



**Responding to the  
Geopolitics of Connectivity:  
Asian and European Perspectives**

PANORAMA  
INSIGHTS INTO ASIAN  
AND EUROPEAN AFFAIRS

# Responding to the Geopolitics of Connectivity

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## Preface

The COVID-19 pandemic has shown us how quickly the progress of connecting the world can be brought to a halt. As the pandemic started to spread globally, we witnessed the closing of national and state borders and the curtailment of people's movements. Governments started looking inward, prioritising the health and social security of their own citizens over regional co-operation in the fight against the virus. The Covid-19 pandemic has thus created new realities. As the term "the new normal" becomes part of our vocabulary, it is yet to be seen what the new normal for multilateral co-operation will look like.

While the pandemic highlighted the risks inherent in the global mobility of people in terms of the rapid spread of infectious diseases, fears about a significant breakdown in international logistics and food supply chains proved largely to be unfounded. Indeed, the robustness of these global supply chains in the midst of tough social and economic Covid-19 measures put in place in many countries underlines the fact that globalisation is already the defining characteristic of our modern world. At the same time, the pandemic also brought to light the importance of closer, seamless and rapid co-ordination and cooperation between countries when dealing with trans-border threats. Building synergies to find commonalities will continue to be the best approach despite the major changes we can expect in global affairs.

Connectivity strategies continue to evolve. In recent years, there has been an increase in strategies launched by different countries. China's Belt and Road Initiative (BRI), Japan's Free and Open Indo-Pacific (FOIP) Strategy and the EU's Strategy for Connecting Europe and Asia are among the most prominent and relevant ones. These three strategies have a distinct geographic focus on Asia and Europe, and will therefore impact the future relationship between the two regions. While there are massive projects supported by China, countries in Asia are also looking to other global players for support. This serves both to avoid strong dependence on only one power as well as to try to get the best terms for joint connectivity projects. At the same time, this could contribute to creating a level playing field on which different stakeholders can voice their opinions and concerns without any one country dictating the terms. It is imperative that nations, as well as different regions, consult each other and identify possible joint projects instead of creating redundancies or duplicating their efforts. In the end it will be more beneficial to all parties if the suppliers coordinate and cooperate rather than compete for similar investments.



The distribution of global power is changing. The influence of India, Japan and other countries in the region will have a bigger impact on how global connectivity will evolve. With the shared perspective on the relevance of multilateralism and a rules-based order, the connections between Asia and Europe will only be further strengthened. The EU-Asia Connectivity strategy has been a concrete step taken towards building deeper ties between the two regions as well as to promote shared values and joint interests. The EU is also increasing its visibility in Central Asia by adapting its policies to the new opportunities that have emerged in the region. Like its strategy for other parts of the region, the EU's strategy towards Central Asia is based on promoting resilience, prosperity, and regional cooperation within the sub-region. The European Union and Asia can and should continue to foster cooperation and build synergies through mutually beneficial partnerships and co-operation agreements.

In these times of rapid changes and increasing ambiguity, more connectivity between the two regions has become imperative. In order to understand the various connectivity strategies as well as to see how more synergies can be built, we invited authors from both the regions to analyse the various connectivity approaches. The authors explore the concepts behind the strategies and their function within the wider foreign policy of the country supplying them. They also looked at possible areas for cooperation and competition, discussing the geopolitical impacts this may have. Finally, the authors elucidate how countries can position themselves in this regard.

The papers in this book were first presented in the 21st edition of the Asia-Europe Think Tank Dialogue, which has been organised annually since 1998 by the Regional Programme Political Dialogue Asia of the Konrad-Adenauer-Stiftung and the EU Centre in Singapore. The dialogue forum serves as a platform for enhancing cooperation among institutes from both continents and supports the Asia-Europe Meeting (ASEM) on a track-2 level. I am deeply grateful to Dr. Yeo Lay Hwee, the director of the EU Centre, for the excellent cooperation that we have been enjoying for more than two decades now. I hope that the insights shared in this book will further contribute to strengthening the ties between both regions.



Christian Echle  
Director  
Political Dialogue Asia, Singapore

# ***Strategies***



# The EU's Value Proposition for Connectivity: Time to Choose and Focus

*Maaïke Okano-Heijmans*

## INTRODUCTION<sup>1</sup>

Connectivity initiatives are the latest tool for advancing influence in international relations and diplomacy. China's Belt and Road Initiative (BRI) is one of these initiatives, and the most developed of them by far. While responding to a real need for hard infrastructure, the BRI contributes to China's growing presence and influence in other countries and challenges the current open and transparent rules-based system of international politics and economics advanced in the 20th century.

The EU's Europe-Asia Connectivity Strategy of October 2018<sup>2</sup> would not have been conceived without China having put forward its BRI. But it is more than just a response to the Chinese initiative, launched in 2013. Aiming to improve trade, business and finance flows, Europe's value proposition focuses on investments that are sustainable, comprehensive and rules-based.

Lacking (new) funds and tools, however, the EU has been hard-pressed to deliver on its strategy. Its focus has been on inclusive multilateralism and on mapping connectivity, especially in the Asia-Europe Meeting, which also includes China. This contrasts with the initially bilateral, practical, project-based approach that Japan adopted in its partnerships for quality infrastructure since 2015, which by emphasising "quality" is a competitive value proposition of its own.

Partnerships to promote sustainable connectivity thus feature prominently in the EU's approach. An important milestone was reached in September 2019 with the launch of the EU-Japan Partnership on Sustainable Connectivity and Quality

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<sup>1</sup> This article builds on earlier (co-authored) publications on the topic by the author.

<sup>2</sup> On 15 October 2018, the European Council adopted conclusions on "Connecting Europe and Asia – Building blocks for an EU strategy", following the joint communication of the Commission and the High Representative of September 19.

Infrastructure.<sup>3</sup> Beyond Japan, the EU is now attempting to build partnerships with the United States, Australia, South Korea and even India. Already since 2015 the EU and China have discussed connectivity in the EU-China Connectivity Platform, aiming to further cooperation and synergies in the field of transport infrastructure, as well as greater transparency, reciprocity in market access and a level playing field.

This article sets out to provide more clarity about the EU connectivity strategy's pillars and objectives, as well as its strengths and weaknesses. Particular focus will be placed on the normative element of "sustainable" connectivity, on digital connectivity, and on connectivity's defensive strand, in recognition of the fact that governments need to act on the (security) challenges that come with connectivity, mainly due to divergences in modalities, standards and norms. After all, upholding norms and standards in a more (digitally) connected world must – in specific cases and for specific purposes – also include a willingness to put limits on certain connections.

Also, the EU's inclusive approach as well as possible synergies and connecting points with the connectivity propositions of other countries are discussed. In conclusion, it is argued that clearer choices on connectivity's objectives and geographical focus should lead stakeholders in the EU institutions and in member states to launch a flagship initiative of their own: an Open and Connected Eurafrika (OCEA).

## **SUSTAINABLE, SECURE AND SMART CONNECTIVITY**

Building strong energy, transport, digital and human links to strengthen connections between Europe and Asia is at the core of the EU's connectivity strategy. Together, these four pillars resemble the physical connectivity plus the people-to-people dimension of ASEAN's Master Plan on Connectivity 2025, launched in 2016.<sup>4</sup> Moreover, the EU's focus on rules-based connectivity matches ASEAN's institutional dimension (also called "soft infrastructure"), such as trade, investment, and services liberalisation. Distinct to the EU's proposition is the particular emphasis on modalities. In the strategy itself, this was summarised as sustainable, comprehensive

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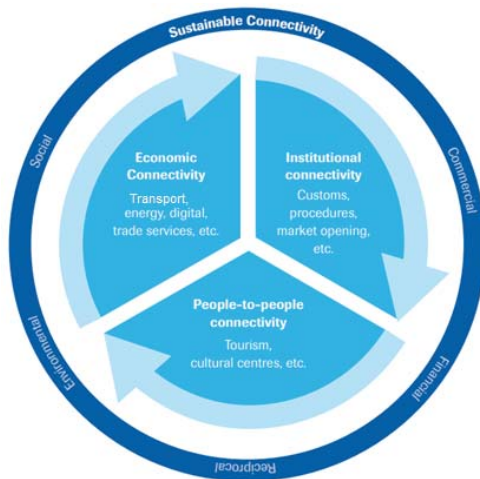
<sup>3</sup> Full text available here: [https://eeas.europa.eu/regions/africa/68018/partnership-sustainable-connectivity-and-quality-infrastructure-between-european-union-and\\_en](https://eeas.europa.eu/regions/africa/68018/partnership-sustainable-connectivity-and-quality-infrastructure-between-european-union-and_en).

<sup>4</sup> Full text available here: <https://asean.org/storage/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf>.

and rules-based connectivity, while the rhetoric thereafter shifted to sustainable, secure and smart connectivity.

As depicted in Figure 1, sustainable connectivity has five key features: commercial, financial, social, environmental and reciprocal elements. Commercial sustainability centres on investing in projects that respond to a real public need and are economically viable. Financial sustainability implies ensuring that the countries involved do not fall into a debt trap and that infrastructure projects include long-term financial planning (e.g., the availability of funds for repair work or skills training). Social sustainability refers to infrastructure that contributes to institutions' quality and conforms to transparency and labour standards. Environmental sustainability recognises that connectivity should consider its impact on the environment, i.e., that development should meet the needs of the present without compromising the ability of future generations to meet their own needs.<sup>5</sup> And finally, reciprocal connectivity is about maintaining a level playing field between countries and governments, and upholding international rules and regulations on government procurement and state aid.

**Figure 1. Connectivity's three pillars (Okano-Heijmans and Sundar, 2018).**



The push for sustainable connectivity is a call for greater continental cooperation on these five aspects. The EU, Japan and India are key partners herein, as is China, which is also an Asia-Europe Meeting (ASEM) member. In contrast with the lock-out approach taken by Japan and India in the Asia-Africa Growth Corridor

<sup>5</sup> For the UN definition of the term, see <http://www.un-documents.net/ocf-02.htm>.

(AAGC), the EU and ASEM's counter-proposal to the BRI is thus an inclusive one that seems bent on including China in a set of connectivity standards that are different from those of the BRI.

There are signs that the EU's normative approach – together with that of other partners – is having an effect. Recently, the Chinese government has started to speak of “high quality” and “sustainable” connectivity itself. Although “high quality” did not appear even once in Xi's keynote address at the first Belt and Road Forum in 2017, it was brought up six times in his 2019 keynote address at the second forum in April 2019. Moreover, China's Ministry of Finance in April 2019 announced the “Debt Sustainability Framework for Participating Countries of the BRI”.<sup>6</sup> This illustrates that the Chinese government does respond to accusations of creating debt traps and lack of transparency, against a context of deepening US-China trade frictions. As such, it may be taken as a sign that the normative approach of Japan, the EU and other stakeholders does make a difference. The question now, however, is to see to what extent changing rhetoric is or will be matched by changing practice. Also, it requires that the EU be more specific about where activities and approaches (may) align and where they do not.

## **BEYOND HARD INFRASTRUCTURE: (RE)FOCUS DIGITAL**

Although connectivity is now high on the EU's agenda, its digital dimension remains underdeveloped. The EU connectivity strategy illustrates the Union's focus on (domestic) regulations and access in the digital field. The strategy's short paragraph on digital emphasises the importance of high-capacity network links that are critical for supporting the digital economy (access) and the regulatory environment. As such, it largely reflects the basics of the EU's Digital Single Market (DSM) strategy, adopted in 2015, even if the DSM as such is not referenced in the strategy. Also evident from the EU's connectivity strategy is the emphasis on digital networks and the Digital4Development framework. While the strategy also states the importance of “a coherent regulatory approach”, the multilateral agenda for digital/data regulation is – somewhat surprisingly – left unmentioned.

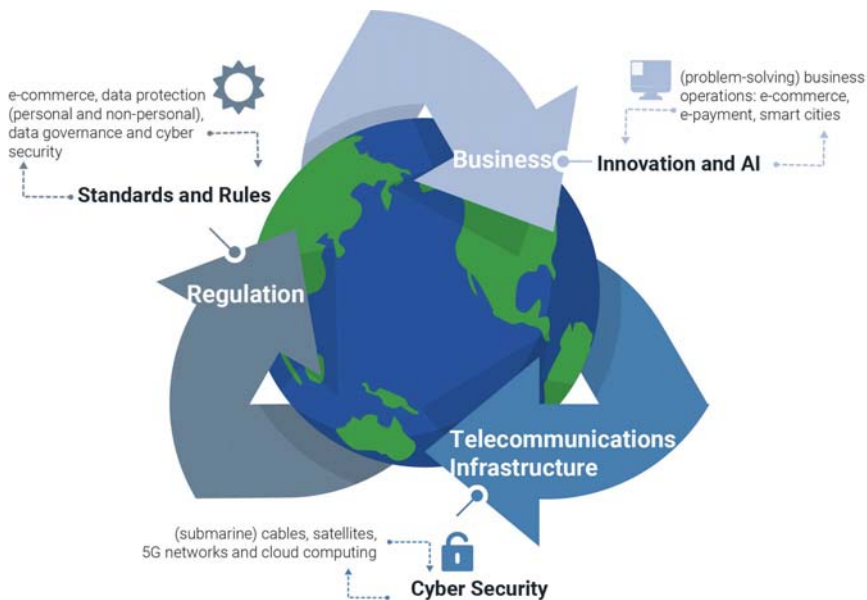
As illustrated in Figure 2 below, digital connectivity in the practical sense involves three core elements: telecommunications infrastructure; business operations; and (international) regulations. Telecommunications infrastructure refers to

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<sup>6</sup> Asei Ito, *China's Quest for a “High-quality Belt and Road Initiative*, AJISS-Commentary No. 272. Available online at: [http://www2.jiia.or.jp/en\\_commentary/201907/18-1.html](http://www2.jiia.or.jp/en_commentary/201907/18-1.html).

the hardware and software of the physical networks that are necessary for the digital economy to function – that is, its (submarine) telecommunications cables and satellites, as well as 5G and cloud computing. Business operations “fill” the digital economy, with, for example, e-commerce and e-payments. Taken together, these activities could contribute to the development of so-called “smart cities” where data can be collected to analyse and effectively tackle public challenges, ranging from transportation and traffic to waste management, schools and even crime detection. Finally, digital connectivity has an institutional dimension that supports the digital economy, aiming to make it transparent, rules-based and fair. Today, this includes negotiations on (international) regulations for e-commerce and taxation, as well as for the protection of (non-)personal data.

**Figure 2. Digital connectivity: practical and strategic elements (Okano-Heijmans 2019).**



The EU has not been sitting still with regard to digital connectivity. A common EU approach to the security of 5G is in the making. On data privacy and security, the EU has acted to protect European consumers and individuals, particularly within the Union. In addition, at the World Trade Organisation, the G20 and other forums, the EU is moving in cooperation with Japan and others to further a global framework that addresses cross-border internet policy, governed by the concept of data free flow with trust. Missing, however, is a comprehensive strategic vision that spurs action on all three practical elements of digital connectivity and gives



strategic guidance in the political and even securitised sense, not only from a market perspective.

Also in the Asia–Europe Meeting, where the EU pushed forward the multilateral debate on sustainable connectivity, the digital element remains underdeveloped. The ASEM Connectivity Inventory, which was launched just days after the EU’s connectivity strategy, showed that only 8 out of 112 ASEM events during the period 2013–2018 focused on information and communication technologies (ICT) and digital technologies, and only one on digital connectivity.<sup>7</sup> For its part, the ASEM Sustainable Connectivity Portal, which was also published in October 2018, includes just one digital indicator: connection speed.<sup>8</sup>

## **BROADENING THE EUROPEAN APPROACH AND ADDING A DEFENSIVE STRAND**

With its focus on the internal market, rules-making and development, the EU’s approach to digital connectivity differs from similar strategies, particularly that of China and its Digital Silk Road (DSR). Specifically, the EU fails to provide much-needed strategic guidance and practical assistance in this field for European capitals, businesses and consumers today. Stakeholders need to be better-equipped to reap the opportunities that digitalisation offers for any economy, and guided through the emerging stand-off that arises because of the global race for supremacy in innovation and AI as well as countries’ varying normative interpretations and practical applications of digital and data. A comprehensive strategic vision should spur action on all three practical elements of digital connectivity – namely, telecommunications infrastructure, business operations and regulations – and give strategic guidance in the political and even securitised sense, and not only from a market perspective.

Relatedly, strategic thinking on the EU’s digital connectivity’s underlying defensive strand remains underdeveloped. This is illustrated by the failure initially to discuss the security of next-generation telecommunications infrastructure, and the role of Chinese equipment provider Huawei within this. Owing to intense pressure from Washington – which is calling on EU member states to ban Huawei from

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<sup>7</sup> This event concerns the ASEM high-level forum, which was held in China in June 2017: ASEM Connectivity Inventory, <http://www.eria.org/uploads/media/ASEM-Connectivity-Inventory-Full-Report.pdf>.

<sup>8</sup> ASEM Sustainable Connectivity Portal, <https://composite-indicators.jrc.ec.europa.eu/asem-sustainable-connectivity/>.

providing their 5G infrastructure – a common EU approach to the security of 5G is now being prepared.<sup>9</sup> Relatedly, there is a need to develop a new (EU) regime for export controls on emerging technologies.<sup>10</sup> Upholding EU norms and standards in a more (digitally) connected world cannot just be about more connectivity always, but must – in specific cases and for specific purposes – also include a willingness to put limits on certain connections.

Next, for European players to remain at the forefront of the fourth industrial revolution, problem-solving business operations of digital companies should be nourished and retained during the scale-up. This requires investments in innovation and technology – including in public–private partnerships – that nurture and maintain start-ups and “unicorns”. Awareness of the need for greater investments in and a strategic vision on AI is growing in the EU and must now be followed by action. European governments and companies can learn from digital advances elsewhere – especially in Southeast Asian countries, which are leapfrogging ahead in the field and are inspired by China rather than by European, US or Japanese technologies.<sup>11</sup>

Platforms are needed for the EU and its member states to discuss digital connectivity with stakeholders elsewhere, just as the EU-China Connectivity Platform facilitates dialogue on transport connectivity with China and the Asia-Europe Foundation (ASEF) furthers human connectivity between European and Asian countries. There is ample room for the EU to engage with others on its best practices with the Digital Single Market, including through its Digital4Development framework, but resources are needed for action outside the EU. Opportunities for best practices exchange and greater synergies are also evident in the field of cyber security – including 5G. After all, countries in Southeast Asia and Africa are facing similar challenges to those that EU member states are currently facing – of having to balance cost and risk.

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<sup>9</sup> Details available on the European Commission's website, see [https://ec.europa.eu/commission/news/common-eu-approach-security-5g-networks-2019-mar-26\\_en](https://ec.europa.eu/commission/news/common-eu-approach-security-5g-networks-2019-mar-26_en).

<sup>10</sup> For more on this see Brigitte Dekker and Maaïke Okano-Heijmans, *The US–China trade-tech stand-off: the need for European action on export control*, Clingendael Policy Brief, September 2019.

<sup>11</sup> Speech by Hirobumi Kayama, Special Adviser to Japan's Ministry of Economy, Trade and Industry, at the event 'China's Digital Silk Road', Washington, DC: CSIS, 5 February 2019. Transcript available online: <https://www.csis.org/events/chinas-digital-silk-road>.

## AN INCLUSIVE APPROACH TO CONNECTIVITY?

In an attempt to promote multilateralism in its proposition of sustainable connectivity, the EU used its strategy to feed into the Asia-Europe Meeting Summit, which brought together the leaders of ASEM's 51 member countries (plus the EU and ASEAN) in Brussels, in October 2018.<sup>12</sup> While Brussels' push for sustainable connectivity was new, ASEM's efforts in the field of connectivity go back several years. At the ASEM 2014 Summit in Italy, leaders underscored the significance of connectivity between the two continents for prosperity and development. Subsequently, the 11th ASEM Summit agreed to make ASEM responsive to the emerging needs for connectivity. To this end, the ASEM Pathfinders Group on Connectivity was created and tasked with advancing ASEM's connectivity agenda. Currently on its agenda are: trade, economic cooperation, connectivity, sustainable development, climate change and security challenges.

Held under the theme of "Europe and Asia: Global Partners for Global Challenges", the 2018 ASEM Summit spearheaded the discussion on moving towards sustainable connectivity. This included: one, the launch of an "ASEM Sustainable Connectivity Portal", a data-set that should measure the quantity and quality of connections; and two, a "Connectivity Inventory", an overview of lessons learned in the field from ASEM activities, matched with ideas on how to improve and deepen policies and action.<sup>13</sup> The EU has played a crucial role in pushing this agenda: as the host of this year's summit, it has marketed both the data-set and the inventory as "gifts" to ASEM partners. One year later, however, follow-up to these initiatives and practical outcomes are few. It remains to be seen to what extent the connectivity partnership with Japan will provide the much-needed push to translate ideas into action, as could subsequent partnerships with the United States and Australia.

The EU is also hard-pressed to position itself in the hardening competition for connectivity value propositions, including the Asia-Africa Growth Corridor (AAGC), the Free and Open Indo-Pacific (FOIP) and the Quad 2.0. With their longstanding experience and presence in Africa and as the main investor in Southeast Asia, the EU and its member states are attractive partners to Japan and India in the AAGC and to Australia, India, Japan and the United States in the FOIP.

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<sup>12</sup> See ASEM Info Board, 2018, at <https://www.aseminfoboard.org>, accessed August 17, 2018.

<sup>13</sup> For more details on the ASEM Sustainable Connectivity Portal, see <https://composite-indicators.jrc.ec.europa.eu/asem-sustainable-connectivity/>; for the Connectivity Inventory, see [https://d333mq0i40sk06.cloudfront.net/documents/S02\\_ASEM-connectivity-study\\_FINAL-VERSION-11.10.2018.pdf](https://d333mq0i40sk06.cloudfront.net/documents/S02_ASEM-connectivity-study_FINAL-VERSION-11.10.2018.pdf).

The practical elements of digital connectivity appear to be a promising field for cooperation. Furthering the European value proposition requires that European infrastructure and e-business players are present on the ground. Only by cooperating with others do the EU and its member states have a chance of success in offering business and value propositions that rival the operations and influence of China's (state-backed) tech giants in third countries. But financial tools are needed to coordinate strategically with like-minded countries such as Japan and the United States – both at the government level, as well as in infrastructure finance and in public-private partnerships that further problem-solving digital businesses.

Notably, while e-governance and e-business regulations appear to be largely missing in China's DSR, this soft element does feature in the digital strategies of Japan and the United States, which otherwise resemble China's approach. The United States and Japan, for example, are both moving forward actively on digital – individually and in synergy – including in their Free and Open Indo-Pacific policies. Alongside this regulatory push, both seek a share of the digital economy in third countries, by nurturing and maintaining, as well as investing in digital companies. Moreover, as China catches up in several high-technology fields, the United States is demanding support from its allies to maintain its leading position. The Huawei ban may have been the first – and, to date, the most well-known – such example, but the US push for a new export control regime for emerging technologies illustrates that more is yet to come.

## **TEETHING THE PAPER TIGER**

Today, as the US-China trade war evolves into a more permanent conflict at the nexus of trade, technology and data, the EU needs to expand its outreach to member states and to deliver on the practicalities as well as on the security challenges of connectivity. Digital connectivity and a more developed defensive strand of connectivity play an important role herein.

International cooperation remains a challenge: by and large – and with Japan as the positive exception – these “like-minded” actors are yet to add real projects and funds to their proposed initiatives. Also lacking is a consensus on how to build synergies between their connectivity propositions, which now largely run parallel at best and at cross-purpose at worst. Lacking, still, is substantive engagement about one another's strategic thought. The Trump administration's approach towards like-minded countries and its noncommittal approach towards Asia on global trade multilateralism have certainly not helped matters.

The stakes are high. While few will disagree with connectivity's objectives, approaches and modalities are disputed. Three questions in particular loom large. First, beyond the hardware, is connectivity going to improve links between countries, institutions and peoples or will it be divisive? Will it contribute to or undermine the international system based on rules, transparency and reciprocity? And finally, will connectivity be hierarchical or cooperative?

As connectivity is quietly becoming the "next great game", the EU and its member states have an interest in managing this emerging connectivity conflict. This involves strengthening partnerships and working with stakeholders at home to deliver on the practical and the defensive elements of connectivity. With like-minded countries, the aim should be to further cooperation in projects as well as in international forums and to share more information. Also, greater investments are needed in conditional cooperation with China, including through the Memorandums of Understanding for Third Market/Country cooperation that several EU member states have already signed. Multilaterally, ASEM remains the key vehicle for engagement. Last but not least, internally, there is a need for improved cooperation and coordination between European governments, banks and businesses as well as between institutions responsible for economics and for security. After all, connectivity is the foreign policy extension of the EU/European industrial policy that is now in the making.

## **TOWARDS AN OPEN AND CONNECTED EURAFRICA?**

While the four pillars, the normative elements and the multilateral approach of the EU's connectivity strategy are relatively clear; less apparent is what key objectives this new strategy aims to serve. Is the strategy mainly to serve EU internal objectives, such as delivering on jobs and growth or security? Or is it essentially a new form of development cooperation, aimed at steering development in recipient countries? Or is it primarily a foreign policy instrument that attempts to steer China's growing role and influence in a certain direction? Clarity is needed to steer and coordinate the many activities of governments, banks and businesses in the EU and its member states. Only then can connectivity be rationalised and delivered. Without clear objectives, connectivity activities will be too scattered to be successful in the long term. Relatedly, there is a need to choose and focus in geographical terms. Lacking a focus on specific countries or regions, connectivity risks being little more (or less) than a synonym for foreign policy.

Taken together, this suggests that the EU and its member states would do well to focus on the regions where they have the biggest political, economic and

strategic stakes as well as a strong presence and historical memory: the so-called ring around Europe. This spans from the Western Balkans to Eastern Europe and Central Asia, and Northern Africa. Explicating this focus by way of a flagship connectivity initiative will serve the purpose of steering minds and action, and may be promoted as the other side of the coin in relation to the Free and Open Indo-Pacific, pushed for by Japan and the United States. As the EU moves from strategy to action, the time is right for the launch of an Open and Connected Eurafrika (OCEA).

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# Connecting the Indo-Pacific: ASEAN Amidst Competing Connectivity Strategies

*Shafiah F. Muhibat and M. Waffaa Kharisma*

The Association of Southeast Asian Nations (ASEAN) has been applauded for its success in transforming a region ridden with conflict and distrust into a region attracting confidence in its economic growth and prosperity. The very notion of ASEAN Centrality came about in recognition of ASEAN's success in promoting cooperative measures and dialogue in the Asia-Pacific regional architecture.<sup>1</sup> But along with the recent prominence of the Indo-Pacific regionalisation amongst international political discourse, and the increasing tension caused by great-power competition, ASEAN countries face the prospect of fading ASEAN Centrality.

A prominent aspect of this competition is the presence of infrastructural projects and connectivity strategies offered by geopolitically and geoeconomically competing major powers. These strategies include not only the physical infrastructure aspect of connectivity, but also institutional capacity and people-to-people linkages, including cyber networks. To compete with China's Belt and Road Initiative (BRI), Japan, India, and the United States have started to increase their own infrastructure projects in the region, while the European Union has sought to advance their engagement with Asia through investing in connections and networks.<sup>2</sup>

As the region with the fastest growing economies and biggest emerging markets, interconnectivity is crucial to linking and integrating markets and industrial centres with the money and workforce needed to expand them and to sustain the

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<sup>1</sup> Mely Caballero-Anthony, "Understanding ASEAN's Centrality: Bases and Prospects in an Evolving Regional Architecture," *The Pacific Review* 27, no. 4 (2014): 563-584.

<sup>2</sup> Prapat Thepchatree, "Expanding ASEAN's Indo-Pacific Role," *East Asia Forum*, 15 August 2019, <https://www.eastasiaforum.org/2019/08/15/expanding-aseans-indo-pacific-role/>; Enrico D'Ambrogio, "Connecting Europe and Asia – Building Blocks for an EU Strategy," *European Parliament*, 20 July 2019, [www.europarl.europa.eu/legislative-train/theme-europe-as-a-stronger-global-actor/file-connecting-europe-and-asia](http://www.europarl.europa.eu/legislative-train/theme-europe-as-a-stronger-global-actor/file-connecting-europe-and-asia).



growth momentum in the Indo-Pacific.<sup>3</sup> For host countries, sustained growth also means poverty alleviation and raising the living standards of their population. For investors, those who manage to plant the bigger share to fill this demand will not only reap the direct economic rewards later through hitching on to such promising growth, but also get the chance to guide economic interaction, accommodating their economic (and political) interests in the process.<sup>4</sup>

With the possible competing nature of these projects comes the concern over strategic competition inside Southeast Asia, especially among ASEAN members. There are fears over the possibility that growing dependency on the provision of these connectivity initiatives would pull away and disperse the interests of ASEAN countries.<sup>5</sup> This will then make it hard to form a common position or progress as a collective unit, jeopardising the centrality, and perhaps relevance, of ASEAN, and pushing Southeast Asia to become an extension of great-power strategic competition and rivalry.

This article highlights the general expectations of Southeast Asian countries and their responses to the different connectivity projects offered to them. The article argues that although a major power could take the majority share of infrastructure projects in an ASEAN member country in comparison to its peers, it will not be enough to push Southeast Asia into becoming an arena of strategic competition. This is because the infrastructure needs of Southeast Asian countries are too great for any one major power to cover on its own. Such massive needs present a condition of absolute gain, even amidst the presence of competing visions and interests. This condition demands that ASEAN countries be inclusive to as many connectivity projects as possible if they are to reach their objective of connectivity in the first place. Moreover, this also prevents any one country from exerting too much influence through these projects. This article builds on the argument by

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<sup>3</sup> Asian Development Bank, *Meeting Asia's Infrastructure Needs* (Mandaluyong: Asian Development Bank, 2017), <https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>.

<sup>4</sup> J. F. Blanchard and C. Flint, "The Geopolitics of China's Maritime Silk Road Initiative," *Geopolitics* 22, no. 2 (2017): 223-245.

<sup>5</sup> Herman Kraft, "ASEAN Centrality in Testing Times," *ASEANFocus: Assessing ASEAN-China Relations* 6 (2018): 8-9, [https://www.iseas.edu.sg/images/pdf/ASEANFocus\\_December2018\\_Final.pdf](https://www.iseas.edu.sg/images/pdf/ASEANFocus_December2018_Final.pdf); M. Oba, "ASEAN's Indo-Pacific Concept and the Great Power Challenge," *The Diplomat*, 17 July 2019, <https://thediplomat.com/2019/07/aseans-indo-pacific-concept-and-the-great-power-challenge/>; C. Lentz, "Japan's Foreign Policy in the Mekong Region," *The Diplomat*, 21 November 2018, <https://thediplomat.com/2018/11/japans-foreign-policy-in-the-mekong-region/>.

looking at the gap between ASEAN countries' demand for infrastructure and the offers made by these connectivity strategies.

This article is divided into three sections. The first section discusses the geopolitical context and the competitive nature of some of the most prominent connectivity strategies/concepts/visions in the region. The second section looks at the possible "inclinations" of each ASEAN country to these connectivity strategies, by identifying the strategy offers they are most associated with and approve of, as well as most importantly the attempt at a "reconciliation" at the regional level, through the ASEAN Outlook on the Indo-Pacific. The third section presents the general argument that strategic competition is unlikely, due mostly to the fact that there is no room to compete in when it comes to ASEAN connectivity needs.

## **THE INDO-PACIFIC REGIONALISM: NAVIGATING BETWEEN MAJOR CONNECTIVITY STRATEGIES**

The Indo-Pacific is a result of the geopolitical construct of state leaders and foreign policy elites. As a recently prominent geopolitical imaginary, the term "Indo-Pacific" has not been cemented as a working category, neither as a geographical area nor a grouping, in many international organisations, such as the International Monetary Fund (IMF) or the World Trade Organisation (WTO). It has not been used pervasively as a designated working area in most national-level ministries and agencies inside the region, in comparison to the use of the term "Asia Pacific."

From the geographical perspective, the urge to view this "confluence of the two oceans" as one whole region, however, has gained momentum.<sup>6</sup> The most obvious and most cited reason for this is the increasing number of security challenges facing some of the most important trade routes and markets in the world, from potential clashes in states' rivalry to the risk of piracy and transnational organised crimes. Furthermore, the hunt for new resources has led states to the abundance of untouched resources in the region's oceans, where territorial boundaries are less of an impingement.<sup>7</sup> With mouth-watering riches and geopolitical importance then come signs of competition.

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<sup>6</sup> See Prime Minister Shinzo Abe's speech. Shinzo Abe, "Confluence of the Two Seas" (speech at the Parliament of the Republic of India, New Delhi, 22 August 2007), <https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>.

<sup>7</sup> R. Mills, "Why are Countries Laying Claim to the Deep-Sea Floor?" *BBC News*, 21 June 2017, <https://www.bbc.com/news/world-40248866>.

Early association to the rise of this regional vision refers heavily to the US' attempt to contain China's perceived growing assertion in the military sector, with subtler hints towards China's actions to strengthen its territorial claim in the South China Sea.<sup>8</sup> With the discussion of the potential rebirth of the "Quad," observers saw the concept in relation to a military arrangement and strategy that will signal the return of a Cold War-type rivalry between security blocs.<sup>9</sup> But while its arrival at the centre of the international political discourse was much affiliated with a military arrangement, much of the progress of the construction of the Indo-Pacific regional vision comes in the form of economic cooperation and rivalry, particularly in connectivity strategies.

At the centre of this development is China's grand interconnectivity project, the Belt and Road Initiative, which has attracted both promises of geopolitical and geoeconomic advancements and concerns. China's investment under the transcontinental long-term policy and investment programme has been estimated to reach 200 billion USD early in 2018, with a total that could reach 1.2-1.3 trillion by 2027 according to a report by Morgan Stanley.<sup>10</sup> The BRI's priority cooperation areas of policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds, suggested its high emphasis on infrastructural development and acceleration of economic integration.<sup>11</sup>

The BRI consists of two components, the Silk Road Economic Belt (land-based) and the 21st Century Maritime Silk Road. Southeast Asia is affected by the two corridors in the Silk Road Economic Belt, the China-Indochina Peninsula Economic Corridor (CICPEC) and the Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC). It is also a major region for the 21st Century Maritime Silk Road that connects China with Southeast Asia through the South China Sea and the Strait of

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<sup>8</sup> L. Jeong-ho, "Is the United States about to Ramp Up Its Indo-Pacific Strategy to Contain China?" *South China Morning Post*, 27 May 2019, <https://www.scmp.com/news/china/diplomacy/article/3012010/united-states-about-ramp-its-indo-pacific-strategy-contain>.

<sup>9</sup> Endy M. Bayuni, "Is Multipolarism Replacing Containment of China?" *The Jakarta Post*, 4 April 2019, <https://www.thejakartapost.com/academia/2019/04/04/is-multipolarism-replacing-containment-of-china.html>.

<sup>10</sup> Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," *Council on Foreign Relations*, 31 May 2019, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>; Morgan Stanley, "Inside China's Plan to Create a Modern Silk Road," *Morgan Stanley*, 14 March 2018, <https://www.morganstanley.com/ideas/china-belt-and-road>.

<sup>11</sup> Lu Shaye, "Remarks by Ambassador Lu Shaye at the Canadian National Exhibition Belt and Road Forum," *Ministry of Foreign Affairs of the People's Republic of China*, 31 August 2018, [https://www.fmprc.gov.cn/mfa\\_eng/wjwb\\_663304/zwjg\\_665342/zwbd\\_665378/t1590197.shtml](https://www.fmprc.gov.cn/mfa_eng/wjwb_663304/zwjg_665342/zwbd_665378/t1590197.shtml).

Malacca. So far, the value of BRI projects in ASEAN countries amount to more than 739 billion USD, with Indonesia receiving 171.11 billion USD of investment, followed by Vietnam (US\$151.68 billion), Cambodia (US\$103.96 billion), Malaysia (US\$98.46 billion), Singapore (US\$70.09 billion), Laos (US\$47.70 billion), Brunei (US\$35.9 billion), Myanmar (US\$27.24 billion), Thailand (US\$24.11 billion) and the Philippines (US\$9.4 billion).<sup>12</sup> As can be seen in Figure 1, most of the major BRI projects among Southeast Asian countries took the form of railway, roads, and power projects.

With its massive investment fund, the BRI provides a lucrative boost to the infrastructural needs of Southeast Asian countries. Indonesia, in particular, makes up 36 percent (93 billion USD) of the total Chinese investment in Southeast Asia up to 2019. Of note is the Kayan River hydropower plant in North Kalimantan, valued at US\$17.8 billion, signed in 2018.<sup>13</sup>

But with this glimmering promise also have come concerns from Southeast Asian countries over potential asymmetrical dependency and the risks it is associated with. Inherently speaking, a state with the majority share of investment in a geostrategic project will have an influence on trade flows in its immediate area. It will be in a better position vis-à-vis the host country to promote its preference on certain integration projects on top of others, or even to try to impede the access of others. The state could further push to be given the authority to operate certain infrastructure facilities in the host country or ask the host to privilege their work force as a condition for the provision of the project's financing.

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<sup>12</sup> LSE Ideas and CIMB ASEAN Research Institute, *China's Belt and Road Initiative (BRI) and Southeast Asia* (Kuala Lumpur: CIMB Southeast Asia Research, 2018), <http://www.lse.ac.uk/ideas/Assets/Documents/reports/LSE-IDEAS-China-SEA-BRI.pdf>.

<sup>13</sup> Bloomberg, "Japan Still Leads in Southeast Asia Infrastructure Race, Even as China Ramps Up Belt and Road Investments: Report," *South China Morning Post*, 23 June 2019, <https://www.scmp.com/news/asia/southeast-asia/article/3015732/japan-still-leads-southeast-asia-infrastructure-race-even>.

**Figure 1. 10 Largest BRI Projects in Southeast Asia by 2017.**

Rank	Year	Chinese Entity / Project	Cost US\$	Sector	Subsector (where applicable)	Country of investment
1	2017	Kuala Lumpur–Kota Bahru Rail (Construction)	14,300,000,000	Transport	Rail	Malaysia
2	2013	Preah Vihear–Kaoh Kong Railway	9,600,000,000	Transport	Rail	Cambodia
3	2017	Vanke, Hopu, Hillhouse, Bank of China	9,060,000,000	Logistics		Singapore
4	Unclear	Kyaukpyu Deep Sea Port (Construction)	7,300,000,000	Transport	Posts/ Shipping	Myanmar
5	2015	China General Nuclear	5,960,000,000	Energy		Malaysia
6	2016	Vientiane–Boten Railway Project	5,800,000,000	Transport	Rail	Laos
7	2017	Bangkok to Nakhon Ratchisima High-Speed Railway (Phase 1)	5,352,905,500	Transport	Rail	Thailand
8	2013	Zhejiang Hengyi	3,440,000,000	Energy	Oil	Brunei
9	2017	China Railway Engineering	3,190,000,000	Transport	Rail	Indonesia
10	2017	China Railway Construction, China Railway Engineering	2,690,000,000	Transport	Rail	Thailand

Source: Oxford Economics.<sup>14</sup>

Since the introduction of the BRI, other major countries have embarked on their own journey to offer competitive connectivity projects to the region. Japan's Free and Open Indo-Pacific Strategy, for example, was a framework to better capture the Indo-Pacific regionalism by carrying on from, and formalising, the already massive Japanese investment in Southeast Asia's connectivity projects. Similar to the BRI, Japan's strategy deliberates the pursuit of economic prosperity through improved physical, people-to-people, and institutional connectivity. The difference is Japan's emphasis on addressing the need for developing a free and open maritime order as an international public good, which puts attention on the aspect of peace and security, along with rule of law, freedom of navigation, and free trade, as

<sup>14</sup> In LSE Ideas and CIMB ASEAN Research Institute, *China's*.

equal in importance to the prosperity aspect of development.<sup>15</sup> Japan also specifically notes that it intends to cooperate with any country that supports this vision.<sup>16</sup>

In Southeast Asia, Japan's connectivity projects consist of two main corridors, the East-West Economic Corridor and the Southern Economic Corridor. In the East-West Economic Corridor, Japan has completed several projects, such as the construction of a tunnel and improvement of a port in Vietnam and construction of the Second Mekong International Bridge in Laos.<sup>17</sup> In the Southern Economic Corridor, Japan has completed the construction of a bridge and a national road in Cambodia.<sup>18</sup> In Indonesia, Japan supported the establishment of Patimban port and was also involved in strengthening maritime security and safety.<sup>19</sup> Through decades of interaction, the total of Japan's investment in Southeast Asia's infrastructure is still greater than China's. According to a recent report by Fitch Solutions, Japanese-backed projects in Southeast Asia's largest economies, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, are valued at 367 billion USD, compared to China's 255 billion USD.<sup>20</sup>

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<sup>15</sup> Government of Japan, "A New Foreign Policy Strategy: 'Free and Open Indo-Pacific Strategy'," *Japan's Embassy in ASEAN*, accessed 1 September 2019, <https://www.asean.emb-japan.go.jp/files/000352880.pdf>.

<sup>16</sup> Ibid.

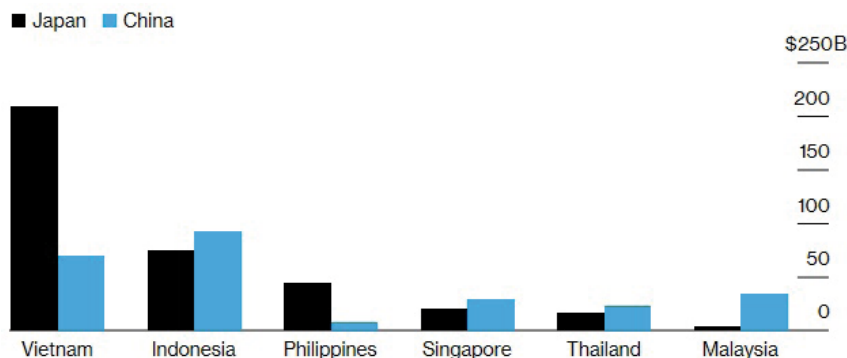
<sup>17</sup> Government of Japan, "Towards Free and Open Indo-Pacific," *Government of Japan*, June 2019, <https://www.mofa.go.jp/files/000407643.pdf>.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> These numbers are of planned projects, subject to realisation. In Bloomberg, "Japan."

**Figure 2. The Value of Japanese and Chinese-led Infrastructure Projects in Southeast Asia's Biggest Economies.**



Source: Fitch Solutions.<sup>21</sup>

Another major country introducing its connectivity programmes is the US. The US' physical infrastructure connectivity programmes are more designed for its regional allies and partners, particularly Japan and South Korea. The US programme for Southeast Asia, meanwhile, focuses more on institutional infrastructure, to allow the establishment of a “well-functioning and transparent marketplace” that could really attract global commercial investments in the long term.<sup>22</sup> Therefore, at least for the near future, we are unlikely to see a massive boost in US involvement to support the need for physical connectivity in Southeast Asia. Nevertheless, under its Indo-Pacific Economic Vision and BUILD act, the US has declared a commitment for investment in Asia amounting to 113 million USD and has assigned greater authority to the International Development Finance Corporation (USIDFC),

<sup>21</sup> In Michelle Jamrisko, “China No Match for Japan in Southeast Asia Infrastructure Race,” *Bloomberg*, 23 June 2019, <https://www.bloomberg.com/news/articles/2019-06-23/china-no-match-for-japan-in-southeast-asia-infrastructure-race>. Top Japanese infrastructure investment targets: Vietnam (208 billion USD), Indonesia (74 billion USD), the Philippines (43 billion USD), Singapore (19 billion USD), and Thailand (15 billion USD). Top Chinese infrastructure investment targets: Indonesia (92 billion USD), Vietnam (69 billion USD), Malaysia (34 billion USD), and Singapore (28 billion USD).

<sup>22</sup> US Department of Defense, “Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region,” *US Department of Defense*, 1 June 2019, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>.

formed in December 2019, to promote greater investment in the region through providing private companies with loans for overseas projects.<sup>23</sup>

The European Union has also come up with its own connectivity strategy, which puts emphasis on the sustainability aspect of development, through cross-border rules and regulations for fair and environmentally friendly business competition.<sup>24</sup> It focuses on achieving a better-connected Europe and Asia, through transport links, energy, human and digital networks, strengthening the resilience of societies and regions as well as creating avenues for a better, low-carbon future.<sup>25</sup> In ASEAN especially, the EU has agreed to support ASEAN Community integration by allocating 85 million Euro of support, aiming at the consolidation of the ASEAN Community, including fostering a single market, trade facilitation and reducing non-tariff barriers to trade.<sup>26</sup>

The existence of these initiatives gives the impression of a new ground for competition in creating economic dependence so as to gain a strategic advantage over the others, whether one intends to or not. Due to the sheer size of the BRI and the political context surrounding China's rise, the BRI has been at the centre of these concerns. The fact that there is no intention shown to initiate any multilateral or trilateral mechanism to link up or integrate the BRI with other grand connectivity initiatives (ASEAN's, India's, Japan's, the European Union's, or the US'), almost suggests that the BRI stands in competition with them.<sup>27</sup> There are also criticisms that China seeks to seize a chance to benefit from its economic leverage on other

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<sup>23</sup> S. Jiangtao and O. Churchill, "US Competes with China's 'Belt and Road Initiative' with US\$113 Million Asian Investment Programme," *South China Morning Post*, 30 July 2018, <https://www.scmp.com/news/china/economy/article/2157381/us-competes-chinas-belt-and-road-initiative-new-asian-investment>.

<sup>24</sup> European Union, "The European Way to Connectivity – A New Strategy on How to Better Connect Europe and Asia," *European Union*, 20 September 2018, [https://eeas.europa.eu/delegations/malaysia/50792/european-way-connectivity---new-strategy-how-better-connect-europe-and-asia\\_en](https://eeas.europa.eu/delegations/malaysia/50792/european-way-connectivity---new-strategy-how-better-connect-europe-and-asia_en).

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Nguyen V. Tung, "Vietnam's Experience and Perspective on BRI," in *Perceptions and Readiness of Indonesia towards the Belt and Road Initiative*, eds. Yose Rizal Damuri, et al., (Jakarta: Centre for Strategic and International Studies, 2019), 38-39. [https://www.csis.or.id/uploads/attachments/post/2019/05/23/CSIS\\_BRI\\_Indonesia\\_r.pdf](https://www.csis.or.id/uploads/attachments/post/2019/05/23/CSIS_BRI_Indonesia_r.pdf).



countries so as to gain better diplomatic and strategic positions (using the so-called debt-trap diplomacy), citing cases in Sri Lanka or Djibouti.<sup>28</sup>

While these strategies may take a value-based, strategic-based, or economic-based approach, they have the same root intention, that is, to capture the growth of a region with so much potential, through having a share in the region's quest for interconnectivity. And while this is exactly where ASEAN wants the energy to be shifted to, rather than on military competition, the geopolitical rivalry still forms a context for concern among Southeast Asian states that they will be forced to choose sides or concede their political stance for infrastructural development.

## SOUTHEAST ASIA'S RESPONSE(S) TO CONNECTIVITY PROJECTS

Southeast Asian countries have for years been bilaterally engaged in connectivity project initiatives offered by their dialogue partners, especially Japan and China. Overall, the domestic receptions among Southeast Asian countries towards these connectivity strategies indicate existing concerns over their geopolitical impact to Southeast Asian national and regional interests. At the regional level, however, ASEAN as a grouping seems to believe that they can bypass the geopolitical implications of these connectivity strategies by focusing more on their economic dimension rather than trying to read too much into the underlying geopolitical narrative. Indeed, such a tendency to downplay (geo)political dealings and emphasise more on economic connectivity has been evident throughout ASEAN's integration project.

With regard to their individual engagements, while concerns were shared among ASEAN countries, policy responses vary. Leadership continuity is a big part of ensuring consistency in policy responses to these initiatives. Thailand and the Philippines have experienced a shift in their policy, from their classical stance as partners to the US to now being favourably disposed towards China.<sup>29</sup> Malaysia had also for a while increased ties with China through infrastructure projects. Shaofeng

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<sup>28</sup> M. Green, "China's Debt Diplomacy," *Foreign Policy*, 25 April 2019, <https://foreignpolicy.com/2019/04/25/chinas-debt-diplomacy>. The cases in Sri Lanka and Djibouti are the two most-cited examples of China's debt-trap diplomacy. In 2017, Sri Lanka signed over a 99-year lease for the use of a new port to China, to cover for its loan in building it. In Djibouti, the high level of public debt, with a high share of it attributed to loans from China, was associated with the presence of China's first overseas military base in the country.

<sup>29</sup> H. L. Thu, "China's Dual Strategy of Coercion and Inducement," *The Pacific Review* 31, no. 1 (2019): 20-36.

Chen categorises these countries based on their responses to connectivity projects into three groups: (1) those who are very engaged with China's BRI (Cambodia, Laos, and Malaysia); (2) those who have a noticeably balanced stance, reflected in their involvement with multiple connectivity projects (Indonesia, Thailand, Myanmar, Brunei, and Singapore); and (3) those who initially were less supporting but now have had some engagements, though with reservations (Vietnam and the Philippines).<sup>30</sup>

Cambodia, for instance, favours the BRI because it has exposed both the attractiveness of its market and capacity for industry and exports, provided the funding it needs, especially from Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund, and has been attributed to as leading to a reduction in the poverty rate.<sup>31</sup> The government of Cambodia also actively raises awareness about the initiative via the means of workshops.<sup>32</sup> The BRI has produced at least thirty-one economic agreements, including the cancellation of 89 million USD Cambodian debt and 237 million USD of soft loan deals.<sup>33</sup> But even in Cambodia, where China is the biggest source for donations, loans, and FDI, there are still negative sentiments towards the BRI, namely with regard to potential overdependence on China and, in some cases, over the social and environmental disruption the projects have caused.<sup>34</sup>

Some Southeast Asian countries feel the need to take a more balanced approach by seeking diversification. The Philippines has had to balance the need for investment in infrastructure with concerns and domestic resistance on issues like an influx of Chinese workers and a potential debt trap.<sup>35</sup> Vietnam, on the other hand, was initially very reluctant to welcome the BRI. They view the connectivity strategy as attached to the political agenda and regional ambitions of the country of origin.<sup>36</sup>

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<sup>30</sup> Shaofeng Chen, "Regional Responses to China's Maritime Silk Road Initiative in Southeast Asia," *Journal of Contemporary China* 27, no. 111 (2018): 352.

<sup>31</sup> Chap Sotharith, "Cambodia's Experience and Perspective on BRI," in *Perceptions*, eds. Damuri, et al., 34-35.

<sup>32</sup> *Ibid.*

<sup>33</sup> P. C. Thul, "Chinese President Xi Jinping Visits Loyal Friend Cambodia," *Reuters*, 13 October 2016, <https://www.reuters.com/article/us-china-cambodia/chinese-president-xi-jinping-visits-loyal-friend-cambodia-idUSKCN12D0NV>.

<sup>34</sup> Sotharith, "Cambodia's."

<sup>35</sup> Aileen S. P. Baviera, "Philippines' Experience and Perspective on BRI," in *Perceptions*, eds. Damuri, et al., 36-37.

<sup>36</sup> Tung, "Vietnam's."

## WHITHER THE ASEAN CENTRALITY?

Amidst the challenges posed by the competition of connectivity projects, it is important for Southeast Asian countries to make a joint effort to lead and stay relevant in their own region, particularly in relation to the economic architecture. One way to do this is of course through ASEAN. As a grouping of small and medium powers, ASEAN can be a platform for building trust between major powers. Concerns over a potential strategic rivalry have pushed Southeast Asian countries to feel the shared need to shift the talk on the Indo-Pacific to economic cooperation, with hopes that, like in the previous era, they could profit from great-power competition.

After just less than one and a half years of deliberation, the ten member countries of ASEAN adopted the ASEAN Outlook on the Indo-Pacific (AOIP) at the ASEAN Summit on 22 June 2019.<sup>37</sup> The AOIP was very much Indonesia's initiative, and the adoption of the document has been considered a great accomplishment by Indonesia's foreign policy in the region. Indonesia's active effort stems from the concern that major-power rivalries deeply impact Southeast Asia, and the competing narratives on the Indo-Pacific may increase tensions. In particular, Indonesia was uncomfortable with the United States' approach, seeing it as an effort to isolate China. Indonesia was even more uncomfortable with the initial rebirth of the "Quad," seeing it as a potential strategic coalition (of the US, India, Japan, and Australia) that undermines ASEAN Centrality. Although Quad leaders have thereafter stressed ASEAN centrality in their visions for the Indo-Pacific, it remains to be seen as to whether the existence of the Quad will weaken ASEAN's primacy in setting the region's direction.<sup>38</sup> The AOIP was therefore designed as ASEAN's effort to steer back the region away from the growing narrative of strategic competition. With the AOIP, ASEAN seeks to harmonise and synergise these grand infrastructural projects to really stress on common interests for development.<sup>39</sup> The Outlook also tries to reconcile the variety of sentiments and policy preferences at the

<sup>37</sup> ASEAN, "ASEAN Outlook on the Indo-Pacific," ASEAN, 23 June 2019, [https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific\\_FINAL\\_22062019.pdf](https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf); Nur Yasmin, "Several Countries Express Support for Indonesia's ASEAN Outlook on Indo-Pacific' Initiative," *Jakarta Globe*, 1 July 2019, <https://jakartaglobe.id/news/several-countries-express-support-for-indonesias-asean-outlook-on-indopacific-initiative/>.

<sup>38</sup> Bhagyashree Garekar, "Quad Leaders Stress ASEAN's Centrality in Their Indo-Pacific Visions," *The Straits Times*, 17 November 2018, <https://www.straitstimes.com/singapore/quad-leaders-stress-aseans-centrality-in-their-indo-pacific-visions>.

<sup>39</sup> N. Hussain, "ASEAN Joins the Indo-Pacific Conversation," *East Asia Forum*, 16 August 2019, <https://www.eastasiaforum.org/2019/08/16/asean-joins-the-indo-pacific-conversation/>.

national level. ASEAN also has the Master Plan on ASEAN Connectivity (MPAC) and the Master Plan on ASEAN Connectivity 2025, along with the declaration at the 6th East Asia Summit on ASEAN Connectivity, which puts emphasis on principles of inclusivity, competitiveness and a greater sense of community.<sup>40</sup>

The AOIP emphasises the principles of “strengthening ASEAN Centrality, openness, transparency, inclusivity, a rules-based framework, good governance, respect for sovereignty, non-intervention, complementarity with existing cooperation frameworks, equality, mutual respect, mutual trust, mutual benefit and respect for international law.”<sup>41</sup> These principles entail ASEAN dealing with divergent views regarding connectivity strategies by not limiting rigidly any engagement with them. And this is exactly where it differs from the other Indo-Pacific visions, concepts, or strategies: it does not represent a geopolitical, strategic, or militaristic standpoint. The AOIP detects and underscores the convergence between existing regional strategies towards the Indo-Pacific. It is simply a vision which inclusively unites all others, guiding them to a common purpose. This is reflected by its broad scope for cooperation. As it is not a contending investment strategy or mechanism, it would be unfair to compare it with other mechanical financial support and investment strategies offered by the major powers.

Overall, the AOIP is best understood as a small/middle power diplomatic strategy amidst the environment of an emerging great-power rivalry and competing Indo-Pacific concepts/strategies. It is ASEAN’s effort to address the competition in the Indo-Pacific region and to turn it into a platform for dialogue and cooperation, with the hope that the various connectivity strategies will turn into collaboration, just like it always has, through norm-setting, confidence-building, and progressing through other non-sensitive areas of cooperation.<sup>42</sup> This way, ASEAN positions itself at the centre of this development.

There are, nonetheless, some criticisms directed at the AOIP. The Outlook is ASEAN’s effort to set the rules of the game, but, unfortunately, it still lacks the driving forces. Officials have said that the AOIP ought to be viewed as a work in

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<sup>40</sup> ASEAN, *Master Plan on ASEAN Connectivity 2025* (Jakarta: ASEAN Secretariat, 2016), <https://asean.org/storage/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf>; Ministry of Foreign Affairs, Republic of Indonesia, “East Asia Summit (East Asia Summit),” *Ministry of Foreign Affairs of the Republic of Indonesia*, 2 September 2019, [https://kemlu.go.id/portal/en/read/116/halaman\\_list\\_lainnya/east-asia-summit-east-asia-summit](https://kemlu.go.id/portal/en/read/116/halaman_list_lainnya/east-asia-summit-east-asia-summit).

<sup>41</sup> ASEAN, “ASEAN.”

<sup>42</sup> Amitav Acharya, “Why ASEAN’s Indo-Pacific Outlook Matters,” *Australian Strategic Policy Institute*, 12 August 2019, <https://www.aspistrategist.org.au/why-aseans-indo-pacific-outlook-matters/>.

progress, which is obvious from the lack of clarity throughout the document. There is no mention of any country or major power, not just China and the United States, and it avoids discussion of sensitive political-security issues. Most importantly, the document lacks a clear strategy to implement the key areas of cooperation listed in it.

## **CONNECTIVITY IN SOUTHEAST ASIA: A CASE FOR ABSOLUTE GAIN**

“Confrontations” involving the connectivity projects might still occur, especially when contending interests intersect with territorial issues, in disputed boundaries or in geopolitically sensitive areas. India, for instance, has reasons to worry about the China-Pakistan Economic Corridor of the BRI, as it alters the strategic balance in South Asia.<sup>43</sup> Such issues might arise in Southeast Asia should connectivity projects touch upon and be conducted in politically sensitive disputed areas, such as the South China Sea. But as suggested earlier with ASEAN’s attempt to divert the focus of these connectivity strategies to their economic dimension, Southeast Asian countries still hope that existing connectivity strategies can coexist in harmony with one another.

Among Southeast Asian countries, confrontation is less likely to be an extension of strategic competition between the connectivity strategies of the great powers because none of the major powers can individually cover the whole of the infrastructural needs of the region. According to a report from Asian Development Bank (ADB), Southeast Asian infrastructure investment needs in the period 2016 to 2030 could amount to at least 2.76 trillion USD.<sup>44</sup> This means that Southeast Asian countries will need to reserve 184 billion USD annually, or about 5 percent of its total GDP for their infrastructure needs.<sup>45</sup> Progress for infrastructure is well underway. According to Standard Chartered, ASEAN countries currently have around 800 infrastructure projects in the works, with 400 and 275 projects in the transport sector and the energy sector respectively.<sup>46</sup>

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<sup>43</sup> Z. Khan, et al., “CPEC: A Game Changer in the Balance of Power in South Asia,” *China Quarterly of International Strategic Studies* 4, no. 4 (2018): 595-611.

<sup>44</sup> Asian Development Bank, *Meeting*, 43. The term *infrastructure investment* here, as used in ADB’s 2017 report, refers to the amount of government/public spending on infrastructure.

<sup>45</sup> Ibid.

<sup>46</sup> Standard Chartered, “Mid-Corporates Can Tap ASEAN’s Infrastructure Gap for Growth,” *Standard Chartered*, 4 April 2019, <https://www.sc.com/en/feature/mid-corporates-can-tap-aseans-infrastructure-gap-for-growth/>.

The Philippines' infrastructure plan of 75 projects, for instance, requires 180 billion USD in total for the period 2017-2022.<sup>47</sup> China's loan pledge in the country, however, only roughly accounted for 15 percent of its overall funding needs.<sup>48</sup> Vietnam, likewise, has only been able to fund around 10-30 percent of its infrastructural needs.<sup>49</sup> Meanwhile, Indonesian President Joko Widodo's plan of 265 projects requires 327 billion USD, with only 15 billion USD being planned to come from the state budget.<sup>50</sup> According to the ADB data report, in 2015, the government of Indonesia had only managed to invest 23 billion USD on infrastructure, far off the estimated annual need of 70 billion USD in infrastructure investment from 2016 to 2020.<sup>51</sup> This 47 billion USD deficit represents 4.7% of Indonesia's GDP.<sup>52</sup> The same report assessed and projected that Indonesia's average annual infrastructural investment need between 2016 and 2030 would be at 74 billion USD (5.5% of its GDP), with a total of about 1.1 trillion USD.<sup>53</sup>

Compared to Southeast Asia's massive need for infrastructure, it is predicted that China's total investment fund through the BRI is "only" going to reach around 1.2-1.3 trillion USD by 2027, in a Morgan Stanley estimate.<sup>54</sup> Moreover, this amount is unlikely to be all directed towards Southeast Asia. As a depiction, Fitch Solutions stated that as of early 2018, China's infrastructure investment realisation in Southeast Asia was valued in total at only 155 billion USD.<sup>55</sup> Japan's tally was higher, at 230 billion USD.<sup>56</sup> These numbers show that the connectivity vision of Southeast Asia is more than any one country can chew.

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<sup>47</sup> The ASEAN Post, "Financing ASEAN's Infrastructure Demand," *The ASEAN Post*, 15 July 2018, <https://theaseanpost.com/article/financing-aseans-infrastructure-demand>.

<sup>48</sup> Baviera, "Philippines'."

<sup>49</sup> Tung, "Vietnam's."

<sup>50</sup> Salna, K. "Indonesia Needs \$157 Billion for Infrastructure Plan," *Bloomberg*, 26 January 2018, <https://www.bloomberg.com/news/articles/2018-01-25/indonesia-seeks-to-plug-157-billion-gap-in-nation-building-plan>.

<sup>51</sup> Asian Development Bank, *Meeting*, xvi.

<sup>52</sup> Based on ADB's 2017 report projection of Indonesia's annual average GDP from 2016 to 2020.

<sup>53</sup> Asian Development Bank, *Meeting*, 43.

<sup>54</sup> *Ibid.*, 43; The ASEAN Post, "Financing;" Stanley, "Inside." Infrastructure gap is the difference between infrastructural spending need and the realisation of public spending on infrastructure.

<sup>55</sup> Fitch Solutions data as of February 2018. In Jamrisko, "China."

<sup>56</sup> *Ibid.*

Therefore, even though there is a clash of visions and competition on the side of the investors, over on the side of the receivers, there is “no room” for competition. Strategic competitions and clashes of interests occur when there is limited room contested over by several parties. But in this case, there is plenty of room for everybody to fit in. And so, whether the investors like it or not, their peers will also need to step in to invest to fulfil this infrastructural gap. For Southeast Asian countries, more options on connectivity strategies are to their advantage. As Southeast Asian countries’ interest is to make sure as many parties as possible are on board to cover their needs, inclusivity becomes a key aspect of their campaign on the Indo-Pacific regionalism. This makes the case for an absolute gain scenario, where the advantage of one does not translate to the disadvantage of another and all can benefit peacefully.

## CONCLUSION

ASEAN countries are not immune to the pulls of strategic forces from outside the region, not least with the tempting offers from mouth-watering connectivity strategies. With the rise of competing Indo-Pacific strategies advocated by major powers, ASEAN faces the challenge of maintaining its centrality amidst these pulls. This article has argued that the existence of differing visions of connectivity strategies will not necessarily sentence ASEAN countries to strategic competition with one another as a spillover effect of the competition of their external counterparts. To effectively develop for the purpose of integrating regions, these strategies are complementary. Based on needs assessment, inclusivity is the way to go.

It remains to be seen whether ASEAN can reconcile the variety of sentiments and policy preferences at the national level and synergise between these values-based, sustainability-based, military-based, or economic-based approaches to connectivity. ASEAN principles, mechanisms, outlooks, and visions will need to be effectively put into practice to filter out the negative excesses of competition. For now, the increasing number of initiatives being made by the major powers and offered to the region is seen as opportunities to continue the growth momentum of Southeast Asia, inside the Indo-Pacific.

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# Japan's Connectivity Initiatives in the Free and Open Indo-Pacific: An Economic Assessment

*Kensuke Yanagida*

## 1. INTRODUCTION

Conceptualisations of an Indo-Pacific region have been widely shared by countries and economies bordering the Pacific and Indian Oceans, including the US, Japan, Australia, India, the Association of Southeast Asian Nations (ASEAN) and others. Japan is one of the most active promoters of the Indo-Pacific. Japan's initiative of a Free and Open Indo-Pacific (FOIP) was first addressed by Prime Minister Shinzo Abe at the Sixth Tokyo International Conference on African Development (TICAD6) in Nairobi in 2016. In his speech, Abe highlighted that the goal of bringing "stability and prosperity to the world" could be realised through connecting two continents, Asia and Africa, and two oceans, the Pacific Ocean and Indian Ocean.<sup>1</sup> The FOIP consisted of three pillars: (1) promotion and establishment of the rule of law, freedom of navigation, and free trade; (2) pursuit of economic prosperity by improving connectivity (physical infrastructure, institutional and people-to-people); and (3) commitment to peace and stability. Scholars argue that the FOIP evolved from the values-based diplomatic policy and the quadrilateral security cooperation known as the Quad, which intends to respond to the rapid rise of China and its Belt and Road Initiative (BRI).<sup>2</sup> The FOIP has broadened its sphere and shifted towards becoming a comprehensive regional cooperation because of Asian countries' concerns that they could be perceived as being part of an anti-China camp and to improve Japan's

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<sup>1</sup> Ministry of Foreign Affairs of Japan, Address by Prime Minister Shinzo Abe at the Opening Session of the Sixth Tokyo International Conference on African Development, [https://www.mofa.go.jp/af/fr/af2/page4e\\_000496.html](https://www.mofa.go.jp/af/fr/af2/page4e_000496.html), accessed on 24 April 2020.

<sup>2</sup> Soeya, Yoshihide, "Japan and the Indo-Pacific: from strategy to vision", Australian Strategic Policy Institute (ASPI), 22 January 2020.

relations with China.<sup>3</sup> Thus, the Japanese government changed the title of the FOIP from “strategy” to “vision”. It is therefore important to understand the FOIP from a broader perspective.

Akihiko Tanaka has pointed out that the FOIP is a concept that has emerged due to the long-term development of the world economy. In the 1970s, then-Prime Minister Masayoshi Ohira proposed a “Pacific Rim Community Concept” with a view to realising the great potential of economic growth in the Asia-Pacific region. This eventually led to the creation of Asia-Pacific Economic Cooperation (APEC) in 1989. New developments have emerged in the 21st century. Today, the centre of gravity of the global economy has been shifting towards an emerging Asia. In addition to East Asian countries, India has been recording a high growth rate. Sub-Saharan African countries also show great economic potential. With this trend, it is forecasted that the centre of gravity of the global economy in the mid-21st century would be somewhere between the Pacific Ocean and the Indian Ocean.<sup>4</sup>

As is well known, Japan has played an important role in East Asian economic development through providing Official Development Aid (ODA). In particular, Japan has traditionally made a lot of effort to invest in economic infrastructure and to enhance regional connectivity that results in attracting foreign direct investments (FDI) and spurring manufacturing supply chains; this is labelled as the infrastructure and FDI nexus model.<sup>5</sup> Japan has also actively pursued a rules-based trade policy and has promoted regional free trade agreements such as the Trans-Pacific Partnership Agreement (TPP) (now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and the Regional Comprehensive Economic Partnership (RCEP), which underpin regional economic integration. The second pillar of the FOIP aims to advance these efforts in the Indo-Pacific region by improving three forms of connectivity: physical connectivity with quality infrastructure, people-to-people connectivity and institutional connectivity.<sup>6</sup>

However, the concrete policy plan of the FOIP is not necessarily clear. Connectivity plans for Asia and Africa, and for the Pacific Ocean and Indian Ocean have not been fully studied. Moreover, literature examining the economic prospects

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<sup>3</sup> Ibid.

<sup>4</sup> Tanaka, Akihiko (2018), “Jiyūde hiraka reta indotaiheyō senryaku no shatei [Range of a free and open Indo-Pacific strategy]”, *Gaiko*, Vol. 47, pp. 36-41.

<sup>5</sup> Shimomura, Yasutami (2020), “A New Mission of Japan’s Infrastructure-FDI Nexus Model in the Beyond-Aid Era”, *AJISS-Commentary*, Japan Institute of International Affairs, 31 March 2020.

<sup>6</sup> Ministry of Foreign Affairs of Japan, “Towards Free and Open Indo-Pacific”, <https://www.mofa.go.jp/mofaj/files/000407643.pdf>, accessed on 24 April 2020.

of the Indo-Pacific region is rather scarce. This article seeks to fill that gap. The first part examines the FOIP and other connectivity initiatives that connect Southeast Asia, South Asia and Africa. The second part examines the economic impacts of fostering connectivity in the Indo-Pacific region using the Computable General Equilibrium (CGE) model.

## 2. JAPAN'S CONNECTIVITY INITIATIVES IN THE INDO-PACIFIC REGION

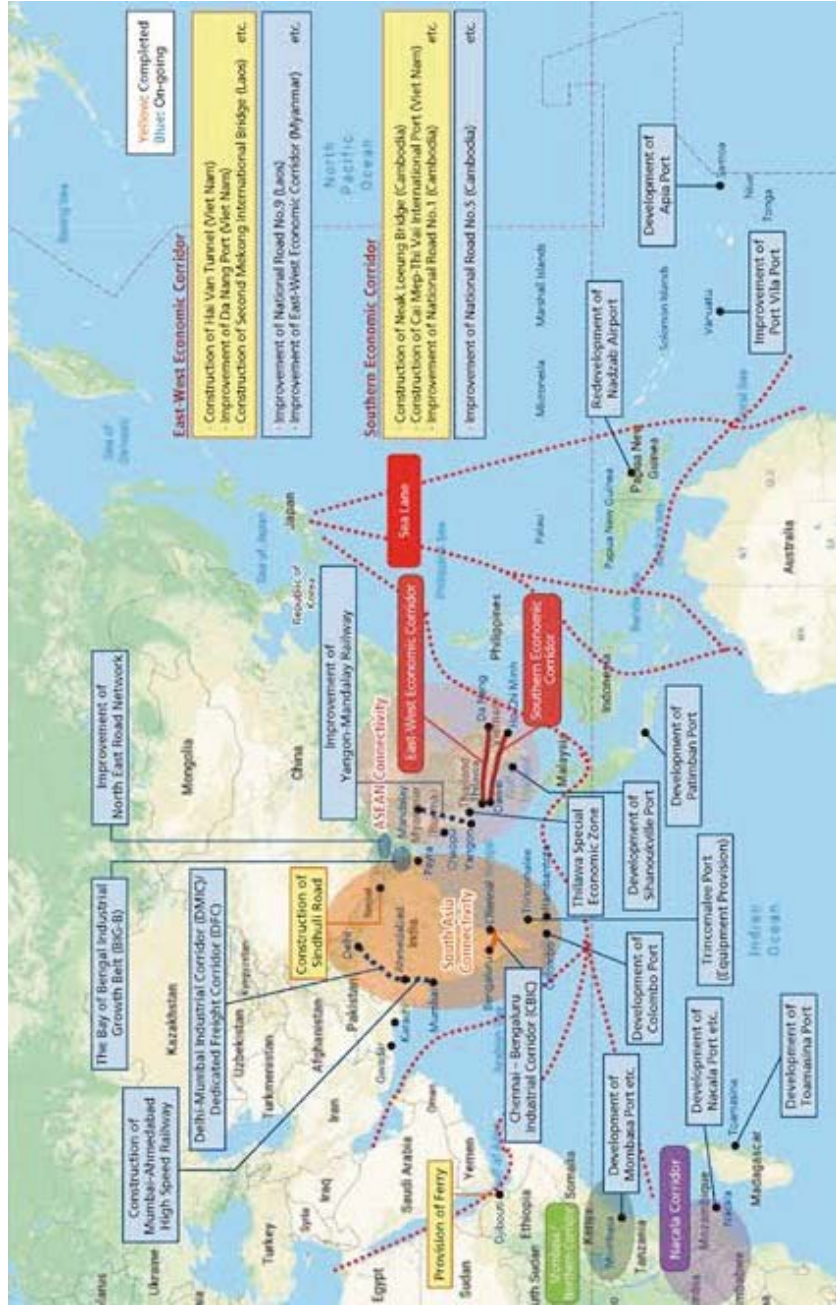
Japan's connectivity initiatives in the Indo-Pacific region were presented in the white paper on ODA,<sup>7</sup> shown in Figure 1. As 99.7% of Japan's trade is carried out by sea, it is natural that its vision of the Indo-Pacific region is comprehensively connected through maritime routes. Japan has been active in developing cross-border transport infrastructure in Asia. Tokyo has also been supporting ASEAN connectivity with the development of the East-West Economic Corridor (Mawlamyine–Da Nang) and the Southern Economic Corridor (Dawei-Bangkok-Phnom Penh-Ho Chi Minh) as well as the seaports in the seafaring nations of ASEAN. Furthermore, Japan is highly interested in improving the connectivity between ASEAN and South Asia. Partnering with Bangladesh, Bhutan and India, ODA has provided for projects such as the Bay of Bengal Industrial Growth Belt (BIG-B) and the North East Road Network. India has been regarded as a strategic partner in the FOIP. Under the Japan-India Special Strategic and Global Partnership, Japan has been supporting the development of the Delhi-Mumbai Industrial Corridor, the Chennai-Bengaluru Industrial Corridor, and the construction of the Mumbai-Ahmedabad High Speed Railway. In Africa, the Nacala Port and the Mombasa Port are integral parts of the economic corridor projects supported by Japan. Through the Tokyo International Conference on African Development (TICAD), the surrounding corridors, the Nacala Corridor and the East African Northern Corridor, were identified as priority projects.

Japan promotes connectivity through its Quality Infrastructure Investment (QII) project in the Indo-Pacific region. In this effort, Japan actively plays a role in setting international norms and standards of infrastructure investments that uphold the principles of openness, transparency, economic efficiency given life-cycle cost, and fiscal soundness through multilateral mechanisms such as the G7, G20 and OECD. During Japan's G20 presidency in 2019, Japan successfully came up with the G20

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<sup>7</sup> Ministry of Foreign Affairs of Japan, *White Paper on Development Cooperation 2017*, (Tokyo, 2018), [https://www.mofa.go.jp/policy/oda/page\\_000017.html](https://www.mofa.go.jp/policy/oda/page_000017.html), accessed on 24 April 2020.

Figure 1. Japan's Connectivity Initiatives.



Source: Ministry of Foreign Affairs of Japan.

Principles for Quality Infrastructure Investment. The QII standards are also being expanded through bilateral and multilateral partnerships. Japan and India co-envisage the realisation of a Free and Open Indo-Pacific, in which the two countries strengthen their cooperation and also work together with Africa on enhancing connectivity through quality infrastructure, a strategy called the Asia-Africa Growth Corridor (AAGC). Between Japan and the EU, the Partnership on Sustainable Connectivity and Quality Infrastructure has been signed as a comprehensive connectivity partnership, and the main feature is to ensure transparent procurement practices, debt sustainability, and high standards of economic, social and environmental sustainability. They work together with partner third countries in the Western Balkans, Eastern Europe, Central Asia, Indo-Pacific and Africa regions. The European Investment Bank (EIB) and Japanese agencies such as the Japan International Cooperation Agency, the Japan Bank for International Cooperation (JBIC) and the Nippon Export and Investment Insurance (NEXI) will strengthen their joint work. Furthermore, the US, Japan and Australia launched a Multi-Stakeholder Blue Dot Network led by a newly established US development agency named the US International Development Finance Corporation (DFC). The Blue Dot Network basically aims to evaluate and certify infrastructure projects according to commonly accepted standards and principles,<sup>8</sup> which build on the G20 Principles for Quality Infrastructure Investment. All these efforts are being pursued in order to provide a common ground for diverse connectivity initiatives so that different stakeholders, institutions and partners can participate in connectivity projects in the Indo-Pacific.

Table 1 summarises the various connectivity initiatives on a sub-regional level in the Indo-Pacific region as well as Japan's approach. These are the Association of Southeast Asian Nations (ASEAN), Greater Mekong Subregion (GMS), South Asian Association for Regional Cooperation (SAARC), the South Asia Subregional Economic Cooperation (SASEC), and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). These sub-regional projects are often backed by the Asian Development Bank (ADB), the World Bank and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), to name a few institutions. Also, China's BRI aims to establish a 21st Century Maritime Silk Road that geographically overlaps with the Indo-Pacific region. In particular, the BRI identifies major corridor projects such as the China-Indochina Peninsula

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<sup>8</sup> OPIC, *The Launch of Multi-Stakeholder Blue Dot Network* (New York, 2019), <https://www.opic.gov/press-releases/2019/launch-multi-stakeholder-blue-dot-network>, accessed on 24 April 2020.



Economic Corridor that overlaps with the Greater Mekong Sub-region; and the Bangladesh-China-India-Myanmar Economic Corridor that overlaps with the Bay of Bengal area. The Silk Road Fund and the Asian Infrastructure Investment Bank have been set up to finance those BRI projects.<sup>9</sup>

**Table 1. Sub-regional Connectivity Initiatives and Japan's Approach.**

	<b>ASEAN</b>	<b>BRI</b>	<b>SASEC</b>	<b>BIMSTEC</b>
<b>Members</b>	ASEAN member countries	China with over 100 countries	Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka	Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan
<b>Master Plan</b>	Master Plan on ASEAN Connectivity (MPAC) 2025	Six Economic Corridors	SASEC Operational Plan (OP) 2016-2025	Master Plan for BIMSTEC Connectivity
<b>Japan's Approach</b>	<ul style="list-style-type: none"> <li>Active engagement by identifying 70 flagship projects which Japan contributes.</li> <li>Coordinated through Japan-ACCC.</li> </ul>	<ul style="list-style-type: none"> <li>Limited engagement.</li> <li>JBIC and CDB signed the MOU on Cooperation in third-country markets</li> </ul>	<ul style="list-style-type: none"> <li>Indirect engagement through ADB.</li> <li>ADB supports approx. 60% of funds.</li> <li>ADB hosts the secretariat.</li> </ul>	<ul style="list-style-type: none"> <li>Indirect engagement through ADB.</li> <li>Bilateral partnership with India and Bangladesh.</li> </ul>

Source: Compiled from various official documents and analytical reports by the author.

### 3. ASSESSING THE ECONOMIC IMPACT OF ENHANCING CONNECTIVITY

#### 3.1. Modelling framework and shock assumptions

The assessment of the economic ramifications of fostering connectivity in the Indo-Pacific region is based on the analysis by Yanagida.<sup>10</sup> It uses a Computable General Equilibrium (CGE) model to estimate the economic impact of infrastructure improvements on GDP and trade in countries or regions as envisioned by the FOIP

<sup>9</sup> HKTDC, *The Belt and Road Initiative* (Hong Kong, 2019), <http://china-trade-research.hktdc.com>, accessed on 24 April 2020.

<sup>10</sup> Yanagida, Kensuke (2019), "Gankogata keizai hatten wa tsuzuku no ka? Chūgoku no 'itsutai ichiro' kōsō to 'indotaiheiyō' senryaku no inpakuto no moderu suikei [Does the flying-geese economic development continue? Estimation of the economic impact of China's Belt and Road Initiative and Indo-Pacific Strategy]", ITI Research Paper No. 81, Institute for International Trade and Investment, Tokyo.

in 2030.<sup>11</sup> The CGE Model analysis draws on the static model and ninth-edition database (benchmark year 2011) from the Global Trade Analysis Project (GTAP). In the analysis, the GTAP data are aggregated into 16 regions and 13 industries (see the appendix for the breakdown).

In addition to the standard specifications used in the static GTAP Model, the analysis also endogenises capital accumulation, labour supply, and productivity improvements with reference to the Japan Cabinet Secretariat's report.<sup>12</sup> Doing so allows for the incorporation of synergy effects along three growth paths when GDP expands due to infrastructure improvements: (1) capital increases and expands production through higher investment of savings, (2) labour supply increases as the result of a rise in real wages, and (3) productivity increases through expanding trade.

The simulation is performed in the following order. First, a baseline is constructed for 2030, drawing estimates from the "2050 EconMap Database".<sup>13</sup> Second, the analysis applies a policy shock assumption that infrastructure improvements would boost the Total Factor Productivity (TFP) through increases in (1) overall productivity and (2) energy efficiency in the form of intermediate input augmenting technological change. For (1), using the "Logistics Performance Index (LPI)"<sup>14</sup> – a database on national logistics infrastructure for each country in the world – the assumption is that the LPI indices for each region will catch up to Japan, which has the highest score (Table 2). Specifically, it is assumed that the gap in LPI score relative to Japan closes by 25%. Based on the rate of improvement in the LPI index, the assessment calculates a numerical value for TFP improvement assuming a coefficient of 0.6. For (2), assuming that when electricity, gas, and water are used as intermediate inputs to produce products, the TFP can be seen as increasing by 20% based on "The IEA Efficiency World Scenario" projected by the International Energy Agency.<sup>15</sup>

<sup>11</sup> Japan's Indo-Pacific policies do not specify particular countries or regions. Therefore, we hypothetically include Southeast Asian, South Asian and African countries in this study.

<sup>12</sup> TPP Headquarters at the Japan Cabinet Secretariat (2015), "TPP kyōtei no keizai kōka bunseki [Analysis of the Economic Effect of the TPP Agreement]", Cabinet Secretariat, Tokyo.

<sup>13</sup> Fouré, Jean, Agnès Bénassy-Quéré and Lionel Fontagné (2012), "The Great Shift: Macroeconomic projections for the world economy at the 2050 horizon," (Version 2.3: 2014), CEPII Working Paper, CEPII, Paris, and Fouré, Jean, Agnès Bénassy-Quéré and Lionel Fontagné (2013). "Modelling the world economy at the 2050 horizon", (Version 2.3: 2014), *Economics of Transition* 21(4), pp. 617-654.

<sup>14</sup> World Bank, *Logistics Performance Index* (Washington D.C., 2018), <https://lpi.worldbank.org/>, accessed on 22 November 2019.

<sup>15</sup> "Energy Efficiency 2018: Analysis and Outlooks to 2040", International Energy Agency, Paris.

Lastly, these policy shocks are applied to ASEAN member countries (ASEAN6 and Cambodia, Laos, Myanmar, and Vietnam [CLMV]), India, South Asia, and Africa (North Africa and Sub-Saharan Africa).

**Table 2. Logistics Performance Index Score and Policy Shock Assumption.**

	LPI	LPI gap to Japan	LPI increase (%)	TFP increase (%)
JPN	4.03	0.00	0.0	0.0
ASEAN6	3.23	0.80	11.6	3.6
IND	3.18	0.85	12.5	3.9
CLMV	2.94	1.09	16.9	5.3
NorthAfrica	2.64	1.39	23.2	7.4
SubSaAfrica	2.64	1.39	23.3	7.4
SouthAsia	2.53	1.50	25.9	8.3

Notes: Productivity increases assume a coefficient of 0.6.<sup>16</sup>

Source: Prepared by the author from the World Bank Logistics Performance Index for 2018.

### 3.2. Summary of Simulation Results

The results of the simulation are presented in this section. For the sake of convenience, I refer to ASEAN6, CLMV, India, North Africa and Sub-Saharan Africa as the FOIP economies.

<sup>16</sup> Many studies have shown that improving infrastructure increases TFP. While it is certainly desirable to estimate reliable parameters, for the sake of convenience, I use a coefficient of 0.6, which I obtain using simple multiple regression analysis.

**Table 3. Changes in real GDP (trillion, USD).**

	% change	Pre (US\$ trillion)	Post (US\$ trillion)
NAFTA	0.6	22.8	22.9
EU18	0.7	18.5	18.6
China	-1.7	11.5	11.3
Japan	2.6	7.2	7.4
WesternAsia	1.1	4.8	4.8
<b>India</b>	36.0	2.7	3.6
<b>ASEAN6</b>	45.8	2.6	3.8
NIES	-1.7	2.5	2.5
Oceania	3.1	2.3	2.4
<b>SubSafrica</b>	46.4	2.3	3.3
CEECs	-0.2	1.9	1.9
<b>NorthAfrica</b>	45.6	0.9	1.3
<b>SouthAsia</b>	89.3	0.6	1.1
CentralAsia	0.4	0.4	0.4
<b>CLMV</b>	38.2	0.3	0.4

Source: Author's estimates based on GTAP.

Table 3 summarises the changes in real GDP relative to baseline. The real GDP grows significantly in the FOIP economies where the policy shock is applied. The real GDP of the FOIP economies grows by 36% in India, 45.8% in ASEAN6, 46.4% in Sub-Saharan Africa, 45.6% in North Africa, 89.3% in South Asia and 38.2% in CLMV. The total GDP of the FOIP economies increases from 11.5 trillion USD to 15.9 trillion USD, accounting for 10.1% and 14% of the World GDP respectively. This shows that the FOIP economies have the potential for significant economic growth if they solve the problem of the lack of infrastructure.

In the absence of any direct effect from policy interventions, Japan still benefits through the spillover effects of the development of the FOIP economies and gains a 2.6% growth in real GDP. Likewise, NAFTA, EU18, Western Asia, Oceania and Central Asia also benefit. This occurs because income increases in the FOIP economies will result in demand for more imports from other regions, and their expanding trade spurs intermediate goods supply from other regions via global value chains.

On the other hand, China, NIES and CEECs suffer negative effects. This is because the FOIP economies begin to catch up thanks to productivity improvements, which enhance the price competitiveness of goods they produce for export, causing a “trade diversion” from China, NIES and CEECs, where no direct policy intervention takes place. This suggests that unless countries enhance their own productivity and perform upgrades to add value to their products, they risk falling into the so-called “middle income trap.”

Table 4 summarises the share of trade by partner countries or regions for ASEAN, South Asia and Africa. With enhanced connectivity, ASEAN significantly increases intra-regional trade, accounting for 28.3% in imports and 24.9% in exports. ASEAN’s trade with South Asia and Africa grows moderately. On the other hand, ASEAN reduces its share of trade, to a relatively large extent with China and Taiwan, and to a lesser extent with Japan, Europe and NAFTA. This suggests that there are shifts in manufacturing production from China and Taiwan to ASEAN countries. Japan remains important as the supplier of high-tech intermediate parts and components for ASEAN. Europe and NAFTA are important as large markets for final good exports.

South Asia increases intra-regional trade and trade with ASEAN and Africa at a moderate rate. However, this result shows the importance of South Asia’s geographic location connecting Southeast Asia and Africa. South Asia reduces its share of trade with China and Europe to a relatively large extent, and with Japan, NIES and NAFTA to a lesser extent. South Asia has a unique trade pattern. It has strong trade relations with Europe and NAFTA. Trade with China is not as significant as with ASEAN and Africa despite the geographical proximity. The economic relation with Japan is still rather limited.

Africa increases intra-regional trade, largely accounting for 15% in exports and imports. Africa’s trade with ASEAN and South Asia also grows. This again proves the potential of the ASEAN-South Asia-Africa economic relation in the future. Africa reduces its share of trade with China, Europe and NAFTA to a relatively large extent, and with NIES to a lesser extent. The uniqueness of Africa’s trade pattern is that it has very strong trade relations with Europe. Trade with China is also proven to be large. The economic relation between Africa and Japan is rather limited.

**Table 4. Share of trade by partner countries or regions for ASEAN, South Asia and Africa.**

Share (%)	ASEAN			South Asia			Africa			
	Import	Export	$\Delta$ (Post-Pre)	Import	Export	$\Delta$ (Post-Pre)	Import	Export	$\Delta$ (Post-Pre)	
ASEAN	28.3	24.9	4.8	4.3	7.2	0.8	0.7	3.2	0.5	0.7
Japan	7.0	8.1	-0.6	-0.9	1.9	-0.2	-0.1	1.8	2.1	0.0
China	14.1	11.8	-1.8	-1.7	5.6	-1.9	-1.9	11.1	10.5	-1.7
NIES	8.7	8.1	-1.3	-1.2	3.1	-0.5	-0.3	3.9	2.7	-0.3
South Asia	3.1	6.2	0.2	0.3	6.7	1.1	1.5	6.0	9.1	0.8
Europe	9.6	13.5	-1.2	-0.5	11.6	-1.3	-0.3	29.4	26.8	-1.8
Africa	1.8	2.6	0.3	0.0	8.7	7.8	1.0	15.0	15.0	4.0
NAFTA	7.9	13.2	-0.6	0.0	6.4	18.7	0.1	-0.3	16.9	-0.3
ROW	19.6	11.8	0.3	-0.3	41.4	23.8	0.8	18.4	13.8	-1.1
Total	100	100			100	100		100	100	

Note: In this table, ASEAN includes ASEAN6 and CLMV; South Asia includes India; and Africa includes North Africa and Sub-Saharan Africa.

Source: Author's estimates based on GTAP.

Table 5 subsequently summarises the changes in exports by industry. Notable is the extremely large growth projected for exports of electronic and other manufacturing from ASEAN6. Conversely, exports of electronic and other manufacturing for NIES and China suffer a significant negative growth due to the “trade diversion effect.” The simulation, however, does not depict the fact that firms in countries like South Korea and Taiwan are engaged in building supply chains through direct investment in the ASEAN countries. Japan still enjoys growth in heavy, automobile and other manufacturing exports and experiences a little decline in electronic exports. CLMV grows not only in light industry exports such as textiles and apparel, but also in capital-intensive manufacturing exports. Countries like Vietnam and Myanmar are seen as the next investment destination after China for manufacturing bases, and the simulation shows the potential for CLMV to develop its manufacturing industry.

In India, heavy and other manufacturing exports show large growth. The simulation also shows that growth in service industry exports is large, with strengths in IT services and business process outsourcing that take advantage of a highly skilled workforce. South Asia sees larger growth in the textile and apparel industry than CLMV by taking advantage of the comparative advantage afforded by low wages. On the other hand, China will not maintain its competitiveness in labour-intensive industries and sees negative growth in textile and apparel exports.

North Africa has an established economic base within Africa, particularly in Tunisia, Morocco, and Egypt. Manufacturing exports, mainly from labour-intensive industries such as textiles and apparel, expands. Transportation and communication exports also expands rapidly. For Sub-Saharan Africa, heavy manufacturing exports stands out while other industries grow moderately.

Exports of agricultural products and foods and natural resource exports will grow significantly in CEECs, the EU and NAFTA as demands for those goods expand in emerging economies in Asia and Africa. In particular, the EU enjoys large growth in heavy and service exports by taking advantage of strong competitiveness in those sectors. CEECs face harsh competition in the textile and apparel industry against North Africa, which has a comparative advantage, and in the electronic industry against ASEAN.

**Table 5. Changes in export (million, USD).**

Δ	Japan		China		NIES		ASEAN6		CLMV		India	
	%	million USD	%	million USD	%	million USD	%	million USD	%	million USD	%	million USD
1 GrainsCrops	72.3	1262	76.2	11590	23.6	259	-34.3	-5596	-22.9	-2629	-18.4	-3069
2 MeatLstk	39.5	122	27.7	749	37.2	344	-24.7	-937	-68.4	-121	-54.9	-769
3 Extraction	35.4	1276	51.2	9180	36.3	1443	-15.2	-25077	-23.0	-5473	-18.8	-5407
4 ProcFood	7.9	350	5.6	2084	2.1	214	11.5	11602	-2.1	-184	-9.3	-1481
5 TextWapp	-2.0	-167	-8.6	-22980	-3.7	-185	53.4	26249	44.2	17437	19.2	10370
6 LightMnfc	6.5	474	-1.1	-2008	6.5	371	36.7	19582	39.5	9298	31.8	3675
7 HeavyMnfc	8.0	21234	6.6	39519	-1.3	-5041	41.3	153925	58.5	13848	40.1	69585
8 VehicleMnfc	8.4	15839	4.2	5276	5.3	9135	68.1	43237	51.9	1516	63.5	15841
9 ElectMnfc	-7.9	-4439	-7.3	-40338	-8.3	-25602	81.7	279136	67.1	10924	89.7	10619
10 OtherMnfc	5.2	12547	-2.9	-19621	-0.4	-127	81.7	189104	71.2	15698	63.1	69194
11 Util_Cons	3.2	397	0.8	88	-2.9	-1474	39.9	4205	45.7	615	25.3	438
12 TransComm	7.5	9919	5.5	7116	5.5	18446	27.1	48095	28.4	1947	26.8	13081
13 OthServices	6.6	2433	4.7	2173	7.1	6331	36.9	40875	32.0	2008	23.6	25234
Δ												
		SouthAsia		NorthAfrica		SubSafrica		CEECs		EU		NAFTA
	%	million USD	%	million USD	%	million USD	%	million USD	%	million USD	%	million USD
1 GrainsCrops	-80.1	-6072	19.7	1784	-16.0	-5434	13.7	2093	14.8	15933	14.9	23570
2 MeatLstk	-97.8	-126	59.2	469	27.9	1099	7.4	1931	5.1	4656	5.8	2720
3 Extraction	-47.6	-1053	-9.9	-11374	1.2	4692	22.4	3293	10.2	14806	10.9	30515
4 ProcFood	72.4	3759	52.2	5257	44.4	8698	2.6	1005	2.8	9550	3.4	3476
5 TextWapp	94.2	59813	94.1	21803	57.8	3474	-13.5	2720	-11.1	-16431	-11.8	-3449
6 LightMnfc	48.3	1006	94.7	6189	69.7	6564	-2.1	1130	-0.2	-448	-0.2	-218
7 HeavyMnfc	117.6	10899	49.7	24162	91.2	115683	1.8	4358	2.4	50530	-1.9	-15516
8 VehicleMnfc	233.7	1917	81.1	2298	116.1	22282	0.4	580	0.6	5123	0.4	1559
9 ElectMnfc	369.8	1051	106.1	3621	166.8	3390	-7.9	6365	-7.3	-12598	-8.4	-14225
10 OtherMnfc	283.0	16388	96.9	13615	124.1	26059	-1.7	2364	-1.0	-12158	-1.7	-8133
11 Util_Cons	103.3	1290	43.5	1392	84.3	4440	1.2	248	2.0	2009	2.7	599
12 TransComm	98.6	7570	45.9	19920	33.7	11108	3.6	3861	3.3	32960	3.4	7707
13 OthServices	85.6	9394	30.8	6790	30.6	8056	2.7	1337	2.6	25922	3.2	13444

Source: Author's estimates based on GTAP.



## 4. CONCLUSION

This article has examined Japan's Free and Open Indo-Pacific connectivity initiatives and assessed the likely economic impact of the implementation of the projects. From a long-term perspective, the concept of the FOIP emerged based on long-term economic development, which foresees dynamic growth in the emerging economies in the Indo-Pacific, including Africa. The FOIP initiatives are also based on values such as rules-based, free trade, freedom of navigation and the rule of law. The Quality Infrastructure Investments is one of the flagship projects of the FOIP, with partners including the EU. It aims to provide a common and level playing field for diverse stakeholders, institutions and partners in the Indo-Pacific. Japan has long been an ODA contributor to Asia. Under the FOIP, Japan supports the numerous connectivity projects related to economic infrastructures in ASEAN, South Asia and Africa. Given the fact that there are several sub-regional connectivity initiatives in the Indo-Pacific in addition to China's BRI, connecting different connectivity plans remains a vast challenge.

The analytical part of this article estimated the economic impacts of infrastructure improvements using the CGE model. Overall, the results show the great potential for economic growth of the FOIP economies, provided that they solve the problem of the lack of infrastructure. Japan is in a good position to benefit through the spillover effects of the growth of the FOIP economies whereas China, NIES and CEECs suffer negative effects. With the enhanced connectivity, South Asia substantially increases trade with ASEAN and Africa, which proves the importance of South Asia's geographic location connecting Southeast Asia and Africa. Finally, the sectoral results show that ASEAN will flourish as a hub of electronic manufacturing. CLMV will be integrated in the supply chains not only in labour-intensive manufacturing exports but also in capital-intensive manufacturing exports. India is shown to be competitive in heavy manufacturing and service exports, whereas South Asia sees large growth in the textile and apparel industry. North Africa will enjoy an increase in labour-intensive manufacturing exports while Sub-Saharan Africa will still face weak industrial development.

In light of the discussion and analysis above, the policy recommendations are threefold. First, against a backdrop of emerging connectivity initiatives involving geopolitical factors, it is important to promote international standard-setting of infrastructure investments to ensure that major actors behave under certain rules. The implementation of the QII is key, in tandem with project implementation. The Japan and EU connectivity partnership can play a significant role in this area, and Japan and EU cooperation would be of critical importance in Africa. Second, there

are several connectivity plans proposed by sub-regional groups as well as national governments. These plans are not well coordinated with each other due to the lack of political will, the diffusion of priority and inadequate financial resources. The donor countries, including Japan and the EU, and multilateral development agencies should engage in dialogues with the recipient countries to refocus their blueprints and provide the necessary assistance. Third, as indicated by the economic simulation, the improvement of Southeast Asia-South Asia-Africa connectivity would bring great economic benefits and combat poverty in the Indo-Pacific region. It is imperative to realise this potential by strengthening international cooperation.

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## APPENDIX

### GTAP database: 16 regions

1. NAFTA	USA, Canada, Mexico
2. Oceania	Australia, New Zealand
3. Japan	Japan
4. China	China
5. NIES	Korea, Taiwan, Hong Kong
6. ASEAN6	Brunei, Indonesia, Malaysia, Philippines, Thailand, Singapore
7. CLMV	Cambodia, Laos, Myanmar, Vietnam
8. India	India
9. CentralAsia	Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan
10. SouthAsia	Bangladesh, Nepal, Pakistan, Sri Lanka
11. WesternAsia	Armenia, Azerbaijan, Georgia, Bahrain, Iran, Israel, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Turkey, United Arab Emirates
12. NorthAfrica	Egypt, Morocco, Tunisia
13. SubSaAfrica	Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Guinea, Nigeria, Senegal, Togo, Central Africa, South Central Africa, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe, Botswana, Namibia, South Africa
14. CEECs	Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Albania, Bulgaria, Croatia, Romania
15. EU18	Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Sweden, United Kingdom
16. ROW	Rest of World

### GTAP database: 13 industries

1. GrainsCrops	Paddy rice; Wheat, Cereal grains; Vegetables, fruit, nuts Oil seeds; Sugar cane, sugar beet; Plant-based fibers; Crops; Processed rice
2. MeatLstk	Meat: cattle, sheep, goats, horse; Animal products; Raw milk; Wool, silk-worm cocoons; Meat: cattle, sheep, goats, horse; Meat products
3. Extraction	Forestry; Fishing; Coal; Oil; Gas; Minerals;
4. ProcFood	Vegetable oils and fats; Dairy products; Sugar; Food products; Beverages and tobacco products
5. TextWapp	Textiles; apparel
6. LightMnfc	Leather products; Wood products; Paper products, publishing; Manufactures
7. HeavyMnfc	Petroleum, coal products; Chemical, rubber, plastic prods; Mineral products; Ferrous metals; Metals; Metal products; Machinery and equipment
8. VehicleMnfc	Motor vehicles and parts; Transport equipment
9. ElectMnfc	Electronic equipment;
10. OtherMnfc	Other Manufacturing
11. Util_Cons	Electricity; Gas manufacture, distribution; Water; Construction
12. TransComm	Trade; Transport; Sea transport; Air transport; Communication
13. OthServices	Financial services; Insurance; Business services; Recreation and other services; Public administration; Defense; Health; Education; Dwellings

# Reviving Multilateralism in East Asia: Small and Medium Powers, Connectivity and Covid-19

*Jaehyon Lee*

## INTRODUCTION

In the post-Cold War era, “multilateralism” has been one of the most spoken-about terms in the region. Especially after the 1997 Asian Financial Crisis, the region observed a mushrooming number of multilateral institutions for cooperation. However, initial hopes were quickly brushed aside by rising criticism of the poor performance of these institutions. Multilateral cooperation was not quite able to produce concrete results. Institutions by and large failed to be consolidated on a strong legal and institutional basis. Nevertheless, once institutions were set up, they seldom disappeared despite rather poor performance. Consequently, there are an unmanageable number of criss-crossing and overlapping multilateral institutions in the region – an excess of institutions.

It is not fair to say that the institutions have produced nothing. There are both bright sides and dark sides here. For example, there has been some progress in some institutions. These are invariably focused on tangible and visible issues such as economic cooperation. On the other hand, there has been less than impressive progress in less visible and less tangible areas such as trust or confidence building, habits of cooperation, the creation of a shared identity, etc. One can offer numbers – number of institutions, of meetings, of people exchanges and interaction, of extra economic gains out of cooperation, and more – to defend the achievements. This, however, has not translated into a solid development of trust among regional countries and a basis for rules-based and institutionalised cooperation.

This paper argues that East Asian multilateralism can be revitalised and strengthened through small and medium powers’ role and leadership focusing on connectivity cooperation and cooperation on newly emerging threats. First, regional small and medium powers, replacing superpowers mired in strategic competition, should take the leadership role in regional multilateral cooperation.

Second, it is now time to put more emphasis on boosting connectivity, which offers concrete benefits and thus provides strong incentive for regional countries to engage in cooperation. Multilateralism is the best way to coordinate the various existing bilateral and regional efforts for enhancing connectivity. Finally, regional countries have to focus more on emerging threats like Covid-19 that have widespread and devastating impacts on ordinary people's lives and prosperity.

With this backdrop, this article will touch upon three issues. First, it will examine the current status of regional multilateral institutions. It will argue that regional multilateral institutions are increasingly becoming venues for competition and contestation. Second, the role of regional middle powers or small and medium powers (SMPs) is discussed to see if they are a new hope to revive multilateral institutions. Last but not least, it will examine the areas of cooperation in East Asian multilateralism. This includes enhancing regional connectivity in a multilateral context and responding to regional human security issues, including the current Covid-19 pandemic.

## **EAST ASIAN MULTILATERALISM UNFOLDING: INITIAL HOPES AND SUPERPOWER HIJACKING**

Multilateral cooperation and institutions are a rather recent development in East Asia. It is a post-Cold War phenomenon. East Asian countries were put under the Cold War order as soon as they built independent nation-states. The order did not allow room for regional countries to pursue multilateral cooperation. The United States – and the Soviet Union and China for the communist bloc countries – provided the needed security assurances, economic assistance and market access.<sup>1</sup> As long as they managed bilateral relations with the United States well, they did not need to seek bilateral or multilateral cooperation with their neighbours, which was costlier given the lack of experience in multilateral cooperation and of mutual confidence among them.

With the collapse of the Cold War order, regional countries were set free from the Cold War constraints. The US reduced its presence in the region while the Soviet Union collapsed, and China was not yet strong enough to challenge for regional leadership. In this vacuum, the Association of Southeast Asian Nations (ASEAN) came up with a new idea for multilateral security cooperation – the ASEAN Regional

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<sup>1</sup> Regarding the hub and spokes system in the region, see John Ikenberry. 2004. "American hegemony and East Asian Order", *Australian Journal of International Affairs*. 58:3. Pp. 353-367.

Forum (ARF), formed in 1994.<sup>2</sup> It was the beginning of multilateral institutions for cooperation in wider East Asia. A crucial turning point for regional multilateralism came with the Asian Financial Crisis. The ASEAN+3, which was initially convened in 1997 with a call from ASEAN, was regularised and consolidated after the crisis when regional leaders recognised the devastating impacts of the Asian Financial Crisis.<sup>3</sup> The leaders acknowledged a need to work together to overcome the economic crisis that almost simultaneously undermined the economies in Northeast and Southeast Asia.

The initial high hopes invested in ASEAN+3 and the later East Asia Summit (EAS), formed in 2005 with additional members, Australia, India, and New Zealand, in addition to the 13 ASEAN+3 countries, soon dissipated. The shared sense of crisis that fuelled cooperation was short-lived due to the quick recovery of regional economies. On top of this, growing superpower strategic competition overlapped. The US joining the EAS in 2011 was another turning point. China, in the 2000s, became increasingly assertive, notably in the South China Sea. Pulling out of the Middle East, the Obama administration pivoted to Asia in the late 2000s. Growing Chinese assertiveness and the US pivot were ideal sparks for superpower contestation. With the US joining the EAS, contestation began to unfold in the regional multilateral institutions.

There have been plenty of occasions when the two superpowers pointed fingers at each other in recent multilateral forums. Regional mass media covered the exchanges prominently, drawing audience attention. For example, at the 2017 Shangri-La Dialogue, then US Secretary of Defence James Mattis touched upon the Taiwan issue. This extracted a rebuke from a senior PLA officer, criticising the US' meddling in the One China Policy.<sup>4</sup> Again in 2018, at the next Shangri-La Dialogue, the two clashed over South China Sea issues. James Mattis criticised Chinese militarisation attempts in the South China Sea.<sup>5</sup> And the Chinese military delegation

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<sup>2</sup> Alice Ba. 2009. *[Re]Negotiating East and Southeast Asia: Region, Regionalism and the Association of Southeast Asian Nations*. Stanford University Press: Stanford. Ch. 6.

<sup>3</sup> See, Richard Stubbs. 2002. "ASEAN Plus Three: Emerging East Asian Regionalism?" *Asian Survey*. 42:3.

<sup>4</sup> Minnie Chan. 2017. "Mattis outrages Beijing with explicit commitment to defend Taiwan." *South China Morning Post*. 3 June.

<sup>5</sup> Thomas Gibbons-Neff. 2018. "Mattis Accuses Beijing of Intimidation and Coercion in South China Sea." *The New York Times*. 1 June.

defended the Chinese position and cast suspicion on the US intention of intervening in a regional issue.<sup>6</sup>

The most recent example was the verbal exchanges at the APEC 2018 meeting, which was held right after the East Asia Summit 2018 in Singapore. US Vice President Mike Pence described the Chinese Belt and Road Initiative (BRI) as “dangerous debt diplomacy” and asserted, “[US Indo-Pacific] will stand in sharp contrast to the dangerous debt diplomacy that China has been engaging in in the region.”<sup>7</sup> Against this, the Chinese Foreign Ministry spokesperson criticised US promises under the Indo-Pacific, saying, “We take note that some voices worry whether the US can make good on its promises and whether they’re just paying lip service,” and further put blame on the US’ unilateralism for the failure to reach a consensus on the APEC joint communiqué.<sup>8</sup>

More recently, US State Secretary Mike Pompeo criticised China after meeting his Chinese counterpart, Wang Yi. At the occasion of the 2019 ARF in Bangkok, the two had a bilateral meeting on 1 August. After the meeting, Wang Yi made diplomatic remarks regarding the meeting, saying, “There may be at various times issues and problems between China and the United States, but no matter how many problems, it is important for both sides to sit down and have face-to-face discussions.” Meanwhile, Pompeo was less diplomatic and was critical of China’s actions in the region. He, warning of Chinese “coercion” of ASEAN countries in the issue of the South China Sea disputes, remarked, “We are working with them on many fronts... But we are also very candid about the places we are hoping China will behave in ways that they are not behaving today and we talked about each of those as well.”<sup>9</sup>

Over the years the number of issues and the intensity of the contestation in regional multilateral institutions have increased. Each side has tried to outwit its rival and to attract regional countries to its side. Every time the two countries exchanged criticisms, regional mass media sensationalised the contestation, depicting the regional institutions as a major venue for contestation. Perception dictates reality. Increasingly, regional countries view the institutions as a venue for superpower

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<sup>6</sup> William Gallo. 2018. “ Mattis: China Trying to Intimidate Neighbours in S. China Sea.” *VOA*. 2 June.

<sup>7</sup> Bhavan Jaipragas. 2018. “Mike Pence to unveil rival to dangerous Belt and Road Initiative at Apec summit.” *South China Morning Post*. 15 November.

<sup>8</sup> Straits Times. 2018. “China blames protectionism for discord in Apec.” *The Straits Times*. 21 November.

<sup>9</sup> Cate Cadell and Patpicha Tanakasempipat. 2019. “Pompeo criticized China after meeting top diplomat in Bangkok.” *Reuters*. 1 August.

rivalry rather than as a venue for practical cooperation, despite the fact that institutional cooperation had brought about reasonable benefits to them.

## **CAN REGIONAL SMALL AND MEDIUM POWERS BE A NEW HOPE?**

There are growing arguments that regional middle powers or small and medium powers (SMPs) have to come out – and are able to come out – to sustain and strengthen the regional rules-based order.<sup>10</sup> The order, including elements like multilateralism, free trade, democracy, human rights, rule of law, etc., has maintained peace and prosperity in the region but is being challenged by China and the US. One is challenging and undermining the existing order and the other gave up its traditional role as the lynchpin of the order. Regional middle powers, having enjoyed the fruits of the existing order, have reason and capacity to bolster the order for self-interests and for the region in general.

This argument makes perfect sense logically. Middle powers like ASEAN, Australia, India, Japan, New Zealand, South Korea, etc. are interested in keeping the order since it is the best option for them as proven in the post-WWII period. What is more, middle powers collectively have the power and leverage to put pressure on superpowers and to shape the regional order. The concerted effort of middle powers can strengthen multilateral institutions as a part of the regional order. At the same time, they have reason to strengthen it intentionally since it is a strong weapon they could utilise against superpowers' unilateral behaviours.

This, nevertheless, is easier said than done. There are limits and challenges – a collective action dilemma. It should be first mentioned that the root of this problem is the trust or confidence deficit among regional middle powers. This is largely because of their experiences in the Cold War order and of the relatively short history of multilateralism in East Asia. Regional middle powers, with the deficit, are finding it difficult to build an effectively working framework through which they can exert a

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<sup>10</sup> For example, see Matthew Stephens. 2013. "The concept and role of middle powers during global rebalancing." *Journal of Diplomacy and International Relations* 14:2; Paul Evans. 2015. "Searching for Cooperative Security 2.0." *China Quarterly of International Strategic Studies* 1:4, 537-551.; Ralf Emmers and Sarah Teo. 2015. "Regional security strategies of middle powers in the Asia-Pacific." *International Relations of the Asia-Pacific*. 15: 2, 185-216.; John Ikenberry. 2016. "Between the Eagle and the Dragon: America, China, and Middle State Strategies in East Asia." *Political Science Quarterly* 131: 1, 9-43.; Tanguy Struye de Swielande. 2019. "Middle Powers in the Indo-Pacific: Potential Pacifiers Guaranteeing Stability in the Indo-Pacific?" *Asian Politics & Policy* 11:2, 190-207.



concerted influence in the region, although this does not preclude the possibility of one being built in the near future.

Individually, regional middle powers or SMPs are swinging back and forth between principles and narrowly defined national interests. Some of them have been quite opportunistic in their foreign policy behaviours. On the one hand, they speak of principles and values such as rules-based order, free trade, multilateralism, rule of law and so on.<sup>11</sup> But on the other hand, they prioritise narrow national interests over values and principles. In short, they speak like liberalists or idealists, but act like realists. The coalition's united front is fragile and would be plagued by constant defection problems. Individual states, afraid of being abandoned by superpowers on whom they are dependent for their security and economy, are always tempted to defect, undermining the united front of middle powers.

The question at this point is how to identify ideal areas of cooperation for regional small and medium powers that are swinging back and forth between idealist principles and realist impulses. The areas of cooperation first have to meet the imperative of idealist principles – strengthening regional multilateralism in line with the existing regional liberal order. This could be met by fostering a habit of cooperation among regional countries through continued cooperation in a multilateral context. Subsequently, the habit of cooperation will make regional multilateralism deep-rooted. At the same time, it has to serve individual countries' realist demands – national interests. It has to provide some concrete results and benefits of cooperation for the regional countries so that they can have strong incentives to continue cooperation.

## ENHANCING CONNECTIVITY THROUGH MULTILATERAL COOPERATION

It is not easy to name specific areas that are promising for cooperation. Nevertheless, we can describe some characteristics of the areas and issues that are more auspicious for cooperation than others. First, let us go back to the experience of ASEAN+3. The multilateral cooperation forum focused on economic cooperation and related institutions at the early stage. A classic example of this was the Chiang Mai Initiative (CMI). CMI, a regional multilateral currency swap agreement,

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<sup>11</sup> Regarding the debate on what constitutes a rules-based order, see Daniel Deudney and G. John Ikenberry. 2018. "Liberal Order: The Resilient Order." *Foreign Affairs*. July-August. Pp. 16-24; and Hans Kundnani. 2017. "What is the Liberal International Order." German Marshall Fund Policy Essay. No. 17.

was designed to provide much-needed assistance for crisis-hit countries. This is a central part of ASEAN+3 since the institution's goal was to jointly overcome the financial crisis and to prepare for rainy days in the future. The initial set up – overlapping bilateral swap agreements – soon expanded into a multilateralised format, the Chiang Mai Initiative Multilateralisation or CMIM. The fund promised increased from USD 78 billion in 2000 to USD 240 billion in 2012.

This is a good example of a low-hanging fruit of multilateral cooperation. It is easy to start and to continue cooperation when the cooperation results are immediately visible and more tangible. The expected benefits of economic cooperation are suggested in the form of numbers. For leaders, it is much easier to persuade a domestic audience with the numbers. Regional countries can build mutual confidence and a habit of cooperation by the time they finish the low-hanging fruits. The confidence built is the basis for a higher level of multilateral cooperation and more effective institutions. East Asian regional multilateral institutions have been no exception. Starting from CMI, East Asian countries mainly focused on more visible and tangible cooperation such as economic cooperation and non-traditional and human security cooperation, which are less politically sensitive.

Connectivity is an ideal agenda for multilateral cooperation in the region. First, it is a low-hanging topic in the sense that the agenda is already recognised by ASEAN and other regional cooperation schemes. ASEAN has been pushing connectivity forwards for a while. The first ASEAN masterplan on ASEAN connectivity was published in 2010 after a few years of toying with the concept. Since then, the Kuala Lumpur Declaration on ASEAN 2025 in 2015 and other ASEAN major declarations and plans such as ASEAN Community Blueprints have put connectivity as one of the most important agenda of cooperation.<sup>12</sup> The most recent comprehensive document on ASEAN connectivity, Master Plan on ASEAN Connectivity 2025, indicates five focal areas of ASEAN connectivity – sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence and people mobility.<sup>13</sup> Externally, the ASEAN Outlook on the Indo-Pacific (AOIP) suggests the need for connectivity between ASEAN and other regional cooperation frameworks such as Indian Ocean

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<sup>12</sup> See ASEAN Secretariat. 2015. ASEAN 2025: Forging Ahead Together. <https://asean.org/wp-content/uploads/2015/11/67.-December-2015-ASEAN-2025-Forging-Ahead-Together-2nd-Reprint.pdf>.

<sup>13</sup> See ASEAN Secretariat. 2016. Masterplan on ASEAN Connectivity 2025. <https://asean.org/storage/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf>.

Rim Association (IORA), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), BIMP-EAGA,<sup>14</sup> Mekong subregion etc.<sup>15</sup>

Connectivity is an agenda put forward by major regional cooperation schemes other than ASEAN, i.e., ASEAN+3, EAS, US Free and Open Indo-Pacific (FOIP), and China's Belt and Road Initiative (BRI). ASEAN+3 has various connectivity initiatives concerning political-security, economic and socio-cultural cooperation involving ASEAN and Northeast Asian countries. A particular emphasis of ASEAN+3 is on supporting connectivity among ASEAN countries guided by the ASEAN Connectivity 2025 Masterplan.<sup>16</sup> The chairman's statement of the 13th EAS announced in Singapore 2018 identifies eight areas of major cooperation, including supporting ASEAN connectivity initiatives and ASEAN Smart Cities Network.<sup>17</sup> The US strategy for the Indo-Pacific also indicates connectivity as one of the values that the US has been promoting in the region and proposes the connectivity agenda, especially in the area of the digital economy and people-to-people exchanges.<sup>18</sup> The BRI too suggests various connectivity issues – geographical connectivity, connectivity in the areas of infrastructure, telecommunications, energy, people-to-people exchanges and maritime connectivity.<sup>19</sup>

Second, connectivity and multilateralism are mutually fortifying. Connectivity cooperation creates concrete results and benefits for the participating countries. Connectivity in infrastructure not only links regional economies but also provides roads, railways and other types of infrastructure needed for regional developing countries, who would otherwise have difficulties in financing the infrastructure building. Connectivity of telecommunications and value chains and even people-to-

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<sup>14</sup> BIMP-EAGA stands for Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area.

<sup>15</sup> Refer to "ASEAN Outlook on the Indo-Pacific", announced in 2019. [https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific\\_FINAL\\_22062019.pdf](https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf).

<sup>16</sup> Refer to ASEAN Plus Three Cooperation Work Plan 2018-2022. <https://asean.org/wp-content/uploads/2017/08/APT-Corp-WorkPlan-2018-2022-Final.pdf>.

<sup>17</sup> Refer to Chairman's Statement of the 13th East Asia Summit, Singapore, 15 November 2018. The items include 1) Environment and energy, 2) Education, 3) Finance, 4) Global Health issue and pandemic diseases, 5) ASEAN connectivity, 6) Economic cooperation and trade, 7) Food Security and 8) Information and communication technology.

<sup>18</sup> Refer to the US Department of States. 2019. "A Free and Open Indo-Pacific: Advancing a Shared Vision". <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

<sup>19</sup> Refer to Office of the Leading Groups for the Belt and Road Initiative. 2017. *Building the Belt and Road: Concept, Practice and China's Contribution*. Foreign Language Press: Beijing.

people connectivity can be mobilised for individual countries' economic growth and benefits. Individual countries may then have strong incentives to keep participating in multilateral cooperation. This process ingrains the habit of cooperation among regional countries. In this way, multilateral cooperation focusing on connectivity creates momentum for continuing and consolidating multilateralism in the region.

In reverse, multilateralism works for better connectivity. As mentioned above, there are plenty of connectivity initiatives offered by different regional cooperation schemes. A careful coordination of those initiatives is needed. The overlapping and not-so-well-coordinated connectivity initiatives may cause a waste of resources with redundant investments. Competition among different connectivity projects may bring about a race to the bottom in the worst case. If regional countries can put various connectivity initiatives in a basket and sort redundant investments and competitions out, it would enhance the effectiveness of investments for connectivity and save efforts and resources. Multilateral cooperation is the best instrument through which regional countries can coordinate the different connectivity projects. In short, connectivity is a cooperation agenda that brings regional countries into multilateralism and multilateralism is the most effective instrument to pursue connectivity cooperation.

## **REACTIVE REGIONALISMS AND HUMAN SECURITY COOPERATION**

Another way to find a clue on how to re-strengthen regional multilateral cooperation is to look back at the past footprints of multilateral cooperation in the region. Put simply, multilateral cooperation in East Asia has been stimulated by major regional crises or shared threats. This is the typical characteristics of reactive regionalism. ASEAN Regional Forum (ARF) was an ASEAN response to the power vacuum left behind by the end of the Cold War. It was regional countries' collective reaction to the devastating Asian Financial Crisis that propelled ASEAN+3. Most regional multilateral cooperation frameworks are reactions to threats and crises, real or imagined. Thus, ASEAN+3 started to lose momentum when regional countries quickly recovered from the Asian Financial Crisis – the removal of a jointly shared sense of crisis or threat. It can be generalised that shared threat perceptions or a shared sense of crisis propels regional countries to sit together. Countries that do not share a sense of crisis or threats hardly gear up for cooperation.

Any cooperation area with acute challenges is therefore very promising for regional cooperation. If the threat is shared by regional countries, it is easier to reach a consensus to set up cooperative institutions and to sustain the momentum. Some

promising areas of cooperation include cooperation to overcome or to prevent another regional economic crisis. Transnational issues such as transborder crimes, people and drug smuggling, small arms trading, terrorism, natural disasters and so on are in this category too. In contrast, cooperation areas or items where the threat and challenge is shared by only a limited number of countries are less likely to bear fruits in the form of institution building. What is more, if an issue involves both potential victims and the source of threat within a region, then cooperation on this issue hardly ever makes progress. Notable examples include cyber security and maritime security.

At this point in time, the Covid-19 pandemic is sweeping across the whole world, including this region. Starting from China, most regional countries, to varying degrees, are affected. In most regional countries, the number of cases is still increasing and so is the number of deaths. Some countries have performed well in responding to the pandemic and some others have not. Most regional countries' borders are effectively closed and the domestic movement of people is restricted. As a consequence of partial or all-out shutdowns to contain Covid-19, national economies are suffering. Most countries are likely to record negative economic growth and the economic gap domestically and regionally is expected to widen. In the longer term, Covid-19 is likely to change the socio-economic environments in which ordinary people and governments work and interact with each other. Put simply, there is a high chance that the pandemic will have fundamental impacts on every aspect of personal life, the social environment, and the work of nations that we used to take for granted.

**Table 1. Impact of Covid-19 in Selected Regional Economies, as of 13 May 2020.**

	Cases	Death	Cases/mil. Pop.	2019 GDP Growth, %	2020 GDP (est.) Growth, %*
<b>Brunei</b>	141	1	322	3.9	2.0
<b>Cambodia</b>	122	-	7	7.1	2.3
<b>Indonesia</b>	15,438	1,028	56	5.0	2.5
<b>Laos</b>	19	-	3	5.0	3.5
<b>Malaysia</b>	6,779	111	209	4.3	0.5
<b>Myanmar</b>	180	6	3	6.8	4.2
<b>Philippines</b>	11,618	772	106	5.9	2.0
<b>Singapore</b>	25,346	21	4,332	0.7	0.2
<b>Thailand</b>	3,017	56	43	2.4	-4.8
<b>Vietnam</b>	288	-	3	7.0	4.8
<b>China</b>	82,926	4,633	58	6.1	2.3
<b>Hong Kong</b>	1,051	4	140	5.4	2.0
<b>Japan</b>	15,968	657	126	0.5	-1.5
<b>S. Korea</b>	10,962	259	214	2.0	1.3
<b>Taiwan</b>	440	7	18	2.7	1.8
<b>India</b>	74,925	2,436	54	5.0	4.0

Note: \* ADB's Asia Development Outlook is dated April 2020. It means the GDP growth estimation for 2020 was made much earlier and the impacts of Covid-19 might have been underestimated in the forecast. For example, the estimated growth of Republic of Korea is -1.2 according to IMF's forecast in mid-April 2020. Refer to *Yonhap News*. 2020. "S. Korea's economy to shrink 1.2 pct in 2020 due to coronavirus: IMF", *Yonhap News*. 14 April.

Source: Worldometer. [www.worldometers.info/coronavirus](http://www.worldometers.info/coronavirus); ADB. 2020. Asia Development Outlook 2020. [www.adb.org/sites/default/files/publication/575626/ado2020.pdf](http://www.adb.org/sites/default/files/publication/575626/ado2020.pdf).

What is more, there is a growing sense that this kind of pandemics will visit the region periodically again and again or that Covid-19 is expected to recur over the years.<sup>20</sup> In recent decades, this region has been affected by many regional pandem-

<sup>20</sup> United Nations Development Program (UNDP). 2020. "COVID-19 pandemic Humanity needs leadership and solidarity to defeat the coronavirus". <https://www.undp.org/content/undp/en/home/coronavirus.html>; Sharon Begley. 2020. "Three potential futures for Covid-19: recurring small outbreaks, a monster wave, or a persistent crisis" *StatNews*. 1 May; Tom Jefferson and Carl Heneghan. 2020. "Covid 19 – Epidemic Waves", *The Centre for Evidence-Based Medicine*, Oxford University. 30 April.

ics, old and new. Pandemics like SARS (Severe Acute Respiratory Syndrome), Bird Flu (or Avian Flu, H5N1), Swine Flu (H1N1 flu Virus), Zika virus, MERS (Middle East Respiratory Syndrome) and so on left their footprints in the region after the 2000s. They caused a substantial number of casualties and devastating economic impacts. According to statistics from the World Health Organisation (WHO), the numbers of confirmed SARS cases and deaths in 13 regional countries were 8,074 and 773 respectively.<sup>21</sup> A study suggested that the Chinese GDP shrank 3.1% in the second half of 2003, while the economic damages for Hong Kong and Singapore, the two economies most severely hit by SARS along with China, could be US\$3.7 billion and US\$5 billion respectively.<sup>22</sup>

When the human, economic and sociocultural impacts of regional pandemics are massive and the pandemic is likely to recur periodically, it requires a whole-of-the-region approach to tackle the issue. The impacts of regional pandemics are not confined to a single country or to several regional countries. Even if a regional country, fortunately, escapes from the impact, the crisis in neighbouring countries would have implications for the country given the highly inter-connected economic activities and the massive movements of goods and people in the region. It requires the joint effort of regional countries in a multilateral form. So much so that it is the right time for regional countries to seriously consider how to upgrade regional multilateral cooperation on pandemics. This could have spillover effects on multilateral cooperation in other areas.

## CONCLUSION

This paper covers two related issues – reviving regional multilateralism and enhancing connectivity in the region. Despite initial high hopes invested in regional multilateralism, the current status of multilateral cooperation in the region does not meet the early expectations. The crisis-driven regional multilateralism in East Asia is easily forgotten once regional countries overcome the crisis. More importantly, unlike what happened in the European context after the Second World War, major countries or superpowers in the region exploited regional multilateral

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<sup>21</sup> WHO. "Cumulative Number of Reported Probable Cases of SARS". [https://www.who.int/csr/sars/country/2003\\_07\\_11/en/](https://www.who.int/csr/sars/country/2003_07_11/en/). These 13 regional countries include Australia, China (including Hong Kong and Macau), Taiwan, India, Indonesia, Malaysia, Mongolia, New Zealand, The Philippines, Republic of Korea, Singapore, Thailand, and Vietnam.

<sup>22</sup> Kai Ostwald. 2014. "Ebola, SARS, and the Economies of Southeast Asia", ISEAS Perspective. #63.

institutions for their strategic goals – outwitting opponents in regional multilateral institutions – rather than leading the cooperation. In some cases, superpowers neglected regional institutions by proposing their own unilateral regional cooperation architectures. It is in this context that regional small and medium powers emerged as an alternative to push regional multilateral cooperation forward and to sustain the existing regional order.

The potential of the small and medium powers in the region is, nevertheless, neither given nor granted. Those countries have to identify areas of cooperation through which they can effectively push regional multilateral cooperation forward. Two past experiences of East Asian multilateral cooperation provide clues on how to realise this. A cooperation agenda that provides concrete and tangible benefits to participating countries is a good starter, as was the case with the economic cooperation of ASEAN+3, particularly the Chiang Mai Initiative. Building regional connectivity in many different areas such as infrastructure, the digital economy, and people-to-people connection can provide concrete results and benefits through multilateral cooperation and thus ingrain the habit of cooperation needed to institutionalise multilateral cooperation in the region. In addition, a multilateral context is ideal for connectivity cooperation since it saves resources and efforts invested in connectivity projects through careful multilateral coordination.

Finally, multilateral cooperation in East Asia has been reactive. Major multilateral cooperation frameworks were set up to cope with specific region-wide crises or shared threats. Potentially rewarding and politically less-sensitive issues such as non-traditional security or human security issues are ideal items to re-boost regional multilateralism. When a crisis or a threat is widespread in the region without the sources of the problem or common enemies being present in the region, it is easier for regional countries to put their hands together. Currently, the Covid-19 pandemic has placed regional governments, economies, societies and individuals in a severe test. A serious effort to revive and re-strengthen regional multilateral cooperation could start with cooperation to manage regional pandemics that are expected to recur at any time.



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# ***The Subregional Domain***



# Central and Eastern Europe in the Belt and Road Initiative and Other EU-Asia Connectivity Strategies

*Damian Wnukowski*

## INTRODUCTION

The Belt and Road Initiative (BRI) is an economic and developmental project that has become the focal point of Chinese foreign policy. Its aim is to create various kinds of connections, especially infrastructural ones, between Asia, Africa and Europe. Therefore, it is an instrument to create favourable conditions for China's economic growth, to deal with internal challenges, for example, by exporting overproduction, and to strengthen relations with countries engaged in the initiative. Nevertheless, the BRI is also a political project, one of China's tools to enhance its influence in Eurasia and to change the balance of power in the region if it is implemented. Thus, it is a key instrument to fulfil China's vision of the international order, described by Xi Jinping as a "community of common destiny"<sup>1</sup> in which China plays an important role, for example, through the promotion of its socio-economic model of state capitalism (in contrast to liberal democracy and market economy).

The Chinese initiative is mostly connected with physical infrastructure by land and sea routes. In addition, it is a still-evolving idea that also embraces policy coordination, reduction of barriers for trade, financial integration and people-to-people contacts, together forming the so-called "five connectivities". Also, other dimensions, such as digital connections, could be added. Therefore, many projects can be placed under the BRI "umbrella", which makes it flexible and supports its expansion. Nevertheless, this also contributes to the perception of the BRI as a vague idea that can confuse its partners about the initiative's goals.

The BRI is mostly directed towards countries in China's neighbourhood, especially in Southeast, South and Central Asia. In these areas, most of the BRI projects

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<sup>1</sup> J. Mardell, "The 'Community of Common Destiny' in Xi Jinping's New Era", *The Diplomat*, 25 October 2017, <https://thediplomat.com/2017/10/the-community-of-common-destiny-in-xi-jinpings-new-era/>.

are being implemented so as to create favourable economic conditions, mainly for Chinese enterprises, as well as to ensure stability close to China's borders. Nevertheless, Central and Eastern Europe (CEE) is an important region for the creation of land connections within the BRI, mainly rail cargo links between the EU and Asia. Thus, China's interest in the region has increased in recent years, which resulted in the creation of the 16+1 format in 2012<sup>2</sup> (currently 17+1 after Greece joined the grouping in 2019). However, thus far, expectations connected to the BRI in CEE, mainly regarding economic cooperation, have not been fulfilled. Moreover, in recent years, the BRI has raised concerns in the EU as it was perceived as one of the instruments (along with, for example, Chinese investments) designed to shape globalisation,<sup>3</sup> reduce the EU's economic position and undermine the coherence of the Union's policy towards China. Therefore, the EU has also developed its own initiative regarding connectivity between Europe and Asia.<sup>4</sup> Although some synergies between China's and the European Union's strategies can be pointed out, the EU's proposal is perceived mainly as a counterbalance to the BRI. Moreover, CEE has become one of the contested areas in the intensifying rivalry between China and the US. This creates a situation in which it is harder for the CEE countries, such as Poland, to balance relations between the United States and China. It means that stronger ties with the US can be realised only at the cost of easing relations with China.

In this article I analyse the importance of Central and Eastern Europe to the BRI's realisation as well as if and how the initiative affected CEE countries' economic and strategic relations with China. First, I will assess the potential of rail cargo links, the most visible BRI element in CEE. Second, the political framework of cooperation between China and CEE countries, namely the 16+1/17+1 format, will come under scrutiny. Third, infrastructural projects other than those under the BRI will be described, including how they affect projects under the Chinese initiative. Fourth, the US's influence on the cooperation with China will be assessed. Finally, some conclusions will be made regarding, for example, the future of projects within the BRI framework in CEE.

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<sup>2</sup> The 16+1 format was, therefore, initiated before the BRI was officially announced in 2013.

<sup>3</sup> E. D'Ambrogio, "Prospects for EU-Asia connectivity", European Parliamentary Research Service, October 2018, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS\\_BRI\(2018\)628265\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS_BRI(2018)628265_EN.pdf).

<sup>4</sup> "Connecting Europe & Asia: The EU Strategy", European Union External Action Service, 26 September 2019, [https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy_en).

## RAIL CARGO LINKS – A FLAGSHIP INITIATIVE IN THE CEE

Given the land connections within the BRI, currently, the most tangible results are rail cargo routes.<sup>5</sup> CEE is important in this matter because a transport corridor through Kazakhstan, Russia, Belarus and Poland is the fastest and relatively most well-developed route for rail cargo shipments between East Asia and Europe. The geographical location poses a chance for CEE to be a potential beneficiary of BRI development. From the Chinese point of view, the rail cargo connections' goals are to create business opportunities for Chinese companies (not only in manufacturing, but also, for example, in logistics), to export overproduction and to develop the western regions of China, which are far from the ports on the eastern coast of the country.

In mid-2019, there were links between about 60 Chinese and 53 European cities in 16 countries.<sup>6</sup> In 2018, around 6,300 cargo trains operated between China and Europe,<sup>7</sup> most of which passed through the Polish city of Małaszewicze, on the border with Belarus, which is one of the largest dry ports in Europe. However, in 2018 only 3% of the total value of goods (and only 1% of the volume) shipped between China and Europe were transported by rail. In comparison, air freight accounted for 27% by value (2% by volume) and maritime shipping 60% by value (90% by volume).<sup>8</sup> This is because transporting by railway is more expensive than by sea and not as fast as the more expensive air transport. Therefore, particular sectors in which just-in-time deliveries and cost of storage are crucial can benefit from rail cargo. This group includes, for example, electronics, car parts, processed foods and toys. In the case of food, the potential of rail freight is limited due to Russia's embargo imposed on agricultural products from the EU. Therefore, a big chunk of one of the main groups of products that can be shipped from Europe is banned from

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<sup>5</sup> Having said that, it is worthwhile to mention that some connections currently within the BRI were operational before the initiative was announced in Autumn 2013. The company China Railways Express (CRE) began shipping goods by rail from China to Europe in 2011 and a regular rail cargo link between Łódź (Poland) and Chengdu started in May 2013. After the BRI's establishment, these connections gained political support.

<sup>6</sup> "China cuts subsidies on rail freight shipments to Europe", Bank of Finland, BOFIT WEEKLY, 2019/35, [https://www.bofit.fi/en/monitoring/weekly/2019/vw201935\\_5/](https://www.bofit.fi/en/monitoring/weekly/2019/vw201935_5/).

<sup>7</sup> C. Devonshire-Ellis, "Free Trade Zones on China's Belt & Road Initiative: The Eurasian Land Bridge", Silk Road Briefing, 19 September 2019, <https://www.silkroadbriefing.com/news/2019/09/19/key-free-trade-zones-along-chinas-belt-road-initiative-eurasian-land-bridge/>.

<sup>8</sup> "China cuts subsidies on rail freight shipments to Europe", Bank of Finland, BOFIT WEEKLY, 2019/35, [https://www.bofit.fi/en/monitoring/weekly/2019/vw201935\\_5/](https://www.bofit.fi/en/monitoring/weekly/2019/vw201935_5/).

reaching China. Nevertheless, some companies in the CEE active in the logistics and expedition sector can benefit from the BRI expansion as they can service distribution networks in the region. However, a substantial share of benefits in this area belongs to Chinese logistical companies and the biggest companies from Western Europe.

Importantly, rail transport is subsidised by the Chinese central government as well as by provinces and cities which compete to be at the centre of EU-China trade. This policy is also aimed at promoting among the business community the railroad connection in its initial stage of functioning. The scheme of subsidies for rail transport is not transparent and can differ from one train to another. It is estimated that the overall subsidies of provinces are worth around 200-300 million USD a year.<sup>9</sup> Subsidies should be gradually phased out – they reached 50% of transport costs in 2018 and should be reduced to 40% in 2019 and 30% in 2020. Ultimately, subsidies are planned to be abolished by 2022.<sup>10</sup> This will further undermine the competitiveness of rail freight relative to shipping by sea or air.

Despite more transport connections, almost all CEE countries record significant deficits in trade with China. This makes it harder to see the benefits from enhanced connectivity and suggests that the real problems are somewhere else, such as not enough competitive offers by CEE businesses or obstacles in entering the Chinese market. There is also disappointment among some CEE states because there are relatively not as many Chinese investments in the region as the main focus is on Western Europe. Moreover, investments in the CEE mostly take the form of acquisitions and greenfield investments<sup>11</sup> are scarce. The above-mentioned issues are not only economic but also political challenges for the governments of the CEE states as they invested in developing relations with China in recent years.

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<sup>9</sup> J. Jakóbcowski, K. Popławski, M. Kaczmarski, "The Silk Railroad. The EU-China Rail Connections: Background, Actors, Interests", Centre for Eastern Studies, OSW Studies, Number 72, Warsaw, February 2018, [https://www.osw.waw.pl/sites/default/files/studies\\_72\\_silk-railroad\\_net.pdf](https://www.osw.waw.pl/sites/default/files/studies_72_silk-railroad_net.pdf).

<sup>10</sup> "China cuts subsidies on rail freight shipments to Europe", Bank of Finland, BOFIT WEEKLY, 2019/35, [https://www.bofit.fi/en/monitoring/weekly/2019/vw201935\\_5/](https://www.bofit.fi/en/monitoring/weekly/2019/vw201935_5/).

<sup>11</sup> Greenfield Investments are a type of foreign direct investment in which a parent company creates a subsidiary in a different country, building its operations from the ground up. It can include production facilities, distribution hubs, offices, etc. See: J. Chen, "Green-Field Investment", Investopedia, 2 September 2019, <https://www.investopedia.com/terms/g/greenfield.asp>.

## **16+1/17+1 – CHINA'S MAIN COOPERATION FRAMEWORK IN THE CEE**

The 16+1 format (currently 17+1) was inaugurated in 2012 during then-Prime Minister Wen Jiabao's visit to Warsaw, Poland. Its aim is to enhance cooperation between 17 CEE states and China. It is also a tool to promote the BRI. At the summit with the CEE countries' leaders in Suzhou in November 2015, President Xi Jinping announced that the 16+1 concept would be integrated with the BRI. As of now, most of its members have signed a memorandum of understanding on BRI implementation.

However, obstacles have emerged that hamper effective cooperation within the group. The most crucial one is that twelve of the countries are EU members and five are not. This makes it more difficult to coordinate activities. For example, the Belgrade-Budapest rail line, which is supposed to be the biggest China-financed project in the region within the BRI, is delayed due to the European Commission's objections regarding a tender procedure concerning Hungary's part of the investment. The differences between the 17+1 members are visible in the structure of the Chinese investments. Balkan non-EU states are in the limelight. It concerns such initiatives as building a power plant in Serbia or a highway in Montenegro. In the EU members, one of the biggest investors has been the China Ocean Shipping Company Limited (COSCO), which took over the port in Piraeus, Greece in 2016. An important step in China's activity in the EU market is the winning of the tender to build the Peljesac Bridge in Croatia by a Chinese entity. It is worth noting because financing of the project comes from EU funds. That shows an improvement in Chinese companies' preparation and the growing competition for European companies involved in public procurements. Nevertheless, the above-mentioned investments were discussed on a bilateral basis rather than in the framework of the 17+1. Therefore, the 17+1 is more a platform for enhancing bilateral relations between CEE states and China rather than an intra-regional coordinating body of BRI implementation. What is more, among the 17+1 members, perceptions of the BRI and China's policy are diversified. Hungary, Croatia and Greece support stronger relations, while Poland and the Baltic states are more cautious because of the possibility of China using its



economic clout and the BRI as a political tool.<sup>12</sup> In the near future, some countries' (such as Poland's) disappointment regarding the 17+1 as well as China's willingness to attract the EU to its side in its rivalry with the US will keep collaboration within this format at a low profile.<sup>13</sup>

## CEE AMONG DIFFERENT CONNECTIVITY STRATEGIES

Central and Eastern European states are open to initiatives aimed at developing infrastructure between Europe and Asia. Potentially, they can reap the benefits of enhanced opportunities for transport of goods and provision of services (mainly in transport and logistics) and streamlining of the flow of people and information. Although the BRI gained much attention in recent years, there are also other concepts regarding Europe-Asia connectivity.

The EU's Strategy on Connecting Europe and Asia,<sup>14</sup> adopted in 2018, should be perceived as a response and a counterbalance to the BRI. The aim is to keep its influence on the direction of the development of physical infrastructure, for example, transport and energy, as well as other types of connections (for example, digital) between Europe and Asia. It can also enable the promotion of the EU's norms regarding infrastructural projects vis-à-vis the BRI, which is accused, for example, of a lack of transparency and of not fulfilling international standards regarding labour rights, environmental protection or project financing. The EU also uses other instruments to foster connectivity development, such as the Investment Facility for Central Asia, the Asian Investment Facility and the European Fund for Sustainable Development.

The EU's strategy and openness towards combining its projects, for example, the extension of Trans-European Transport Networks (TEN-T), with investments initiated within the BRI creates an opportunity for collaboration. It can embrace

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<sup>12</sup> As is visible in the case of forging the EU's stance on the South China Sea or treating human rights activists in China. See: A. Denková, E. Zgut, K. Zbytniewska, L. Hendrych, M. Koreň, "The Belt and Road Initiative: Visegrad Four's Chinese dilemma", Euractive, 22 March 2018, <https://www.euractiv.com/section/eu-china/news/the-belt-and-road-initiative-visegrad-fours-chinese-dilemma/>.

<sup>13</sup> J. Szczudlik, "Prospects for CEE-China Relations after the Sofia Summit", PISM Bulletin, Nr 91 (1664), 13 July 2018, [https://www.pism.pl/publications/Prospects\\_for\\_CEEChina\\_Relations\\_after\\_the\\_Sofia\\_Summit\\_](https://www.pism.pl/publications/Prospects_for_CEEChina_Relations_after_the_Sofia_Summit_).

<sup>14</sup> "Connecting Europe & Asia: The EU Strategy", European Union External Action Service, 26 September 2019, [https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy_en).

cooperation with the Eastern Partnership countries, Central Asia or the Balkans. It can ensure better utilisation of the potential of both initiatives and increase the efficiency of projects, among others, in terms of planning and spending of financial resources. Both initiatives can be complementary and create value added for hosting countries as well as for the business communities from the EU and China by streamlining transportation of goods between East and West. The EU's engagement can also support regional integration and provide an alternative to developing countries in Eurasia to China's or Russia's financing. To achieve these goals, platforms of cooperation should be established or invigorated, such as the EU-China Connectivity Platform, where projects in the interest of both sides, including in Central and Eastern Europe, can be discussed. For example, in April 2019, the EU and China decided to work within the Connectivity Platform on sustainable rail-based corridors,<sup>15</sup> which is important for the CEE.

The European Union's strategy has recently gained support from an important external actor, namely, Japan. In 2015, Japan coined the "Partnership for Quality Infrastructure" initiative, which foresees investments of around 110 billion USD in projects in Asia. This was followed by another connectivity strategy, the "Free and Open Indo-Pacific", which aims to create links inside Asia and with Africa. At the end of September 2019, the EU and Japan established a partnership on connectivity "based on sustainability as a shared value, quality infrastructure and their belief in the benefits of a level playing field".<sup>16</sup> Their aim is to cooperate on connectivity projects in various parts of the world, including, among others, the Balkans and Eastern Europe. Japan, as an important investor in CEE, a country with a significant record on infrastructural and development projects, and with large financial assets, can be perceived as a valuable partner for the EU. What makes cooperation between the two parties easier is that Japan shares with the EU a vision of rules and standards that should apply to infrastructural projects, including, for example, transparency, sustainability (in various aspects) and inclusiveness.

More financing sources for infrastructural projects on the table provide room for manoeuvre for CEE and the EU's neighbouring countries. They can make use of

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<sup>15</sup> M. Sefcovic, "Connecting Europe and Asia: seeking synergies with China's Belt and Road", Beijing, 25 April 2019, [https://eeas.europa.eu/delegations/china/61412/connecting-europe-and-asia-seeking-synergies-china%E2%80%99s-belt-and-road\\_en](https://eeas.europa.eu/delegations/china/61412/connecting-europe-and-asia-seeking-synergies-china%E2%80%99s-belt-and-road_en).

<sup>16</sup> "The Partnership on Sustainable Connectivity and Quality Infrastructure between the European Union and Japan", European External Action Service, Brussels, 27 September 2019, [https://eeas.europa.eu/headquarters/headquarters-homepage/68018/partnership-sustainable-connectivity-and-quality-infrastructure-between-european-union-and\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/68018/partnership-sustainable-connectivity-and-quality-infrastructure-between-european-union-and_en).

different connectivity strategies put in place to receive more favourable conditions for the projects. Different connectivity strategies in Eurasia, if managed effectively and with mutual understanding, can be a tool for enhancing a rules-based multi-lateral order. The threat, however, connected with multiple connectivity strategies and manifold projects in their frameworks is a lack of cohesion between them, which can cause a waste of funds and create infrastructural gaps. To a large extent it is a matter of consultation and forging of common rules to enhance connectivity. Without that, concurrently, rivalry in Eurasia and tensions between major players, especially the EU, China, Russia and the US, can intensify. It would mean that countries in the BRI will have to make a choice of either leaning towards one of those powers or balancing relations between them, which could make them an area of competition.

There are several factors determining engagement in projects under different connectivity initiatives. One of them is financing. When it comes to the EU member states, conditions offered, for example, by China, can be not as beneficial as EU structural funds or loans from the European Investment Bank. In that case, the CEE states that are not EU members, such as the Balkans, can be more prone to getting funds from outside partners, including China. The other issue is the cohesion of the potential BRI projects with the development strategies of the countries in the CEE. This concerns, for example, roads, railways or the energy sector. Connectivity strategies should also be in line with intra-regional initiatives, such as Via Carpatia, which aims to create transport links in countries between the Baltic states and the Balkans. There are also political challenges for some CEE countries to tap the potential of rail connections. This concerns relations between Ukraine and Russia that negatively affects transportation of goods through Ukraine. It hits other countries, especially Slovakia, which is unable to operate cargo links on its eastern border.<sup>17</sup>

## THE US FACTOR

When it comes to connectivity in the CEE, the United States' activity is also visible in recent years. After the Cold War, especially due to the expansion of NATO and the EU to the east, US influence in CEE has increased. The United States has been a counterbalance to Russia, which has been a contestor of the regional order (as, for

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<sup>17</sup> "No Belt No Road – Slovakia on the margins of China's BRI initiative", Central European Institute of Asian Studies, CEIAS Insights, 3 April 2019, <https://ceias.eu/no-belt-no-road-slovakia-on-the-margins-of-chinas-bri-initiative/>.

example, Russia's illegal annexation of Crimea in 2014 and its military involvement in conflict in Donbas have shown). However, because of BRI development as well as growing investment and trade activities, China has emerged as another significant actor in the region, which has thus attracted the attention of the US. Therefore, CEE has become one of the areas of the US-China competition.

The US tries to diminish China's influence in the region by, for example, cooperation with CEE countries in the security area, such as deployment of American troops on the eastern flank of NATO. It is directed towards Russia but also gives the US leverage in relations with their partners in the region. Moreover, the US administration supports the enhancement of connectivity links in Central and Eastern Europe with the involvement of American businesses. In that regard, the United States supports the Three Seas Initiative (TSI), as shown by the presence of President Donald Trump at the initiative's summit in Warsaw in 2017. The TSI focuses on infrastructural projects in CEE, such as transport, digital technologies and energy. The US can play an important part in this area, for example, as a provider of liquefied natural gas (LNG) to LNG terminals in the region. The US tries also to shape digital connectivity in Europe, for example, by exerting pressure on the CEE states to exclude Huawei from creating 5G networks in the region. Given the close links of the CEE states with the US and the latter's intensifying rivalry with China, some China-supported projects in the region, among others in the connectivity area, can be undermined or their scope can be limited.

## CONCLUSIONS

The BRI has not significantly changed CEE states' economic and strategic relations with China. Nevertheless, some countries in the region, such as Hungary or Serbia, put emphasis on developing political and economic relations with China, counting on increased market access and investments. As enhanced connectivity between Asia and Europe is needed, it is only one of the crucial factors that affect CEE-China relations. There are more structural factors that matter, such as easing barriers on the Chinese market for companies from the CEE states, engagement in global value chains or preparing an attractive business offer for Chinese consumers.

China's economic situation is crucial for BRI development. If it deteriorates, more attention will be paid to internal issues, which will entail less financial assets to support BRI projects. In the longer run, subsidies for railway connections between China and Europe are unsustainable. Phasing them out can cause uncertainty for investors and a consolidation of railway connections – only the most efficient will prevail. The efficiency of the BRI rail cargo links will also depend on

the enhancement of infrastructure capacities and border crossings. As CEE is embedded in the EU and linked to the US in the security area through NATO, a shift of the region towards China is improbable. However, there can be exceptions, for example, acceptance of some Chinese investment in sensitive areas (for example, telecommunication and energy) that can undermine the common EU stance on China. However, such mechanisms as investment screening<sup>18</sup> at the EU level can be used to prevent that.

The EU is willing to cooperate with China within the BRI on connectivity projects that would be beneficial, for example, for CEE countries and countries in the EU's neighbourhood. However, the modest results of the EU-China Connectivity Platform and the fact that some EU states have doubts about the BRI because of, for example, insufficient environmental and social standards, show that exchanges of information, sustainable and transparent projects as well as political will are crucial in bilateral cooperation on infrastructure. Respecting international standards by China, for example, on debt or transparency, can take place to some extent as China seeks to build a positive image of the BRI in the global arena (so-called "BRI 2.0", which should be more sustainable and environmentally friendly) and try to mitigate the perception of the threat posed by its expansion.

Amid rising tensions between the US and China and given the focus on relations with the US in many CEE countries (such as Poland), mainly because of security reasons and Russia being a potential threat, their relations with China could erode. Even after a possible change of the US administration in 2020, the US-China rivalry will prevail as it is of a structural nature. That will create divisions within the region as, for example, Hungary, less interested in US support, can continue its policy of being closer to Beijing. Moreover, an important factor for some of the CEE states is also the matter of close ties and cooperation between China and Russia, which can strengthen the latter.

Given the asymmetry of power and thus lack of partnership relations between China and CEE states, the latter should create their policy towards China mainly through the EU as it has more leverage than any single state or even a group of countries (17+1, Visegrad Group). Supporting the coherent and strong voice of the EU can also to some extent be an answer to challenges posed by the US-China rivalry, for example, in trade or the technology area.

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<sup>18</sup> J. Szczudlik, D. Wnukowski, "Investment Screening Reforms in the U.S. and EU: A Response to Chinese Activity", PISM Bulletin, (1749)/2019, 2 January 2019, [https://www.pism.pl/publications/Investment\\_Screening\\_Reforms\\_in\\_the\\_U\\_S\\_and\\_EU\\_A\\_Response\\_to\\_Chinese\\_Activity](https://www.pism.pl/publications/Investment_Screening_Reforms_in_the_U_S_and_EU_A_Response_to_Chinese_Activity).

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# Regional Geopolitics and the Role of BIMSTEC

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## INTRODUCTION

Institutions have emerged in the history of human civilisation to bridge gaps existing in socio-political-economic milieus. They are organic responses to meet collective needs that cannot be fulfilled either by individuals or existing institutions. The emergence of institutions can be traced back to two broad drivers, namely, tapping untapped opportunities, and combating potential threats. Seen in this light, all regional political or economic organisations are generally born out of challenges or opportunities posed by economic, security, or socio-cultural-historical factors that emerge in multiple dimensions of human endeavours. BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) – originally, the BIST-EC<sup>1</sup> – is no exception. The force working behind it is primarily economic and also socio-political in nature: to enhance economic growth and empower social development among the member countries “constituting a contiguous regional unity.”<sup>2</sup> In its attempt to leverage the strengths of individual nations, and the geographic advantages and resources of the member countries, the strength of the coalition was apparently drawn from the mantra of realising connectivity for broader regional development. The grouping came into being in 1997 through the Bangkok Declaration and initially comprised of Bangladesh, India, Sri Lanka and Thailand. Membership subsequently expanded to include Myanmar, Nepal and Bhutan by 2004.

BIMSTEC identifies fourteen sectors of cooperation among member countries, with each sector being spearheaded by any one of the members. These sectors

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<sup>1</sup> BIST-EC or Bangladesh, India, Sri Lanka and Thailand Economic Cooperation.

<sup>2</sup> About BIMSTEC, [https://bimstec.org/?page\\_id=189](https://bimstec.org/?page_id=189).



range from trade and investment, transport, and technology to poverty alleviation and climate change; among others. Of these, India is the lead country in four sectors: Transport and Communication, Environment and Disaster Management, Counter-Terrorism and Transnational Crime, and Tourism. There are also two centres – BIMSTEC Energy Centre (BEC), agreed to in 2006, and BIMSTEC Centre on Weather and Climate, established in 2014. The grouping comprises about 22% of the world's population, with a combined GDP of 2.7 trillion.<sup>3</sup>

This article examines the renewed interest in the BIMSTEC as an inter-regional organisation in the context of the immediate driving forces of such an interest, and in the broader context of the complexities of South and Southeast Asian borderlands. In doing so, the potential opportunities and attendant challenges that confront the organisation are also assessed. With the Indo-Pacific having become a theatre of great-power engagement in recent years, the relevance of regional organisations such as the BIMSTEC are the subjects of much deliberation as either prospective allies or key players in the advancement and protection of regional interests.

## REGIONAL GEOPOLITICS AND THE COMPLEXITIES OF BORDERLANDS

Despite the promise that accompanied BIMSTEC's arrival, initial progress was hardly tangible. There can be many arguments for this, such as the fact that member countries like India and Thailand have perhaps been engaged more with domestic political and economic developments or the fact that there has been an absence of any imminent threat, whether it be a security risk or serious economic vulnerability, which would have been able to spur deeper and more tangible engagements. There is arguably a shift in this particular aspect as countries in the South and Southeast Asian region become increasingly apprehensive regarding the ambitions and the intent of a resurgent China, which has recently been the prime "mover and shaker" of the regional geopolitics of South and Southeast Asia.

The expansive road and maritime connectivity projects – comprising the Belt and Road Initiative (BRI) – proposed by China have resulted in both compliance as well as contention. Through the *Silk Road Economic Belt*, linking China to Central and South Asia and onward to Europe, and the *New Maritime Silk Road*, linking China to the nations of Southeast Asia, the Gulf Countries, North Africa, and on to Europe,

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<sup>3</sup> Ibid.

China has proposed six economic corridors delineating their BRI designs. Many developing and underdeveloped economies like Nepal and Pakistan in South Asia have viewed this as a major opportunity for developing infrastructure, with major capital investment thereby paving the path for economic growth. However, the rise of China and its increasing presence in and across not only the Indian Ocean region but also the Eurasian landmass have resulted in an almost persistent state of tension in the immediate region as well as outside of it. Interestingly, except for India and Bhutan, all other member countries of BIMSTEC are signatories to the BRI. In the BIMSTEC region, China's footprint is most pronounced in Nepal, Myanmar and, to an extent, Bangladesh.

While it is unlikely that participation in the BRI would create any immediate strain within BIMSTEC, the question rather is whether any actions on the part of China may have a spillover effect on the functioning of BIMSTEC. These shifts in geopolitical dynamics have occasioned a mixed and as yet undefined response from countries in the region. Consequently, states have begun to seek out institutional frameworks that may assist in the mitigation of these concerns and to identify ways of coming together through larger geopolitical imaginations such as the Indo-Pacific.

Beijing is involved in infrastructure development in much of the area, with significant levels of financial assistance. In this respect, the role of BIMSTEC assumes significance for countries of the South Asian region such as Sri Lanka who have been caught in the so-called "debt trap" set by China. On its part, Beijing would not desire the strengthening of regional apparatuses as it seeks to advance its influence on many of the smaller states in this region. A reduction in or diversification of the dependency of these countries on China would not be a welcome development for Beijing. It is also in this context that the importance of India is increasingly being acknowledged and indeed New Delhi has begun to devote diplomatic energies to the organisation. The aims of BIMSTEC are complementary to India's "neighbourhood first" and Act East policies.

Borderlands serve as points for commercial and cultural exchanges. South Asia comprises perhaps the most unique nature of borderlands in that it is a region of contrasts marked on the one hand by cultural and socials connect and on the other political disconnects.<sup>4</sup> While delineating territorial sovereignty, borders construct scope for interactions, which if fostered and reinforced would pave the

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<sup>4</sup> Dhananjay Tripathi and Sanjay Chaturvedi, "South Asia: Boundaries, Borders and Beyond", *Journal of Borderlands Studies*, Taylor and Francis 2020, 35:2, 173-181.

way for strengthened bilateral and multilateral ties. In this context it is imperative that border areas or borderlands be suitably developed and the local population be encouraged to participate as stakeholders in cross-border economic exchanges. The creation of local stake is vital as it generates employment for sections of the populace and creates involvement of people, who in many cases have remained on the threshold of economic betterment. As borders form the fundamental routes for overland connectivity, it is imperative that security guarantees and development remain concurrent. With the recent emphasis on connectivity and related infrastructure, BIMSTEC can play the role of a facilitator and, as required, that of a regulator in the process of the development of the borderlands.

The other critical factor leading to a renewed interest in BIMSTEC over the last five years from within the member nations as well as from the outside, from a geostrategic perspective, is the failure of South Asian Association for Regional Cooperation (SAARC). Given the India-Pakistan tension and limited scope for cooperation beyond the achievement of some cultural and educational exchanges and institutional developments (e.g., creation of the South Asian University in Delhi), there hardly remains any further opportunity for the Association to achieve its avowed goals. India's "Act East" vision seems to be a response aimed at looking at an alternate institution that can help foster all those goals that have fallen flat under SAARC. BIMSTEC seems to be a ready answer to that concern.

At the same time, despite the existence of potentially unifying factors such as shared historical, ethnic, linguistic and religious ties, South Asia is one of the world's least integrated regions. Indeed, for South Asia, the shared history has in fact turned into a double-edged sword which is intermittently employed for myopic geopolitical motives. For instance, the heavy historical baggage that burdens bilateral relations between India and Pakistan has been an unnecessary weight on SAARC, which has all but become outmoded as a result. BIMSTEC is, however, not fraught with similar concerns and should be able to leverage cultural links to strengthen the organisation.

## **LEVERAGING THE POSITIVES AND MITIGATING THE CHALLENGES**

There are certain positive aspects of BIMSTEC which should be leveraged upon as we move forward. First, shared regional concerns relating to socio-economic development are primary driving factors that bind the organisation as opposed to the geopolitical drivers overshadowing it. As identified by the sectors of cooperation, the goals of BIMSTEC as an organisation revolve essentially around issues that are

of common interest to all member countries and therefore hold the potential to be of advantage to all of them. Second, it comprises two large economies of the region (India and Thailand) and there is therefore a sense of balance as opposed to any concerns regarding domination, which would have been the case had there been only one dominant economic power. Both these countries are viewed favourably by others within the grouping.

Third, as a bridge between South and Southeast Asia, the organisation holds the prospect of harnessing the strengths of both sub-regions. Indeed, in recent years there have also been discussions regarding a probable BIMSTEC+, which would comprise the membership of other countries in Southeast and East Asia as well. Conversely, BIMSTEC can also be a vital framework for institutional partnership with ASEAN. Fourth, BIMSTEC also lends itself well to the concept of the “Indo-Pacific”, which is steadily gaining currency among the littoral countries of the Indian Ocean and Southern Pacific region as well as external powers such as the US. In this respect also, formalisation of links between BIMSTEC and ASEAN would pave the way for effective and deeper collaboration. By bridging South and Southeast Asia, BIMSTEC stands to underwrite regional dynamics of the larger Indo-Pacific region that seek to offset Beijing’s mounting assertiveness. Better infrastructure connectivity, deeper maritime linkages and enhanced trade would significantly complement the potential of the Indo-Pacific.<sup>5</sup>

The journey for BIMSTEC, should it prepare for a more substantive and tangible role, will not, however, be smooth. The grouping faces a host of challenges<sup>6</sup> that require the attention of member countries. First, the organisation is in need of internal structural reforms, including the streamlining of administrative and financial matters that would contribute to enhancing its functioning. This in turn would lend much-needed visibility to BIMSTEC, a grouping which often recedes from public and diplomatic memory. Second, the BIMSTEC region is one of the least connected in the world and many planned infrastructure projects have over the years remained confined to paper. If the South and Southeast Asian region is to realise its potential as an inter-dependent whole leveraging on individual strengths then there is an urgent requirement for the up-gradation of both physical as well

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<sup>5</sup> Prabir De, “Navigating the Indo-Pacific Cooperation”, *The Economic Times*, 11 March 2019, <https://economictimes.indiatimes.com/blogs/et-commentary/navigating-the-indo-pacific-cooperation/>.

<sup>6</sup> Pratinashree Basu and Nilanjan Ghosh, “Breathing New Life into BIMSTEC: Challenges and Imperatives”, *ORF Occasional Paper No. 243*, April 2020, <https://www.orfonline.org/research/breathing-new-life-into-bimstec-challenges-and-imperatives-65229/>.

as communication linkages. Third, there exist significant asymmetries in terms of socio-economic indicators among member countries. Some of these ensue from the region's history while others can be attributed to causes like recurrent political instability. These asymmetries should be factored in by the organisation in the formulation and implementation of its policies and approaches.

## RENEWED PROMINENCE

While remaining largely dormant for much of its two-decade existence, there has been an uptick in the activities and engagements of the grouping since the middle of 2018. At the fourth BIMSTEC Summit at Kathmandu, Nepal in August 2018, a Memorandum of Understanding on the establishment of a BIMSTEC Grid Interconnection<sup>7</sup> for facilitating energy cooperation among member states was signed. The Summit was followed shortly after by the first-ever military exercise, MILEX-2018,<sup>8</sup> held in India, with the militaries of all member countries – except Nepal – participating and exchanging best practices on counter-terrorism. Soon after, at a meeting in Thailand, members discussed the adoption of a BIMSTEC Master Plan on Transport Connectivity<sup>9</sup> to augment trade and people-to-people contact in the region and also called for the finalisation of the Free Trade Area (FTA) negotiations at the earliest.

Discussions on a BIMSTEC FTA have been in the works since 2004<sup>10</sup> and covered the following areas: (i) tariff concessions on trade in goods; (ii) customs cooperation; (iii) trade in services; (iv) investment cooperation; and (v) dispute settlement; with four draft agreements on: trade in goods; rules of origin; dispute settlement; and customs. Intra-region trade is low primarily because of the low purchasing power among member countries, limited production capacities, dominance of tradable

<sup>7</sup> "4th BIMSTEC Summit concludes", *The Economic Times*, 31 August 2018, <https://economictimes.indiatimes.com/news/politics-and-nation/4th-bimstec-summit-concludes/articleshow/65621998.cms>.

<sup>8</sup> "First ever BIMSTEC military exercise begins near Pune", *The Economic Times*, 10 September 2018, <https://economictimes.indiatimes.com/news/defence/first-ever-bimstec-military-exercise-begins-near-pune/articleshow/65757101.cms>.

<sup>9</sup> Elizabeth Roche, "BIMSTEC for better transport connectivity to boost trade", *Livemint*, 31 August 2018, <https://www.livemint.com/Politics/gZhu3BfZqJt3FC9HX7RT3H/BIMSTEC-calls-for-early-adoption-of-regional-transport-plan.html>.

<sup>10</sup> Jayshree Sengupta, "BIMSTEC-FTA: A new hope for enhanced regional trade", *ORF Issue Brief no. 198*, 19 September 2017, [https://www.orfonline.org/wp-content/uploads/2017/09/ORF\\_IssueBrief\\_198\\_BIMSTEC-FTA.pdf](https://www.orfonline.org/wp-content/uploads/2017/09/ORF_IssueBrief_198_BIMSTEC-FTA.pdf).

items which are of low-technology, trade being restricted to a few product categories only and the sizeable amount of informal trade which does not get reflected in trade statistics.<sup>11</sup> While it is believed that the FTA will result in mixed results with disproportionate benefits for member countries, it is expected to create jobs for unskilled labour and help alleviate poverty in the region.<sup>12</sup>

Figure 1 shows the intra-regional trade intensity index within BIMSTEC. The trade intensity index is the ratio of trade share of a country/region to the share of world trade with a partner; an index of more than one indicates that trade flow between countries/regions is larger than expected given their importance in world trade. Figure 2 shows the trade share of the regional bloc with the world. The numbers indicate that intra-regional trade is higher within the bloc than its global trade share. And commercial exchanges among the other member countries are higher than in the case of India and Thailand. This is because both New Delhi and Bangkok are more exposed to global trade than the other members. The higher degree of intra-regional trade is promising and should be cultivated further. The establishment of multi-modal connectivity combining sea, riverine, road and rail links is imperative, together with streamlining of customs procedures, conformity on quality control and digitisation of operations.

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<sup>11</sup> Janaka Wijayasiri, "Challenges to a BIMSTEC FTA-A Sri Lankan Perspective", in *BIMSTEC: The Road Ahead*, Research and Information System for Developing Countries, 2016, <http://www.ris.org.in/sites/default/files/BIMSTEC%20Report%20%283%29.pdf>.

<sup>12</sup> Same as note 7.

**Figure 1. Trade intensity index of member countries within the regional bloc.**

Year	Bangladesh	Bhutan	India	Myanmar	Nepal	Sri Lanka	Thailand
2004	4.97	35.68	1.67	15.32	26.50	6.70	1.07
2005	4.58	34.78	1.45	16.18	26.08	7.40	1.08
2006	3.96	30.02	1.30	17.40	25.34	6.99	1.12
2007	4.11	30.32	1.25	14.74	24.24	7.43	1.12
2008	4.13	29.60	1.00	14.47	21.63	5.98	1.11
2009	3.38	28.49	0.93	14.09	19.60	4.83	1.17
2010	3.41	23.99	0.89	11.87	19.44	5.05	1.01
2011	3.28	22.00	0.87	9.05	18.68	5.52	1.04
2012	3.01	23.80	0.88	10.03	18.47	4.95	0.98
2013	2.95	24.77	0.96	8.06	18.25	4.11	1.05
2014	3.00	25.04	1.11	6.83	18.40	4.86	1.12
2015	2.74	24.30	1.16	6.35	16.98	6.16	1.12
2016	2.74	25.56	1.20	6.35	18.18	4.77	1.06
2017	3.05	24.18	1.11	5.32	17.32	4.96	1.10

Source: Economic Research and Regional Cooperation Department (ERCD), Asian Development Bank.

**Figure 2. Trade share of BIMSTEC with the world.**

BIMSTEC trade share with world	
Year	Trade share
2004	4.91
2005	4.77
2006	4.74
2007	4.89
2008	4.66
2009	4.82
2010	4.74
2011	4.74
2012	4.78
2013	4.98
2014	5.56
2015	5.89
2016	6.00
2017	6.00

Source: Economic Research and Regional Cooperation Department (ERCD), Asian Development Bank.

Simultaneously, it must also be noted that FTAs may not always be beneficial in an all-inclusive sense. For instance, in the period 2000-2010, India signed a number of FTAs, following which the country's trade deficit increased further with the FTA partners, with an increase in the demand for imported commodities and a concurrent decline in tariff and non-tariff barriers.<sup>13</sup> Nevertheless, regional trade agreements facilitate the integration of Micro, Small and Medium Enterprises (MSMEs) with regional value-add supply chains together with wider choices for consumers.<sup>14</sup>

While the FTA may initially increase trade deficits and have a twofold impact – widening choices for consumers and resultant inefficiency loss – eventually, it is expected that there would be a levelling of capacities which would boost output and enhance quality. As such, there is a generic feeling that there may not be much for India to gain from a BIMSTEC FTA, as India is already a major player in the trade domain in the region. The response from India therefore has been a bit lukewarm and slow, though not deterring. This is because from the figures presented above as well as those reported in some other estimates in the media, there remains enough numerical evidence to state that implementation of the FTA can increase intra-regional trade substantially.<sup>15</sup>

Several infrastructure connectivity projects span the region, with each connecting countries to different lengths. While many of these projects still await completion despite implementation work being in progress for years, the renewed stress on the need for improved road, rail, and waterway connectivity is likely to provide the necessary impetus for finishing them. Undeniably, physical connectivity acts as the fulcrum for economic connectivity linking production and distribution networks; energy connectivity; digital connectivity and people-to-people connectivity.<sup>16</sup> The region is plagued by poor road and rail links, inadequate last-mile connectivity and inconvenient customs and standardisation procedures, all which

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<sup>13</sup> Nilanjan Ghosh, "Regional Comprehensive Economic Partnership: Issues and Concerns for India, (forthcoming), Mimeo, 2020.

<sup>14</sup> Ibid.

<sup>15</sup> "Implementation of Free Trade Agreement can help grow intra-BIMSTEC trade: Official", *The Economic Times*, 24 September 2018, <https://economictimes.indiatimes.com/news/economy/foreign-trade/implementation-of-free-trade-agreement-can-help-grow-intra-bimstec-trade-official/articleshow/65932903.cms?from=mdr>.

<sup>16</sup> K. Yhome, "BIMSTEC: Rediscovering old routes to connectivity", *ORF Issue Brief no. 213*, 4 December 2017, <https://www.orfonline.org/research/bimstec-rediscovering-old-routes-connectivity/>.



have been debilitating with regard to developing seamless and efficient networks of connectivity. Consequently, BIMSTEC has focused on drawing advantages from existing and planned connectivity projects as well as proposing others, such as the BIMSTEC Motor Vehicle Agreement that is part of its Transport Infrastructure and Logistics Study (BTILS).<sup>17</sup> The BTILS Action Plan (2014-2020) identifies and underscores changes in approach which are required to better cope with the changing regional environment and the strategies required to reform the institutional structure of the organisation so as to strengthen its role.<sup>18</sup>

The emphasis and importance accorded in the 4th Summit to these four inter-related areas – connectivity, energy, trade and security cooperation – is indicative of the shared interests among member countries. These interest areas also reflect the general drivers of international politics over the last few years. There has been an upsurge in conversations and policy positions regarding the need to boost connectivity for the enhancement of commercial as well as people-to-people exchanges. Reductions in the costs of transport and logistics, enhancement of multimodal connectivity, and improved implementation strategies are the need of the hour for boosting regional cohesion in terms of connectivity and trade among countries in the BIMSTEC region. Additionally, as most members of the institution have limited resources, it would be imperative to ascertain the broadening of means for better equipping the organisation. Strengthening the institutional capacities of BIMSTEC with required reforms and restructuring along with enhancing its funding would inject much-needed vigour that would become necessary going forward.

Effective cooperation among BIMSTEC members in the borderlands would be able to boost cross-border economic exchanges while enabling it to become better prepared to monitor and regulate illegal activities. This would also elevate the border towns into thriving centres of cross-border trade and socio-cultural contact from being merely points of transit with no real engagement in the development process.

There is a convergence of interests and aspirations as far as all member countries of the organisation are concerned. Realisation of these interests and aspirations – for India, greater linkages with Southeast Asia and a reinvigoration of its northeastern states; for Bangladesh, a multilateral framework of engagement with both South and Southeast Asia; for Sri Lanka, enhancing its maritime logistics

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<sup>17</sup> "Updating and Enhancement of the BIMSTEC Transport Infrastructure and Logistics Study", Asian Development Bank, July 2018.

<sup>18</sup> Ibid.

capabilities; for Nepal and Bhutan, offsetting their landlocked positions by establishing dynamic commercial and political connections; for Myanmar and Thailand, accessing the consumer market offered by India<sup>19</sup> – requires concerted and sustained efforts together with political will.

## **CONCLUDING REMARKS: OPPORTUNITIES IN A POST-COVID-19 WORLD**

From an Indian perspective, BIMSTEC seems to be an extremely potent institution to nurture, especially after its temporary exit from the Regional Comprehensive Economic Partnership (RCEP). Being a large force here, India can realise an effective and fair bargain in the course of formalising an FTA with respect to services trade, where its comparative advantage lies. At the same time, the biggest threat for India, as far as RCEP was concerned, was the presence of China, with whom India's trade deficit has been burgeoning! Though India has a trade deficit with Thailand, the geoeconomic threat from Thailand in terms of market capture is not as all-encompassing as that of China (especially with its BRI designs).

The role of China can be perceived of as an external force that has in part contributed to the vigour that the BIMSTEC region has witnessed in recent years. However, this is symptomatic of “reactive regionalism”<sup>20</sup> as opposed to “proactive regionalism”, which is spurred by joint endeavours and pooling of strengths. If BIMSTEC is to achieve success in its functioning then it must move beyond reactive regionalism and instead establish modes of cooperation that are not driven by threat perceptions from China.

On the other hand, the Covid-19 pandemic is slated to bring about changes in the global economic order that one has hardly dreamt of. Given the levels of suspicion with China, it cannot remain a trusted partner anymore. Further, a post-Covid-19 world might be more insulated than what it used to be, with severe restrictions on labour movements. With stricter immigration rules prevailing all across the world, the BIMSTEC region that has boasted of providing “skilled human capital” to the developed world might apparently seem to be a loser.

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<sup>19</sup> Constantino Xavier, “Bridging the Bay of Bengal: Toward a Stronger BIMSTEC”, *Carnegie Endowment for International Peace*, February 2018, <https://carnegieindia.org/2018/02/22/bridging-bay-of-bengal-toward-stronger-bimstec-pub-75610>.

<sup>20</sup> Nilanjan Ghosh, “Time for BIMSTEC to Realize Potential,” *Mail Today*, 17 February 2020, <https://epaper.mailtoday.in/c/49078245>.

Despite that, the changing global economic order will make many focus on the BIMSTEC nations as preferred destinations for investment. This is primarily because these nations have four factors of enabling businesses in abundance: namely, human capital, social capital, natural capital and an improving physical capital. At the global level, these nations are relatively less explored, and can be the fulcrum of development of the region in the post-Covid-19 world. In this context, it is important that the larger members of BIMSTEC, namely, India and Thailand, take the lead. At the regional level, therefore, a higher level of uniformity in policies with respect to land, labour, and capital movements can make the region a lucrative destination for investment.

Therefore, the BIMSTEC region straddles both South and Southeast Asia, comprising a region that is ripe with opportunities. What has been and continues to be the most vital element for the success of regional groupings and the augmentation of regional socio-economic advancement is political intent. If there is political resolve, then there would be little in the way of difficulties and challenges for the realisation of the goals of BIMSTEC. BIMSTEC also needs to amplify its visibility in order to hold on to public consciousness. The Bay, which was a more connected and integrated region in the pre-independence period, needs to reclaim the inter-connectivity that it enjoyed in the past.<sup>21</sup> A revamping of existing processes and the establishment of a supplementary mode of physical connectivity by BIMSTEC could become key in the development of borderlands in the region, most of which are remote and prone to illegal and undesirable activities. The establishment of economic corridors, for instance, promises to be beneficial in this regard.

Over time, it remains to be seen how BIMSTEC can emerge as a force in the Indian Ocean region when there is already a call for the Quad (Australia, India, Japan, and US) to combat China's geostrategic designs. From an economic and financial perspective, the BIMSTEC FTA is barely the tip of the iceberg in terms of the potential economic benefits. If the institution survives the test of time, it can even go to the extent of creating an economic bloc with a common currency and regional-level stock and commodity exchanges, engendered by free regional movement of financial, fiscal and monetary capital. Of course, this will require political intent, and the achievement of the "convergence criteria" or aspects which bind the aspirations of member states which will be decided over time.

Much of global politics in recent years has and continues to focus on the need for connectivity, spurring various physical connectivity projects that span

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<sup>21</sup> See note 18.

sub-regions and regions and that have in turn impacted the geopolitics of the respective areas. While there are different kinds of connectivity, most of such initiatives have infrastructure connectivity as the key component, such as the Belt and Road Initiative (by China). As the world looks increasingly towards Asia and the Indo-Pacific in particular, in terms of its rising economic and political significance, there is a growing dialogue on enhancing Asia-Europe connectivity. From the perspective of BIMSTEC, the involvement of Europe offers scope for better linkages and the strengthening of a multilateral world order as the coming decades are set to be marked by both contest as well as cooperation. There are two principal areas of convergence that offer scope for the EU and BIMSTEC to work together. First, per its connectivity strategy of 2018, regional cooperation is an important area promoted by the EU, encompassing the construction of transport, energy and digital networks. These are also areas of sectoral priority for BIMSTEC. Second, both organisations can work together on geopolitical issues in the Indo-Pacific given that the latter has been identified as an area of engagement for the EU.<sup>22</sup>

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<sup>22</sup> Christian Wagner and Siddharth Tripathi, "New Connectivity in the Bay of Bengal: Opportunities and Perspectives of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)", SWP Comment 2018/C 53, December 2018, <https://www.swp-berlin.org/en/publication/new-connectivity-in-the-bay-of-bengal/>.



# Connectivity Initiatives in the Mekong Region: Too Many or Too Little?

*Thearith Leng*

## 1. INTRODUCTION

So far, at least four regional connectivity initiatives have been operational in the Mekong region: the Mekong River Commission (MRC), the Greater Mekong Subregion (GMS), the Lower Mekong Initiative (LMI), and the Lancang Mekong Cooperation (LMC). These mechanisms have played an important role in enhancing the overarching efforts towards peace and development in the region through their connectivity tools.

The Mekong River Commission (MRC), whose antecedent is the Mekong Committee, is an inter-governmental organisation established in 1995. The MRC member states comprise Cambodia, Laos, Thailand and Vietnam, while China and Myanmar are dialogue partners.<sup>1</sup> Its main mission is to ensure mutual and efficient development of the Mekong River while mitigating the negative impacts on the peoples and environment in the Lower Mekong Basin.<sup>2</sup> The MRC also plays an important role as a regional knowledge hub on water resources management.

The Greater Mekong Subregion (GMS) was founded in 1992 with the main aim of implementing high-priority projects in the six Mekong nations under the support of the Asian Development Bank (ADB). The member countries include Cambodia, China, Laos, Myanmar, Thailand and Vietnam. The thrust of the GMS programme has been mainly concentrated on promoting and facilitating economic and infrastructure development by integrating the countries in the sub-region with a system of transport and several other economic networks and corridors, energy grids and

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<sup>1</sup> Mekong River Commission, "About the Mekong River Commission," Mekong River Commission, <http://www.mrcmekong.org/about-mrc/>.

<sup>2</sup> Ibid.

power interconnections, and facilitating inter-state movement of goods and people as well as telecommunications link-ups.<sup>3</sup>

The Lower Mekong Initiative (LMI), officially proposed in 2009, is a multinational partnership between the US and the five Mekong countries, namely Cambodia, Laos, Myanmar, Thailand and Vietnam. The LMI predominantly serves as a platform to address transnational development and policy challenges in the Lower Mekong region. Under American sponsorship, the LMI aims to promote trade, entrepreneurship, and innovation so as to promote physical, institutional and people-to-people links.

The Lancang Mekong Cooperation (LMC) came into being after the first LMC Foreign Ministers' meeting in China in November 2015, with six participating member countries, namely China, Cambodia, Laos, Thailand, Myanmar and Vietnam. The main aims of the LMC are to enhance the well-being of peoples, to narrow development gaps between regional countries, and to build a community with a shared future. This initiative, predominantly sponsored by China, seeks to complement the existing connectivity mechanisms such as the Belt and Road Initiative (BRI) and ASEAN Master Plan of Connectivity 2025. It is worth noting that ASEAN countries, in 2010, acknowledged the significance of building a stronger ASEAN community by mainly focusing on the enhancement of physical connectivity. Later on, broader connectivity spectrums such as institutions [trade, investment, and services liberalisation] and people-to-people linkages [education, culture and tourism] have been subsequently added and become the crucial elements that need to be realised by 2025 as enshrined in the ASEAN Master Plan of Connectivity 2025.

In addition to these four regional initiatives, other related connectivity projects also need to be taken into account. China's well-known Belt and Road Initiative, sometimes referred to as One Belt One Road (OBOR), was first proposed by Chinese President Xi Jinping in 2013, aiming to economically link China with other coastal states in Southeast Asia, South Asia, Africa, and Europe through building physical infrastructures (such as ports, roads, railways, and airways), and facilitating investment and trade between China and the other coastal states. Beijing also claimed that the BRI is aimed at promoting industrial connectivity between China and other coastal countries.

The Free and Open Indo-Pacific Strategy (IPS) was first introduced by Japan in 2016 with the main aim of connecting the Asian and African continents, as well as

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<sup>3</sup> Greater Mekong Subregion, "Projects of the Greater Mekong Subregion," Greater Mekong Subregion,, <https://greatermekong.org/gms-latest-projects>.

the Indian and Pacific Oceans. This initiative is aimed at maintaining and strengthening a rules-based and open maritime in order to prevent instability and conflict in the Indo-Pacific region. To date, the US has further developed this initiative by introducing two concrete components – governance and economy.<sup>4</sup>

Apparently, connectivity initiatives abound in this region, covering a wide range of areas such as infrastructure, the management of the river basin, water usage, fisheries, food security, agricultural development and climate change. In other words, these mechanisms are aimed at interlinking hard infrastructure, policies and peoples within the Mekong region. Why have multiple mechanisms been promoted? Do they complement or compete with each other? This paper will, first and foremost, elucidate the rationales behind the creation of multiple connectivity mechanisms in the Mekong region, after which potential benefits and downsize risks of the mechanisms will be discussed. Lastly, the author will briefly discuss the implications of the geopolitical rivalries of the great powers on the Mekong countries.

## 2. WHY ARE THERE MULTIPLE CONNECTIVITY MECHANISMS IN PLACE?

Even though there are many mechanisms being implemented to promote connectivity among the Mekong countries, as well as between the Mekong region and others, there is still a significant shortage of investment in these connectivity projects. As the economies of the ASEAN region become robust, it is estimated that countries in this region need to invest between 5 to 13 per cent of their respective GDPs in infrastructure development annually.<sup>5</sup> Therefore, continuous investment in connectivity infrastructure is always needed in order to ensure robust economic growth in this region, despite the existence of multiple connectivity mechanisms.

Furthermore, the Mekong countries *per se* want to maintain their autonomy in relations with the major powers involved in the region by proposing their own initiatives. The MRC, launched by Cambodia, Laos, Thailand and Vietnam, can be

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<sup>4</sup> Newbill Michael and Douglas Walter, “Remarks by Charge D’affaires and Deputy Assistant Secretary” (paper presented at the Future Prospects of Mekong Region, Phnom Penh, 13 June 2019).

<sup>5</sup> Alicia G. Herrero and Jianwei Xu, “Why Do Asia and Europe Need More Connectivity?: Some Ideas from European and Asean Experience,” in *Asia Europe Connectivity Vision 2025: Challenges and Opportunities*, ed. Prakash Anita (Indonesia: Economic Research Institute for ASEAN and East Asia, 2016).



seen as an example of this. Maintaining autonomy in relations with major powers is a significant factor influencing the Mekong countries' decision to opt for a variety of connectivity mechanisms. The majority of the Mekong countries went through bitter colonial experiences; therefore, they highly value their independence and do not want to become ensnared in geopolitical rivalries between the great powers as has happened in the past. Cambodia, Laos and Vietnam in particular endured much sufferings arising from French colonialism in the 19th and 20th centuries, as well as from the tragic war inflicted by the great powers from the 1960s to the 1980s.

Another reason for the existence of the various connectivity initiatives mentioned above is linked to the competition of the regional powers involved and the lower Mekong countries' intention to maintain their autonomies in relations to the regional powers. Regional powers such as China, the US and Japan want to exert their respective influences through their own proposed mechanisms, and, to a certain degree, to undermine the influence of their rival powers. For example, the American-led LMI is apparently aimed at driving China's influence out of the Mekong sub-region, while the Lancang Mekong Cooperation (LMC) seeks to erode the influence of the US and its allies in the region.

To date, China has, under the LMC scheme, allocated RMB 10 billion (US\$1.58 billion) to the Mekong countries in the form of concessional loans, with the majority of the fund being devoted to infrastructure and industrial development.<sup>6</sup> The US-led LMI aims to diminish Chinese influence through various means, especially the promotion of good governance. From the US perspective, once the peoples in the Mekong region are more exposed to better governance, especially democracy, they will reject the authoritarian Chinese themselves.

### **3. ADVANTAGES AND DISADVANTAGES OF HAVING SEVERAL MECHANISMS IN PLACE**

#### **3.1. Advantages**

An advantage of having several connectivity mechanisms is that the Mekong countries have more opportunities to access various sources of funding for their infrastructure development. As a senior Cambodian official at the foreign ministry said at a regional workshop on "The Future Prospects of the Mekong River" in June

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<sup>6</sup> Xuequan Mu, "Lancang Mekong Cooperation Enter New Growth Phase: Chinese Envoy," *Xinhua*, 23 March 2018.

2019: “Countries in the region should seek diversified sources of funding from the Mekong frameworks, as one or a few frameworks may offer very little funds or sometimes none.”<sup>7</sup>

More importantly, those funds given to the Mekong countries are mainly in the form of loans, so they could entrap the Mekong countries in a bad debt situation. When the funding sources are diversified, there are possibilities that the Mekong countries may receive more grant aid rather than loans from regional stakeholders such as China, the US and Japan. In other words, the regional powers who wish to wield their influence over the Mekong region need to find more subtle ways to engage with the recipient states through the provision of grant aid rather than loans.

Moreover, the complementarity between those initiatives is another factor that encourages the blossoming of the various regional connectivity initiatives. Some regional initiatives may complement each other or other existing regional integration initiatives. For example, the MRC is apparently the best water data powerhouse, while the GMS is the best bridge linking across-the-board economic cooperation between the Mekong countries, including in the areas of trade, investment, tourism, energy and health. Furthermore, the Lancang Mekong Cooperation helps to accelerate ASEAN integration in two ways. First, it gives a boost to the ASEAN Master Plan of Connectivity through its focus on infrastructure development and institution coordination.<sup>8</sup> The LMC also seeks to narrow development gaps among the Mekong countries, and is thus aligned to the primary goal of the Initiative for ASEAN Integration (IAI).<sup>9</sup>

Lastly, another opportunity that the Mekong countries could exploit from the existence of multiple connectivity projects in the region is the possibility of obtaining some concessions from the competing powers who wish to exert their leverages in the Mekong region. For example, in order to win the hearts and minds of the Mekong countries, China, in 2016, released more water from its Jinghong hydropower station in Yunnan province into the Mekong River three times in order

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<sup>7</sup> Cambodian Foreign Ministry Official, “Mapping Mekong Cooperation Complementarities and Policy Implications,” in *Future Prospects of the Mekong River* (Phnom Penh, 2019).

<sup>8</sup> Chheang Vannarith, “Lancang-Mekong Cooperation: A Cambodian Perspective,” ed. Institute of Southeast Asian Studies (Singapore, 2018).

<sup>9</sup> The IAI was proposed in 2000 with an aim to enable new ASEAN members such as Cambodia, Laos, Myanmar and Vietnam to integrate well into ASEAN through special preferential treatments granted by more developed ASEAN member states. In other words, those preferential treatments are aimed at narrowing the development gap between the new and old ASEAN members.

to address the extreme drought faced by the Mekong countries.<sup>10</sup> As a result, the Mekong countries very much appreciated this Chinese deed. From the Chinese perspective, doing so reflects China's goodwill towards the region, thus demonstrating its soft power vis-à-vis Japan and the US.

### 3.2. Disadvantages

Notwithstanding the above advantages, the fallout of having too many initiatives can never be underestimated. There is an old Cambodian saying that "when too many people bake the same Num Ansom Chrouk (Cambodian rice cake with pork), it is likely that the cake will be burnt as a result." The same logic also applies to the current situation in the Mekong region, where many initiatives have been proposed. Apparently, there seems to be a lack of a coherent mechanism to ensure complementarities between the proposed initiatives. Consequently, the Mekong River has faced growing risks, especially drought.

The continuous emergence of various initiatives within this small region does not totally ensure the effective settlement of problems or risks faced by the Mekong countries. Some mechanisms have apparently weakened other mechanisms, as they have been designed and managed by competing donors. As a consequence, the problems have even gotten worse. In July 2019, it was reported that the downstream countries encountered a major drought that threatened fisheries and agricultural production along the river basin. The drought caused the northeastern part of Thailand to lose access to the river.<sup>11</sup> In addition, the water levels are increasingly lower than their long-term averages. According to the Mekong River Commission, the water level in Thailand's Chiang Sen was 2.10 metres, 0.92 metres lower than its long-term average (3.02 metres), in the period June-July 2019.<sup>12</sup>

In Vientiane, the water level was 0.70m lower than its long-term average in the same period. The water level in Kratie province was 9.31m in the same period, about 5.40m lower than its long-term average. Between 10 June and 18 July, there was a drop of about 0.38m at the Kratie station. US Secretary of State Mike Pompeo lambasted China for causing the significant reduction in the water levels, stating

<sup>10</sup> Cambodian official, "Mekong-Lancang Cooperation," (Phnom Penh, 2019).

<sup>11</sup> Brian Eyler and Aaron Salzberg, "Mekong near Tipping Point as US-China Rivalry Grows," *Nikkei Asian Review*, 27 August 2019.

<sup>12</sup> Mekong River Commission, "Mekong Water Levels Reach Low Record," Mekong River Commission, <http://www.mrcmekong.org/news-and-events/news/mekong-water-levels-reach-low-record/>.

that the drought in the Mekong region was triggered by China's decision to shut off the upstream water. In response, China attributed the cause to its maintenance of its Jinghong Dam between June and July 2019.<sup>13</sup> In addition, the amount of nutrient-rich sediment flowing down the river has significantly decreased, and such a reduction is, according to UNESCO, primarily attributed to China's dam construction on the upper part of the Mekong.<sup>14</sup>

The aforementioned challenges indicate a crucial weakness in the existing policy connectivity mechanisms within the Mekong region. Specifically, the existing initiatives have no clear mechanisms to influence the Mekong countries, the upper Mekong ones, to cease or even slow down their dam construction activities, which have gradually altered the ecological system of the river. It is worth noting that at least 100 hydropower dams have been built either on the mainstream or the tributaries of the river (China 10, Laos 64, Vietnam 15, Thailand 9 and Cambodia 3).<sup>15</sup> More than 300 more dams are planned by these countries.<sup>16</sup> Therefore, more risks to the ecological system are likely to be imminent. Economic loss for the Mekong countries is, moreover, predicted to be around US\$7.3 billion over the next 50 years.<sup>17</sup>

#### **4. DO GEOPOLITICAL RIVALRIES OF THE GREAT POWERS AFFECT THE MEKONG COUNTRIES?**

When there is moderate competition between the great powers, the Mekong countries may benefit from it. On the contrary, when the competition turns into a rivalry or when a great power seeks to totally eliminate another power's influence in the region, the regional countries would be in danger. There is an old saying: "When elephants fight, the grass will be devastated." The same logic also applies to the Mekong region. As the US-China rivalry has become intensified in almost every field, the Mekong countries have been pressed to take sides. These countries do not want to side with any particular power. Instead, they want to be friends with all great powers in order to maximise the fulfilment of their national interests.

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<sup>13</sup> Ibid.

<sup>14</sup> Tom Fawthrop, "Mekong: More Dams, More Damage," *Interpreter*, 28 March 2018.

<sup>15</sup> Eyster and Salzberg.

<sup>16</sup> Mekong near Tipping Point as US-China Rivalry Grows." *Nikkei Asian Review*, 27 August 2019.

<sup>17</sup> Fawthrop.

Nevertheless, as the US-China rivalry has escalated, they have, at times, been put in an awkward position. For example, Cambodia has been accused by the US of allegedly succumbing to Chinese pressure to serve its interests, particularly the hosting of China's navy, despite the lack of credible evidence proving those claims. This has damaged the kingdom's reputation within ASEAN and on the international stage. It is noteworthy that Cambodia staunchly supported China's Belt and Road Initiative and Lancang Mekong Cooperation. Such staunch support may lead to the US's resentment of Cambodia.

## 5. CONCLUSION

Many regional connectivity projects have flourished in the Mekong region since the early 1990s, several of which were home-grown – the MRC and the GMS. Others such as the LMI, LMC, BRI and IPS were mainly initiated and dominated by the great powers, the US and China in particular. The reasons for the existence of several connectivity initiatives are linked to ASEAN's robust economic growth, which requires continuous investment in physical infrastructure. The Mekong countries intrinsically want to maintain their independence in relations with the regional powers, which, in the past, threatened their peace and independence. The power competition between the great powers has, moreover, sparked creation of new initiatives.

The presence of several connectivity mechanisms is beneficial for the Mekong countries in the sense that it will create more opportunities for them to access different funding sources. More importantly, these countries will have more opportunities to receive more grant aid rather than loans in the future. Some initiatives, regardless of their funding sources, may complement one another, giving a boost to the economic development in the region. The Mekong countries, furthermore, may be able to extract some concessions from the regional powers who wish to wield their soft power in the Mekong region.

Despite the mentioned benefits, the drawbacks of having multiple connectivity projects in place are substantial. The risks to the ecological system in the region are considerable. Furthermore, as some connectivity mechanisms are managed by competing donors, they do not necessarily address the actual concerns of the Mekong countries themselves. As shown in this paper, the Mekong countries have been unable, on multiple occasions, to prevent activities that jeopardise the environment in this region. Last but not least, the Mekong countries are likely to suffer more if tensions between the great powers, especially the US and China, escalate.

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# Eurasian Geostrategies: A Chinese-Russian Condominium Over Eurasia, and the Involvement of Mongolia

*Soyolgerel Nyamjav*

## INTRODUCTION

The countries of Eurasia have made remarkable progress since the collapse of the Soviet Union thirty years ago. The transition from communism to market-based economies during the 1990s had been a severely difficult period. As the economies of Eurasian countries are growing rapidly, the continent will play a leading role in world politics, economics, trade and finance. With these developments, Eurasian countries have been pursuing active foreign policies in recent years. These countries seek to expand their markets by creating a unified network of transportation and infrastructure. This is illustrated by the proliferation of Free Trade Agreements, various regional initiatives and megaprojects of roads, transportation networks and energy utilities. It is apparent that the economies in Eurasia will become open and diversified and that their competitiveness will be improved greatly by implementing those initiatives and projects. At the same time, there is competition between countries to take advantage of this geo-strategically important region and to secure their resources and energy needs to sustain their economic growth.

Following the Cold War, Eurasia started changing in multiple ways. Parliaments and political parties have been created and elections held. Economic reforms have been initiated, a degree of macroeconomic stabilisation has been achieved and regional economies have attracted foreign investments. The region has been integrated into numerous international institutions, and a range of new non-governmental organisations and small businesses have sprung up in place of outdated and inadequate government entities and antiquated, loss-making enterprises. There are now, overall, good prospects for this region and its population. It has recently been one of the most dynamic regions of the world in terms of economic growth, with an average annual per capita income growth rate of about 4-5%



over the last four years,<sup>1</sup> even as recession gripped much of the rest of the world. Prospects for continued economic growth in the region also remain strong.

In order to understand the nature of this shift, it is important to identify how China and Russia look at Eurasia and the policy approaches and initiatives that China and Russia have taken to strengthen their influence. Moreover, this article sheds light on the involvement of Mongolia in Eurasia, and explores its opportunities as a country wedged between China and Russia.

## 1. CHANGING GEOPOLITICS OF EURASIA

Eurasia is a region rich in natural resources, manpower and economic resources. Its abundance of petroleum, gas, rare elements and non-ferrous metals will become a source for fulfilling the development of global economic and technological advances. In addition, Eurasia's geostrategic location has become a bridge for connecting the two massive economies that are Europe and Asia. Infrastructure, transportation and mining are the main factors of economic cooperation between countries in these regions. Multilateral banks, including the Asian Infrastructure Investment Bank (AIIB), the Asian Development Bank (ADB), the World Bank, and the Eurasian Development Bank (EDB), as well as the newly initiated "Silk Road Fund" will also remain major financiers of Eurasia-related projects. The "Silk Road Fund" is a state-owned investment fund of the Chinese government, created to foster increased investment in countries along the "Belt and Road", an economic development initiative primarily covering Eurasia. The Chinese government pledged US\$40 billion for the creation of the investment fund established on 29 December 2014.<sup>2</sup>

Major consumers and suppliers of energy are located in the Eurasian region. Therefore, Eurasian countries agreed on the significance of forming a cooperative market for energy and petroleum. Transportation and infrastructure are the main fields to concentrate on for achieving a cooperative market for energy and petroleum. Despite this, there is also an opportunity to become a leading agricultural source, by producing organic products which could yield additional profits in the future. Therefore, through the process of establishing industrial parks and clusters in these fields, the Eurasian region would benefit from opening a common market.

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<sup>1</sup> "The Economic Outlook for Eurasia: From Transition to Sustained Growth and Integration?", <https://www.brookings.edu/research/the-economic-outlook-for-eurasia-from-transition-to-sustained-growth-and-integration/>.

<sup>2</sup> "Silk Road Fund's 1st investment makes China's words into practice", Xinhua News Agency, 21 April 2015.

Historically, a number of empires sought to unite the vast territory in Eurasia, from ancient times to the 20th century. However, at no point in history was Eurasia integrated as a political and cultural entity, and it is impossible to predict whether we will be able to witness such a development in the near future. It does seem clear, however, that the continent is becoming more connected than ever, by virtue of significant advancements in communications and infrastructure development, though politics remain shaped by great-power competition. As economic, political and military great powers, Russia and China have been playing a decisive role in this geopolitical space. Russia maintained an empire in Eurasia for 400 years, starting from the 16th century, by expanding its territory to Siberia, the Far East and Central Asia.<sup>3</sup>

As mentioned above, the continent is becoming more connected due to the construction of a regional network of transportation, communications, oil, natural gas and fibre-optic cables under the land and sea. As Eurasia is being integrated with developments in maritime transport, it has become a part of a new maritime route along the North Pole which has become navigable due to ice floes diminishing as a result of climate change.

With the aim of integrating and developing a vast territory in Europe and Asia, both Russia and China seek to implement various projects, showing their respective ambitions to become a superpower on land and sea. While Russia attempts to protect its domestic market from the influence of the European Union, China seeks to proclaim its dominance in this region. Two large-scale projects initiated by Russian President Vladimir Putin and Chinese President Xi Jinping illustrate that their respective ambitions are evident in the Eurasia region. Russia established the Eurasian Economic Union in 2011, while China launched the “Belt and Road Initiative” or “New Silk Road” in 2013.

## **2. EURASIAN ECONOMIC UNION LED BY RUSSIA – STRENGTHENING ITS INFLUENCE IN EURASIA**

Recent articles and publications reveal the Russian approach to Eurasian geopolitics. In general, the Russian policy approach towards international relations can be summarised as follows: 1) it is different between the West and East; 2) it is a historical approach to restore its status and identity as a great power, even if Russian

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<sup>3</sup> Michelle Sinness, “Empire of the Steppe: Russia’s Colonial Experience on the Eurasian Frontier”, <https://www.international.ucla.edu/euro/article/139315>.

territory and influence have diminished; 3) it places more importance on security than economy, as Russia seeks to turn the post-Soviet area into a “Security Belt”, and desires to restore its status as a “great power” through tactical diplomacy and military power.

Strengthening relations with China and Central Asian countries plays an important role in the Russian policy towards Eurasia, while the Eurasian Economic Union (EEU) and the Collective Security Treaty Organisation (CSTO), consisting of the five members of the EEU in addition to Tajikistan, are important policy mechanisms for Russia in relation to the region. In May 2018, the EEU and China established a free trade agreement which entered into force in 2019. Within the framework of the agreement, the two sides agreed to cooperate in the areas of agriculture, transport, finance and energy.

The treaty signed by the EEU member countries entered into force in January 2015. Currently, the EEU consists of five member states, namely Russia, Kazakhstan, Belarus, Kyrgyzstan and Armenia. Russia alone produces around 90 percent of the GDP generated by the EEU countries and has 20 percent of voting rights. As of today, the EEU’s exports to China have increased by 40 percent within a year and bilateral trade between the two reached a total of US\$100 billion. The following table indicates that the EEU’s share of the world economy is relatively low in comparison with other economic mechanisms.<sup>4</sup>

**Table 1. EEU’s Share of the World Economy.**

	<b>Countries/markets</b>	<b>Trade /billion US\$, 2017/</b>	<b>Share of the world economy</b>
1	<b>US</b>	3.703	13.1%
2	<b>EU</b>	3.686	13.0%
3	<b>China</b>	3.454	12.2%
4	<b>Japan</b>	1.252	4.0%
5	<b>MERCOSUR</b>	902	3.2%
6	<b>India</b>	792	2.8%
7	<b>Canada</b>	617	2.2%
8	<b>EEU</b>	509	1.8%
9	<b>South Korea</b>	405	1.4%
10	<b>Turkey</b>	341	1.2%
11	<b>South Africa</b>	149	0.5%

<sup>4</sup> “Die Eurasische Wirtschaftsunion. Analyse aus einer handelspolitischen Perspektive”, Zweite Fassung: 8, September 2017.

Furthermore, the EEU faces a number of challenges. For example, as pointed out by Mr. Dmitry Pankin, then-Chairman of the Management Board at the Eurasian Development Bank, *problematic issues relate to non-tariff barriers, technical coordination, energy, pharmaceutical market and internal regulations.*

His argument seems to be further substantiated by the following developments:

- There are internal challenges within the EEU: ongoing trade disputes between Kazakhstan and Kyrgyzstan and between Russia and Belarus.
- Many challenges are evidently related to the implementation of an agreement on free movement of products.
- Member countries face several difficulties due to the non-institutionalised domestic markets of the EEU.

According to a survey in EEU member countries, the public perception of the EEU is changing, depending on how much benefits the countries receive. For Russia, public support of the EEU is steadily declining annually, due to the fact that the Russian public does not perceive the expected results and may thus not be interested in the EEU.<sup>5</sup>

**Table 2. Trust and Support of the Population of EEU's Five Member States.**

	2014	2015	2016	2017	2018
<b>Kazakhstan</b>	84%	80%	74%	73%	70%
<b>Russia</b>	79%	78%	64%	60%	60%
<b>Kyrgyzstan</b>	50%	86%	81%	84%	86%
<b>Armenia</b>	64%	56%	46%	46%	43%
<b>Belarus</b>	68%	60%	63%	60%	61%

### 3 . EURASIA IS AN IMPORTANT DRIVER OF CHINA'S DEVELOPMENT

As Eurasia re-emerges as a pivotal region in international relations, China's influence is growing in this geopolitical space. As China continues its remarkable economic growth, it seeks to lead the region by offering its alternative to the global order. Launched in 2013, China's Belt and Road Initiative (BRI) has been regarded by many China observers as China's new geopolitical strategy, aimed at extending

<sup>5</sup> "EDB Integration Barometer – 2017", <https://eabr.org/en/analytics/integration-research/cii-reports/edb-integration-barometer-2017-/>.

its sphere of influence, fostering new norms of international economic cooperation, and promoting a new world order.<sup>6</sup> Moreover, China's interest in establishing a new maritime route along the Arctic, under the "Silk Road Economic Belt and 21st Century Maritime Silk Road", one of China's initiatives, shows China's policy towards Eurasia. China's policy in a new geopolitical environment can be summarised as follows:

- To deepen its connectivity with countries;
- To create a network of transportation and communications;
- To facilitate trade;
- To increase mutual understanding among regional countries on land, at sea and in cyberspace.

China seeks to expand its sphere of influence so as to become a global superpower and to build an alternative world order. In order to achieve its strategic goal, China may see that it is important to create regional and international architectures. Many researchers argue that China's Belt and Road Initiative and Asian Infrastructure and Investment Bank are the most successful projects being implemented in Eurasia.<sup>7</sup> However, it should be mentioned that these projects face some challenges in terms of implementation:

First, there are other powerful cooperation mechanisms based on more liberal norms of international law; hence, China needs to make a choice between the two alternatives of "using propaganda" against those mechanisms or improving their projects to match them in order to compete with the existing ones.

Second, to some extent, there are interest and expectation gaps among members of the AIIB, consisting of more than 60 countries involved in the Belt and Road Initiative and including around 20 Western countries. It is doubtful that Ethiopia, Iran and Kazakhstan have similar views and expectations as the UK and Germany. In this sense, it is interesting to see how China will manage differing interests and expectations.

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<sup>6</sup> Research Division Asia / BCAS 2018 | Session NR. 2, October 2018, "The Belt and Road Initiative: China's New Geopolitical Strategy?", Zhixin Zhang, [https://www.swp-berlin.org/fileadmin/contents/products/projekt\\_papiere/Zhang\\_BCAS\\_2018\\_BRI\\_China\\_7.pdf](https://www.swp-berlin.org/fileadmin/contents/products/projekt_papiere/Zhang_BCAS_2018_BRI_China_7.pdf).

<sup>7</sup> Rolland, N. "China's Eurasian Century?: Political and strategic implications of the belt and road initiative", [https://www.researchgate.net/publication/321889820\\_China's\\_eurasian\\_century\\_Political\\_and\\_strategic\\_implications\\_of\\_the\\_belt\\_and\\_road\\_initiative](https://www.researchgate.net/publication/321889820_China's_eurasian_century_Political_and_strategic_implications_of_the_belt_and_road_initiative).

Third, the aforementioned projects might face challenges depending on the political regimes and systems of member states. Projects financed by China in cooperation with the authorities of Central Asia and African countries often face public resistance from citizens and public organisations.

Fourth, China is not the only country that is offering a development model to developing countries in the Southern Hemisphere. It is quite a challenge for China as many of the developing countries are influenced by powerful nations, including the US, Australia, Japan and India. However, China has already begun an era of attempting to dominate the world stage alone, as some experts argue.<sup>8</sup>

Fifth, there are some concerns that the Belt and Road Initiative might be affected by the deteriorating financial situation in China's state-owned banks.<sup>9</sup>

The period of seven years is not enough to evaluate this initiative fully and predict its future. More time and broader research are needed to more precisely evaluate the investments, benefits and risks for each country involved in the project,<sup>10</sup> as some researchers have concluded.

On the other hand, China itself has evaluated the success of the Belt and Road Initiative. According to its estimates, as of 2018, over 100 countries have signed cooperation documents with China, and it has established production networks with over 30 countries and economic and trade areas with 24 countries, and successfully implemented 75 big and 270 small projects in 5 areas of cooperation under the Belt and Road Initiative. Furthermore, China paid US\$2.4 billion of taxes and created 300,000 new jobs.<sup>11</sup>

<sup>8</sup> See, for example, "The Rise of China: Challenges, Implications, and Options for the United States", Nguyen Thi Thuy Hang, *Indian Journal of Asian Affairs*, Vol. 30, <https://www.jstor.org/stable/26465816?seq=1>.

<sup>9</sup> Simeon Djankov and Sean Miner (eds.), *China's Belt and Road Initiative: Motives, Scope, and Challenges*, [https://books.google.mn/books?id=YbiqCwAAQBAJ&pg=PT9&lpg=PT9&dq=Belt+and+Road+Initiative++China%E2%80%99s+state-owned+banks&source=bl&ots=83KFVhUGg7&sig=ACfU3U1ISqelfl8\\_YQlyy2nSbkZnZ5rD3A&hl=mn&sa=X&ved=2ahUKewjYqYqJl5XqAhWRBlgKHYrDAZMQ6AEwCnoECAgQAQ#v=onepage&q=Belt%20and%20Road%20Initiative%20China%E2%80%99s%20state-owned%20banks&f=false](https://books.google.mn/books?id=YbiqCwAAQBAJ&pg=PT9&lpg=PT9&dq=Belt+and+Road+Initiative++China%E2%80%99s+state-owned+banks&source=bl&ots=83KFVhUGg7&sig=ACfU3U1ISqelfl8_YQlyy2nSbkZnZ5rD3A&hl=mn&sa=X&ved=2ahUKewjYqYqJl5XqAhWRBlgKHYrDAZMQ6AEwCnoECAgQAQ#v=onepage&q=Belt%20and%20Road%20Initiative%20China%E2%80%99s%20state-owned%20banks&f=false).

<sup>10</sup> Blume, G. (2018). "Rückschlag für Chinas Seiden-straße." *Der Spiegel*. Cited in: Linn, J.F. and Zucker, L. "An 'Inside-out' Perspective on the Impact of the Belt and Road Initiative in Central Asia and the South Caucasus: How to Maximize Its Benefits and Manage Its Risks", Background Paper, Emerging Markets Forum, p. 3, note 8, <http://www.emergingmarketsforum.org/wp-content/uploads/2019/02/An-Inside-out-Perspective-Compiled-2019-01-07-FOR-WEB.pdf>.

<sup>11</sup> "BRI-related economic, trade cooperation zones create 300,000 local jobs", 6 April 2019, Yang Yi, [http://www.xinhuanet.com/english/2019-04/06/c\\_137955313.htm](http://www.xinhuanet.com/english/2019-04/06/c_137955313.htm).

**Table 3. Belt and Road Initiative's Funding Source and Spending Purposes.**

<b>Silk Road Fund</b>	US\$10 billion /Additional investment of 100 billion Yuan in 2017/
<b>Asian Infrastructure Investment Bank</b>	Invested US\$3.4 billion in 20 projects
<b>China Development Bank's Financing and Funding to Belt and Road Initiative</b>	Allocated 100 billion Yuan to infrastructure, 100 billion Yuan to manufacturing sector and 50 billion Yuan to financial sector
<b>EXIM bank</b>	100 billion Yuan of Exclusive Fund 30 billion Yuan of Exclusive Fund for Infrastructure
<b>Economic assistance to developing countries along the Belt and Road Initiative</b>	2.2 billion Yuan
<b>Under the auspices of South-South Cooperation</b>	US\$1 billion

Most of the funding provided under the Belt and Road Initiative is focused on infrastructure. The future actions and plans were discussed during the Second Belt and Road Forum for International Cooperation organised in April 2019. The world leaders present stated their commitment to the Belt and Road Initiative and other cooperation strategies and agreed to intensify international cooperation on a sub-regional, regional and global scale. During the Second Forum, the countries present also agreed to implement 283 cooperation projects, with a total worth of US\$64 billion.<sup>12</sup> The 2019 forum exceeded the previous one in terms of scope and achievements. Basically, the collective efforts of the past six years have laid a strong foundation for the infrastructure connectivity proposed by the Belt and Road Initiative. In particular, there are six economic corridors and groups of projects consisting of networks of railroads, roads, maritime routes and communications in place. In addition, more than 150 countries and international organisations have signed cooperation documents with China's Belt and Road Initiative.

According to a recent report by the World Bank, the Belt and Road Initiative increased trade flows among participating countries by up to 4.1 percent, and decreased the length of global freight transport by 1.2-2.5 percent and general cost of trade by 1.2-2.2 percent.<sup>13</sup> This initiative positively influenced FDI, trade, jobs and economic growth globally.

<sup>12</sup> "Chinese President Xi Jinping speaks at the opening of an international forum on China's 'One Belt, One Road' Initiative (BRI) in Beijing on April 26, 2019", <http://en.people.cn/n3/2019/0426/c90000-9572819.html>

<sup>13</sup> "How the Belt and Road Initiative changes trade times and trade", <https://blogs.worldbank.org/trade/hurry-how-belt-and-road-initiative-changes-trade-times-and-trade>.

During the Second Forum, the relevant countries and international organisations jointly launched the Beijing Initiative for the Clean Silk Road. It was an expression of political will shown by China and many other countries to intensify anti-corruption cooperation and enhance the rule of law within the Belt and Road Initiative. On the same occasion the BRI International Green Development Coalition was launched. Participating organisations of the Coalition expressed their commitment to promoting coordination between the UN's 2030 Agenda Sustainable Development and the Belt and Road Initiative's planned actions, developing internationally acceptable norms, standards and best practices and protecting economic growth, social development and the environment.

## **4. REGIONAL MULTILATERAL COOPERATION MECHANISMS IN EURASIA AND MONGOLIA'S INVOLVEMENT**

### **4.1 Mongolia seeks to cooperate with the EEU by establishing an FTA**

Mongolia has cooperated with the EEU since 2014. The country is located between two enormous markets. Mongolia often exports raw materials to China, while it exports very few products to the five countries of the EEU. A study of the markets of these countries indicates that they are interested in importing finished products and minerals. Opening this large market to Mongolia would be of great importance. This bloc mainly sets up and implements trade, customs and tariff policies. Tariffs are differentiated on every product. If a country exports products to one of the EEU members, then the same duties and tariffs will be applied by each of the members of the union. In general, tariffs are high, because member states seek to protect their domestic markets from external competition. In particular, the highest tariffs are imposed on agricultural products. Mongolia seeks to export its agricultural products to those countries.

Mongolia signed a "Memorandum of Understanding between the Government of Mongolia and Eurasian Economic Commission" (EEC) for starting official cooperation with the EEU. According to the MOU, the two sides seek to set up a "Joint Working Group of the Government of Mongolia and the EEC", eliminate tariff and non-tariff barriers and ease trade and customs regulations. Moreover, it is also agreed by the two sides to set up beneficial, secure and stable transport services, ensure quality production growth and create favourable conditions for increasing the competitiveness of businesses in Mongolia and members of the EEU.



As Russia delegated its authority to regulate transport tariffs and customs duties to the Eurasian Economic Commission, Mongolia needs to participate in the activities of the Commission as an observer and seek support in terms of transport tariffs and customs duties from the Commission.

Currently, the Joint Working Group of the Government of Mongolia and the EEC in cooperation with a research team are investigating the creation of an FTA. Common tariffs introduced by the Eurasian Economic Commission are imposed on the exports from Mongolia to those five countries. Starting from February 2019, the Commission introduced new tariff rates. There are opportunities for Mongolia to enter the EEU common market. For example, Mongolia is geographically able to export its products to Kazakhstan via Bayan-Ulgii and Khovd provinces and to sell products to Russia via Selenge province. In Belarus, the agricultural sector is well developed.<sup>14</sup> The country's production of dairy products accounts for 100 percent of total consumption generated by the EEU. Therefore, there is no room for Mongolian dairy products to be exported to the EEU market. However, Mongolian meat products can be the focus of exports to this market, as Belarus's meat production accounts for 40-50 percent of total consumption generated by the EEU.

When Mongolia exports agricultural and light industry products to the EEU market, 15-25 percent of customs duties and 12-20 percent of VAT will be applied.<sup>15</sup> By establishing an FTA, tariff preferences will be granted to both sides. This does not mean that tariffs and duties will be eliminated fully. According to the Customs Law of Mongolia, customs tariff consists of the general, the most favoured and the preferential rates. The preferential rates in the customs tariffs are applied to exports and imports regulated by international agreements. Similarly, if Mongolia establishes an FTA with the EEU, the preferential rates in the customs tariff will be applied to Mongolian exports to the EEU market. On the other hand, the preferential rates in the customs tariff will be imposed on goods originating from the countries of the EEU.

The EEU has established an FTA with Vietnam, after eight years of negotiations. As tariff rates are differentiated, high rates of customs duties will be imposed when Vietnam exports agricultural products, including on rice, which is the main export product of Vietnam. This effectively means that Vietnam will never export products to the Russian market given these high tariffs. However, these tariffs will be

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<sup>14</sup> "EAEU and Mongolia", <http://www.mfa.gov.mn/?p=38565>.

<sup>15</sup> "Strengthening Cooperation with the EAEU", <https://zasag.mn/news/view/16591>.

reduced step by step by 2020. It is therefore important to heed the lessons learnt from the Vietnamese case of establishing an FTA with the EEU.

## **4.2 Mongolia's "Development Road" Initiative, Belt and Road Initiative and "Mongolia-Russia-China" Economic Corridor**

During the state visit by Mongolian President Khaltmaagiin Battulga to China in 2019, the two sides signed a Memorandum of Understanding to establish a "Joint Council of Supporting Trade and Investment". With the support of the two governments, the Joint Council will act as a bridge between the Belt and Road Initiative and the "Mongolia-Russia-China" Economic Corridor to coordinate actions and plans and organise regular meetings. Furthermore, it will provide support for the pledges and policies of the two governments and implement planned actions in the short term.

In 2017, the government of Mongolia approved a National Program for Implementation of the "Development Road" in 2017-2021. The main objective of the Program is to accelerate infrastructure and tourism development, get connected to the infrastructure of foreign countries, in particular its two neighbours, facilitate trade and transport and create favourable conditions for maintaining economic growth and diversification of the economy.

While seeking to promote coordination of the "Development Road" and the Belt and Road Initiative, Mongolia and China are actively working with Russia to facilitate trilateral cooperation and to implement the "Mongolia-Russia-China" Economic Corridor. The three countries signed a Program for the Establishment of the "Mongolia-Russia-China" Economic Corridor in June 2016. The main objectives of the Program are to expand trilateral cooperation by boosting trade turnover between Mongolia, Russia and China, increasing competitiveness of products, facilitating trans-border trade and developing infrastructure. The 32 projects agreed by the three countries to be implemented are included in the appendix of the Program.

Within the framework of the Program for the Establishment of the "Mongolia-Russia-China" Economic Corridor, the three sides agreed to establish a working group to conduct a feasibility study to modernise the "Central Corridor" and facilitate the implementation of the "Trilateral Intergovernmental Agreement on International Transport via the Asian Network of Highways" and the establishment of the "Joint Investment Planning Center".

In conclusion, China and Russia are certainly both looking with equal yearning towards Eurasia. Both continental powers consider Eurasia their strategic backyard, and both have launched ambitious initiatives to strengthen their influence over the region: the Eurasian Economic Union for Russia, the Belt and Road Initiative for China. But their common focus does not mean they are necessarily competing against each other in this vast continental space. Rather, China and Russia share similar concerns about Eurasia's political stability and security.

Mongolia signed an "Action Plan of Cooperation in Road and Transport" with the EEU. This plan includes facilitation of transport, logistics and customs, exchange of information and coordination. With this plan, Mongolia will be able to coordinate its actions with Eurasian countries based on increasing freight turnover, using its advantage of being the shortest road connecting Europe with Asia.

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# ***Maritime Security***



# Maritime Security in the Indo-Pacific: Mixed Opportunities and Challenges from Connectivity Strategies

*To Anh Tuan*

## INTRODUCTION

“Maritime security,” “Indo-Pacific,” and “connectivity” are currently three buzzwords that are used frequently but lack clear definitions. Maritime security receives global attention due to the vulnerability of infrastructure at shore or sea against security threats. However, maritime security might also involve protection of the marine environment, the blue economy and human security of coastal communities. The Indo-Pacific has come under the spotlight because there are a number of connectivity strategies, such as those by the United States, China, Russia, Japan, Australia, India, and Association of Southeast Asian Nations (ASEAN) countries, which focus on this region. The geographical scope of the Indo-Pacific, however, remains ambiguous. The impacts of connectivity strategies on the Indo-Pacific’s maritime security are also unclear. This article argues that maritime security in the Indo-Pacific faces both challenges and opportunities in the context of those connectivity strategies. If the region wants to overcome those challenges and make use of the opportunities, countries in the Indo-Pacific should come up with a common and comprehensive understanding of maritime security, explore new areas of cooperation, try to peacefully solve their territorial and maritime disputes, and promote the role of multilateral institutions, especially ASEAN and ASEAN-led mechanisms.

## THE INDO-PACIFIC AND CONNECTIVITY STRATEGIES

The Indo-Pacific currently has an undefined scope. In the narrowest sense, it is an area that ranges from the western shore of India to the western shore of the United

States.<sup>1</sup> In a broader sense, it might be considered to consist of the Indian Ocean and the Asia-Pacific.<sup>2</sup> Despite its unclear boundaries, the Indo-Pacific is considered an economic centre and a driving force for the world's economy. In this region, there are important sea lanes such as the maritime trade routes via the northern Indian Ocean and the Malacca Strait. In the Indo-Pacific, there are 9 out of the 10 busiest sea ports in the world. About 60 percent of the world's maritime trade goes through the region, of which one-third pass through the South China Sea.<sup>3</sup> The Indo-Pacific is also the world's most biodiverse area. The region has about one-third of the world's shallow marine fishes, about 3,000 species in comparison to no more than 1,200 in any other region.<sup>4</sup> The Indo-Malay-Philippines Archipelago is believed to host the maxima of the world's marine biodiversity. In the Indo-Pacific, marine-related industries, including fishery and tourism, are sustaining a large population of people.

Although the Indo-Pacific generally enjoys peace and security, it faces a number of challenges in maritime security. First, it has about 40 sea-related disputes among regional countries, either disputes on sovereignty over territories at sea or sovereign rights over maritime areas. Among those disputes, some, such as those in the South China Sea or the Senkaku/Diaoyu Islands, are considered potential causes of a Sino-US war or even a Third World War.<sup>5</sup> Second, piracy and armed robbery often cause the South China Sea and the Indian Ocean to be placed at the top of the list of the world's most dangerous waters. In 2018, the number of piracy and armed robbery incidents in those areas were 57 and 25 respectively, ranking only after West

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<sup>1</sup> President of the United States of America, "National Security Strategy of the United States of America," December 2017.

<sup>2</sup> The ASEAN Outlook on the Indo-Pacific considers the Indo-Pacific as including the Asia-Pacific and the Indian Ocean. This article uses this geographical scope for the Indo-Pacific. For further information, see: ASEAN, "ASEAN Outlook on the Indo-Pacific," June 2019, [https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific\\_FINAL\\_22062019.pdf](https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf).

<sup>3</sup> Department of Defense, "Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region" (Department of Defense - United States of America, 1 June 2019), 1, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>.

<sup>4</sup> Gene S. Helfman et al., *The Diversity of Fishes: Biology, Evolution, and Ecology*, Second Edition (Oxford: Wiley-Blackwell, 2009), 331.

<sup>5</sup> Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* (New York: Houghton Mifflin Harcourt, 2017).

Africa with a total of 81 cases.<sup>6</sup> Third, maritime terrorism has been spread to the region by Al Qaeda and other terrorist groups like Abu Sayyaf and Jemaah Islamiyah in Southeast Asia. The *SuperFerry 14* case, the bombing of a ferry in the Philippines in 2004 which killed 116 people, is considered the world's deadliest terrorist attack at sea even today.<sup>7</sup> Lastly, the Indo-Pacific is also witnessing a number of new maritime security threats that affect the lives of coastal communities, including sea-level rise, an increase in the frequency and severity of natural disasters, a mounting volume of marine debris, and losses of biodiversity.

In recent years, various countries, including the United States, China, Russia, Japan, Australia, India, and the European Union (EU), have proposed their own connectivity strategies for the Indo-Pacific region and considered the maritime domain as a component of their connectivity strategies. China's Belt and Road Initiative (BRI) places the highest priority on the maritime domain when it proposed the 21st Century Maritime Silk Road, which links sea ports together, as one of its two main connections between China and Europe.<sup>8</sup> The United States' Indo-Pacific Strategy believes that the vital sea lanes of the Indo-Pacific "underpin global commerce and prosperity."<sup>9</sup> The United States, therefore, tries to promote a free and open Indo-Pacific through promoting linkages in economics, governance, and security. Japan also has its own "Free and Open Indo-Pacific" initiative, which stresses the importance of linking the Indian Ocean with the Pacific Ocean. This initiative aims to promote a rules-based order; freedom of navigation; free trade; economic prosperity; and commitment to peace and stability.<sup>10</sup> India has its own vision of the Indo-Pacific, in which it wants to promote peace and stability through equal access to the sea and air, freedom of navigation, combating maritime crimes, protecting

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<sup>6</sup> International Maritime Organization, "Reports on Acts of Piracy and Armed Robbery Against Ships: Annual Report - 2018," 1 April 2019, Annex 3.

<sup>7</sup> "Superferry14: The World's Deadliest Terrorist Attack at Sea," *Safe for Sea*, 27 February 2019, <https://safety4sea.com/cm-superferry14-the-worlds-deadliest-terrorist-attack-at-sea/>.

<sup>8</sup> Lily Kuo and Niko Kommenda, "What Is China's Belt and Road Initiative?," *The Guardian*, 30 July 2018, <https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>.

<sup>9</sup> Department of Defense, "Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region," 1 June 2019, 2.

<sup>10</sup> The Government of Japan, "Towards Free and Open Indo-Pacific," June 2019, <https://www.mofa.go.jp/files/000407643.pdf>.



the marine environment and developing the blue economy.<sup>11</sup> Australia also places high priority on maritime security, especially in the Indo-Pacific region. Australia pledges to invest in maritime security capacity-building, regional maritime domain awareness, protection of the marine environment and international law, and freedom of navigation and overflight.<sup>12</sup> Russia focuses on inland connectivity in its Greater Eurasia initiative. However, Russia also understands that its initiative is actually aiming “Toward the Great Ocean” to use it to link Russia with the Greater Eurasia, a vast area of land from Europe to East Asia.<sup>13</sup> The European Union also proposes to use its “Connecting Europe and Asia” strategy to link Europe with Asia via transport, energy, digital connections, and human-dimension networks. Maritime connections are important because 70 percent of the trade value between Europe and Asia goes by sea.<sup>14</sup>

## CHALLENGES AND OPPORTUNITIES FROM CONNECTIVITY STRATEGIES TO MARITIME SECURITY IN THE INDO-PACIFIC

The connectivity strategies by the above-mentioned countries are creating both challenges and opportunities for the maritime security of the Indo-Pacific. These challenges and opportunities are intertwined and make the situation of maritime security in the Indo-Pacific a mixed picture of bright and dark spots.

Regarding the challenges, there are three main dark areas. First, there is an overlap in the concepts of “Indo-Pacific” and “maritime security.” The concept of Indo-Pacific was first mentioned by Gurpreet S. Khurana, an Indian naval officer, in 2007.<sup>15</sup> In Prime Minister Shinzo Abe’s speech in 2007, Japan became the first

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<sup>11</sup> Government of India - Ministry of External Affairs, “Prime Minister’s Keynote Address at Shangri La Dialogue,” 1 June 2018, <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018>.

<sup>12</sup> Australian Government, “2017 Foreign Policy White Paper,” November 2017.

<sup>13</sup> The Valdai Club, “Toward The Great Ocean - 5: From The Turn to the East to Greater Eurasia,” September 2017, <http://valdaiclub.com/files/15300/>.

<sup>14</sup> European Commission, “Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank,” 19 September 2018, 3.

<sup>15</sup> Gurpreet S. Khurana, “Security of Sea Lines: Prospects for India-Japan Cooperation,” *Strategic Analysis* 31, no. 1 (2007): 139-53.

country to officially put forth the concept of the Indo-Pacific.<sup>16</sup> However, the term *Indo-Pacific* began to receive the world's attention after it was mentioned in President Donald Trump's speech in Danang, Vietnam in 2017. India, Australia, and ASEAN countries also proposed their own visions of the Indo-Pacific. In fact, the geographical scopes of the Indo-Pacific vary between the respective visions. The United States considers the Indo-Pacific to range from the western shore of India to the western shore of the United States; Australia views it as spanning from the eastern Indian Ocean to the Pacific Ocean; India, Japan and ASEAN have somewhat similar views as they consider the Indo-Pacific as roughly consisting of the Indian and Pacific Oceans. These visions all agree that the Indo-Pacific is not a contiguous territorial space, but linked together based on economic and cultural ties.

The connectivity strategies all mention the concept of "maritime security" but do not make clear its meaning. The term *maritime security* has gained attention in political discourse for about 20 years. Several governments and inter-governmental mechanisms have promulgated their strategies for maritime security, including the United Kingdom, France, the North Atlantic Treaty Organisation, the European Union, and the African Union. However, there are still different perceptions of this concept. Maritime security can be seen in a "maritime security matrix" with related concepts, including national security, marine environment, economic development and human security; it can be put into a "securitisation framework" with a list of threats to human beings; or it can be seen through the aspect of "security practices and communities of practice" or the security of those whose work is related to the sea.<sup>17</sup> In the Indo-Pacific region, only the United States and India have national strategies for maritime security. The 2005 National Strategy for Maritime Security by the United States considers maritime security from the perspective of a list of threats, including nation-state threats, terrorist threats, transnational crimes and piracy, environmental destruction, and illegal seaborne immigration.<sup>18</sup> Meanwhile, India's 2015 Maritime Security Strategy views maritime security as conditions for the "freedom to use the seas for the pursuit of maritime activities, in support of national development and prosperity, and [to] promote legitimate use of the maritime

<sup>16</sup> Ministry of Foreign Affairs of Japan, "Confluence of the Two Seas' Speech by H.E. Mr. Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India," 22 August 2007, <https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>.

<sup>17</sup> Christian Bueger, "What Is Maritime Security?," *Marine Policy* 53 (March 2015): 159-64.

<sup>18</sup> The White House, "The National Strategy for Maritime Security," 2005.

global commons.”<sup>19</sup> In that sense, these connectivity strategies make the already complicated concept of maritime security further complicated.

Second, the connectivity strategies create fragmented efforts in regard to the region’s maritime security. The United States, China, Russia, Japan, Australia, India and ASEAN have each proposed a connectivity strategy for the region. However, these strategies do not accommodate each other. They are formulated in order to advance the national interests of their own originating countries. China’s BRI was initially said to be for improving infrastructure connectivity in the region. However, since its inception, the BRI has changed its name from “One Belt, One Road” to “Belt and Road Initiative” and expanded to encompass policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.<sup>20</sup> The scope of the Belt and Road Initiative was also enlarged to include Latin America and the Arctic.<sup>21</sup> Therefore, China’s BRI is beyond an infrastructure initiative. The United States’ Indo-Pacific Strategy is clearly aimed at maintaining the United States’ leadership in the region and countering the increasing influence of China. Connectivity strategies by Japan, India, Australia, and Russia each hope to better position their originating countries in an evolving regional structure. Bilateral cooperation seems to be more favourable to most countries. Regional countries, particularly small and medium-sized countries, are likely to be trapped in power struggles among major powers. The regional countries are now on the verge of having to take sides if the confrontation between the US and China escalates, perhaps even resulting in another Cold War.

Third, the different connectivity strategies challenge the role of multilateral mechanisms in maritime security. In the region, there is already a network of mechanisms that deals with different aspects of maritime security. They include global mechanisms such as the United Nations and its subsidiary bodies, and various regional organisations. These mechanisms have created forums for the countries to work together, aimed at promoting the blue economy, protecting the coastal communities, preserving the maritime environment and building mutual confidence, easing the tensions emerging from disputes at sea. However, when countries put

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<sup>19</sup> Ministry of Defense of India, “Ensuring Secure Seas: Indian Maritime Security Strategy,” 2015, 166.

<sup>20</sup> The State Council of The People’s Republic of China, “Action Plan on the Belt and Road Initiative,” 30 March 2015, [http://english.gov.cn/archive/publications/2015/03/30/content\\_281475080249035.htm](http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm).

<sup>21</sup> Luis Alberto Lacalle, “The Road Continues South: China’s Expansion of the Belt and Road Investment in Latin America,” *China Today*, April 2019.

forth their own connectivity strategies, they choose selective forums to work with. For example, China established the Asian Infrastructure Investment Bank (AIIB) to support its BRI. The United States supports ASEAN, the Asia-Pacific Economic Cooperation (APEC) forum, the Quadrilateral Consultation (Quad) with Japan, India, and Australia, and other regional institutions, including the Lower Mekong Initiative (LMI) and Indian Ocean Rim Association (IORA).<sup>22</sup> Therefore, it is difficult for the region to establish an international framework to cope with maritime security challenges. The most inclusive framework so far is the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), whose members are 20 Indo-Pacific countries and 4 European countries (Norway, the Netherlands, Denmark and UK). However, this framework is just focused on intelligence sharing via the ReCAAP Information Sharing Center.<sup>23</sup>

Nevertheless, it is fortunate that the various connectivity strategies also provide opportunities for enhancing maritime security in the Indo-Pacific. There are three major opportunities: increase in maritime awareness, opening of new areas of cooperation, and exposure of the need for collective actions. First, the connectivity strategies increase awareness of the importance of the seas and oceans in the region. Although the maritime domain accounts for a large part of the Indo-Pacific, not many regional countries had previously accorded high priority to issues concerning the seas and oceans. As a result, the Indo-Pacific has a great deal of threats to maritime security, including territorial and maritime disputes, piracy, illegal, unreported, and unregulated (IUU) fishing, and pollution of the marine environment. The region lacks an overall strategy on maritime security and, in fact, only a few countries have their own national strategies on maritime security. However, as the connectivity strategies consider the maritime domain as a part of their initiatives, awareness of the maritime domain began to change. Maritime domain awareness and maritime security are being mentioned more often in the statements or joint statements of regional countries. A collective effort to deal with maritime security began to emerge. A recent example is ASEAN's efforts to deal with marine debris, a new threat to maritime security, which resulted in ASEAN's adoption of Declaration on Combating Marine Debris and ASEAN Framework of Action on Marine Debris in

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<sup>22</sup> Department of State, "A Free and Open Indo-Pacific: Advancing a Shared Vision," 4 November 2019, 7-8.

<sup>23</sup> "About ReCAAP Information Sharing Centre," 2019, [http://www.recaap.org/about\\_ReCAAP-ISC](http://www.recaap.org/about_ReCAAP-ISC).

June 2019. Similar efforts will build up momentum for regional countries to promote cooperation in terms of maritime security.

Second, they reveal new areas for potential cooperation on maritime security in the region. The South China Sea has emerged as an area that needs enhanced cooperation. As connectivity strategies, whether by the United States, China, EU, Japan, Australia, or India, more or less centre on the Indo-Pacific, the South China Sea – as the bridge between the Indian Ocean and the Pacific Ocean – has become the weakest link in the region’s maritime security. In the South China Sea, there are three layers of disputes: territorial claims on islands/rocks in the sea, demarcation issues among littoral states, and power struggles among major powers, particularly between the United States and China. As a result, greater cooperation on the maritime security of the South China Sea is needed in order to maintain peace and security. Furthermore, as the connectivity strategies view the importance of the marine domain from different angles, they broaden the notion of maritime security. Maritime security is no longer just threats to sea ports or infrastructures. They now include threats to the livelihoods of coastal communities as well as measures to promote economic development by sustainable use of seas and oceans. Therefore, maritime security expanded from traditional issues like territorial and maritime disputes, maritime terrorism, piracy and armed robbery to newly emerging issues such as sea-level rise, marine pollution, IUU fishing and smuggling. As a result, regional countries can work together on these new areas of cooperation on maritime security.

Third, they expose the need for collective actions on maritime security. Although countries develop their connectivity strategies through unilateral approaches, they understand that their strategies cannot succeed without the support of other countries and multilateral institutions. Therefore, all the strategies emphasise the importance of collective actions, which leads to two important consequences. First, there is a need to uphold international law, particularly the 1982 United Nations Convention on the Law of the Sea (UNCLOS). As a package deal, the 1982 UNCLOS might not satisfy everyone. However, it has served as the “constitution of the oceans” since its entry into force. No other legal instrument can replace the 1982 UNCLOS on maritime issues. Second, as Southeast Asia has the geopolitical importance of linking the Indian Ocean with the Pacific Ocean, ASEAN comes under the spotlight of all the connectivity strategies. All the connectivity strategies, whether by the United States, China, EU, Japan, India or Australia, place a high priority on cooperating with ASEAN and ASEAN-led mechanisms, including East Asia Summit (EAS) and ASEAN Regional Forum (ARF). ASEAN was quick to realise its importance and responded with its own Outlook on the Indo-Pacific, a connectivity strategy by

ASEAN. In this Outlook, ASEAN considers the Indo-Pacific as “a closely integrated and interconnected region” and strives to promote maritime cooperation, connectivity, UN Sustainable Development Goals 2030, as well as economic and other possible areas of cooperation.<sup>24</sup> This is a comprehensive and suitable approach to maritime security given the new political and economic context of the Indo-Pacific.

## **POLICY RECOMMENDATIONS TO COUNTRIES IN THE INDO-PACIFIC**

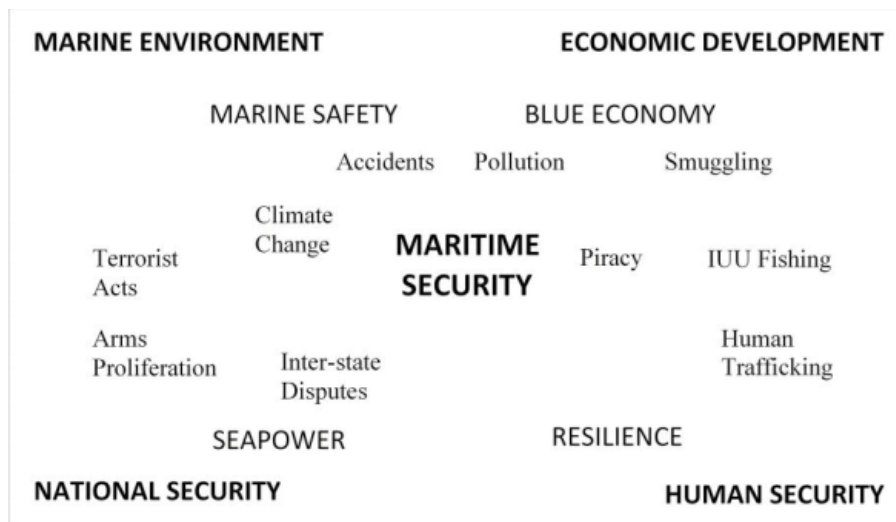
The challenges and opportunities provided by the various connectivity strategies require regional countries to take actions in order to maintain the maritime security of the Indo-Pacific. Some suggestions for regional countries are as follows:

First, there should be a region-wide awareness of the importance of maritime security to the region’s peace and stability. All peoples in the region should understand that threats to maritime security are not only direct, like territorial and maritime disputes, piracy, and maritime terrorism, but also indirect, like climate change, pollution, and depletion of natural resources. Therefore, the concept of a “maritime security matrix”, which considers maritime security in its entirety, including the related concepts of national security, marine environment, economic development and human security, should be promoted. A comprehensive approach will also help the region to not only maintain maritime security but also strive towards the UN Sustainable Development Goals, which view security in close relations with development, social inclusion, and sustainable use of resources.

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<sup>24</sup> ASEAN, “ASEAN Outlook on the Indo-Pacific.”

**Figure 1. The matrix of maritime security.**<sup>25</sup>



Second, countries in the region should increase their cooperation in areas of common concern. Maritime domain awareness is an important area of cooperation. Regional countries should have the ability to observe and analyse the changing situation in maritime areas. Therefore, countries in the region should cooperate to improve their human and infrastructure capacity in maritime domain awareness as well as increase information sharing without undermining their information infrastructure and national defence. Other areas of cooperation include anti-piracy activities, environmental protection, and protection of biodiversity and natural resources. Such cooperation should take into account the obligations and interests of the different countries as well as the common interests of the whole region.

Third, countries in the region should try to solve existing territorial and maritime disputes by peaceful means in accordance with international law, including the 1982 UNCLOS. These territorial and maritime disputes are still the most prominent threats to the region's maritime security. Peace and security in the South China Sea, the main linkage between the Indian Ocean and the Pacific Ocean, should be given the utmost attention. Militarisation of the features in the South China Sea and coercion and intimidation activities against other claimants will never render legitimacy to claims by any parties.

<sup>25</sup> Christian Bueger, "What is maritime security?," *Marine Policy*. 53 (3/2015): 159-164.

Fourth, the United States and China – the two dominating powers in the region – should show their leadership in the Indo-Pacific. They should act for the common good of the whole region and support efforts to promote peace and cooperation by other countries. China should have clear explanations for its ambiguous and excessive claims in the South China Sea. It should refrain from assertive actions and respect international law, including the 1982 UNCLOS. The United States should not only promote freedom of navigation, but also a comprehensive concept of maritime security, which is linked to national security, marine environment, economic development, and human security.

Fifth, the role of multilateral institutions should be promoted. ASEAN and ASEAN-led mechanisms, including EAS and ARF, are suitable mechanisms for promoting maritime initiatives. Although these ASEAN-led mechanisms have large memberships, including all powers in the Indo-Pacific region, like the United States, China, Australia, Japan, and India, they are not paralysed because ASEAN works as a filter to harmonise contradicting views from major powers. Therefore, ASEAN's centrality should be strengthened and promoted. To do so, ASEAN should have a concrete plan of action to implement the ASEAN Outlook on the Indo-Pacific. It should also work with other countries to establish subordinate mechanisms for EAS and ARF, which currently only serve as forums for leaders.

In conclusion, various connectivity strategies proposed by the United States, China, Russia, India, Australia, Japan, and ASEAN bring both opportunities and challenges to the already complicated situation of maritime security in the Indo-Pacific. It should be noted that solutions to this situation will only come from a common understanding of maritime security, cooperation among regional countries, peaceful settlements of disputes, unselfish leadership by the United States and China, and collective actions in accordance with international law, including the 1982 UNCLOS.

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# From Maritime Competition to Cooperation in the Indo-Pacific: The Role of the EU and France

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Seas and oceans are more than ever at the heart of global geopolitics: in an economically integrated world, they carry more than 80% of international trade. In a finite world, they are a rich and fragile ecological environment, and a reservoir of fishery resources, energy, and strategic minerals. In a world of international rivalries, they are places of friction and tension as well as cooperation and mutual aid. Dependence on the sea has increased and maritime security has become a central strategic issue.

In particular, the maritime area connecting Europe and the Asia-Pacific – often labelled nowadays as the Indo-Pacific area – appears to be an essential zone: not only does it host vital maritime trade routes, it is also the central stage of the Sino-American geostrategic competition. Connectivity projects in the area are not only schemes that aim to foster prosperity by supporting maritime infrastructures but also tools to expand geopolitical influence and to compete with others. In particular, the Chinese Maritime Silk Road (MSR) prompted alternative projects based on the narrative of a Free and Open Indo-Pacific.

A space of competition, oceans are also a place of necessary cooperation: the multiplicity of risks implies the growing involvement of states to monitor and protect the sea routes. Challenges to maritime safety are characterised by their dispersion, and their polymorphic, transnational and interrelated nature; they require an international, coordinated response. The major issue today is the need to find ways to mitigate the negative effects of competition while fostering cooperative behaviours at sea.

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<sup>1</sup> *Disclaimer:* The views presented in this paper are the sole responsibility of the author and do not represent the views of Ifri nor of the French government.

This article presents the current dynamics of competition and cooperation in the maritime Indo-Pacific before highlighting the role the EU and France can play to assuage tensions and foster collaborative behaviours and multilateral solutions. Indeed, the EU is a major trading power and is thus very dependent on the safety of the Indo-Pacific maritime routes. France, in addition to this concern, has sovereignty interests in the area and is developing its own Indo-Pacific strategy. It argues that the effects of growing competition in the maritime domain should be mitigated by ensuring respect for the rule of law, by empowering the regional countries and by maintaining a multipolar and multilateral Indo-Pacific. Cooperation should be encouraged to address crimes at sea and environmental issues while fostering information sharing and efforts to build a comprehensive Maritime Domain Awareness (MDA).<sup>2</sup> In this context, the EU and France appear as capable, experienced and willing actors that are able to make a positive contribution to Indo-Pacific maritime security.

## **DYNAMICS OF MARITIME COMPETITION AND COOPERATION**

### **Maritime connectivity, a new dimension of geopolitical competition**

#### *Geopolitical competition in resource appropriation and power politics*

Traditionally, territory and resource appropriation are major drivers of tensions. Overfishing has led to the depletion of fish stocks in many areas, including the South China Sea, pushing Asian fishermen to sail out of their traditional fishing zones. Frictions over fishing rights and repeated encounters between fishermen and maritime militias have the potential to lead to open conflicts with important geopolitical implications.<sup>3</sup> The competition in deep-sea mining, extraction of critical minerals and the development of sea-based energy resources has also been accelerated by technological progress and depletion of land resources.

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<sup>2</sup> MDA is defined by the International Maritime Organization as the effective understanding of anything associated with the maritime domain that could impact the security, safety, economy, or environment. It requires a multi-layered, systemic surveillance of the seas and oceans.

<sup>3</sup> See, as an example: Eva Pejsova, "What if...fish wars broke out in the South China Sea", in Florence Gaub (ed.), "What If...? Scanning the horizon: 12 scenarios for 2021", *Chaillot Paper*, 150, EUISS, Paris, February 2019, pp. 59-63.

The return of power politics and rivalry is aggravating these tensions. Concerns that the Chinese MSR might lead to a restriction of access and freedom of navigation have indeed been fuelled by the Chinese militarisation of islets in the South China Sea. Persistent territorial disputes in the area lead to regular frictions at sea in a context of important capability gaps between players. The rapid build-up of the Chinese naval forces and the opacity of its overall strategy created a security dilemma that resulted in spectacular naval arms-racing behaviours in the region. The US is dispatching more military assets and conducting regular Freedom of Navigation Operations (FONOPS) in order to challenge Chinese claims in the area, accompanied by transit patrols by other key players such as Japan, Australia, France and the UK.

Uncertainty regarding the future evolution of power dynamics in the Indo-Pacific region, in the context of a growing Sino-American rivalry, has led to hedging strategies. Anxiety and growing mistrust appear as the most worrying trend when considering prospects for competition and cooperation in the maritime area. Especially as traditional frontiers between peace and conflict are being blurred by hybrid strategies in which fishermen can act as militia and coastguards are used to challenge others' sovereignty.

### *Maritime connectivity: A new competitive sphere*

Asia's infrastructure needs are huge and stakes are high, as efficient maritime infrastructures are key to fostering national and regional prosperity, reducing transportation costs and promoting greater seaborne trade between two major economic poles: Europe and Asia. Competition to fund critical infrastructures in third countries and facilitate market access has been taking place for decades in Asia. However, the launch in 2013 of the Chinese MSR, backed by an unprecedented amount of investments and top-level political involvement, added a clear geopolitical dimension to this pattern.<sup>4</sup>

A development strategy to boost infrastructure connectivity throughout Southeast Asia, Oceania, the Indian Ocean, and East Africa, the MSR has also raised questions and concerns regarding the respect of international standards in terms of lending practices, governance, environmental and social safeguards and debt sustainability. Also, the true collaborative nature of the Chinese MSR was called

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<sup>4</sup> For a documented analysis on Japanese and Chinese investment patterns in the Mekong region, see: Françoise Nicolas, "Catching Up or Staying Ahead. Japanese Investment in the Mekong Region and the China Factor", *Asie.Visions* 99, Ifri, Paris, May 2018.

into question when reports showed that more than 89% of the transport-related projects are being implemented by Chinese contractors.<sup>5</sup> The MSR might not provide real opportunities for cooperation in this perspective. Moreover, the MSR (and the broader Belt and Road Initiative – BRI) is now widely considered as a geostrategic grand strategy.<sup>6</sup> In particular, rising Chinese investments in overseas ports have raised questions about its ultimate goal: contributing to the regional maritime connectivity, taking control of strategic infrastructures, or ultimately militarising such facilities in order to ensure the safe transit of Chinese trade in the Indo-Pacific sea lanes?<sup>7</sup>

Reflecting on these concerns, alternative initiatives have been launched. The Free and Open Indo-Pacific strategy (FOIP) announced by Prime Minister Shinzo Abe in August 2016 has been presented as a liberal alternative to the BRI and the MSR, based on the promotion of the rule of law, freedom of circulation and free trade; the promotion of connectivity to achieve prosperity through infrastructures and the contribution to peace and security through capacity-building, Humanitarian Assistance and Disaster Relief (HA/DR) and anti-piracy operations. Following Japan, the United States endorsed the FOIP approach in 2017. Australia and India<sup>8</sup> are also supporting it, finding synergies with their own Asian strategies. The reactivation of the Quadrilateral Strategic Dialogue in November 2017 is symbolic of this coordination effort between the four countries.

## Mitigating competition and fostering cooperative behaviours in maritime affairs

### *Mitigating the negative effects of competition*

When competition between the major powers is likened to a systemic rivalry, it becomes difficult to really avoid it. Attenuating the competition would require greater transparency, dialogue and confidence-building measures. However, it is possible

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<sup>5</sup> Jonathan E. Hillman, “The Belt and Road’s Barriers to Participation”, *Reconnecting Asia*, CSIS, 7 February 2018.

<sup>6</sup> Alice Ekman (ed.), “China’s Belt & Road and the World: Competing Forms of Globalization”, *Etudes de l’Ifri*, April 2019.

<sup>7</sup> See Mathieu Duchatel, “China’s port investment: the flag behind the trade”, *China Trends*, Institut Montaigne, June 2019.

<sup>8</sup> India emphasises an inclusive approach, aiming to balance relations with the US and China. India has been articulating a “Free, Open, and Inclusive Indo Pacific” policy (FOIIP).

to think about the ways to mitigate the negative effects of this competition on smaller countries that might suffer from it.

Competition in supporting maritime connectivity is not necessarily negative, providing that it is neither a zero-sum game nor a race to the bottom in terms of standards requirements. On the contrary, it can provide additional options to deliver higher-quality infrastructures to the Indo-Pacific countries. To protect the recipient countries and ensure they remain in control and are able to choose the best option for their needs, several measures can be promoted:

1. Ensure respect for the Rule of Law

Basic principles regarding transparency, openness and freedom of circulation should be promoted and upheld. International standards related to infrastructure funding and debt sustainability should be respected. Efforts should be made to make these principles and standards be considered as fair and legitimate by recipient countries.

2. Empower the recipient countries

Countries in need of maritime infrastructures and capabilities should be supported so as to increase their resilience. In terms of infrastructures, assistance could be offered to help these countries to adequately plan, implement and manage infrastructure projects so as to multiply their funding options.<sup>9</sup> In terms of maritime capabilities, training in Law of the Sea principles and its enforcement as well as support for the development of maritime surveillance skills and equipment would help these countries to ensure their sovereignty and better defend their interests.

3. Foster a multipolar, multilateral Indo-Pacific

Capacity-building assistance will help in maintaining a multipolar Asia. Inclusive projects and schemes should be favoured so as to not force a binary choice upon the recipient countries. Finally, multilateral solutions should be prioritised to increase smaller countries' leverage.

### *Cultivating cooperative behaviours*

Crimes at sea and environmental issues are transnational risks the management of which is likely to provide grounds for cooperation. Crimes at sea are diverse, from illegal fishing to drug smuggling, piracy and terrorist attacks, and are difficult for a

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<sup>9</sup> Daniel F. Runde, Conor M. Savoy, "Global Infrastructure Development. A Strategic Approach to US leadership", *CSIS Project on Prosperity and Development*, March 2016, p. 3.



state to address on its own. Already, successful examples of anti-piracy cooperation abound, be it in the Gulf of Aden or in Southeast Asia. Other initiatives could arise to foster needed cooperation while building trust.

Environmental issues such as the impact of climate change, the acidification of oceans, and natural disasters also offer many opportunities for cooperation. The rise of the ocean level is already posing vital threats to several countries in the Indian and Pacific Oceans, and natural disasters are increasingly devastating. A mutually beneficial domain, protection of the marine environment and disasters prevention and relief, should be considered for further cooperation.

In order to encourage cooperation in these areas, regimes can be set up based on a common set of principles and objectives. Ad-hoc, inclusive and flexible coalitions could allow for efficient cooperation to tackle specific issues while helping to build trust among players.

Tackling all these issues require a greater ability to monitor the seas and analyse what is happening in order to be able to respond in a timely and efficient manner. The promotion of Maritime Domain Awareness thus lies at the core of these efforts. MDA is an enabling tool for maritime cooperation as it enables getting a more precise, updated and informed picture of what is going on at sea (incidents, traffics, crimes at sea, etc.). It requires data, information and knowledge, resulting from cooperation between a variety of actors (civilian and military, public and private), monitoring assets, and the expertise of analysts to make sense of the data.<sup>10</sup> Information sharing is key, and should allow for more transparency and trust.

Successful examples of MDA initiatives also abound in Southeast Asia, the Indian Ocean and the South Pacific. For example, the Information Sharing Center of the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (RECAAP) (2006) in Singapore, the Information Fusion Center (IFC) of the Republic of Singapore Navy (2009) and the Piracy Reporting Centre of the International Maritime Bureau in Malaysia (1991) have become models for how to organise information sharing.<sup>11</sup> In the Indian Ocean, the Djibouti Code of Conduct process has been modelled after the Southeast Asian experiment and in 2018 the India's Information Fusion Center for the Indian Ocean Region (IFC-IOR) was established.

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<sup>10</sup> Ralph D. Thiele, op. cit., p. 5.

<sup>11</sup> Christian Bueger, "From Dusk to Dawn? Maritime Domain Awareness in Southeast Asia", *Contemporary Southeast Asia*, Vol. 37, No. 2, 2015, p. 158.

## **THE EU AND FRANCE: COMMITTED AND CAPABLE PROVIDERS OF MARITIME SECURITY**

### **The EU: A legitimate and experienced stakeholder in maritime security**

The EU has been affected by various aspects of the renewed competition in maritime affairs, in particular by growing Chinese investments in European ports and Beijing's expanding naval presence.

Chinese investments in European infrastructures have been seen as problematic for several reasons, notably because they do not always follow EU procurement rules, and also because these massive investments allow China to have a political influence on some member states and thus undermine the EU's cohesion. For example, Greece, Hungary and others have been reluctant to support a tougher line from the EU towards China regarding its human rights record or the South China Sea disputes.

In response, the EU adopted its own connectivity strategy. The 2018 "Connecting Europe and Asia – Building Blocks for an EU Strategy"<sup>12</sup> is a political assessment of the importance of a cooperative approach to build up connectivity between Asia and Europe, while promoting investments in Asian infrastructures and opening the way for European companies. It provides a broad framework to push initiatives on connectivity based on principles such as social and environmental responsibility, economic viability and transparency.

In recent years, the EU has also developed a set of statements, policies and treaties demonstrating its close interdependence with the broad Asia-Pacific area and its maritime stability. Its 2014 Maritime Security Strategy reiterates the EU's support for the peaceful settlement of maritime disputes according to the United Nations Convention of the Law of the Sea (UNCLOS) and respect of the rule of law at sea.

The updated EU Maritime Security Strategy (EUMSS) Action Plan adopted at the end of 2018 states that the EU has the role of a global maritime security provider, in particular in maritime zones of great strategic interest (the Horn of Africa/Red Sea, the South China Sea, the Gulf of Guinea and the Caribbean Sea).<sup>13</sup> In particular,

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<sup>12</sup> "Connecting Europe and Asia – Building Blocks for an EU Strategy", Brussels, 19 September 2018.

<sup>13</sup> "Revised European Union Maritime Security Strategy Action Plan", Brussels, 26 June 2018, p. 3.

the document states the need to protect critical infrastructures, such as ports and energy facilities, and calls for greater coordination between civilian and military agencies.

### *The EU experience in the Western Indian Ocean*

A legitimate actor, the EU has also developed a real expertise in tackling crimes at sea and supporting maritime capacity building, in particular in the Western Indian Ocean. The EU has been a proactive actor in operations to tackle piracy off the Horn of Africa and in the Western Indian Ocean with the decade-old Operation Atalanta (European Union Naval Force [EU NAVFOR] Somalia).

Through the European Development Fund, several programmes on fostering maritime security through capacity-building activities, information-sharing and operational coordination in the Western Indian Ocean have also been launched, such as MASE (Program to Promote Regional Maritime Security, 2012-2018) and CRIMARIO (Critical Maritime Routes, Indian Ocean) (2015-2019). It has led to the creation of several information-sharing and coordination centres.<sup>14</sup> An information sharing and incident management tool, IORIS (Indian Ocean Regional Information Sharing platform), was launched in 2018.

The EU now aims to expand its expertise outside of the Western Indian Ocean. It can build on the high-level dialogue it has been holding with ASEAN since 2013 on maritime affairs, in particular piracy, maritime surveillance and port security.

## **France's Indo-Pacific approach and maritime security**

Recognition that maritime competition and rivalry are now directly challenging France's interests (the French Exclusive Economic Zone [EEZ] is the world's second largest, 90% of which is in the Indian and Pacific Oceans) has led Paris to design an Indo-Pacific approach. President Macron referred to an Indo-Pacific strategy and axis when he visited Australia and New Caledonia in May 2018, and in the following months both the Ministry of the Armed Forces (MAF) and the Ministry of the European and Foreign Affairs (MEFA) issued key documents to present the French vision of the region.<sup>15</sup>

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<sup>14</sup> Christian Bueger, "Effective maritime domain awareness in the Western Indian Ocean", *Policy Brief*, ISS, 104, June 2017, p. 2.

<sup>15</sup> "France and Security in the Indo-Pacific", French Ministry of the Armed Forces, June 2019 and "2030 French Strategy in Asia-Oceania. Towards an inclusive Asian Indo-Pacific Region", French Ministry of European and Foreign Affairs, Paris, August 2018.

Centred on maritime security, its strategy first aims at organising a group of like-minded partners in the region in order to maintain a balanced and multipolar regional order, and to ensure an efficient approach in tackling challenges in the region. Paris claims that its commitment to the region is not to act as another player in the great-power rivalry that is pitting China against the US. Rather, it expects to mitigate the anxiety produced by this competition by offering an alternative not aligned to any of the existing initiatives but hoping instead to provide a way out of the polarisation between the US and China. Accordingly, France has not endorsed the US or Japanese versions of the Free and Open Indo-Pacific and is not interested in being formally associated with such formats as the Quad.

Paris also highlights the importance of engaging China, maintaining a robust dialogue and reciprocal partnership, and encouraging Beijing to play the role of a responsible stakeholder on issues such as climate change or the reform of the World Trade Organisation (WTO). Paris is therefore emphasising the “inclusive” nature of its own approach. This difficult position of trying to walk a fine line on China is not without contradictions.

### *Maritime security at the core of French Indo-Pacific strategy*

In its approach to the region, Paris is placing priority on the broadly defined maritime security. Admiral Prazuck, Chief of Naval Staff, presented in January 2019 a holistic approach: France is interested in maintaining the safety of “dots” (chokepoints like the Hormuz, Malacca, and Bab-El-Mandeb Straits), Sea Lines of Communications (SLOCs), and stocks (fish, hydrocarbons, critical elements)<sup>16</sup>

Accordingly, France supports the strict application of UNCLOS, fights against crime at sea, and is keen on actively demonstrating its commitment to the freedom of navigation. While not taking sides on sovereignty matters, Paris has consistently sent ships to sail in the East and South China Seas since 2014, through the passing of the Jeanne d’Arc mission<sup>17</sup> or the surveillance frigates based in New Caledonia. Beyond defence of the freedom of navigation, the security implications of environmental issues such as the depletion of resources and climate change is a core issue of concern and France is actively pursuing the implementation of the Paris Agreement in all areas.

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<sup>16</sup> Admiral Christophe Prazuck, Chief of Naval Staff, France, at the Raisina Dialogue 2019, Panel: Indo-Pacific: Ancient Waters and Emerging Geometries, 9 January 2019.

<sup>17</sup> The Jeanne d’Arc mission is an annual deployment undertaken by French Navy ships around an amphibious battle group, for training purpose, but also to uphold the freedom of navigation and conduct joint exercises with partners.

Therefore, France aims to develop the maritime surveillance capability in the region, through capacity-building, networking of partners and information sharing. Maritime security and surveillance may indeed be the least common denominator that gathers the majority of the Indo-Pacific countries, from great powers to small island states.

### *France as a leading player in the EU*

Back in 2016, then-Defence Minister Jean-Yves Le Drian called for a greater, coordinated European presence in the South China Sea.<sup>18</sup> British troops and helicopters joined the Jeanne d'Arc Mission in 2017, and UK ships sailed alongside French ones in 2018. After Brexit, France will be the only EU member state with significant permanent forces in the Indo-Pacific. France is thus encouraging a greater European commitment to the region. Paris is also supporting EU membership at the East Asia Summit and the implementation of the EU-Asian connectivity plan and is seeking a revitalisation of the Asia-Europe Meeting (ASEM) Dialogue. More generally, France is interested in fostering a common vision for the Indo-Pacific within the European Union.

## **CONCLUSION**

The dynamics in maritime affairs is one of increasing competition. Maritime connectivity is a new area for competitive behaviours as geopolitical interests are now integrated with geoeconomic needs. The hybrid nature of the various connectivity schemes only adds to the growing general mistrust that has been fuelled by the return of great-power politics and rivalry. As a result, a kind of security dilemma has emerged in which the competition is being fed by an action-reaction cycle.

To mitigate the negative effect of competition, the rule of law should be maintained, smaller countries should be empowered, and a multipolar, multilateral Asia should be encouraged. Cooperative behaviours have to be fostered, in particular in the areas of the fight against crimes at sea, environmental challenges and maritime surveillance.

France and the EU have obviously important stakes in the Indo-Pacific maritime security, the safety of its trade routes and the overall stability of the area. They

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<sup>18</sup> Jean-Yves Le Drian, Minister of Defense, "France – Statement for the fourth plenary session: The challenges of conflict resolution", 15th Asia Security Summit, The IISS Shangri-La Dialogue, Singapore, 5 June 2016.

both aim at reaffirming the respect of fundamental principles such as freedom of navigation and the Law of the Sea, as well as mitigating the negative effects of the rivalry between China and the US. While the European member states hold heterogeneous views on China, the general position of the EU is that China is not only a strategic rival. It is also sometimes only a competitor or can even be a partner, when dealing with climate change, for example.<sup>19</sup> In this regard, the EU is not supporting the US confrontational approach vis-à-vis China and is unwilling to adopt unilateral economic sanctions to make it bend. France is very much in line with this posture. As a result, Europe has been criticising the confrontational US attitude vis à vis China. This does not mean that Europeans are naïve about Chinese projects.

France and the EU have been increasingly critical of the Chinese MSR: the European Commission and EEAS's Strategic Outlook<sup>20</sup> of March 2019 thus clearly calls for greater transparency, true reciprocity and social, financial and environmental sustainability in Chinese connectivity investments. It mentions that a high level of indebtedness could lead to "transfer of control over strategic assets and resources", indirectly referring to the Sri Lankan case.<sup>21</sup> Europeans are also concerned that Chinese claims in the South China Sea and its refusal to accept the 2016 arbitration rulings may "affect the international legal order and make it harder to resolve tensions affecting sea lanes of communication vital to the EU's economic interests".

The European approach to maritime connectivity is thus much more in line with the Japanese Free and Open Indo-Pacific initiative, resting on comprehensive investment packages to enhance the East-West maritime corridors, and helping to integrate the region through high-quality infrastructures. The signature of the Partnership on Sustainable Connectivity and Quality Infrastructure between the European Union and Japan<sup>22</sup> last September symbolises this convergence and seals the cooperation between these two like-minded partners to promote maritime

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<sup>19</sup> "European Commission and HR/VP contribution to the European Council EU-China – A strategic outlook", 12 March 2019.

<sup>20</sup> Ibid.

<sup>21</sup> Back in 2017, the Sri Lankan government had to lease the Hambantota Port to China for 99 years as it was unable to repay the huge amount of money it borrowed from Beijing to build the facility.

<sup>22</sup> "The Partnership on Sustainable Connectivity and Quality Infrastructure between the European Union and Japan", Brussels, 27 September 2019, [https://eeas.europa.eu/headquarters/headquarters-homepage/68018/partnership-sustainable-connectivity-and-quality-infrastructure-between-european-union-and\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/68018/partnership-sustainable-connectivity-and-quality-infrastructure-between-european-union-and_en).

connectivity respecting the highest level of international norms and the freedom of access.

As for more general commitment on maritime security, the EU has already a solid experience in promoting maritime security in the Western Indian Ocean and is willing to act as a security provider in the Indo-Pacific region. France is taking advantage of its overseas territories to commit to the area, with a focus on maritime security and the promotion of a networked MDA. Paris also emphasises the importance of the security implications of environmental issues such as climate change, and also the protection of marine biodiversity. France's ambition is to offer an alternative to countries that do not want to choose between the US and China by promoting inclusive, flexible frameworks to gather countries with shared interests to cooperate on specific items. As a result, it appears that both France and the EU have important assets to help enhance maritime security and cooperation in the Indo-Pacific area.

One important condition for success would be to ensure the legitimacy and the ownership of the norms, principles, objectives and processes by the regional countries. Only accepted norms and multilateral regimes will trigger cooperation.<sup>23</sup> Another condition would be to make sure that the growing rivalry between Washington and Beijing do not turn too sour. A bipolarisation would push the regional countries to pick a side, something most of them do not want, and would certainly point towards a zero-sum game competition. In this context, the EU and France certainly have a key role to play in implementing these two conditions of success and providing a solid alternative to mitigate the growing polarisation.

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<sup>23</sup> See Seng Tan, "The rules-based maritime order is not completely adrift", *East Asia Forum*, 12 June 2019.







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