areas, and is China's national strategy to coordinate overall opening-up to the world. Finally, this paper raises several important issues for geography during the process of building the Belt and Road including: geopolitics, geography of countries, principle on direct foreign investment, optimization of transportation, and so on.

[Key words]: The Belt and Road Initiative / Silk Road / Economic Globalization / Geopolitics

Introduction

On March 27, 2015, at the Boao Forum for Asia, Hainan Province, the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China jointly issued the "Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk

Road" (hereafter referred to as "Vision & Proposed Action"). This marks the start of the Belt and Road (hereafter: "B&R") initiative, which will have a notable impact on China's development, entering into a complete construction stage. If we say that China had participated in the process of economic globalization with a way of "attracting in" within the first 30 years of its economic reform and open-

ing up to the world, then jointly building the B&R should be a mark of a distinct characteristic that China will take; the approach of "going out" to meet the new era of economic globalization. The initiatives of building the "Silk Road Economic Belt" and "21st Century Maritime Silk Road," proposed by Chinese President Xi Jinping separately in Kazakhstan on September 7, 2013 and in Indonesia on October 3, 2013, have been paid much attention by the international and domestic community, including in the academic ambit. However, since the Chinese government has not issued any official documents elaborating on this strategy, the international and domestic community have different understandings of this initiative, sometimes more or less based on guesswork. The announcement of the "Vision & Proposed Action" makes the B&R initiative open and transparent. And at the same time, this "Vision & Proposed Action" also makes it possible for academics to interpret this strategy as well as the issues it brings.

According to the "Vision & Proposed Action," the B&R initiative aims to promote the economic elements of orderly and free exchanges, efficient resource allocation, and in-depth market integration to promote regional cooperation with larger scope, at a higher and deeper level, so as to jointly create an open, inclusive, balanced, and mutually beneficial regional economic cooperation framework (National Development and Reform Commission, 2015). This means that China expects to play a more proactive role in a deeply integrated global economic system and in leading world economic development under the premise of meeting the current world development mechanisms and trends. However, the B&R initiative implies a completely different concept from that of previ-

However, the current meaning of "Silk Road" that people are trying to understand is merely observing the past incarnations of the concept at the present moment, thus the "Silk Road" cannot not be understood semantically as a spatial concept, which has a fixed route. In other words, the term "Silk Road," for today's society, is more of an abstract collection of cultural symbols, rather than a strong specific spatial phenomenon.

ous economic globalization, which is "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit," and it also emphasizes the building principle of "jointly building through consultation to meet the interests of all." Broadly, the B&R initiative can be expressed as "one core concept (which is peace, cooperation, development, and mutual benefit)," "five major cooperative aspects (which are policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds)" and "three communities (which are community of shared interests, community of shared destiny and community of shared responsibility)." The B&R initiative is not accidental. It is the inevitable result in the context of the changing world economic pattern and the in-depth development of economic globalization. It contains certain scientific connotations and related scientific issues which need to be explored and answered by the academic community.

Scientific Connotation of the "Silk Road"

The phrase "Silk Road" exists in both the initiatives of "Silk Road Economic Belt" and "21st Century

Maritime Silk Road." However, the B&R does not intend to re-build the historical international trading routes. Obviously, the concept used in the B&R is the cultural connotation of the "Silk Road," which is peace, friendship, communication, and prosperity, which are the very core concepts advocated by the "Vision & Proposed Action."



The prominent features of today's world economy are the deep integration of the economy and the developed trade system. It can be said that economic activities and people's lives are inseparable from trade. People are so familiar with today's trade that they often forget the fact that there was a very developed trading system in ancient times. In fact, as far as the Spring and Autumn and Warring States period (even the Shang & Zhou Dynasties), ancient China had trading activities with other countries on the Eurasian continent. The trade scale and scope were ever-expanding, extending to the European continent, and even covering the North and East Africa during its period of great prosperity. Historically, there was no proper noun to describe this kind of cross-border, long-distance trading until one was coined by the German geographer Ferdinand von Richthofen, who wrote a book in 1877 called "China: The Results of My Travels and the Studies Based

Thereon," in which he called this trading route the "Silk Road". The concept of the "Silk Road" used in Richthofen's book only refers to the trading routes from the Central Plains via the Hexi Corridor, the Tarim Basin in China to Central Asia, and the Mediterranean region. Since the bulk of commodities traded along this route from Han Dynasty to Tang Dynasty was silk, it was named the "Silk Road." Since then, this term, with strong historical and cultural connotations, has been widely recognized and extended in application. Later, the long-standing "Southern Tea Road" (Zhu Changli, 1991) and the "Northern Trading Route via Grassland" (Liu Yingsheng, 1995), together with the maritime trading routes (Hanhu Elementary, 2004) opened up from the Song and Yuan Dynasties, were also known as the "Silk Road." Of course, silk was not the only trading commodity, as there were different dominant commodities in historical periods. For example, during the Song period, Yuan, and Ming Dynasties, the major commodities trading through the Maritime Silk Road were silk, porcelain, tea, and spices. In addition, the term "Silk

In other words, the B&R initiative is proposed in the context of world pattern adjustments and economic globalisation, and is an important framework to promote the development of global economy.

Road" is not only synonymous with ancient trade, but also the historical "symbol" of China's cultural exchanges with the Eurasian continent (Chen Yan, 1997). With the trade of goods exchanged and personnel communication, due to the cultural learning among countries along the Silk Road, a splendid civilization emerged in this area.

In view of its own stage of development, China's economic growth is stepping into the "new normal." On the one hand, the "demographic dividend," which lasted for more than 30 years, gradually disappeared and labor costs rose rapidly, which led to the loss of competitive advantage in some labor-intensive industries.

In the past, many discussions and concerns about the "Silk Road" were mainly confined to the areas of historiography, cultural relics, etc., which had different utilitarian purposes. However, since the B&R initiative was created, there has been a mass fervor in the country to explore the history and culture of the "Silk Road," with the expectation of establishing their own position under the B&R initiative. Although we cannot completely deny the meaning of "using the past to manage the present," it is clearly misapplied to the inherent concepts of the term "Silk Road" that is used in the B&R initiative. Historically, the specific lines and areas of the Silk Road have evolved along with changes in the geographical environment, the state of economic development, and the evolution of politics and religion. However, the current meaning of "Silk Road" that people are trying to understand is merely observing the past incarnations of the concept at the present moment, thus the "Silk Road" cannot not be understood semantically as a spatial concept, which has a fixed route. In other words, the term "Silk Road," for today's society, is more of an abstract collection of cultural symbols, rather than a strong specific spatial phenomenon. In addition, historically, the "Silk Road" mainly existed in peacetime (and was often interrupted by wars), and it brought prosperity

through the exchange of goods and culture. Therefore, the connotation of this cultural symbol can be attributed to peace, friendship, communication, and prosperity. From this point of view, the Chinese government, utilizing the cultural symbol of the "Silk Road," wishes to convey a concept to the world, which is "peace, cooperation, development, and mutual benefit."

The B&R Initiative and Economic Globalization

From the "Vision & Proposed Action," it can be seen that collectively building the B&R does not mean "starting another way," but "committing to maintain the global free trade system and the opened world economy" (National Development and Reform Commission, 2015). In other words, the B&R initiative is proposed in the context of world pattern adjustments and economic globalization, and is an important framework to promote the development of global economy. However, it is not simply a continuation of previous economic globalization, but a new form of globalization, with its most prominent feature being the integration of the "Silk Road" cultural connotation. In short, the B&R is the expression of inclusive globalization; it does not separate from the basic mechanisms of economic globalisation, namely, investment and trade liberalization.

It is well known that the emergence and development of economic globalization is inseparable from the popularity of neoliberalism. Marked by a double global oil crisis in the 1970s, Western developed countries ended more than 20 years' prosperity after World War II, and fell into serious "stagflation." In order to get rid of the dilemma, on one hand, countries like Britain, the United

States and so on, abandoned the "Keynesian" national capitalist policy and changed to a new "prescription" called neoliberalism, which reduces government intervention and promotes full privatization; on the other hand, those countries exported and transferred their capital industries abroad on a large scale, through which the world stepped into the era of global capitalist expansion. In order to meet the needs of capital output, neoliberalism is regarded as the theoretical basis for

At the beginning of economic reform and opening up, in the world's share, China's gross domestic product (GDP) accounted for only about 5% and exports accounted for less than 1.5%. But by 2013, China's GDP share in the world has risen to 12.3%, and the proportion of exports rose to 12%. Accordingly, in 2010, China became the world's second largest economy, and in 2013, became the world's largest exporting country. Moreover, since the global financial crisis in 2008, China's contribution to world economic growth has remained at a rate around 30% (27.8% in 2014).

the implementation of investment and trade liberalization. The typical event is the United States-led "prescription" for Latin American and Eastern European countries, well-known as the "Washington Consensus." The core of this is the liberalization of trade economy, complete market-orientation, and complete privatization. However, from the results of the "Washington Consensus," almost no countries that were "treated" were successful in getting rid of the plight of growth. On the contrary, China, through

the combination of governmental intervention with market-oriented policy, achieved huge economic development. It can be said that economic globalization based on neoliberalism has shaped the world pattern in the past 30 years, but the neoliberal-controlled financial markets led to the global financial crisis of 2008. Therefore, for economic globalisation under neoliberalism, capital is the biggest winner, and the society has paid a great deal during this process. In this context, no matter whether they're developed countries like the United States, Britain, or developing countries like China, they are all thinking about reforming the governance model to promote deepening economic globalisation. In this regard, the B&R is a useful exploration.

Since the 1980s, China has been deeply involved in the process of economic globalisation through gradual reform and opening up. On the one hand, through the introduction of capital, technology, and management experience, China has promoted its own rapid economic development; on the other hand, China has also gradually established a mechanism to adapt to economic globalization. It should be recognized that China's rapid economic development benefited from economic globalisation, but at the same time, China has also made great contributions to world economic growth and changed the world economic structure. At the beginning of economic reform and opening up, in the world's share, China's gross domestic product (GDP) accounted for only about 5% and exports accounted for less than 1.5%. But by 2013, China's GDP share in the world has risen to 12.3%, and the proportion of exports rose to 12%. Accordingly, in 2010, China became the world's second largest economy, and in 2013, became the world's largest exporting country. Moreover, since the global financial crisis in 2008, China's contribution

to world economic growth has remained at a rate around 30% (27.8% in 2014). Although China's economy is still large but not strong, such a huge economy (the GDP reached US \$10 trillion in 2014) is enough to become one of the major forces to shape the world economic structure. Furthermore, under the trend of increasingly close connection between global economies in the world, an economy as large as China's will have a significant impact on other relevant countries. In this context, the B&R initiative is the commitment of China to promote economic globalization through in-depth development, as well as an effort by China to maintain the mechanisms for good results from economic globalisation.

From a historical perspective, the rise of China's economy over the past 30 years has been the biggest change in the world's economic landscape within the past 100 years, and it is also one of the major events in the world pattern change in the past 300 years. According to a rough calculation by the economic historian Angus Maddison, the share of China's GDP in the mid-18th century was close to one-third of the world's share, while the share of the US at that time was negligible (Maddison, 2007; Dicken, 2010). However, 200 years later, at the time of establishment of the new China, China's proportion had dropped to 1/20, while the figure for the United States rose to 27% (Figure 1). Until the beginning of economic reform and opening up in the 1980s, China's GDP as a percentage of the world total was still only about 1/20 (Figure 2). However, after 30 years of economic reform and opening up, China's economy has been growing rapidly. Now, China currently represents about 1/8 of the world's GDP. Correspondingly, the proportion of the US GDP in the world fell to about 22%. Along with the rise of China, the current proportion of East Asia's economic share of the world has exceeded the United States. This means that the "Asian Century" has arrived. In this context, better promotion of the economic growth of Asia and the world has become China's responsibility. However, among the country's share in a

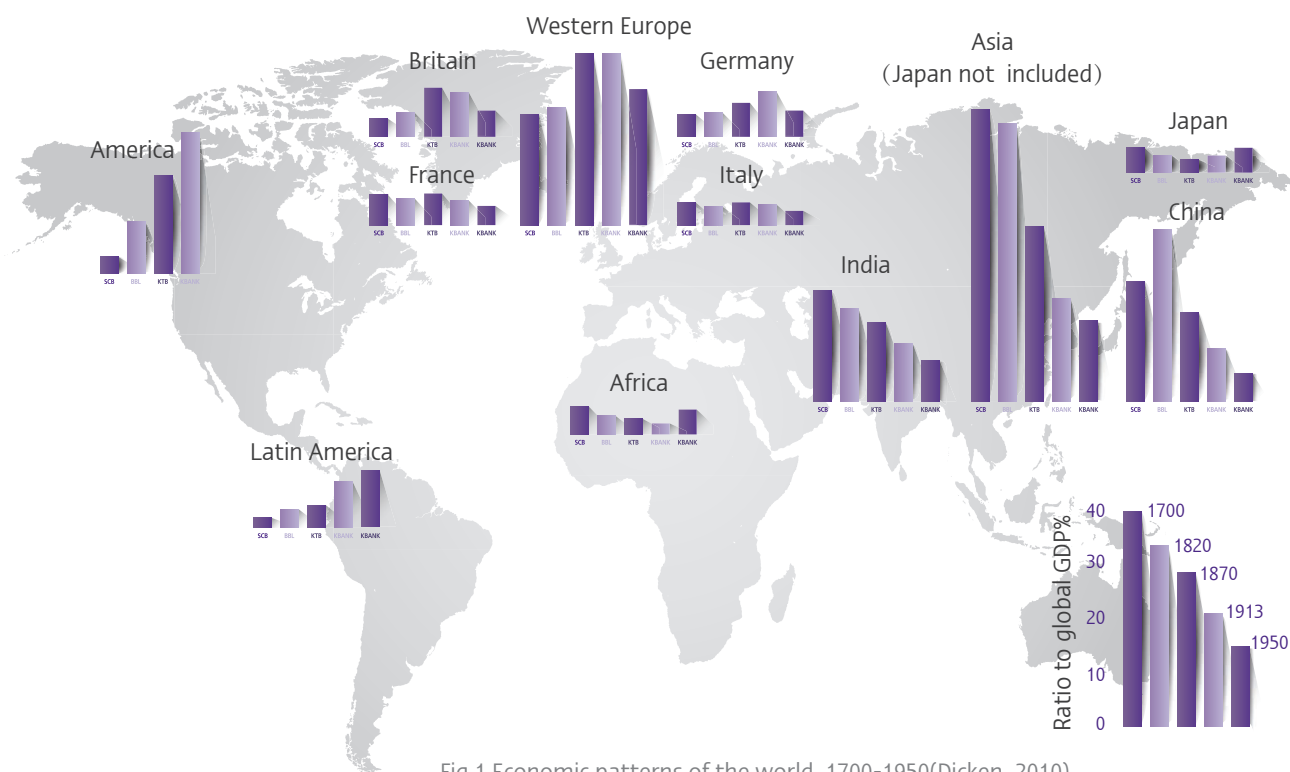


Fig.1 Economic patterns of the world, 1700-1950(Dicken, 2010)

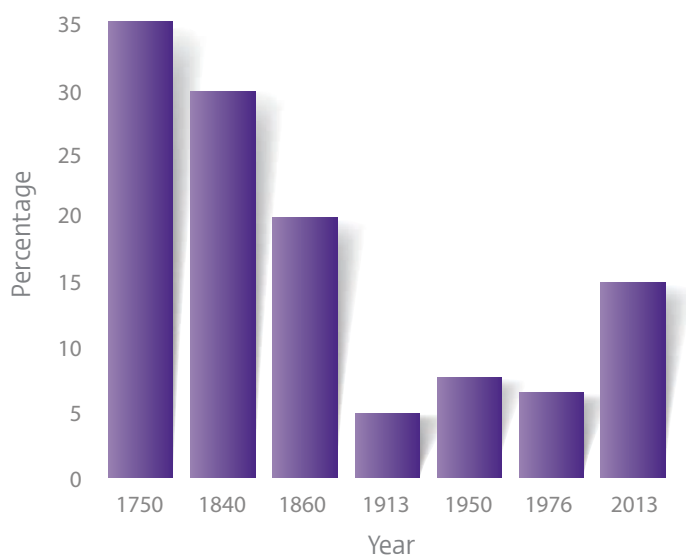


Fig.2 GDP of China as percentage of GDP of the world, 1750-2013(Maddison, 2007)

number of international financial institutions, China's proportion is quite low. For example, China's share of voting rights in the World Bank, the International Monetary Fund and the Asian Development Bank are only 5.17%, 3.81%, and 6.47% respectively, under which it is hard for China to play a role equal to its economic volume to promote global economic growth. Therefore, jointly building the B&R is an important way to change this irrational situation. In view of its own stage of development, China's economic growth is stepping into the "new normal." On the one hand, the "demographic dividend," which lasted for more than 30 years, gradually disappeared and labor costs rose rapidly, which led to the loss of competitive advantage in some labor-intensive industries. This is in line with the basic cycle of economic globalisation, i.e. there is a large-scale industrial transfer every three or four decades. On the other hand, due to the over-optimistic expansion of production ability in the past decade, some of China's raw material industries have shown a severe over-capacity along with slowed economic growth. This part of the over-capacity is not backward in production tech-

nology, but is only oversupply, which needs to be shifted abroad. In addition, China's huge consumer market has also given birth to a number of large enterprises, which are becoming transnational companies with transnational investment capabilities and global operations. The accumulation of these factors have pushed China to step into a period of "going out" on a large-scale. It is shown in Figure 3b, since 2004, and especially after 2008, China's outward FDI has grown exceptionally fast. In 2004, China's outward Foreign Direct Investment (FDI) was only \$5.5 billion, but reached \$55.9 billion in 2008. This growth trend is similar to that which developed countries in Europe and the United States experienced in the 1980s and 1990s (Figure 3a). Therefore, the mechanism of economic globalization China utilizes for "going out," either neoliberalism or inclusiveness, will have an impact on a large number of countries in the world. Building the B&R to improve and perfect the mechanism of economic globalization, as far as possible avoiding its negative impacts, is in line with China's demand of "going out" and the global demand of mutual benefit.

Therefore, in the overall view, jointly building the B&R is the Chinese version of the model for economic globalization; it is an exploration of promoting healthy development of economic

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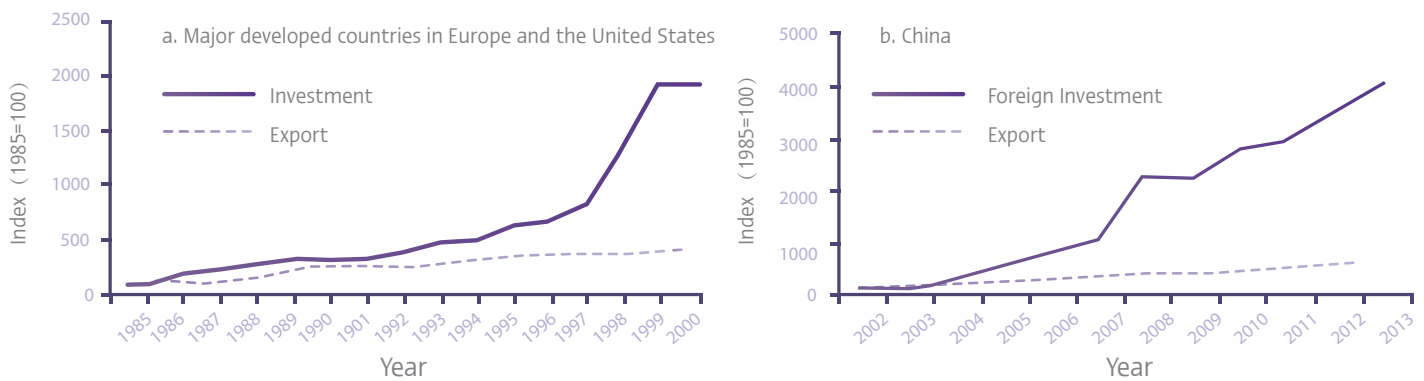


Fig.3 Growth of export and foreign investment of major developed countries (a) and China (b) (Data source: UNCTAD, www.unctad.org)

globalisation. This initiative is neither China's "maverick," nor a Chinese version of the "Marshall" aid program. It is an international cooperation platform to promote win-win regional development under the mechanism of economic globalisation.

Spatial Connotation of the B&R Initiative

In appearance, the B&R is a strategic concept with a high degree of spatial selectivity. The "Belt" and the "Road" are defined economies that exclude others spatially. This simple and literal sense of understanding the B&R has caused a lot of strategic misunderstanding. For example, some provinces think they have an exclusive status under the B&R initiative, while others believe that they have nothing to do with the B&R's construction. In fact, the B&R has multiple spatial connotations; it is a trans-scale concept.

- The B&R is not a closed system and there is no absolute boundary. In other words, there is no way to accurately express its spatial scope on a map. The B&R is fundamentally an open and inclusive international regional economic cooperation network. Any country with the will to join can participate in the framework, which means that it is not an exclusive platform. Thus, despite the fact that the Ministry of Foreign Affairs has referred to

"more than 60 countries and more than 4 billion people along the Belt and the Road," the "Vision & Proposed Action" did not give a specific list of countries, but rather those covering the Eurasian and Africa continents.

- Because the B&R is an international network of regional economic cooperation, it must be based on cooperation among countries, rather than sub-regional cooperation with neighboring countries. For China, although the "Vision & Proposed Action" mentioned some projects in provinces and cities (National Development and Reform Commission, 2015), for example, building Xinjiang and Fujian separately as the central regions of the "Silk

The B&R initiative must be a national strategy rather than a regional one. Of course, this national strategy has a significant regional impact due to its multiple spatial characteristics. However, if it is just known as China's regional strategy because of its regional impact, it will undermine the status and role of this strategy, and will also raise concerns and worries from participating countries.

To achieve co-operation and convergence, we must deepen mutual understanding, including political, legal, administrative, cultural, religious, demographic, economic, social structure, resource environment, and national governance structures.

Road Economic Belt" and the "21st Century Maritime Silk Road" respectively, building Xi'an as a new inland reform and opening-up region, building Chongqing, Chengdu, Zhengzhou, Wuhan, Changsha, Nanchang, Hefei as inland opening-up economic regions, strengthening urban construction in Shanghai, Tianjin, Ningbo, Guangzhou, Shenzhen, and so on. These construction plans do not mean that these provinces and cities have an exclusive status in building the B&R. In reality, all regions can participate in the construction of the B&R, especially in terms of cooperation on economics and trade, cultural, and financial areas, etc., which are not the "exclusive" tasks for those provinces and cities mentioned in the "Vision & Proposed Action." We can see that some of the provinces that have

not been mentioned, such as Shandong and Jiangsu provinces, have closer cooperation on trading and culture with relevant countries along the Belt and the Road. The "Vision & Proposed Action" refers to the positioning of certain provinces and regions, the main consideration being combining the construction of the B&R with the existing regional development strategy, and forming an interactive economic development pattern between the Eastern and Western areas so as to promote a relatively balanced development across the country. This does not mean limiting the positions of some provinces in the overall strategy plan of B&R.

- Jointly building the B&R involves the connectivity of facilities, especially the construction of large international transport both on land and at sea. There are certainly some specific spatial orientation and spatial scope for this part. For example, the "Vision & Proposed Action" mentions that "Silk Road Economic Belt focuses on building three transportation corridors: from China via Central Asia and Russia to Europe; from China via Central Asia, West Asia to the Persian Gulf and Mediterranean; from China to Southeast Asia, South Asia and Indian Ocean." The "Vision & Proposed Action" states that the "21st Century Maritime Silk Road focuses on two directions of building: from China's coastal ports across the South China Sea to the Indian Ocean, and then extended to Europe, from China's coastal ports across the South China Sea to the South Pacific region" (National Development and Reform Commission, 2015). The "Vision & Proposed Action" also mentions "jointly building the new Eurasian Continental Bridge, jointly building international economic cooperation corridors, including: China-Mongolia-Russia, China-Central Asia-West



Jointly building the B&R will be a process of deepening economic globalisation with the distinctive characteristics of China's "going out." It needs appropriate principles for foreign direct investment to support.

Asia and China-Indochina Peninsula international economic cooperation corridor," as well as promoting the construction of two economic corridors: China-Pakistan and China-India-Bangladesh-Burma.

All of these mean that the construction of connectivity facilities will cover more small areas with sub-regional characteristics, while the construction of the other "four links" will have more intergovernmental cooperation.

Due to a lack of understanding about the characteristics of the spatial and trans-scale of the "Vision & Proposed Action," some domestic officials, academics, and the media are accustomed to regard the B&R initiative as China's regional development strategy. This has, to some extent, caused confusion. The B&R is the long-term and top-level strategy of coordinating China's all-round opening to the outside world. It is also an initiative of China, together with relevant countries, to jointly build an open and inclusive international regional economic cooperation network. The B&R initiative must be a national strategy rather than a regional one. Of course, this national strategy has a significant regional impact due to its multiple spatial characteristics. However, if it is just known as China's regional strategy because of its regional impact, it will undermine the status and role of this strategy, and will also raise concerns and worries from participating countries. Therefore, the B&R initia-

tive cannot be called one of China's Three Regional Development Strategies, together with the "Beijing-Tianjin-Hebei Coordinated Development Strategy" and the "Yangtze River Industrial Belt Strategy" in the new era.

Geographical Topics During the Process of Building the B&R

The B&R is a new developmental concept and new international regional cooperation model proposed by China to promote the deepening of economic globalisation. The practice of jointly building the B&R has brought many scientific issues for the academic community to explore. Among them are topics that need geographical area to strengthen their research. They include the core elements and driving mechanisms of geopolitical relations in the era of globalisation, the geographical research of countries along the Belt and the Road, the principle of foreign direct investment under the framework of the B&R, and the organization of land and maritime transportation.

Geopolitical research is a traditional field of geography. Fundamentally, geopolitics explores the relationship between geographical factors (such as location, ethnicity, economic strength, etc.) and national political behavior, especially the protection of geographical elements against national interests. In modern history, the great powers have attached importance to geopolitical research, and there have been far-reaching geopolitical scientists, such as Friedrich Ratzel from Germany, Alfred Thayer Mahan from the United States, and Sir Halford Mackinder from the United Kingdom. For a variety of reasons, China's geopolitical research is weak, and research teams and published literature are numbered, which means it is difficult to meet China's growing need for its international status.

Building the B&R will undoubtedly involve the coordination of interests among the participating countries, and will also affect the international pattern of adjustment. Thus, it must also be a changing process of geopolitical patterns. Therefore, it is an unavoidable research topic for geographers to analyze the geopolitical basis of the B&R and its influence on the geopolitical pattern, and propose geopolitical theory which conforms to the concept of building the B&R.

The "Vision & Proposed Action" put forward the basic principle of "jointly building through consultation to meet the interests of all." The key issue in effectively promoting the B&R's construction is to find common interests and win-win projects for all participating countries. This is inseparable from the convergence of relevant countries with policies and plans. To achieve co-operation and convergence, we must deepen mutual understanding, including political, legal, administrative, cultural, religious, demographic, economic, social structure, resource environment, and national governance structures. This is the category of geographical research on each country. Over the past 30 years, researchers from China who study world or foreign geography have been shrinking in numbers due to value orientation and strong domestic demand for construction, among other reasons. The current understanding of the participating countries of the B&R has stayed at the same level for several decades. This situation will, to some extent, affect the convergence and coordination between China and the participating countries, and is not conducive to avoiding unnecessary risks. Therefore, it is imperative to conduct geographical research on relevant countries along the Belt and the Road as soon as possible.

Therefore, along with the B&R construction, exploring how to optimize transportation organization for goods transport merits research by geographers.

Jointly building the B&R will be a process of deepening economic globalisation with the distinctive characteristics of China's "going out." It needs appropriate principles for foreign direct investment to support. Since the 1970s, when Western developed countries began to start the large-scale capital "going out," the theory of foreign direct investment has been an important research topic in international geography and business. Some theories, from the early "new international regional division of labor" to Dunning's "compromising theory", and then the 1990's network theory, have played a guiding role in foreign direct investment for developed countries. However, the existing theories of FDI are mainly based on the experience of these developed countries, especially those strongly affected by neoliberalism. Whether these theories can effectively guide the B&R construction needs to be seen over time. Therefore, it will be a frontier academic topic in geography to view the existing theory of foreign direct investment with the practices of building B&R, and to search for new key variables, and to revise or reconstruct existing relevant theories.

In addition, a prominent feature of building the B&R is the optimization of transportation organization for goods trading. Over the past century, due to the continuous development of maritime technology, international trade is conducted mainly through maritime transport channels. Maritime transportation has unmatched conve-

BUILDING THE “BELT AND ROAD” AND CHINA-ASEAN COOPERATION

Fangyin Zhou - Executive Editor of "Journal of Strategy and Decision-Making," Director of Center for China's Regional Strategic Studies, GIIIS (Guangdong Institute for International Strategies)

The Belt and Road initiative (hereinafter referred to as B&R), was proposed by Chinese leaders in September – October of 2013. Since then, it has impacted the international community and played a proactive role in promoting connectivity, production capacity cooperation, and social and cultural exchanges between China and relevant countries along the Belt and Road. It is conducive to the peace, stability, development, and prosperity for all relevant countries. At the same time, the international community has been experiencing a complex and evolving process during this period. To some extent, the B&R initiative is helpful to promote positive changes in the international community, and on the other hand, its building is significantly affected by the complex changes caused by a variety of reasons in the international community. In this context, it is of great significance to summarize the relevant experiences and make plans for key cooperative areas and development paths in the next stages of constructing the B&R.

It has been a natural trend for China to play a more important role in the future international order. In this regard, the international community has a common expectation.



In the past two years, some important changes have taken place in the international community. Some of these changes may have far-reaching implications for the future development of the international community. These changes include: the new Trump administration of the United States coming into power and reversing the regional economic cooperation policies of the United States, such as the Trans-Pacific Partnership (TPP), the North American Free Trade Agreement, etc.; the British referendum on the European Union, causing the worse reversal process of European integration; rising sentiments of trade protectionism and populism in many Western countries, by which the reversal of globalization has become an important trend, extreme terrorism has developed and spread in some European countries, and the refugee problem has had a great impact on the formation of European politics. The series of events that has occurred since 2015 shows that the international order has been

facing more challenges with increased uncertainty and that international cooperation has become more difficult than it was a few years ago. This trend of overall significance is not easily reversed.

In the East Asia area, in the context of China's rising, the United States has increased the intensity of implementing its Asia-Pacific policy, and the situation in the South China Sea has experienced twists and turns, but has gradually stabilized since the latter half of 2016. In the context of instability in the mid-east region, there is a worse reversal process of the European integration and there is uncertainty surrounding the North America Economic Cooperation. Although there are still a number of potential hot issues in East Asia, and objective strategic competitions between China and the United States, the overall situation in East Asia has remained stable, even with certain development, and regional interoperability and economic cooperation is still steadily advancing. We should say that the emergence of this situation is quite rare, especially in the current international context. In the region of East Asia, China has been at the cusp of some hot issues. However, if there was no positive moderation from China on regional security issues, as well as positive and patient support in regional economic cooperation, it is unlikely that the East Asian region could maintain such a relatively stable situation at present or effectively promote regional cooperation.

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The B&R is China's Strong Commitment to a Peaceful Rise and an Important Approach to Achieve

In the early 21st century, China put forward the idea of a peaceful rise. China hoped to change the historical notion that large countries achieve power transfer by means of systematic war, trying to enhance its own influence on the international system with a minimal impact on it maintaining the overall stability of it, playing a role in matching with the strength of its own ascension, and promoting the improvement and development of the international order.

Over the past years, the rapid enhancement of China's strength has become an objective fact in the international system, and it has been a natural trend for China to play a more important role in the future international order. In this regard, the international community has a common expectation. But there will be many different understandings of what kind of role China will play in the future. Therefore, during the process of China's rising, there is an important issue to solve, which, through proactive policy efforts, further clarify China's development path and communicating pattern with other countries around the world, and thus shapes other countries' expectations of China.

Historically, the great powers did not do well during the process of their rising because they failed to effectively eliminate the worries and doubts from other countries, and caused the other countries' over-concern. This led to the emergence of a "security dilemma" and subsequent vicious spiral. China has a strong wish to achieve its rising by means of cooperation, and try to abandon the practices of traditional power

politics with spheres of influence and union politics. In this sense, the B&R initiative, as well as its series of policies for implementation, is China's proactive and creative diplomacy. One of the important aspects of the B&R is utilizing the connectivity of infrastructure to promote trade and investment, as well as social exchanges, so as to create closer ties between China and the relevant countries along the Belt and the Road, and to form increased independence of interests among the relevant countries. Even in the context of the United States implementing its Asia-Pacific rebalancing strategy, trying to strengthen its alliance system in East Asia, and increasing its strategic squeeze on China, China was still unaffected and did not embark on the old way of confronting with the Union Countries of the USA in the region. On the contrary, China has been continuing to promote the construction of the B&R, and aiming to promote the improvement of the regional political, economic, and security environments.

The in-depth advancement of the B&R will undoubtedly expand the benefits of relevant cooperative countries, increase the cost and price of

One important perspective is that if the B&R can be effectively promoted, it will have a certain effect on the peaceful transfer of power in the international system.

confrontation and conflict, and under normal circumstances, it will also promote the enhancement of mutual political trust. The positive significance of the B&R lies not only in the economic and cultural sphere, but it will also help to promote regional peace and stability in the long-term.

Because there are complex national conditions, as well as a large developmental gap in relevant countries along the Belt and Road, the cooperative model of Free Trade Agreements, such as the TPP and Regional Comprehensive Economic Partnership (RCEP), do not necessarily meet the needs of such a large and diverse region. Agreements normally go through a long and arduous negotiation process for regional economic cooperation, therefore it is too slow to meet urgent need of some sub-regions. From this perspective, the B&R has irreplaceable importance and is a pragmatic cooperative framework, because it is a cooperative model initiative with a diversified, non-mandatory, and mutual benefit. Win-win cooperation is the goal, and the initiative gives full consideration to the reality of the relevant countries. It also focuses on the connectivity of infrastructure and cooperation of production capacity, except trade.

It is noteworthy that some western countries have interpreted the B&R with conspiracy ideas after it was proposed. This interpretation was becoming popular, as it catered to the psychological needs of some people. One important perspective is that if the B&R can be effectively promoted, it will have a



certain effect on the peaceful transfer of power in the international system. There are a few countries in the international system that are sensitive to any form of power transfer, whether it is through war or peace, and do not want it to happen. However, this perspective is a rather narrow understanding because it ignores the rich contents and characteristics of the B&R. Also, this understanding selectively ignores the positive role of the B&R in terms of international peace, stability, prosperity, and balanced development, and it is unrealistic to deliberately exaggerate the confrontation of strategic interests among countries.

The B&R and the Manifestation of China's Strategic Intentions

Since China's rise has become an international issue and thus has been widely watched in the world, China's strategic intent has been an issue of concern for many foreign observers because it is directly related to the way in which China may conduct itself after it becomes powerful. However, because people could not get a straightforward answer to questions of what China's strategic intent is and what measures China will take to guarantee achieving this strategy, they can make a more reasonable inference only through some of China's behavior and advocacies.

Although China has been under pressure from the United States and facing complex situations on hot issues such as the South China Sea, both at the time and after China proposing the B&R initiative, China has not taken any strong offensive or expansionary action. China has taken a firm stance in maintaining its core political and security interests, and is highly restrained by actions outside the disputed border. In terms of the current strength of China in the region, China's

diplomacy actually reflects a relatively high degree of restraint. As a result, even though the region has repeatedly exposed the risk of conflicts, it did not trigger any actual armed conflict. In addition, even when China faces greater security pressure and China's economic cooperation is facing an unfavorable political security environment, China has not loosened its efforts to promote the B&R construction and the cooperation with surrounding countries.

A prominent example of this is the relationship between China and the Philippines. Since 2012, until the latter half of 2016, bilateral relations were relatively tense because of the controversy in the South China Sea, but in the same period, Sino-Philippine economic and trade relations are still moving forward. In 2014, Sino-Philippine trade grew 16.75% over the previous year, achieving rapid growth. In 2015, bilateral trade between China and Asia fell by 7.8% and trade between China and ASEAN fell 1.7%, but trade between China and the Philippines rose 2.7% with volume of US \$45.65 billion. In the first five months of 2016, Sino-Philippine trade grew by 5.9% year-on-year. Along with the improvement of Sino-Philippine relations, bilateral trade will achieve greater development. The implication behind this data is that even when China-Philippine relations are tense, the bilateral economic cooperation is still steadily develops, and has not been greatly disturbed by political and security factors, which clearly reflects

The Chinese government believes that AIIB is complementary to the existing multilateral development banks, rather than competing with them.

China's sincerity to pragmatically cooperate with its surrounding countries.

The establishment and operating model of the Asian Infrastructure Investment Bank (AIIB) is also a good example of China's strategic intentions and willingness to cooperate with relevant countries. The Chinese government believes that AIIB is complementary to the existing multilateral development banks, rather than competing with them. The Chinese government also believes that the establishment of the AIIB is the contribution of China to the development of the emerging global situation, and is an enhancement and supplement to the existing multilateral development system. In the building process of the AIIB, China voluntarily gave up the dominant rights of what it should get. China's claims and practices have reduced the impact of the AIIB on the existing international economic order. The establishment of AIIB will have a certain impact on the existing international economic order, but the impact itself is benign. On the one hand, it can remedy the deficiency of the existing international multilateral development banks, and at the same time, the AIIB can generate a certain competitive pressure to other multilateral banks, so as to promote their improvement on operating efficiency, and thus to

It should take effort to reduce the interference of political and security factors on economic cooperation, so as to maintain the momentum and impetus of cooperation in the functional areas advancing forward, and gradually play the potential positive role of economic cooperation in bilateral relations.

better serve the region's economic and social development.

The earnest commitment made by the Chinese government to the B&R, as well as its great effort to promote its implementation, has an important signal significance. The B&R is not proposed with intention to issue a strategic signal of China's diplomacy, but it has a role of a strategic signal. It shows that even if China pursues its own rise, the rise shall be achieved in a way that ensures China is responsible for the international community, and promotes positive changes in the international community. On the whole, China is trying to achieve its own development together with a common development with the international community.

Suggestions on Building Sino-ASEAN Relation in the Context of the B&R

On the one hand, the construction of the B&R has shown a bright future for the cooperation between China and Southeast Asian countries. On the other hand, in the process of cooperation between China and ASEAN, there are indeed some real problems and challenges, which need to be solved through bilateral political resolutions, political will, and political wisdom. For the cooperation between China and Southeast Asian countries, we have made the following suggestions:

- Deal with the relationship between security issues and economic issues, avoid economic cooperation stagnation, even initiate a vicious circle of double confrontation of economics and security, due to security problems that could not be solved in a short timeframe. Therefore, it should take effort to reduce the interference of political and security factors on economic cooperation, so as to

maintain the momentum and impetus of cooperation in the functional areas advancing forward, and gradually play the potential positive role of economic cooperation in bilateral relations. It should avoid over-politicization and securitization of economic and trade exchanges, production capacity cooperation and connectivity, and other economic issues, so as to maintain regional cooperation with more open areas.



- Optimize the determination of foreign affairs policy and the process of policy interaction in the long-term consideration of evolving the regional political order. Over the past period, some ASEAN countries have adopted a policy of maintaining a balance between major powers, which, in some cases, helped to meet the security needs of these ASEAN countries in the short term. From a macro point of view, such practices may expand structural confrontation and even intensify the competition among great powers in the region, and finally lead to tense security situations in some areas. In the case that the regional security situation becomes tense and hot issues raised, the strategic balance of great powers, to a certain extent, has become more difficult to control and thus more difficult to produce positive effects at

the regional level. In this sense, the ASEAN countries may need to find a policy of which transcends the balance of great powers, achieving stability of the relations with great powers such as China and the United States, so as to better achieve the healthy development of regional order and maintain their own interests during the whole process.

- Maintain a positive concept of international cooperation, avoid an overly narrow, and sometimes zero-sum game, perspective to international cooperation, or regard other countries as highly opportunistic actors. Through the strengthening of trade, investment, finance, infrastructure construction, and other areas of pragmatic cooperation, eliminate the possible differences and cognitive bias between countries, and promote the formation and consolidation of the basic consensus on cooperation. From the policy level, it needs to maintain the general direction of regional cooperation unwavering.

- Rationally define the status and role of foreign countries outside the region, and avoid regional cooperation being overly affected by policy changes in countries outside the region. In regional cooperation, we need to maintain an open mind to welcome the multi-national participation of foreign countries outside the region, and at the same time, during the process of in-depth participation of foreign countries outside the region in the regional affairs, we should conduct necessary constraints on them, so as to strengthen the autonomy of regional countries in cooperation, and to maintain the persistence and stability of the direction of cooperation, so that the foreign countries outside the region can play a more constructive role in regional cooperation.

A COMPARATIVE ANALYSIS ON THE INDEX OF THE “FIVE LINKS” BETWEEN CHINA & ASEAN IN 2016

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In March 2015, the "Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" was issued. It clearly proposed five strategic priorities for cooperation, which are called the “Five Links,” including “policy coordination, facility connectivity, unimpeded trade, financial integration, and people-to-people bonds.” At present, the construction of the “Five Links” between China and ASEAN countries has achieved initial results. We can see the facts are as below: the policy coordination is generally well-received, but there is some polarization among countries; facility connectivity is at an overall low level, but there is still a higher potential to improve; the unimpeded trade is higher, but there are several layers among countries; the financial integration is very high overall; and the level of people-to-people bonds is relatively high, but the state is not evenly balanced among countries. Based on the research results of the index of “Five Links” research conducted by the group in Beijing University, this paper makes a comparative analysis on the index of “Five Connectivities” between China and ASEAN countries, explores the causes, and then proposes suggestions on policy accordingly.

Comparative Analysis on Index of the “Five Links” Between China & ASEAN

• Policy Coordination

The situation of bilateral policy coordination between China and ASEAN is the most prominent among the relevant countries along the Belt and Road (B&R) area, but there is a trend of polarization within the ASEAN countries.

- The policy coordination of China with Malaysia, Thailand, Laos, Cambodia, and Indonesia is very smooth, with even indicators of each country. However, the weakness with these countries are



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the unstable political situations and governments, which has become the main restraint factor influencing the quality of policy coordination.

- The policy coordination of China with Singapore, Vietnam, and Myanmar is good, but indicators are not even with each country. Even though the Singapore regime is stable, they have a lower political trust in China. Both Vietnam and Myanmar have relatively sound political mechanisms for cooperation, but the validity of policy coordination has not been improved.

- The policy coordination between China and Brunei and the Philippines is poor, with low performance in all areas. Although Brunei's political stability is high, and the Philippines has more diplomatic institutions in China, the index of the other indicators of both countries is quite low. Because Brunei is a small country with weak international influence, there is no strong demand on bilateral policy coordination. And since the Philippines has a territorial dispute with China, the bilateral policy coordination with China has become the weakest link in the ASEAN region.

• Facility Connectivity

Compared to the other aspects of the “Five Links,” the level of bilateral infrastructure connectivity between China and ASEAN is low overall, but there is huge potential to improve.

The situation of bilateral policy coordination between China and ASEAN is the most prominent among the relevant countries along the Belt and Road (B&R) area, but there is a trend of polarization within the ASEAN countries.

- China has relatively good infrastructure connectivity with Malaysia, Vietnam, and Indonesia, but the index is not even among countries. The above three countries have good performance on logistics, and have aviation and sea links with China, but the communication and energy facilities that are connected with China are relatively poor, e.g. the construction of telephone lines connecting China. The energy infrastructure and facilities for delivering oil, natural gas, and transmitting are also less developed.

China has relatively good infrastructure connectivity with Malaysia, Vietnam, and Indonesia, but the index is not even among countries.

- China has an overall poor facility connectivity to Myanmar, Singapore, Brunei, Thailand, the Philippines, Cambodia, and Laos, but there is huge development potential. Although most of these six countries have direct flight and sea links with China, the facility construction in other areas are still low. However, with China's “Long-term Railway Network Plan (2008)” and “Plan for Railway Construction During the 11th Five-Year Plan,” which covers parts of China's territory with three schemes of the Pan-Asian Railway, the construction of facility connectivity between China and ASEAN is expected to be promoted.

• Unimpeded Trade

The level of unimpeded trade between China and ASEAN countries is higher than those with other relevant countries participating in the B&R initiative, the unimpeded levels are an obvious stratification in the region of ASEAN.

- China has smooth trade with Singapore, Indonesia, Malaysia, and Thailand, with a generally even index. Besides the relatively lower index for trade conditions which resulted in an impact on the degree of unimpeded trade, as well as the relatively higher non-tariff barriers between China and Malaysia and Thailand, business environments and investments with China has been maintained at a high level for the above four countries.

- China has generally good levels of unimpeded trade with Vietnam, the Philippines, Cambodia, Myanmar, and Laos, which are regarded as fine countries. The lower indirect investment into China of these countries has become the major factor which drives their level of unimpeded trade with China. In addition, there are other factors that have affected the unimpeded trade of different countries, such as the higher bilateral non-tariff barriers between China and Cambodia and Laos, the low bilateral investment between China and the Philippines, and the higher tariff barrier of Myanmar.

- Brunei is the only country within ASEAN that is classified as a potential country. However, taking into account the economic volume of Brunei and each index of performance, there is a limited potential of building unimpeded trade between China and Brunei.

• Financial Intermediation

The level of financial integration between China and ASEAN is above average overall, and has the best performance among counties under the Belt and Road initiative.

- The financial integration between China and Singapore, Thailand, Malaysia, and Indonesia is quite smooth. Besides lacking the ability to convey

In addition, there are other factors that have affected the unimpeded trade of different countries, such as the higher bilateral non-tariff barriers between China and Cambodia and Laos, the low bilateral investment between China and the Philippines, and the higher tariff barrier of Myanmar.

niently apply for credit in Singapore, the four countries have established good relations with China in crediting systems and the financial environment.

- The financial integration of China with Brunei, Vietnam, Laos, and the Philippines are good, but with distinctive differences among the countries. China and the four countries have achieved certain results in financial supervision (except the Philippines) and cooperation of investment banks. However, the currency swaps have not yet cooperated and the credit is not convenient. In addition, Brunei and Laos have low reserves of foreign exchange, Vietnam is not convenient for credit, and the Philippines have not cooperated with China in areas of financial supervision.

- There is a certain potential for financial integration between China and Cambodia and Myanmar. Although the two countries have not yet cooperated with China on currency swaps and financial regulation, Cambodia has a strong currency and Myanmar has large amount of public debt, there is a potential for financial cooperation with China.

• People-to-People Bonds

At present, the people-to-people bonds between

China and ASEAN countries are good, and show the following main characteristics:

- China and Singapore, Thailand, Malaysia, and Indonesia have a good people-to-people bonds among those countries. Singapore has shown a distinct advantage in all aspects, Thailand is very prominent in tourism-related areas, and Malaysia and Indonesia have a relatively even performance in each index.
- China and Cambodia and Laos have good people-to-people bonds, but with an unbalanced index. Cambodia and Laos have traditionally friendly relations with China, but the level of scientific research in both countries is lower, and there are few tourists from these countries travelling to China. Chinese Internet users pay lower attention to these two countries.
- There is potential to develop people-to-people bonds between China and Vietnam, the Philippines, Myanmar, and Brunei, but with unbalanced levels. For Vietnam and the Philippines, building sister-cities relationships is a bright spot in the bilateral relationships. Tourism-related activities and scientific research cooperation are also areas with potential development, and in addition, the mutual attention of internet users from China and the two countries may be transformed into an opportunity to promote mutual understanding and rational cognition. For Myanmar, building friendly city relationships are the only bright spot

Brunei and Laos have low reserves of foreign exchange, Vietnam is not convenient for credit, and the Philippines have not cooperated with China in areas of financial supervision.

For Vietnam and the Philippines, building sister-cities relationships is a bright spot in the bilateral.

in Sino-Burmese relations, with the potential to focus on development. For Brunei, the favorability of their people to the Chinese is moderate, which may be a breakthrough in improving the situation of people-to-people bonds.

Causal Analysis on the Status of the "Five Links" Between China & ASEAN

- The upgraded strategic relationships, the implementation of regional cooperation projects, and territorial disputes have impacts on the smoothness of policy coordination. The reasons causing the polarization of policy coordination between China and ASEAN include: 1) The Chinese government has been implementing proactive peripheral strategies, regional cooperation dominated by ASEAN has made successive achievements, and the bilateral relation of China with ASEAN has seen stable, healthy, and comprehensive development. 2) Along with the implementation of a number of cross-regional and sub-regional projects, China-ASEAN strategic relations have gained new driving forces, such as the "21st Century Maritime Silk Road" initiative and the Bangladesh-China-India-Burma Economic Corridor (BCIBEC) and the Lancang-Mekong Cooperation Mechanism (LMC) and so on. 3) The dispute over South China Sea and the intervention of great power countries have impeded policy coordination between China and ASEAN countries.
- The gaming among great power countries, geopolitics, political instability of destination countries,

At present, the lack of funds has become the bottleneck to promote the facility connectivity between China and ASEAN continuing move forward.

and factors for investment and financing has restricted the construction of facility connectivity. The facility connectivity between China and ASEAN is relatively backward, the main reasons include: 1) ASEAN is the region with the most stringent and intense geopolitical competition in the world, its cross-border facility connectivities have been facing a particularly serious geopolitical challenges. 2) Construction of cross-border facilities are covered by a wide range of projects and are vulnerable to the host country's political environment. Some ASEAN countries have poor political stability with frequent government changes and social turmoil, which have a serious impact on the progression of the project. 3) Infrastructure construction has the characteristics of large capital demand, less economic benefit, and long payback period. At present, the lack of funds has become the bottleneck to promote the facility connectivity between China and ASEAN continuing move forward.

- Regional economic integration and regional production network construction will enhance the level of unimpeded trade. The situation of unimpeded trade between China and ASEAN is the best among countries under the B&R, but there are differences in the region. The specific reasons include: 1) Regional economic integration, such as the established and upgraded China-ASEAN Free Trade Agreement (FTA), has provide a good environment for the unimpeded trade. 2) The continuous improve-

ment of the East Asian Production Network and the ever deepening interdependence between China and ASEAN have provided the unimpeded trade with a sustained impetus. 3) ASEAN internal market limitations and China's economic transformation have formed restraints to the development of bilateral trade. China's economy has transferred into the new normal, so foreign investment restructuring will have a certain impact on the still undeveloped ASEAN economies. 4) Unbalanced economic development in the ASEAN region has led to an uneven pattern of unimpeded trade.

The situation of unimpeded trade between China and ASEAN is the best among countries under the B&R, but there are differences in the region.

- The construction of regional financing channels has ensured the steady improvement of financing in the ASEAN region. The overall level of China-ASEAN financing is higher, but there are also relatively weak countries. The specific reasons include: 1) The establishment of the Asian Infrastructure Investment Bank and the Silk Road Funds, as well as other regional financing channels, have been providing financing supports to relevant countries under the B&R for their infrastructure construction, resource development, industrial cooperation, and so on, which are related to connectivity, and thus provided a strong stimulus to the construction of financial integration between China and ASEAN. 2) The differences in economic and financial levels in the ASEAN region have resulted in different levels of financing among countries. For example, with regard to initiatives on financing cooperation proposed by the People's Bank of

China, and other financial institutions, Cambodia and Myanmar cannot make an effective docking due to their lower economic development and relative lack of a financial market.

- Strategic relationship, policy coordination ability, and resource endowments have impacts on the level and quality of people-to-people bonds. At present, the main reasons for the current situation of people-to-people bonds between China and ASEAN include: 1) The Chinese government has proactively adjusted its peripheral strategy in recent years, and the bilateral relations of China with ASEAN have been stable and healthy, which have improved the level of people-to-people bonds between China and ASEAN. 2) The continuous dispute between China, the Philippines, and Vietnam in the South China Sea has led to a lower level of policy coordination, which resulted in lower level of people-to-people bonds. 3) ASEAN countries are rich in tourism resources, but the overall level of scientific research is not high, which leads to a lower level of bilateral science and education exchange, even though Chinese people are interested in ASEAN countries.

Suggestions on Improving the Present Situation of the “Five Links” Between China & ASEAN

- Continue to promote China-ASEAN strategic relations, and guide individual countries at opportune times. From a strategic perspective, strive to promote the transformation and upgrading of China-ASEAN relations, support the construction of an ASEAN Community, and support ASEAN being the core leading role in the Asia-Pacific cooperation mechanism. From a diplomatic perspective, establish a good mechanism for policy coordination with the Philippines and other coun-

The differences in economic and financial levels in the ASEAN region have resulted in different levels of financing among countries.

tries with territorial disputes with China, such as a diplomatic hotline, so as to promote the construction of mutual trust. From a security perspective, besides creating a classification guide to "going out," China also needs to speed up its own capacity of overseas activities, so as to assist the enterprises "going out."

- Promote risk assessment and progress for the existing facility connectivities, and create cooperation models. First, make a risk assessment of the political environment, the market environment, and the financial situation for the countries with potential of policy coordination. Second, improve and perfect the docking program for the B&R initiative with a "Master Plan on ASEAN Connectivity." Finally, create new models for investment, financing, operating, and encourage stakeholders to participate in the construction of policy coordination.

- Strengthen policy coordination, promote facility connectivity, implement construction of industrial



parks, and help unimpeded trade. At present, the problems with unimpeded trade are mainly reflected in terms of trade conditions, investment environment, and non-tariff barriers, which can be solved by the following measures: 1) With a regional cooperation platform, promote the establishment of an upgraded China-ASEAN Free Trade Agreement, and further enhance regional trade liberalization and facilitation. 2) Promote facility connectivity to provide a basic carrier for trade facilitation. 3) Implement construction of industrial parks to provide support to projects with mutual economic benefit. The construction of industrial parks can also provide continuous impetus for the development of ports and economic corridors.

- Enhance the convenience of monetary settlement through policy support to create conditions for financial cooperation. First, assist ASEAN countries expand the cross-border use of their own currency. Then continue to expand the scale and scope of bilateral currency swaps between China and ASEAN countries. Second, deepen cooperation with ASEAN countries on regional financial supervision, expand the scope of information sharing, and gradually establish a high-level regulatory coordination mechanism in the region. Third, strengthen the coordination among policy-oriented financial institutions, such as the State Development Bank, the Export-Import Bank, and the China Export Credit Insurance Corporation,

The differences in economic and financial levels in the ASEAN region have resulted in different levels of financing among countries.

with other newly established multilateral financial institutions, so as to provide protection for enterprises with financing, payment, and insurance.

- Consolidate and carry forward the advantages of activities and develop new approaches for people-to-people bonds. First, consolidate and strengthen tourism exchanges, while focusing on promoting tourism activities in China, such as the development of Chinese characteristics of tourist attractions. Second, promote the establishment of mechanisms, such as the China-ASEAN Youth Forum and the Multilateral Youth Leader Summit, to improve the scientific research exchange among young elites. Third, make full use of the resources of sister cities relations, turning the friendly city into the friendly people.

ASEAN countries are rich in tourism resources, but the overall level of scientific research is not high, which leads to a lower level of bilateral science and education exchange, even though Chinese people are interested in ASEAN countries.



CHAPTER II

THE VIEWS FROM ASEAN

STRATEGIC PERSPECTIVES ON THE ONE BELT, ONE ROAD AND ASEAN: ACHIEVEMENTS, CHALLENGES, OPPORTUNITIES AND FUTURE DIRECTION

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The 10 Southeast Asian countries are now integrated into an ASEAN Community with a combined population of approximately 625 million and a gross domestic product (GDP) of some USD 2.5 trillion. Its economy is growing at a health pace, foreign investment continues to flow in, and trade is on a steady rise. ASEAN is expected to enjoy a healthy growth rate of 5.3% this year.

From the extensive media coverage over the years through the issuance and adoption of numerous joint declarations, statements, and agreements, there is no doubt that ASEAN and China have demonstrated strong intent, coupled with concrete actions, to build and further reinforce their strategic partnership. Over the years, this strategic partnership has recorded numerous important achievements in all areas of cooperation.



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POLITICAL-SECURITY AREA

In the political-security area, both sides have undertaken close policy coordination on regional and international issues of common concern and in such regional and international forums as the ASEAN+3, EAS, ARF ADMM+, etc.

ECONOMIC AREA

In the economic area, both sides have focused their energy on accelerating the economy, trade, investment cooperation, and connectivity. They have worked diligently in fully implementing their respective commitments under the ASEAN-China Free Trade Area (ACFTA) framework to achieve an impressive USD480 billion trade exchange with China being ASEAN's largest trading partner in addition to reaching USD127 billion in mutual investment all in the year 2014.

China and ASEAN are looking to achieve a two-way investment goal of USD150 billion by 2020. Both sides are now working toward upgrading the ASEAN-China FTA in order to spur additional trade growth. They are intensifying the negotiation process of the Regional Comprehensive Economic Partnership (RCEP) in the hopes of concluding it this year, all the while working in parallel to complete the ASEAN-Hong Kong FTA.

ASEAN and China have encouraged greater participation of the private sector to increase business,

tourism, and cultural exchanges. Concretely, the China-ASEAN Expo in Nanning, the China-South Asia Expo in Kunming, the ASEAN-China Centre in Beijing, the China-ASEAN Business Summits, the ASEAN Economic Ministers' Roadshow (just to name the main ones), have drawn great interest from both business communities to promote their products and to develop commercial partnerships. Taken as a whole, these regular activities play an important role in strengthening trade and investment ties by accelerating economic exchanges between ASEAN and China.

It is interesting to note that 2016 marks the 25th Anniversary of ASEAN-China Dialogue Relations. Both sides have coordinated their efforts to boost their economic, trade and investment cooperation as well as enhancing connectivity, particularly in infrastructure development and transport.

China and ASEAN are looking to achieve a two-way investment goal of USD150 billion by 2020.

SOCIO-CULTURAL AREA

In the socio-cultural area, ASEAN and China have promoted cooperation in social, cultural, education, tourism and people-to-people contacts, including exchanges between youth, academics, media organisations and non-governmental organisations, with the aim of enhancing mutual understanding and awareness among the peoples. Moreover, they have collaborated to coordinate their responses against global and regional challenges such as natural disaster management responses through the exchange of information, early warning, and experience sharing on disaster rescue and relief.

In sum, the ASEAN-China strategic partnership is most dynamic and comprehensive when it comes to the overall external relations of ASEAN with their development partners.

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ONE BELT, ONE ROAD

All these recent economic achievements in South-east Asian countries can be attributed, to some extent, by the bold and visionary "One Belt, One Road (OBOR)" initiative of His Excellency Xi Jinping. This initiative, which was introduced in late 2013, has the vision to create a vast network of highways, railways, air links and sea lanes to bring greater connectivity amongst a large number of countries, more trade exchanges, deeper financial integration, and stronger people-to-people relations.

There are a lot of commonalities between the OBOR and ASEAN. China's economic growth is gradually slowing as the structural transformation of its economy continues. The country is moving from an export-oriented growth toward a new economic model based on consumption and outward investment. Following the 2008 global financial crisis, the drivers of economic growth continued to shift from manufacturing to services on the supply side and from investment to consumption on the demand side.

On the ASEAN side, the vision for the ASEAN Economic Community (AEC), when it was adopted

at the 13th ASEAN Summit in 2007 in Singapore, was set in the backdrop of a dynamic yet threatening global economic landscape. Across select ASEAN economies there were only a few production networks in key industries, like electronics, automobile, and textiles. The fear of China becoming the «factory of Asia» with its accession into the World Trade Organization (WTO) in 2001 accentuated the situation. For the five Mekong countries (Cambodia, Laos, Myanmar, Thailand, and Vietnam), they have achieved rapid growth and are in the process of accelerating their industrialisation and urbanisation, deepening industrial restructuring, and enhancing infrastructure connectivity. All however, face challenges in infrastructure construction, industrial structure upgrading, sustainable economies, and social development.

China has placed great emphasis on neighbourhood diplomacy, and has extended their investments and official development assistance (ODA) to support development projects in ASEAN countries. From this perspective, the convergence of interests between ASEAN and China is very clear.

There are a lot of commonalities between the OBOR and ASEAN.

China's economic growth is gradually slowing as the structural transformation of its economy continues.

The country is moving from an export-oriented growth toward a new economic model based on consumption and outward investment.

All however, face challenges in infrastructure construction, industrial structure upgrading, sustainable economies, and social development.

VISION

In terms of vision, there are strong similarities between OBOR and ASEAN. OBOR aims at promoting the connectivity within the Asian continent and with Europe, enhancing friendship and coordinating the development strategies and policies of countries along the Belt and Road. More specifically, it seeks to promote investment, create opportunities and jobs, and strengthen cultural exchanges and mutual learning between different civilisations. OBOR's cooperation priorities encompass: policy coordination, connectivity, unimpeded trade, financial cooperation, and people-to-people exchanges.

Similarly for ASEAN, the Nay Pyi Taw Declaration on ASEAN Community's Post-2015 Vision, which was adopted by ASEAN leaders at the 25th ASEAN Summit in November 2014, endorsed the deepening of ASEAN integration, promotion of sustained and equitable economic growth, and promotion of ASEAN as a rules-based community. The ASEAN Masterplan on Connectivity (MPAC), hailed as an ambitious undertaking in linking the mainland and maritime Southeast Asia, envisages transport connectivity as a way to bring ASEAN member states closer to one another, facilitating better access for trade, investment, tourism, and people-to-people exchanges.

Both MPAC and OBOR call for a system of roads and railways to link contiguous Southeast Asian countries with one another. For instance, the conver-

gence of the 7,000 km-Singapore-Kunming Rail Link (SKRL) with ASEAN's railway connectivity plans is starting to take shape with a recent deal between Thailand and China to construct the Thai section of the route. On the maritime side, there is reference to a system of ports for RoRo (roll-on roll-off) vessels and short sea shipping to link insular Southeast Asian countries with one another as well as with mainland Southeast Asia.

In terms of vision, there are strong similarities between OBOR and ASEAN.

INFRASTRUCTURE INVESTMENTS

OBOR would complement nicely MPAC, in terms of providing them with various sources of financing. Throughout the years, many formulas were proposed to attract investment such as the Public Private Partnership (PPP) as an emerging mode for attracting private sector investment in public infrastructure projects. Still, several years after the implementation of MPAC, very few potential investors have taken up projects identified by the masterplan.

In this context, the 100 billion-dollar Asian Infrastructure Investment Bank (AIIB), which has started operation this year, will surely respond to the needs and expectations for the joint development of China and ASEAN. Given Asia's vast infrastructure funding needs, the role of the OBOR together with their financing arm, the AIIB and the 40 billion-dollar Silk Road Fund (SRF), as well as Chinese ODA, will be crucial in providing additional resources for infrastructure investments.

Another dynamic element in the symbiotic relations between OBOR and ASEAN is the role of their

private sector. In recent years, we have witnessed an impressive contribution of Chinese companies in investments in ASEAN's infrastructure sector, such as port terminals in Singapore and Malaysia, hydro-power and power plants in Cambodia, and high-speed rail in Laos, to name just a few.

Both MPAC and OBOR call for a system of roads and railways to link contiguous Southeast Asian countries with one another.

SCALE AND SCOPE

Another unique characteristics of OBOR is its scale and scope as it can be custom-made to a specific region and nation. Take the case of the Mekong-Lancang Cooperation Framework (MLC), recently launched in March 2016 in Sanya, Hainan Island, which was targeted at the 5 Mekong countries of ASEAN. This mechanism will no doubt contribute to further stimulate deeper cooperation in many fields of development, between the Mekong Countries and China. Moreover the mechanism will promote the production capacity cooperation to improve the industrial development ability of all the 5 countries by making full use of their resource advantage, manufacturing capacity and market size.

The Mekong-Lancang Cooperation Framework will inject additional opportunities for international production capacity cooperation as well as optimize regional productivity distribution, enhance the countries' standing in the global value chain and improve their ability for sustainable development. China and the 5 Mekong countries have agreed to prioritize major production capacity projects in the areas of coal, electric power, power grid, automobile, oil, petrochemical, metallurgy, building materials, light

industry, textile, information, communications, rail transport, equipment manufacturing, renewable energy, agriculture and agricultural processing.

OBOR AND CAMBODIA

For a newly born initiative, the speed of its implementation was spectacular. Already at the Second MLC Foreign Ministers' Meeting held in Siem Reap, Cambodia in December 2016, a multitude of actions were taken by the Ministers, which consolidated the foundation and charting the course for future development, namely: (i) endorsement of a Joint List of the MLC Early Harvest Projects; (ii) establishment of a multi-layered and multi-domain framework structure including Leaders' Meeting, Foreign Ministers' Meeting, Senior Officials' Meeting and Working Groups Meeting; (iii) agreement on a 3+5 cooperation framework based on the three pillars -- of political and security issues; economic and sustainable development; and social, cultural and people-to-people exchanges -- combined with practical cooperation in five key priority areas -- connectivity; production capacity; cross-border economic cooperation; water resources; agriculture and poverty reduction; (iv) establishment of an MLC Special Fund; and (v) setting up of a coordination unit/national secretariat within the respective Ministry of Foreign Affairs to effectively coordinate cooperation in all areas of the MLC.

Given Asia's vast infrastructure funding needs, the role of the OBOR together with their financing arm, the AIIB and the 40 billion-dollar Silk Road Fund (SRF), as well as Chinese ODA, will be crucial in providing additional resources for infrastructure investments.

In term of investment, China ranked 1st as foreign investor for the last six years. Since 2011, China has invested more than 4.3 Billion US Dollars in the area of agriculture, energy, industry, and tourism. In hydropower, China has invested up to date more than 2.3 billion US Dollars. On the trade side, Cambodia and China have agreed to boost bilateral trade to achieve the target of 5 Billion USD by 2017, with China providing GSP to 418 Cambodian products. China has also committed to increase to two Million Chinese tourists per year to visit Cambodia by 2020.

Another unique characteristics of OBOR is its scale and scope as it can be custom-made to a specific region and nation.

These investments notwithstanding, Cambodia has huge needs for major infrastructure projects to support the development of its industrial and productive capacity. The Royal Government has launched last year its new Industrial Development Policy and has designated the coastal province of Sihanoukville to be a region-wide special industrial zone by 2018. More than this, Sihanoukville has huge potential as a Chinese tourism destination, similar to Hainan Island. There is strong consideration to build a new airport in the region and new deep seaports to connect Cambodia in the regional supply chain. An agreement has also been reached to construct a new highway linking the Capital city of Phnom Penh to Sihanoukville as well as the construction of a new international airport in Siemreap. These new infrastructure projects, while accommodating the million plus annual Chinese tourist arrivals, would significantly accelerate the development of the country. The prospects

In term of investment, China ranked 1st as foreign investor for the last six years.

for financing these new infrastructure projects would likely be coming from the major Chinese commercial banks, along with the OBOR's financing mechanisms such as the Silk Road Fund and the AIIB.

GEOGRAPHICAL PROXIMITY

If proximity matters, then one can appreciate the importance of ASEAN to China, and vice versa. Geographic proximity makes ASEAN, especially the continental Mekong states closest to China's borders, more demographically and politically linked to China. OBOR functioning as a multi-dimensional framework can further connect beyond the geographical element. OBOR will provide the necessary means to further support the economic transformation of its neighbouring Southeast Asian economies to achieve their ambitious development objectives.

PEOPLE-TO-PEOPLE CONNECTIVITY

There is a common bond between OBOR and ASEAN: that is the people-to-people connectivity. As stronger economic and trade ties are developed between the people of China and ASEAN, closer people-to-people relations and cultural interactions will be forged to enhance mutual trust and long-term friendship which are beneficial for the overall regional peace and stability of the region.

There is strong consideration to build a new airport in the region and new deep seaports to connect Cambodia in the regional supply chain.

THE BELT AND ROAD IN SERVICE TO HUMAN PROGRESS

Dr. Djisman Simandjuntak - Senior Economist and Chair of the Board of Directors of Centre for Strategic and International Studies (CSIS) Foundation in Jakarta

Human progress undergoes continuous shifts as time passes. Most of the time the shifts are hardly perceptible. Occasionally they occur disruptively. The rise of China following the Four Modernizations under the leadership of Deng Xiao Ping or China's reawakening, as some people prefer to understand it, is one of such shifts. More than half a billion Chinese have exited the maladies of poverty in just forty years. This fulfills one important condition of human progress, namely the improvement of the standard of living. At the same time, the inputs that go into China's growth have diversified. It has seen the depletion of natural capital, such as space on land, water, air, and toilsome labor to a shift to inputs with greater density of skills and knowledge, which is another important feature of progress. Of the technologies that constitute the frontier of 21st century civilization, most are already found in Chinese household and corporate lives. What is more, this miraculous growth has taken place in a very different milieu. In the mid-1980s, a visitor to Beijing witnessed how penetrating and cumbersome state control was over a citizen's life. A visit in the 2010s gives a completely different atmosphere. Greater freedom is felt in major cities. Citizens and visitors alike are offered a much greater set of choices for time use. Despite incompleteness, the freedom to move around for work and leisure is one of the fascinating stories about 21st century China.

With the meteoric rise of China, the hypothesis about a shifting epicenter of the world economy toward East Asia now sounds undeniably convincing. This is not to say that China has turned into an Eden of civilization. As impressive as the transformation has been, there are imperfections such as rising inequality, the border of tolerability, and risks of environmental outburst that some super-cities are confronted with. They all need remedies that are more difficult to find than the inflow of physical capital. Nor does the hypothesis of a shifting epicenter imply the sinking into oblivion of other centers. The intangible capital of Europe has not diminished, despite the crisis of 2007-2008, high unemployment, the immigration quandary, the "Europe fatigue" that has swept over parts of Europe, and the Brexit surprise. It is there, waiting to be rediscovered for the good of Europeans and the rest of humanity. Likewise,

The B&R is more than just "March West" to open a "Blue Ocean" theatre with little rivalry, in contrast to the hotly contested Asia Pacific. It also branches out south-westward to Africa and Southeastward to Southeast Asia and the South Pacific.

North America continues to play a pivotal role in the origination of 21st century's science and its conversion into innovative businesses that citizens around the globe profit from. Closer to home, an evolving Japan is an integral part of the shift toward East Asia and still serves as a buoyant source of economic renewal. A China that collaboratively pools resources with Japan would elevate East Asia into much greater prominence in world development.

The more appropriate term for the China-centered shift in world economic geography is perhaps a transition to something that can only nebulously be called a multi-polar world economy. Nevertheless, it still constitutes a new “punctuate equilibrium” in the Gouldian sense. With it, great, new opportunities are opened but risk exposure becomes more complex. Given its hard-earned position as the world's second largest economy with great vitality, China's assertiveness in taking pioneering initiatives is a logical consequence. The Belt and Road Initiative (B&R) is perhaps the grandest of the initiatives. The B&R reminds us of the human ingenuity in conquering great distances and the extreme geographical boundaries in the interest of exchanges, of which the silk was minor compared to the flourishing exchanges of cultures, including science and philosophies. The B&R also demonstrates the frontiers that stretch from China to the West: South Asia, Central Asia, Europe, Middle East and Africa, and from China to the East, to Southeast Asia and South Pacific.

By any standard, the B&R is an unconventional grand design. It has no comparable scheme in recent history. The Marshall Plan, the European Union, ASEAN, and even the aborted TPP look comparatively modest when geographical coverage, number of countries that are expected to participate, number of population, and the enormity of intended issue coverage are viewed together. The B&R is more than just “March West” to open a “Blue Ocean” theatre with little rivalry, in contrast to the hotly contested Asia Pacific. It also branches out south-westward to Africa and Southeastward to Southeast Asia and the South Pacific. While the B&R has some elements of regional cooperation and integration, it is not an

On this matter, there is an obvious complementarity between China and some of the prospective participants of the B&R in which infrastructure is in severe shortage. Indonesia is one of such case.

initiative of regionalism of the familiar sort. Though mention is vaguely made of 65 countries that the B&R is targeted to include, the issue of membership is left open. This is unlike most regional initiatives that the world knows of. The B&R does not have to rush to decide on membership. Obviously such membership is going to stretch across the six corridors that are said to constitute the B&R, but conspicuously miss the link to the East- namely Japan and North America. Considering their diversity, the six corridors may agree on some commonalities when dealing with some issues, but they may have to agree to disagree on many issues. Such dualism is not new in relations between nations. Already in its early history, ASEAN adopts the “Six-X” mechanism whereby certain initiatives can continue to proceed despite dissent from some members. It has an advantage of allowing like-minded members to pursue common interests without forcing other countries to go along grudgingly. On the other hand, it has a weakness of being fragmented where different sub-groups stand in each other's way.

The issue coverage of the B&R is also yet to be clearly defined. It is said to include policy coordination, an area which is gaining in importance as economies become more deeply integrated. Through G20, mechanism members have, in fact, coordinated responses to the 2007-2008 crisis.

Had it not been for the coordinated responses, countries might have been trapped in zero-sum games, such as currency wars, while trying to insulate their respective economies from the negative impacts of the crisis. In an indirect way, many other institutions like the IMF, the World Bank, and ASEAN+3, through its Chiang Mai Initiative Multilateralized (CMIM), have worked toward the same objective of mutually supporting each other while responding to macroeconomic fluctuations. China has played an important role in many of the coordination initiatives. Extending similar mechanisms to some of the 65 prospective participating countries of the B&R may bring handsome benefits, particularly in cases where macroeconomic discipline is yet to be discovered as an indispensable ingredient of a durable development. Yet, promoting policy coordination in a large and diverse group of countries is necessarily an arduous process, to put it mildly. Experiences of G20, G7, the EU Stability Pact, and the CMIM demonstrate that progress in policy coordination is of incremental, and probabilistic, nature. Sometimes coordination works, but it fails at other times.

While the current government has committed to turning Indonesia into the world's "maritime fulcrum," turning the vision into a reality is going to take time and support from friendly countries including China.

The second issue under the B&R is physical connectivity. From a first impression, physical connectivity in the forms of transport and communication infrastructures on the Belt and the One Road constitute the core of the B&R. Some commentators relate the B&R with China's need for a market for its huge excess capacity in certain industries,



particularly construction materials. On this matter, there is an obvious complementarity between China and some of the prospective participants of the B&R in which infrastructure is in severe shortage. Indonesia is one of such case. The world's largest archipelago suffers from severe shortage of maritime infrastructure and is forced to bear an extremely high logistic cost. While the current government has committed to turning Indonesia into the world's "maritime fulcrum," turning the vision into a reality is going to take time and support from friendly countries including China. Similar circumstances of poor infrastructure prevail in many developing countries. This offers opportunities for China's trade and investment. However, associating China's assertiveness in regard to physical connectivity to domestic excess capacity is missing a very important point. Within APEC, for example, China has been a very enthusiastic proponent of an Asia-Pacific-wide connectivity program. Excess production capacity, however large, cannot serve as a sustaining foundation of greater connectivity.

Physical connectivity is not an end in itself. While connecting machine with machine is increasingly a reality in the world of IOT (Internet of Things), it is the flows or movements of information, goods, services, capital, and people across local and cross-border geographical coordinates that the physical connectivity is supposed to serve. The

extension of the B&R to trade facilitation and people-to-people exchanges is, therefore, a necessary complement to physical connectivity. These issues are familiar to academia, diplomats, and policy makers at large. They have preoccupied governments of the last 300 years or so, with varying degrees of success. Sometimes governments are as enthusiastic about unilateral liberalization and deregulation as they were in the 1980s and 1990s. Multilateral negotiations under the GATT, and later the WTO, have also succeeded in establishing

However, the greatest part of financial flows creates a repayment obligation that may turn out to be unbearable if exports fail to grow in tandem. Cases abound where debtors fail to service external debts and have to go through restructuring at great sacrifices. Therefore, the B&R may have to include a trade concession from the Chinese side, including a unilateral concession under certain circumstances.

an open trade to the benefit of the entire world. Unfortunately, unilateral and multilateral approaches to an open economy have run out of steam in the last two decades. Any signs that things are changing for the better is nowhere in sight. It is partly for this reason that countless regional initiatives have been launched in the last two decades, at different width and depth in addressing the issues of openness. Not only they have performed differently in negotiating and implementing state-of-the-art agreements, but the result is that some regionalism fatigue is afflicting the world in recent years. Great Britain exited the European Union. President Donald

Trump of the United States refused to ratify the TPP. It is not the first time, and may not be the last, that the United States denies ratification of an agreement that it helps to push ambitiously. It will take China great ingenuity and diplomatic finesse to craft durable and meaningful success among the countless regional groups and bilateral ties that, in one way or another, connect the B&R network, or are even designated as the implementing mechanisms of the B&R.

Benefaction is an integral element of any major cooperation initiative. It can take different forms. To incentivize participation in the B&R, China has established a multitude of development financing institutions. They include: the Silk Road Fund at US \$40 billion, the Asian Infrastructure Investment Bank (AIIB) at US\$100 billion, the New Development Bank at US\$50 billion, and the ASEAN Investment Fund at US\$20 billion. These resources may look modest in comparison to the huge need for infrastructure financing in Asia. However, they can be increased over time as participation in the B&R widens and intensifies and greater saving is accumulated in participating countries. They can also be leveraged with other resources through a smart syndication.

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Financial resources alone do not constitute a good benefaction. They facilitate access to the benefactor's factor markets, including new technologies that will help boost productivity. However, the greatest part of financial flows creates a repayment obligation that may turn out to be unbearable if exports fail to grow in tandem. Cases abound where debtors fail to service external debts and have to go through restructuring at great sacrifices. Therefore, the B&R may have to include a trade concession from the Chinese side, including a unilateral concession under certain circumstances. After all, the room is quite spacious for China to maneuver through trade benefaction by unilaterally offering preferential access to its market in favor of developing parts of the prospective B&R countries. China has been a good example of a successful model of development through trade and it may consider deploying similar strategies as pull factors for B&R.

No time frame has been explicitly mentioned for the B&R. However, time frames can be inferred from the urgency at which the B&R is needed. Part of the rationale behind the B&R is the need to generate new sources of growth for China, and the world at large. Growth has been decelerating in recent years in both high-income and emerging economies. Trade has been decelerating even more severely. It is as if the development model of the last quarter of a century has entered the stage of diminishing returns. Left unmanaged, the current trade fatigue may cost the world in terms of forgone opportunities. While China is preparing its entry into the highly science-intensive economy, it seems to need a transitional engine of growth by creatively replicating its own success in pushing growth through spatial opening. In other words, the B&R is needed now, rather than at some point in the future.

An initiative as huge, as complex, and as unconventional as the B&R requires a strong and flexible leadership and a willing coalition of followers. While crafting such leadership and coalition, China will also have to be mindful of the huge parallel changes that every government is faced with. The revolt against capitalism of the last quarter of the century necessitates that the B&R is equipped with credible equalization measures. China will also have to set examples of how SDGs are to be mainstreamed into national, regional, and global policies as it has indicated during various leaders' meetings. Even ethical questions, which are involved in many of the frontier technologies of today, will need to be taken up. Leadership in the B&R presents China with a golden opportunity to innovate a set of foundational values for cooperation in a similar way that the United States embedded its own set of values in the Bretton Woods System and other building blocks of the post-war world order. It is the soft sides, rather than the material silk, that made the ancient Silk Road what it was. It remains inspirational, even as modern machines have long replaced the caravan as carrier of invaluable objects of exchange, including messages on human progress.



THE BELT AND ROAD : MALAYSIA'S PERSPECTIVES

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Introduction

Malaysia has a long history of trading with China due to its strategic geographical location in the Southeast Asian region. In 1974, it became the first member country of the Association of Southeast Asian Nations (ASEAN) to normalize relations with China, thereby laying the foundation for a warm and cordial bilateral relation between the two countries that has lasted to this day.

In recent years, the bilateral trade and investment relationship has becoming increasingly important. Malaysia's first Free Trade Agreement is the ASEAN-China Free Trade Agreement (ACFTA), which was signed in 2002. The growing importance of China as a trade partner to Malaysia has manifested in the upward trend of exports and imports between the two countries since 1990, with the exception of a dip during the years of the Global Financial Crisis (GFC) (2008-09). In fact, China has been Malaysia's largest trading partner since 2010. Within ASEAN, Malaysia has been China's largest trading partner since 2008. It is also China's third largest trading partner in Asia, after Japan and South Korea, despite the relatively small size of Malaysia's economy.

Thus, prior to the announcement of the Belt and Road (B&R) initiative in 2013, the Malaysian government has been actively courting closer economic cooperation with China. In 2012, the China-Malaysia Qinzhou Industrial Park (QIP) was established, followed by the establishment of the Malaysia-China Kuantan Industrial Park (MCKIP) in

2013, which started operations in the same year. This is the first time a twin park model was introduced anywhere in the world, serving complementary roles with the same principles. The Chinese Central Government has approved a RMB 2.4 billion development fund for QIP, over and above the RMB 1 billion pledged by the Government of Guangxi, where QIP is located. In turn, the Malaysian Federal and State Government have allocated RM 700 million to MCKIP (<http://my.china-embassy.org/eng/sbgx/t1158491.htm>, accessed 15 October 2015). While QIP will focus on food processing, biotechnology, and information technology, MCKIP will host business in steel manufacturing, aluminium processing, and palm oil refinery.

In view of the close relations between the two countries, this article discusses the opportunities and challenges that comes from engaging with the B&R from Malaysia's perspectives.

China's recent investments in Malaysia are heavily biased towards the transport sector, based on Malaysia's geographical advantages and the B&R's trade and investment objectives.

Malaysia's Engagement in the Belt and Road Initiative: Opportunities and Challenges

There are already three major ports at Port Klang, Penang, Kuantan and Tanjung Pelepas. They are all

deep-water ports and strategically located along international maritime sea routes of the Straits of Melaka. Port Klang and Tanjung Pelepas are among the top 20 busiest container ports in the world. Nevertheless, China's recent investments in Malaysia are heavily biased towards the transport sector, based on Malaysia's geographical advantages and the B&R's trade and investment objectives. Reportedly, some of these investments were the outcomes of Prime Minister Najib's visit to China in November 2016, when the two countries inked 14 business-to-business agreements and 16 government-to-government Memorandum of Understandings amounting to approximately RM144 billion (InvestKL undated).

While these investments to improve transport infrastructure further enhance Malaysia's comparative advantage in infrastructure in ASEAN, there are several concerns raised over these reported investments.

Among the key deals inked was East Coast Rail Line ("ECRL") infrastructure project amounting to RM55 billion (Table 1). The ECRL is 600 kilometre railway line that will link the east coast of Malaysia to the commercial centre of the country in Kuala Lumpur. It is deemed to be an important component of the East Coast Economic Region (ECER) project that seeks to boost the economic development of three states in Malaysia, namely Pahang, Terengganu, and Kelantan. It is reported that the ECRL is supposed to add 1.5 per cent to the GDP growth of these three states (Lee 2016).

The second infrastructure project featured prominently during Najib's visit to China is the Melaka Gateway Project (MGP) (Table 1). According to Lee (2016), this RM30 billion (USD7.2 billion) plus project is a mixed

Table 1. Port and Rail Investments related to Recent China-Malaysia MOUs and Agreements

| MOU/Agreement/Project | Nature | Value (RM. Billion) |
|--|---|---------------------|
| 1. Malaysia Rail Link Sdn. Bhd., China Communication Construction Company Ltd. & China Communication Construction Company (M) Sd. Bhd. | Construction of East Coast Rail Link (estimated completion: 2022) | 55.0 |
| 2. KAJ Development Sdn. Bhd. (51%) & Power-China International Group Limited (49%) | Construction and investment of Melaka Gateway Project (estimated completion: 2025). | 30.0+ |
| 3. KAJ Development Sd. Bhd., Power China and Yangtian Port Group Co. Ltd and Rizhao Port Group Co. Ltd. | The port development, which is estimated to cost RM8 billion | n.a |

Source: Cassey Lee 2016

development project comprising port, industrial park, free trade zone, and commercial/residential development. The project will entail some investment from China, reportedly Chinese conglomerate (Powerchina International Group), in the areas of port ownership and real estate development. The Gateway project includes extensive land reclamation and the port to be developed is expected to be the biggest port in the region.

A small country like Malaysia has to keep a delicate balance with all the major powers in the world and cannot afford to be seen as being overly dependent on one over the other.

In January 2017, a RM6.3 billion deal to redevelop and expand Penang Port was signed between two Chinese port operators (Shenzhen Yantian Port Group and Rizhao Port Group) and local partner, KAJ Development, a relatively unknown and reportedly state-owned company incorporated in 2001. According to press reports, the project would increase the port's ship handling capacity to 100,000 ships per year.

Another port project is the RM12.5 billion Kuala Linggi International Port project, funded by China Railway, Port & Engineering Group. It is located 55 km away from the Malacca Gateway project. When completed, the company has claimed that the Linggi port will become the world's preferred shipping hub in the Straits of Malacca, offering port facilities, storage, and trans-shipment of crude oil and petroleum products, and repair and bunkering facilities (Ignatius 2017).

On the east coast, another Chinese company, Guangxi Beibu International Port Group already owns a 40 per cent stake of Kuantan Port Consortium and is investing billions to double the port's capacity. Port Klang Authority is reportedly reacting to the increased domestic competition with plans to build another giant port on Carey Island, which is expected to cost RM200 billion. According to reports, the transport ministry is in talks with China Merchants Group to finance the project (Ignatius 2017).

While these investments to improve transport infrastructure further enhance Malaysia's comparative advantage in infrastructure in ASEAN, there are several concerns raised over these reported investments. Not all these projects are foreign invested projects in the traditional sense of being funded by the foreigner that is investing in Malaysia. For example, the ECRL is not a foreign invested project. Instead, it is funded by a loan from China's state-owned enterprise, EXIM Bank (Wan Saiful 2017). The loan must be repaid within 20 years. The concern and challenge here is whether the industrial parks and development of the ECER will generate enough demand for the ECRL for the government of Malaysia to repay the

Should actual demand fall short of the projected freight, the financial viability of the project will be in doubt and the Malaysian tax payers will have to bear this shortfall. Moreover, the public is also concerned regarding the distribution of the benefits.

loan, since the ECRL is a big project that will cost close to 8 per cent of the country's current public debt (Lee 2016). According to Wan Saiful (2017), the projected freight for the ECRL is 60 million tonnes of freight per annum by 2035. Should actual demand fall short of the projected freight, the financial viability of the project will be in doubt and the Malaysian tax payers will have to bear this shortfall. Moreover, the public is also concerned regarding the distribution of the benefits. The tier one contractor for the project is designated to another Chinese state-owned enterprise, the China Communication Construction Company (CCCC), while local firms are sub-contractors.

Likewise, the sudden increase in port infrastructure in Malaysia, in tandem with expected increased capacity of the Tuah project in Singapore and the China-funded Tanjung Sauh port in Indonesia's Batam island (Ignatius 2017), automatically raises the question of projected increase in capacity in Malaysia and the region, as well as the demand for the increased capacity. Since these developments are announced without discussions of credible feasibility studies, nor environmental impact studies, there is general concern

about excess capacity and the losses that have to be absorbed by the government and the public at large.

There are also spillovers from Chinese infrastructure development projects into investments in real estate.

There are also spillovers from Chinese infrastructure development projects into investments in real estate. In Kuala Lumpur, China Railway Group (CRG) will be developing the mega Bandar Malaysia project which is expected to cost between RM 160 – 200 billion. This city project will be jointly developed by Bandar Malaysia Sdn Bhd, which is 40 percent owned by Malaysia's Ministry of Finance Incorporated (MOF Inc.) and a consortium jointly owned by Iskandar Waterfront Holdings Sdn Bhd (60 per cent) and China Railway Engineering Corp (40 percent) (Lee 2016). Another Chinese company, Greenland Holdings Group Overseas Investment Co Ltd, is involved in the project as well. Bandar Malaysia will host the world's largest underground city together with shopping malls, indoor theme parks, a financial centre, residential and commercial units, as well as the RM 8.3 billion regional headquarters of China Railway.

CRG is also involved in another RM 2.1 billion project in Ampang to build 7,000 residential units, as well as commercial and retail outlets (Ignatius 2017). In keeping with the management practices of most China-based corporations, CRG has been appointed the main contractor with sole responsibility for monitoring, managing, and supervising the day-to-day construction and operations of the project. These also create concerns and challenges

These also create concerns and challenges as locals are worried that the increase in Chinese demand for real estate in Malaysia will push up real estate prices in the country, making it unaffordable and out of reach for the average income earner in the country. There is also a concern about the impact of an influx of Chinese workers on social cohesiveness in Malaysia due to the multiracial composition of the country.

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Finally, there are concerns over the geopolitical implications of these investments in strategic transport sectors as Chinese naval ships can dock at these ports. There are also concerns over the South China Sea disputes. The investments of China may also affect Malaysia's foreign relations with another big power like the US. A small country like Malaysia has to keep a delicate balance with all the major powers in the world and cannot afford to be seen as being overly dependent on one over the other.

Conclusion

Recent investments from China represent an opportunity for Malaysia to participate in the B&R initiative. While these initiatives have the potential to assist Malaysia meeting its aspirations for more investment, the rapid increase in the number of infrastructure projects in a competitive global environment has also raised queries on the profitability and viability of some of these projects. Improvements in governance and transparency over the terms of these projects, including their implementation, will help to assure the public that

these are economically viable projects that will benefit both countries. One important challenge is to manage the public concern over the viability of these recent investments in transport infrastructure and their spillovers into real estate development.



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MYANMAR'S PERSPECTIVE OF “ONE BELT, ONE ROAD”

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Myanmar's reforms during the five-year term of President U Thein Sein have indicated her reintegration into the international community. Myanmar's future directions also opened new opportunities for her to cooperate with its regional neighbors. Her active participation can be seen in regional organizations such as ASEAN, BIMSTEC, ACMECS, and GMS. Myanmar plays a unique role in these groups as the geo-strategic link between the South Asia, Southeast Asia and Myanmar and will bridge these important regions for the prosperity of the region. Myanmar entered these regions with the aim to gain economic benefits from information exchanges, technical know-how, modern communication system, prevention of transnational crime and elimination of drug trafficking, environmental protection, solutions for climate change issues, and disaster management. It also can have better friendship and closer contacts with regional countries by making people-to-people contacts and tourism promotion. Furthermore, Myanmar can achieve positive impacts from further collaboration in research and development, human resource development, technology transfer and private sector participation among member countries.

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At the Strengthening Connectivity Partnership, Chinese President committed to US\$ 40 billion fund for infrastructure development among the Silk Road Economic Belt nations which involve revival of the ancient Silk Road between China and Europe via Afghanistan and Central Asia, besides linking BCIM Corridor as well as China-Pakistan Economic Corridor. China envisages an economic corridor linking its southwestern Yunnan province through Myanmar to Kolkata as a key segment of a land-based “Silk Road economic belt”, and is also planning to boost ties with port cities, such as Chennai, through a “Maritime Silk Road” starting out from south-eastern Fujian province through South China Sea to Indian Ocean and the Persian Gulf. China also plays a leading role in AIIB, an international financial institution to promote the economic development of Asia and creation of wealth and inter connectivity of infrastructure through investment and through productive fields.

Regarding the proposed 21st century Maritime Silk Road, Myanmar considered that the route can play an important role in the development of the country by bringing new economic opportunities for Myanmar and its people. Besides, Myanmar welcomed the establishment of Asia Infrastructure Investment Bank

(AIIB), an initiative by China. Myanmar also pledged to cooperate in these sectors and signed the MoUs and agreements with China including the MoU on Bilateral Economic and Technological Cooperation under the Framework of BCIM-EC.

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Although OBOR has plenty of potential, there are several difficulties and problems to achieving the objectives. It is still characterized by relative poverty of the southwest within China, of the north-east within India, and Myanmar. There has as yet been no thinking on how existing programmes of border area development could be coordinated to provide better basic services and social protection to the 'border landers' on both sides of the respective international borders. Present policies enabling so-called 'border trade' and 'border hats markets' are hindered by bureaucratic constraints as well as inadequate infrastructures and financial institutions.

Security environment is one major negative factor inhibiting the successful realization of the OBOR.

As the border areas are characterized by poverty, ethnic division and collision and rampant transnational crimes, it needs to accelerate cooperation on construction of rail and road networks, logistic centers, industrial parks and development of scenic areas as well as on resolving security challenges along the borders.

What can Myanmar gain from OBOR?

The energy sector has a crucial role to play in Myanmar's economic development and increasing geostrategic importance. Neighboring countries such as China, India and Thailand face growing import dependencies and projected increases in energy demand to keep pace with economic growth. Gas and oil are the largest component of Myanmar's export basket. Gas and oil pipeline from Kyaukphyu to Kunming opened in 2013 and will bring much needed supplies to China.

Strategic location of a country is either negatively or positively important in maneuvering its national interest especially its location is between emerging power and rising power. Positively it may gain economic opportunities while at the same time; it may face with uncertainties spread out from rising rival neighbors. (Most countries in Asia have been connected through the Asian High-

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way Network and the Trans-Asian Rail-way Network, which will benefit coastal countries and Small Island developing states.)

Myanmar is now regarded as a newly emerging destination for businesses on account of its strategic geographical location. Located on the southern tip of Indochina peninsula, possesses an important strategic location on the blinks of Indian Ocean and Bay of Bengal, the significant gateway for China to Indo-Pacific regional order and becoming as a commercial corridor for both giant neighbours. It is on the cross road of China's Go West Policy on the one hand and India's Look East Policy on the other. Similarly, Myanmar is important for China's landlocked southwestern provinces market access to Bangladesh and India through transit trade instead of China's eastern coast.

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WOULD THAILAND GAIN OR LOSE FROM A SILK ROAD POLICY IN THE RISING DRAGON AGE?

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The “Silk Road” had long been defined, in the ancient era, as the greatness of the Emperor of China under Genghis Khan's Empire, which spreaded its military power in the 12th century. Such action led to the movement of an army of traders, carrying their goods through the route to be traded with other merchants from Central Asia, the Middle East, and Europe. Some even regarded the Silk Road as one of the most successful phenomenon of the era, resulting in the regional civilisation in the succeeding hundreds of years.

Now, we are living in the era of mega-trade strategies, and the so-called “Silk Road and Maritime Silk Road” policy, which connects nearly 70 countries across the globe, financially supported by financial institutes, competency of entrepreneurs, and other favorable factors for China. Such eminence invites close attention from spectators, following the stipulation of China's policy. The major concern is whether Thailand will benefit or lose from the stated policy, and how?

From the “Great Western Development” to the “New Silk Road and Maritime Silk Road”

During the two decades after Deng Xiaoping announced China's trade liberalisation to the rest of the world, the Chinese government began to rapidly stimulate its economy with an emphasis on the Western region of China. Upon a successful regional development, which later became one of the economic mechanisms for the country, the

Chinese government was concerned about potential problems that may arise from the economic and social inequalities within the region. Such concern eventually led to the establishment of “Go West Policy,” which sought to spread prosperity to the Central and Western parts of the country. This movement could be regarded as the origin of the “Domestic” Silk Road policy, which consequently provides a “framework” for the current policy.

In the beginning of 2013, following the above-mentioned events, President Xi Jinping proposed a new policy, the “Silk Road and Maritime Silk Road,” during a presidential speech at Beijing. The policy serves as an “economic milestone” for the development of China's Western region and a stimulator to “push forward” with the Go Global policy through expanding the original Silk Road as a means of global connectivity enhancement. Although the stated policy is referred to by different names, it is commonly known as the “Belt and Road,” or B&R, which adopts the traditional eco

The policy provides an “amphibious network,” which is seamless connectivity from the land to sea and vice versa.

Such an initiative is, indeed, a clever move for China in utilizing its competitive advantage over the United States.

conomic development framework that was proven successful during the country's early reform era. This government-oriented policy emphasises on promoting China's export sector and foreign investments as a mechanism for improved collaboration between China and Silk Road countries.

Nonetheless, the contemporary Silk Road policy differs from the previous policy in various aspects. Under the new policy, the regional connectivity scheme has been extended to cover both land and sea. China is exploiting its geographical advantage for the development of its economy and other dimensions. The policy provides an "amphibious network," which is seamless connectivity from the land to sea and vice versa. Such an initiative is, indeed, a clever move for China in utilising its competitive advantage over the United States. The new policy will cover a vast number of countries within the region. Its success will undoubtedly enhance China's global connectivity, which consequently invokes huge benefits at a regional level.

Moreover, this ongoing Silk Road policy is expected to provide an array of long-term benefits, such as boosting trade and investment, supporting the Yuan's ascent to become the global currency, promoting cultural exchange, and even strengthening relationship between China and countries in Asia, Europe, and Africa. Meanwhile, the United States is excluded from the list with a well-supported reason. This policy is in contrast to the cooperative framework imposed by the United States, namely the Trans-Pacific Partnership (TPP), as well as military maneuvers, which aim to impede China's regional expansion and its rise to power. To put simply, the new policy will benefit China in the aspects of economy, society, and politics, in a similar manner to the historical Silk Road

policy. However, the difference between these two policies revolves around the procedure and process of operation.

Under the new policy, the Chinese government regards the "economic" dimension as its main priority, hoping that increased efficiency in the transportation network, combined with Free Trade Areas (FTA), and pre-existing economic cooperation with other related countries will eventually lead to political and socio-cultural expansion (Today, China has adequate population, resources, and competencies to disseminate its culture in a global scale). This new policy is different from policy in the previous era, where the "military" was the primary focus, followed by economic and sociocultural aspects.



Another element that should be highlighted are the economic benefits that China will gain from the new policy, which is forecasted to be significantly higher than the preceding policy. With 25 years of experience and expertise in production and engineering, China has maximized its benefits from the policy and eventually became "The World's Factory." Accordingly, China's economy will not only gain from its tea and silk exports, like it has in the past. Rather, the new policy will cover a vast number of fields, including product distribu-

tion, service, and technology of different types and quality. The technological aspect ranges from food products, agricultural equipment, household electronic appliances, computers, mobile phones, miscellaneous products, all the way to financial services, infrastructure system, and construction, such as railways and road. On the contrary, China – the world’s largest consumer – will also import a variety of goods from other countries, which would lead to a future expansion in investment between countries.

As such, it is not surprising that the “Belt and Road” policy will become one of the significant mechanisms in driving China’s economy and its global connectivity, leading to a change in the political and sociocultural policies of related countries in the long run.

The question is, therefore, whether Thailand will gain or lose from the implementation of China’s new initiative.

The “Belt and Road” – a Gain or Loss for Thailand?

Under the “Belt and Road” initiative, the importance of transportation networks relies on a land-based transportation from China to Europe (through Central Asia and Russia), the Middle East, and South Asia. However, oceangoing transportation has limited connectivity with Thailand. In other words, the trade routes under the stated policy will connect with two parts of Thailand: the sea lane from Western China to Thailand’s main port, and the land transportation network from Southern China to the North and Northeast of Thailand, through neighboring countries. The land-based transportation comprises road networks and high-speed trains, providing physical

connectivity and promoting current economic cooperation between China and ASEAN, as well as strengthening the relationship further. Therefore, whether Thailand will gain or lose from the proposed policy depends on various factors, which can also be analyzed in different dimensions.

Short-Long Term. The policies stipulated by China have almost always been recognized by their speed and concrete results, as demonstrated by its rapid economic expansion during the last decade. During the first three years after the announcement of the Belt and Road initiative, the Chinese government – known as the major “dealer” – has continuously tried to foster the construction and development of its transportation networks. For instance, the launch of the freight train from Yiwu in Zhejiang Province to various cities in Europe. The first test was conducted two years ago, and the train travelled from Yiwu to Madrid, passing through Kazakhstan, Russia, Belarus, Poland, Germany, and France. The journey lasted 28 days. Last year, China tested its Yiwu-London freight train, with the journey taking only 21 days. Now, these transportation networks have been developed even further, with each journey lasting less than 20 days.

Moreover, China’s private and public sectors have collaborated with other countries to accelerate investment projects in targeted areas, which leads

Thailand should begin to apply a more proactive strategy and elevate its position by enhancing connectivity with other countries and getting more involved with regions along the new Silk Road.

to the country's success in many aspects. Such achievement further contributes to the increase in demand, as well as improvement in trade, regional employment, and macroeconomics of related countries. According to the statistics, over the past three years, Chinese businesses have invested over US\$18 billion in trade and economic cooperation in over 56 cities and across 20 countries. As a result, such investment has provided over US\$100 billion in income taxes and over 160,000 jobs for those countries; and this is just the first step of the policy.

Considering a short-term analysis into the next 3 years (until 2020), and with China's competency in economy, civil engineering, and financial services, there is an anticipated emergence in the export sector, skilled labor, technological products, construction of road, bridges, trains, ports, and other related infrastructure, as well as investment cooperation in construction and new projects. Likewise, the development of credit services provided by China's financial institutions, in the particular Asian Infrastructure Investment Bank (AIIB), is likely. Indeed, China's export-import and commercial banks have already expanded to other countries in the region. Accordingly, although it is apparent that related countries will benefit from the new policy, China will undoubtedly capture the largest share of benefits in the short term.

The Belt and Road initiative is regarded as one of the principal strategies of the communist party and Chinese government in the modern era. Therefore, it is likely that China will continuously and aggressively stimulate the development of its transportation networks and other infrastructures throughout the next decade. As such, it can be forecasted that the logistics systems along the

On the contrary, Thai businesses in China seem to have a limited readiness in trade and investment, relative to the real competency of Thailand.

transportation route will continue to increase in efficiency. Such development will undoubtedly invite new challenges, as well as opportunities, for the country. The competition in sea freight services and cargo airlines between China and Europe are becoming increasingly more aggressive. Countries and consumers along the transportation route are expected to gain benefits from cheaper logistics costs, with more choices of import products at a lower price. As a consequence, the standard of living of the population in the region will be improved.

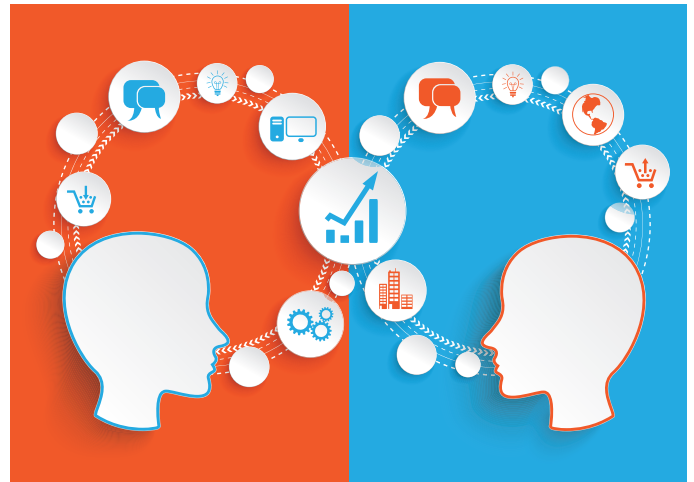
Looking ahead into the future, it is likely to see the development of high-speed trains throughout the whole region, similar to what occurred in China in recent years. Such development will consequently increase the ease of access for people travelling across borders, leading to the expansion of tourism and cultural exchanges.

Additionally, with a rapid advancement in technology and the future expansion of economic cooperation between China and countries along the transportation route, one might expect the future of molecular manufacturing with products transporting via high-speed train, using a renewable energy resources, between China and Europe. These modern factories might receive purchasing orders from distributors or local consumers along the Silk Road. Meanwhile, the checkpoints in each country will be transformed into major cities,

acting as a distribution center that connects with secondary markets in neighboring cities.

The question is whether Thailand will gain a share of such benefits and, if so, to what extent? It should be accepted that Thailand is not the main strategic point regarding the new Silk Road policy. Moreover, Thailand's collaboration in various projects is limited and relatively slow, as compared to other regions. Concerning the infrastructure project of a high-speed rail that will connect China with other ASEAN countries, it is anticipated that Thailand's transportation route will not link with neighboring countries anytime soon – at least not within the next decade. Similarly, since the nature of Thai entrepreneurs is typically passive, the economic benefits that Thailand might gain or lose from the development of China-ASEAN transportation networks might be slower and smaller than what it should be in the short term. Regardless, Thailand's economy will still benefit from the ongoing development of the land- and sea-based transportation networks.

In the long run, the new policy imposed by China is predicted to increase market demand and help the sluggish economy recover for various countries along the new Silk Road to a certain extent. It is important to realize that once the transportation networks have been developed, Thai products will be able to “penetrate” foreign markets, such as Central Asia, Russia, and Eastern Europe, with less effort. As a consequence, those markets will have a higher economic competency. Moreover, the total trade value of countries along the new Silk Road is expected to reach US\$2.5 trillion within the next 10 years. Therefore, Thailand should begin to apply a more aggressive strategy and elevate its position by enhancing connectivity with other countries and



getting more involved with regions along the new Silk Road.

Apart from an increase in involvement towards the stated policy, another important factor that will determine Thailand's share of economic benefits is the capability of Thai entrepreneurs to compete with other countries, in terms of products. Failure to contemplate the intrusion of new products and foreign entrepreneurs in the ASEAN market might cause Thailand to lose its share of benefits faster and to a greater extent.

Current-Future Status. Upon evaluation of Thailand's present economic readiness and competency, it can be inferred that the recent political crisis impedes the country in various aspects, including the improvement of economic structure, the increase in market competitiveness, and the development of infrastructure and other utilities. As a result, the country's strength as a manufacturing-based economy has diminished, which is accompanied by the ongoing incompetency of its trade partners in both market and investment. Thailand is currently in one of its worse economic downturns, with many industries lacking the tools to compete in a broader market. Meanwhile, the majority of Thai entrepreneurs are

still trying to adapt to the upsurge of the economic cooperation between Asian regional countries towards the establishment of “ASEAN Economic Community: AEC.” Yet, only the tourism industry is seen to have gained from the integration of ASEAN countries. Hence, it is not surprising for the Thai government to understate the new policy, while emphasizing improving its economic model under the “Thailand 4.0” campaign. Within the next three years, I foresee that Thailand will gain a relatively small benefit from the new policy, in comparison to other countries along the new Silk Road.

Upon the curtailment of the Thai government, along with economic recovery, Thailand is likely to gain a lump sum of benefits in the long run. One supporting reason for such an assertion is that Thailand has a competitive, geographical advantage over other ASEAN countries. Under “ASEAN Connectivity,” the development of an economic cooperation framework and infrastructure of ASEAN countries will contribute to a more resilient region. Even Professor Philip Kotler stated that such development would lead to “Aseanization,” which would eventually become a major magnet that attracts trade and investment to the region within the next 30 years.

The combination of the aseanisation trend and the success of the new Silk Road policy will provide Thai businesses with the opportunity to compete and exploit benefits from the international market. I still believe in the strengths and adaptability of the Thai economy and its entrepreneurs.

SMEs-Large Businesses. Over the past few years, Thai businesses, particularly small-to-medium enterprises (SMEs), had a relatively low degree of

Upon the curtailment of the Thai government, along with economic recovery, Thailand is likely to gain a lump sum of benefits in the long run.

readiness to compete in the global market. Past governments tried to establish SMEs in a quantitative manner, without emphasizing appropriate and constant improvement in quality. Accordingly, these businesses are unable to compete in an international, and more open, market. Some even behave like a “baby that is used to being pampered,” consistently waiting for the government’s support and avoiding taking risks in entering the global market. As a result, these businesses are just waiting to “die in their own nests.”

Thus, in the short run, only a small portion of SMEs are expected to benefit from this new policy and contribute to the annual growth in GDP of between 6-6.5% in the upcoming years. By 2020, I anticipate that China’s GDP will reach US \$14 trillion amidst the expansion of domestic consumption, meaning that its overall purchasing power would rival that of the United States. On the other hand, if SMEs in Thailand still lack the ability to compete in the global market, they might be faced with real challenges and struggle to survive in the long term.

Meanwhile, large corporations that have already penetrated the Chinese market, such as CP subsidiaries, Saha-Union, Banpu, Mitr Phol, Bangkok Bank, Siam Commercial Bank, and Kasikorn Bank, might benefit from the implementation of the stated policy, both directly and indirectly. In terms of direct economic gain, these businesses are

already competent in aspects such as capital, management, technology, and their existing relationship with China. The growth of China's economy, as a result of the new policy, is expected to expand the Chinese market in a more stable and sustainable way, which serves as an opportunity for large companies to increase their export and investment in China.

In addition, these large Thai corporations are anticipated to indirectly gain huge benefits from the execution of the stated policy in the long term. Such benefits can be achieved through the reinforcement of collaboration with existing partners and the acquisition of new business partners from other related countries along the new Silk Road, as their means of market expansion.

Tourism-Trade-Investment. In general, the development of transportation infrastructure will provide benefits for the tourism, trade, and investment sectors, consecutively. In the presence of a solid foundation of infrastructure and transportation facilities, the tourism industry will thrive as more people are traveling between countries. Upon consideration of the competency in the aspects of economy and trading partners, international trade will eventually emerge, followed by an expansion.



In the aspect of tourism, Thailand is considered one of the most popular tourist destinations amongst Chinese people. Accordingly, with a large population in China (in the case that the Chinese government gives a green light to increase the number of tourists abroad), its close proximity, convenient and efficient transportation, and variety of choices for consumers, Thailand's tourism entrepreneurs and other related businesses are expected to be the first to receive direct benefits from the expansion of the Chinese market. In addition, under the stated policy, these businesses are likely to gain an indirect benefit from the upsurge of travelers from other countries along the new Silk Road.

On the contrary, Thai businesses in China seem to have a limited readiness in trade and investment, relative to the real competency of Thailand. Considering that China is one of Thailand's leading trade partners, and with the domestic Chinese market still expanding rapidly, the Thai export sector must be able to grow at the same rate in order to maintain the term of trade. Nonetheless, the majority of Thai exporters merely focus on exploiting benefits in the short term, thereby lacking strategies and potential to expand in the long run.

In a similar manner, although Thailand is amongst the top-ten countries that have invested in China, such investment is only from a few large companies. Similarly, the value of investment is considerably small, compared to the total value of foreign investment in China. Likewise, the investment sector is also faced with the same problem as the export sector. As a result, if the Thai government fails to impose policies or any stimulus package, Thailand is likely to gain only a small portion of benefits in the export and investment sectors in the short run.

In the long term, Thailand would still maintain a trade surplus in the tourism industry. In the quantitative aspect, Thailand's tourism surplus is expected to be fifteen times higher than that of China. The surplus could increase in terms of both quantity and quality if Thailand emphasizes attracting more high-income tourists. However, it is a significant challenge for Thailand to acquire benefits from the export and investment sectors. Regardless of the fact that Thailand and China have built relationship for over 40 years, it might still be a big leap for Thailand to gain such benefits, especially after having considered the competency of Chinese export and investment sectors.

In order for Thailand to become one of the global supply chains and obtain both direct and indirect benefits from its strength as the world's manufacturing powerhouse, the joint cluster development of major industries between Thailand and China is necessary to attain benefits in the long run. Likewise, the stimulus package, and other development projects such as Eastern Economic Corridor (EEC), will help to promote Thai investment in China. In addition, the targeted industries in China will be attracted to invest in Thailand, due to its prime location that serves as a powerhouse for manufacturing and distributing products within the ASEAN region. If Thai entrepreneurs could adapt and improve their competency in production, the economy in Thailand will benefit immensely in the trade and investment sectors in the long run.

Conclusion

Based on the success of the expansion of transportation networks and other areas under the "Silk Road" and "Maritime Silk Road" initiatives, which involves over 60 countries from various

regions, this mega-strategy is expected to become an important mechanism in driving the economies of China and other related countries. Likewise, this strategic initiative will strengthen China's economic influence, and the Yuan currency, in the international market, which will eventually lead to a new transformation of the global economy, regional development, and the emergence of China as the world's superpower. Accordingly, Thailand's public and private sectors should put emphasis on the stated policy and strengthen their relationship with China as a means to obtain benefits from such policy. The ability of Thai entrepreneurs, particularly SMEs, to compete in the global market and adapt to this significant economic reform must also be highlighted.

Today, China is consistently pushing forward with the implementation of this new policy. Whether Thailand will gain or lose from such policy, and to what extent, depends on the readiness and competency of Thai entrepreneurs in the future.



BELT AND ROAD INITIATIVE : PROSPECTS AND CHALLENGES

Dr. Sompop Manarungsan - President of the Panyapiwat Institute of Management

The Evolution of the Belt and Road (B&R) Initiative

The “Belt and Road” (B&R) initiative proposed by President Xi Jinping in 2013 comprises two major cooperation schemes: physical cooperation and soft cooperation. The physical cooperation includes creating a network of railways, roads, pipelines, and utility grids that would link China to Central Asia, West Asia, and parts of South Asia. The B&R also aims to build a global platform for economic cooperation comprising policy coordination, intra-regional trade and financing collaboration, and cultural and social cooperation.

In 2015, the Chinese State Council set up the B&R action plan with two major components: The Silk Road Economic Belt and the 21st-century Maritime Silk Road. More than 60 countries, with two-thirds of the total world population, have indicated their willingness to participate in the B&R action plan.

Although the B&R region comprises approximately 4.5 billion people, or 2/3 of the total world population, its GDP value is about 1/4 of the world's combined GDP. This demonstrates the lower, or under-potential, growth of these emerging economies.

One of the major prerequisite factors to supporting the growth opportunity of the B&R areas is the infrastructure investment which is still profoundly lacking in this particular region. Developing an efficient logistics system, particularly in regards to inventory, communications, and transportation, is of great importance to less-developed countries (LDCs). Without the aforementioned effective logistics development, other economic development opportunities will be obstructed.

Most of the countries along the B&R areas still have huge “economic space” to enable further development opportunities by utilizing their unexploited natural resources and under-employed workforce.

With a larger and more efficient infrastructure system, i.e., transportation facilities (inland, waterways, and air transportation), communication networks, water supply and electrical facilities, etc., there will be more chances for countries to shift from natural resources to production-based economies. This will enable those countries to increase and add value to their economies by utilizing a cheap and plentiful labor force and the raw materials within their territories, as well as provide opportunities for further development.

It will be easier to promote complementary development opportunities within the B&R area because of the composition of both more developed and lesser developed countries, and the huge supply and demand bases of approximately 4.5 billion people (about two-thirds of the total world population).

The Leading Roles of China in B&R Areas

China's combined imports and exports with countries along the B&R in 2016 topped 6.3 trillion Yuan (US 916 billion), up 0.6% from 2015 (Yu Hongyan, Chinese Ambassador to Turkey, Quoted in China Daily, March 9, 2017).

Chinese companies signed new contracts worth US\$120 billion with countries along the route (up 36%), and made direct investments valued at US\$14.5 billion (about 8.5% of China's total ODI in 2016). In 2016, Chinese businesses helped build 56 economic and trade cooperation zones in 20 countries along the B&R areas, with a combined investment surpassing US\$18.5 billion. This generated nearly US\$1.1 billion in tax revenues and about 180,000 jobs.

Since President Xi Jinping initiated the B&R Initiative in 2013, China has signed cooperation agreements with more than 40 countries and international organizations. Official data shows that China has invested more than US\$50 billion along the Belt and Road since 2013 (China Daily, March 9, 2013). Nearly 50 cooperation agreements have been signed between governments.

Although China has been playing leading roles and contributed significantly to the B&R initiative, they still face some challenges such as capital contribution to the B&R development projects, etc. China's constraint in acquiring key world currencies, such as the U.S. dollar, is the convertibility of the RMB.

As China still has not opened its financial sector, particularly the capital account, it faces limitations in acquiring and accumulating key foreign currencies by using the financial sector, i.e., the money market, the capital market, the futures commod-

From now on, China must diversify its economic development opportunities from being heavily dependent on FDI and exports to other alternatives.

By implementing the “going out” policy, the B&R initiative can help to facilitate China's new economic development direction.

ity markets, etc. China could acquire key foreign currencies largely via the real-sector economy, such as from surplus foreign trade and foreign direct investment (FDI) to the country.

After more than three decades of implementing an “open-door” policy and utilising a more market based economy under the “socialist market economy system” initiated by Deng Xiaoping in the early 1990's, China could enjoy very high economic growth rates by various means. Encouraging foreign direct investment and foreign trade would cause China to acquire huge sums of foreign capital through both the government sector (such as the high foreign reserve accumulation by the People's Bank of China and the revenues of the State Owned Enterprises (SOE's), etc.) and corporate enterprises in China.

However, after more than three decades of high GDP growth, China has developed to a stage of “the new normal” of slowing down economic growth since the early 2010's (i.e., to attain 6-7% of annual GDP growth during the 13th Economic and Social Development Plan during the year 2016 to 2020).

Infrastructure Investment and Financial Needs in B&R Areas

Currently, B&R areas are facing capital shortages for infrastructural development. Asia alone will need

US\$26 trillion of infrastructure investment between 2016 and 2030 (figure from Asian Development Bank (ADB) Report entitled “Meeting Asia’s Infrastructure Needs”). Currently, infrastructure investment in Asia reaches only about 50% of the total demand. Altogether, international development agencies like the ADB, the World Bank, etc., provide less than 3% of the total funds needed for investment. Asia’s annual demand of infrastructure investment is around US\$1.7 trillion.

Under their loan provision plans, both the ADB and Asia Infrastructure Investment Bank (AIIB) can only provide loans about US\$10 billion each per annum. In 2015, the ADB and other international development institutions provided 2.5% of the infrastructure investment in Asia; the ADB spent US\$10 billion, the World Bank \$6.6 billion, and the International Finance Corp (IFC) \$3.2 billion.

In its first year of operation, the AIIB loaned only US\$1.7 billion. As a result, other sources of funds, from both the public and private sectors, should be attracted to finance the infrastructure investment in Asia, particularly the B&R areas. For instance, there are large sums of money accumulated by insurance companies, pension funds, etc. Currently, these financial institutions are facing limited opportunities for their capital investment, particularly given the amount of excessive capital that was

China has to cooperate more closely and more effectively with the international communities both within and outside the B&R areas.

injected into the economic circle after the Sub-prime Mortgage Crisis (which began around 2008).

Due to the fiscal resource limitation faced by public and international financial institutions, the aforementioned excess of funds held by insurance companies and pension funds may be interesting alternative sources of capital to finance the infrastructure investment along the B&R areas. However, those sources of capital are social welfare funds for the security of a vast number of people. Therefore, effective risk management in regards to using such funds is essential.

The B&R member countries, particularly China, should initiate effective risk management schemes to properly utilize such sources of funds. Moreover, efficient credit or loan guarantee systems should be developed to reduce and control the risk of granting the loans to the countries along the B&R initiative region.

The aforementioned credit guarantee schemes need international cooperation initiated by the major leading countries within the B&R area.

Preconditions of the Development Opportunity of the B&R Areas

There are several cooperation opportunities to strengthen the B&R initiative and to substantiate the proposed development programs.

As previously mentioned, China is facing constraints



with acquiring key foreign currencies by using its financial sector. These constraints exist in both the macro and microeconomic levels. Macroeconomic restrictions include the implementation of monetary policy under the closeness of the capital account. There are also microeconomic restrictions in terms of the utilization of financial mechanisms, both in the money market (i.e., the currency market) and the capital market (such as the stock market) to acquire the key foreign currencies like the U.S Dollar, the Euro, etc. Currently, China can accumulate huge sums of key global currencies through the real sector, such as foreign direct investment and foreign trade (exports).

There is a changing global economic landscape affected by US President Trump's economic policies, dubbed "Trumponomics." It is characterized by obvious trade protectionism and anti-globalization sentiment stemming from the "America First" guideline. Because of this it will be more difficult for China to acquire and accumulate the global key currencies via FDI or exports.

Moreover, China, under the Yuan pressure, also has to use huge sums of foreign reserves to protect the Yuan value from further devaluation, which will cause more other negative consequences to China.

In addition, cooperation with other foreign, capital-rich countries will increase the capital

Moreover, efficient credit or loan guarantee systems should be developed to reduce and control the risk of granting the loans to the countries along the B&R initiative region.

Besides providing tangible benefits, cooperation in the B&R will also offer peaceful and friendly environments among the regions member countries.

resources available for use in development projects in the B&R areas. China should also quicken the RMB internationalization to provide a change to use Yuan supply as a means of development in the B&R region.

International policy coordination that supports development in both the hard and soft sectors of the countries along the B&R areas should also be initiated and further developed.

Next, parallel institutional developments among the B&R countries. B&R areas need supportive legal and regulatory frameworks to generate development opportunities as follows;

To have laws and regulation alignments that facilitate development projects along the B&R areas, such as:

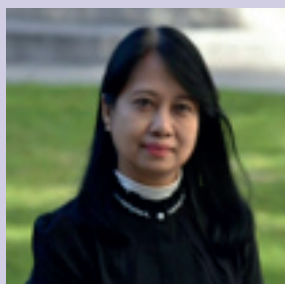
- Projects for building land bridges,
- Overland rail-links, and,
- Dispute settlements for prospective misunderstandings about free trade zones (FTZ's), internet finance, cross-border financing, etc.

Finally, promotion of other opportunities for cooperation, besides in the economic fields, i.e., the social and cultural cooperation among the countries and people in the B&R areas.

Besides providing tangible benefits, cooperation in the B&R will also offer peaceful and friendly environments among the regions member countries.



Contributors



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Chaw Chaw Sein has been Head of the International Relations Department, University of Yangon and since 2006. She was promoted to the post of Professor in 2011 and now taking charge of both International Relations and Political Science at Yangon University. She is also a member of Myanmar ISIS, an independent think tank and participates in international conferences jointly held by Myanmar ISIS and international partners. She works closely with the National Defense University, the Ministry of Defense by supervising theses and giving lectures.

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Chaw Chaw Sein has written research papers on " Assessing the Perspectives of the EU and ASEAN on China's OBOR Initiative" and " Post Election Myanmar Foreign Policy" (available at the Myanmar ISIS website). She has also participated in the international conferences as panels and her major discussions are "Security Issues in Myanmar and her Perspectives in the Asia- Pacific Region" US/UK Myanmar Dialogue on Enhancing Mutual Understanding of Non-Proliferation Regimes, Yangon, MYANMAR, 7-8.2.2014, Myanmar and the Asia Pacific Policy Context, East West Center and the Johns Hopkins University School for Advanced International Studies US-Korea Institute and Southeast Asia Program Washington DC, September 28-29, 2015.



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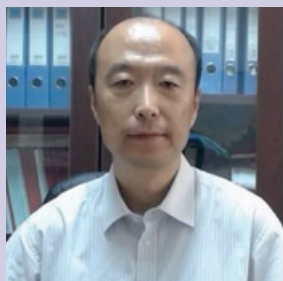
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Professor Liu currently serves as assistant director of the Institute of Geographic Sciences and Resources, Chinese Academy of Sciences, director of "B&R" Research Center, deputy director of World Geography and Resources Institute and part-time professor of Chinese Academy of Sciences.



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In addition to the above, Dr. Sok hosts a 45-minute weekly talk show on the SouthEast Asia Television (SEATV) called "Cambodia's Global Dialogue". It is a dialogue with different local and international personalities to discuss global and regional issues and their impact on Cambodia.



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Dr. Sompop is a frequent interviewee to the domestic and international medias such as Bangkok Post, The Nation, BBC, The Financial Times, The Washington Post, The Wall Street, Times Magazine, CNN, Australian International Radio, ABC and others.



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The Siam Commercial Bank (SCB) was established by Royal Charter as Thailand's first indigenous bank in 1906. Since its inception, the Thai Royal Family, and later the Crown Property Bureau, has been the Bank's major shareholders. Over the past 111 years, SCB has had a pivotal role in shaping the Thai financial services landscape through many economic cycles and periods of political strife. With the strong support of its major shareholder, it has managed to emerge from these changes as a bigger, better and stronger Bank and it has had the highest market capitalization for consecutively 10 years and highest net profit for consecutively 6 years in the financial sector.

As a leading universal banking group in Thailand, SCB provides a wide array of financial products and services, including corporate and personal lending, retail and wholesale banking, foreign currency operations, international trade financing, cash management, custodial services, credit and charge card services and investment banking services, to meet the needs of a broad range of customers. Befitting its status as universal banking, SCB has a large footprint across the financial services landscape in Thailand covering all customer and product segments.

The principal business of the Bank is the provision of financial products and services through its Head office and branch network in Thailand, its branches in Singapore, Hong Kong, Laos, Cayman Islands, Vietnam, and Shanghai (in 2018), its subsidiaries in Cambodia, and representative offices in Beijing and Myanmar.





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