

# Building Trust for the “Belt and Road Initiative” in Southeast Asia

*Tensions in the South China Sea in recent years have damaged trust between China and Southeast Asian countries and now is the opportune time to rebuild it.*

ZHANG FENG

Many Chinese elites refer to President Xi Jinping’s “Belt and Road Initiative” (BRI) as China’s grand strategy during the Xi era. Its success may transform the geoeconomic outlook of the vast Eurasian region. Of the two routes designed for the BRI, the maritime route—the so-called “21st Century Maritime Silk Road”—is of critical importance to Southeast Asia. Traversing from China’s coastal area to the South China Sea and then westward to the Indian Ocean and the Mediterranean and southward to Oceania, the Maritime Silk Road (MSR) seeks to connect the economies of the Asia-Pacific region with Europe by using Southeast Asia as the pivotal link. And the South China Sea is the first maritime front that Beijing must crack to make the MSR a success.

The problem China faces is that the South China Sea has since been roiled by disputes and tensions not just between China and Southeast Asian claimant states, but also between China and the United States when President Xi proposed the BRI to international audiences in 2013. Beijing hopes that such disputes would not affect the MSR, which is focused on economic cooperation. It is, however, very hard to isolate South China Sea tensions from MSR in practice.

Beijing repeatedly emphasises that the BRI is not a geopolitical tool, but new public goods that China will provide to all countries. Yet, in Southeast Asia, because of South China Sea tensions, regional countries from Vietnam to Singapore are, in varying degrees, suspicious of China’s strategic intentions. Such suspicion has coloured their assessment of MSR, even though they are broadly convinced of its economic logic.

Southeast Asia should not be an insurmountable obstacle in the BRI. In fact, compared with Central Asia and the Middle East where the land route of the BRI must traverse, Southeast Asia is a much less risky and more stable region for the more promising MSR. Indeed, several high-profile MSR projects are already making important progress, especially high-speed rail and industrial parks in Indonesia, Laos, Thailand and Malaysia. But these still leave much to desire. For example, after awarding the Jakarta–Bandung high-speed rail contract to China, Indonesia is slow in initiating the next phase of construction. And, China and Thailand still have not hammered out their high-speed rail deal.

One may reasonably think that had the state of affairs in the South China Sea been calmer over the past few years, China might have made greater progress in the MSR. Contrary to Beijing’s hope, tensions in the South China Sea have indeed impeded the smooth implementation of the MSR in Southeast Asia.

China should not be complacent. Although it is the largest trade partner of the Association of Southeast Asian Nations (ASEAN) and most individual ASEAN countries, China’s trade surplus has been growing over the past few years. As China imports less from ASEAN because of structural change in the Chinese economy (moving from manufacturing and investment to consumption and services), China may be less attractive to ASEAN countries as an export market.

Chinese officials and scholars also recognised the lack of enthusiasm in some Southeast Asian countries’ response to the MSR. It is thus important for China to study whether this passive response is driven by economic logic or political concern and the extent South China Sea tensions have affected regional countries’ reception of the MSR.

A major consequence of South China Sea tensions on the MSR is an erosion of mutual trust between China and Southeast Asian countries. Yet mutual trust is vital to the success of the MSR because large-scale infrastructure projects demand political commitment based on trust.

The upbeat news is that tensions in the South China Sea began to ease during the second half of 2016, paradoxically after the release of verdict of the Philippines vs. China arbitration ruling in July 2016. The new Philippine President Rodrigo Duterte’s surprising and beneficial turnabout in China–Philippines relations, in fact, proved to be pivotal.

Tensions in the South China Sea will persist and escalate from time to time. This is attributed to the intractable sovereignty disputes between China and Southeast Asian claimant states, the geopolitical tussle between China’s strategic initiatives and the United States’ intervention at the South China Sea and also competition in the Western Pacific between China and the United States, whose military access is increasingly being tested.

Nevertheless, the de-escalation of tensions achieved in the second half of 2016 had provided a window for China to calmly manage disputes and alleviate security competition while pushing for economic cooperation in the MSR framework. Chinese policymakers should be cognisant of this opportune time to shift regional focus from sovereignty disputes and security competition to economic cooperation and common development. This will not only build trust with Southeast Asian countries and facilitate the MSR in the region, but also considerably improve China’s regional environment, giving it more latitude to promote a development-focused foreign policy agenda. ■

Zhang Feng is Visiting Research Fellow at EAI.

...Southeast Asia is a much less risky and more stable region for the more promising MSR.