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*Strategic Implications of China's "21st Century
Maritime Silk Road" Initiative:
Perspectives of ASEAN Countries*

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Abstract

This thesis utilizes geopolitical, geo-economic, constructivism, and complex interdependence approaches to analyze China's Maritime Silk Road (MSRI) geostrategic implications in the Southeast Asia region. Besides, the framework of this thesis is to systematically analyze the South China Sea claimants' and non-claimants' perceptions, responses, and expectations to China's MSRI program, which is an important research foundation to probe into the Maritime Silk Road connections and effects on South China Sea tension. This thesis analyzes Southeast Asia countries' official documents, think tank reports, and local newspapers from 2013 to 2019 and groups ASEAN countries' perceptions of MSRI into three categories of opportunities, challenges, and threats. Lao and Cambodia consider MSRI as an opportunity to reinforce the domestic economy and improve regional connectivity. Vietnam and Myanmar consider that the MSRI threatens their national security and sovereignty. The other ASEAN countries, the Philippines, Thailand, Malaysia, Singapore, and Indonesia view the MSRI half for opportunity and half for threat. Besides, this thesis categorizes ASEAN countries' responses to China's MSRI program into four types that opposed to approval, conservative and prudent, openness but discreet, and friendly and embracing responses. Furthermore, this author examines the United States, Japan, and India's responses and interventions of China's MSRI strategy in the Southeast Asia region.

Keywords: Maritime Silk Road Initiative, Geopolitics, Geo-economics, Constructivism, Complex Interdependence, geostrategic implications, Southeast Asia, South China Sea tension, China, ASEAN countries, United States, Japan, India.

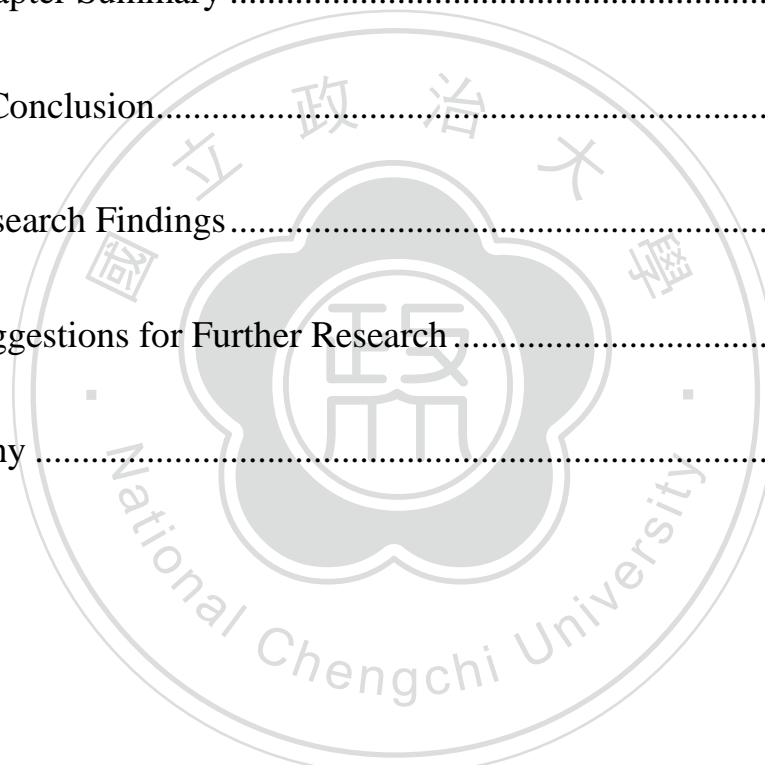
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LIST OF ACRONYMS

ASEAN	Association of Southeast Asian Nations
AIIB	Asian Infrastructure Investment Bank
ARF	ASEAN Regional Forum
AOE	Association of Southeast Asian Nations Our Eyes
ADMM	ASEAN Defense Ministers' Meetings
AAGC	Asia-Africa Growth Corridor
ADMM-Plus	ASEAN Defense Minister's Meeting-Plus
BRI	Belt and Road Initiative
BBB	Philippines' Build, Build, Build Plan
COC	Code of Conduct
CNOOC	China National Offshore Oil Corporation
CMEC	China-Myanmar Economic Corridor
CNPC	China National Petroleum Corporation
CCI	China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity
CPEC	China-Pakistan Economic Corridor
DOC	Declaration on the Conduct of Parties in the South China Sea
DTTI	Defense Technology and Trade Initiative
DFAT	Australian Department for Foreign Affairs and Trade
EEZ	Exclusive Economic Zone
ECRL	East Coast Rail Link
FON	Freedom of Navigation
FOIP	Free and Open Indo-Pacific Strategy

GMS	Greater Mekong Sub-region
HS981	Haiyang Shiyou 981
ISR	Intelligence Surveillance Reconnaissance
JICA	Japan International Cooperation Agency
JBIC	Japan Bank for International Cooperation
JMSDF	Japan Maritime Self-Defense Force
Japan-U.S. 2+2	Japan-U.S. Security Consultative Committee
KSRL	Kunming-Singapore Rail Link
MSRI	21 st Century Maritime Silk Road Initiative
MOU	Memorandum of Understanding
ODA	Official Development Assistance
OPIC	US Overseas Private Investment Corporation
QUAD	Quadrilateral Security Dialogue
SCS	South China Sea
SCO	Shanghai Cooperation Organization
SLOC	Sea Lines of Communication
SSEZ	Sihanoukville Special Economic Zone
SEZ	Special Economic Zone
SGCC	State Grid Corporation of China
SP	Singapore Power enterprise
SREI	Silk Road Economic Belt Initiative
TFP	Total Factor Productivity
TPP	Trans-Pacific Partnership
UNCIP	United Nations Commission for India and Pakistan

Chapter 1 Introduction

1.1 Research Purpose and Motivation

China's Silk Road Economic Belt and the 21st Century Maritime Silk Road policy initiatives (BRI) unveiled by Xi Jin-ping in 2013 were significant signs of Beijing's current effort to stimulate diplomatic relations and economic development along its geographic periphery. According to Xi Jin-ping's opening address in 2017 Belt and Road Summit, BRI manages to achieve the five major goals of policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds. Facilities connectivity is a priority foundation to implement the Initiative, whether the BRI infrastructure investment and financial supports will serve critical methods to reconstruct the global order is an important issue for recent International Relations researches.¹

This thesis concentrates on analyzing China's Maritime Silk Road Initiative (MSRI) strategic implications in ASEAN countries, how China implements the MSRI in ASEAN countries, and what ASEAN's perspectives and reactions to China's MSRI strategy. When conducting the researches of China and ASEAN diplomatic relations, the research is not completed without mentioning the South China Sea disputes. Hence this author tries to examine the cause and effect relations between the MSRI and South China Sea conflicts. Whether or not China peacefully cope with the SCS sovereign disputes through implementing the MSRI scheme. It's also important to probe into what the outer countries, such as United States, Japan, and India potential impacts which may have positive or negative effectiveness on China's MSRI strategy.

¹ Ministry of Foreign Affairs of China, "Full text of President Xi's Speech at Opening of Belt and Road Forum," 2017, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1465819.shtml

1.2 Research Approach

This thesis explores the core values of China's MSRI strategy and ASEAN countries' perceptions, responses and expectations of MSRI by the approaches like geopolitics, geo-economics, constructivism, and complex interdependence theories. China's infrastructure finance has become a tool of sweeping geo-economics worldwide with the purpose of seeking to either access raw materials or make its export flows into those markets more efficiently. On the other hand, China-led Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund have been poured in abundant financial loans and aid in developing countries which will make the region reliant on China economically that reinforces China's geopolitics strategy and enhances the constructivism influence power. The World Economic Forum report indicated that the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative have forged "infrastructure alliances" rather than genuine geopolitical affinities.²

According to Roger M. Kubarych, geo-economics is the intersection of economics and finance with global political and security considerations.³ As globalization development and global market calculation surpass the geopolitical logic of state territoriality, the historical assemblage of state and social security in and through national space—the "geopolitical social"—increasingly dissolves.⁴

According to an analysis released by Xi-an University of Finance and Economics, the BRI has been making concrete geo-economics influence which will

² "Geo-economics Seven Challenges to Globalization," *World Economic Forum Report*, 2015, http://www3.weforum.org/docs/WEF_Geo-economics_7_Challenges_Globalization_2015_report.pdf

³ Roger M. Kubarych, "Geo-economics Injects New Uncertainties into Troubled Markets," *Council on Foreign Relations*, 2004, <https://www.cfr.org/international-finance/geo-economics-injects-new-uncertainties-into-troubled-markets/p7039>

⁴ D. Cowen & N. Smith, "After Geopolitics? From the Geopolitical Social to Geo-economics," *Journal of Antipode*, vol. 41, no. 1, 2009, pp. 22-48.

not only affect regional relations but also determine the trend of geopolitics.⁵ In other words, the BRI strategy might enlarge geopolitics influence through geo-economics expansion in the region. Geopolitics will not be superseded by geo-economics but reinforced its power.

Apart from geopolitical and geo-economic versions, the complex interdependence and constructivism are the other approaches to examine ASEAN countries' perceptions, responses and expectations of the MSRI program, as well as to observe when China emerging great power threatens America, whether China and the United States overcome the Thucydides Trap⁶ or result in a war.

Robert O. Keohane and Joseph S. Nye challenged the fundamental assumptions of traditional and structural realism with a new model of “complex interdependence.” They believed that focusing on military and economic capabilities to explain state behavior is not enough to the complex world connected by global trade, market, and environmental security issues.⁷ Robert O. Keohane and Joseph S. Nye described three main characteristics of complex interdependence: (1) Multiple Channels: In international politics there are multiple channels connecting the societies, including all the interstate, trans-governmental, and transnational transactions. (2) Absence of Hierarchy among Issues: The dividing line between domestic and foreign policy becomes blurred and there is no clear agenda in interstate relations. The military agenda is not the top agenda issue for the state while the economic cooperation, energy security, environmental protection issues become more and more important than military agenda. (3) Minor Role of

⁵ Xuan Lu, “The Situation Analysis of Significant Direction of One Belt and One Road in Geo-Economics Perspective,” *Report of Xi’an University Finance and Economics*, issue. 5, 2015, pp.60-65.

⁶ Graham Allison, *Destined for War : Can America and China Escape Thucydides’s Trap?* (Boston: Houghton Mifflin Harcourt, 2017), pp.5-68.

⁷ Robert O. Keohane & Joseph S. Nye, *Power and Interdependence : World Politics in Transition* (United Kingdom, UK: Pearson, 4th edition, 2011), pp.134-152.

Military Force: Military force is no more considered an appropriate way of achieving national goals because all actors aware of maximized costs war from modern nuclear, biological and chemical weapons.⁸

Robert O. Keohane and Joseph S. Nye indicated “dependence means a state of being determined or significantly affected by external forces and interdependence means mutual dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries.” In the global village, the transportation connection, economic linkage, and transnational movements transcend national borders which cause mutual dependence to affect states’ policy decisions toward another.⁹

BRI is a comprehensive strategy to make the global supply chain more efficiently connect with policy coordination, facility connectivity, unimpeded trade, financial integration and closer people-to-people bond.¹⁰ Thus, BRI provides a complex platform to content states’ needs in economic development transportation system progression, people to people bond, ecological and environmental protection.¹¹ BRI serves as a complex and multifunctional project to reinforce states’ relations and transactions.

The goals of BRI are to embrace a brighter future together for all countries along the Belt and Road by promoting infrastructure development, facility connectivity, economic integration, and strengthening diplomatic ties among countries which could be an opportunity for China to reinforce the peripheral

⁸ *Ibid.*

⁹ Waheeda Rana, “Theory of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts,” *International Journal of Business and Social Science*, vol. 6, no. 2, 2015, pp.291-296.

¹⁰ “Belt and Road Summit Joint Communique” *Belt and Road Summit 2017 Album* (Beijing, China: People’s Publishing Press, 2017), pp.29-37.

¹¹ China’s BRI official website, “The Belt and Road Initiative Progress, Contributions and Prospects,” *The Belt and Road Portal*, 2019, <https://eng.yidaiyilu.gov.cn/zchj/qwfb/86739.htm>

relations. The Maritime Silk Road Initiative specifically supplies Southeast Asia partners with multiple channels of infrastructure investment loans and financial aid or non-governmental organization cooperation in the green ecosystem which fasten complex interdependence relations between China and Southeast Asia partners. Thus, this author uses the complex interdependence theory to examine China's Maritime Silk Road strategy in improving Southeast Asia connectivity network. The deeper complex interdependence relations between China and ASEAN countries, the more trading card China has to process MSRI strategy.

Constructivism was an approach to the study of International Relations after the Cold War. Alexander Wendt published *Social Theory of International Politics* which expressed basic tenets of Constructivism that

*'The structures of human association are determined primarily by shared ideas rather than material forces, and that the identities and interests of purposive actors are constructed by these shared ideas rather than given by nature.'*¹²

Constructivists argued that the most important aspect of international relations is social, not material, and arranged by human awareness or consciousness of common ideas, a body of thought, a system of norms which has been arranged by certain people at a particular time and place.¹³

According to the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," the principal values are to build a community of shared interests, destiny and responsibility featuring mutual political trust, economic integration and cultural inclusiveness.¹⁴ Therefore, the

¹² Alexander Wendt, *Social Theory of International Politics* (United Kingdom, UK: Cambridge University Press, 2012), pp. 92-138.

¹³ Jackson Robert & Sorensen Georg, *Introduction to International Relations Theories and Approaches* (United Kingdom, UK: Oxford university press, 3rd edition, 2006), pp.162-177.

¹⁴ National Development and Reform Commission of the People's Republic of China official website, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

common interests of prosperity, the idea of forming a community of destiny, and a system of norms to improve mutual trust are the core consciousness those which China manages to achieve via operating Silk Road Economic Belt and Maritime Silk Road Initiative.

Specifically, BRI contains five aspects of promoting policy coordination, facility connectivity, unimpeded trade, financial integration and people-to-people bonds. The five goals have proceeded with the support from Asia Infrastructure Investment Bank and Silk Road Fund. For instance, BRI countries will gain financial assistance and loans from AIIB or Silk Road Fund to improve transportation infrastructure connectivity or promote domestic economic development if those countries compromise to China's request or conditions. China makes partners believe the prosperity China will bring to them through financial assistance, facility connectivity, and policy coordination. While the more reliance on China, the more thoughts, ideas and norms are centered by China which will reinforce its influence upon those countries. This author use constructivism approach to analyze China's Maritime Silk Road Initiative in Southeast Asia region.

In sum, the author uses the constructivism to illustrate the MSRI roles in ASEAN countries and to analyze those countries' identities and interests which will generate different expectations, responses and perceptions toward China's MSRI strategy. Moreover, the author attempts to analyze the cause and effect of China-ASEAN relations in South China Sea disputes after China proceeding MSRI strategy in Southeast Asia region through geopolitics, geo-economics, constructivism and complex interdependence theoretical approaches.

1.3 Research Method

This thesis applies historical analysis and content analysis with the emphasis on probing into the issue of China's MSRI strategy in Southeast Asia countries and

those countries' perceptions, responses and expectations toward MSRI as well as conduct comparative analysis to find out the cause and effect relations between the MSRI implementation in the South China Sea (SCS) territorial claimants comparing to non-territorial claimants.

This thesis analyzes historical data from official documents, newspaper, journal, and think tank research papers as a tool for understanding China's MSRI strategic objectives in Southeast Asia and the responses of ASEAN countries toward the MSRI strategy. Meanwhile, the historical analysis method helps the author to develop the basic research capability of understanding the background of the nine-dash line in the South China Sea, acknowledging the SCS security current situation from Declaration on the Conduct of Parties in the South China Sea (DOC) to Code of Conduct (COC), and the arbitration initiated by the Philippines Aquino III Administration. Besides, uses content analysis to examine China and Southeast Asia countries' diplomatic policy, bilateral agreements, multilateral contracts, and government officer statements. For example, the report of 19th National Congress of the Communist Party of China, the documents of BRI Summit in 2017 and 2019, the report of 33rd ASEAN Summit & Related Summits, and ASEAN countries' diplomatic annual reports. Besides, this thesis summarizes the ASEAN local news report and academic journals to explore the executive effectiveness from ASEAN countries' local people, the executive body of MSRI.

China's BRI is a comprehensive strategy including the issue of geopolitics and geo-economics concerns. Therefore, this thesis uses cross-sectional analysis to find out ASEAN countries' attitudes toward China's MSRI strategy and states' feedbacks and expectations of the MSRI program. In addition, try to examine the extra-regional factors and impacts of the United States, Japan, and India by means of gathering public information and conducting historical and content analysis.

1.4 Literature Review

The purpose of a literature review covers the description, summary, and critical evaluation by analyzing government official statement, books, journals, scholarly articles, public and private surveys which relevant to these research questions. In order to conduct an objective, critical and academic value research, literature review shall be divided into three main sections:

First, understanding the definitions of geopolitics, geo-economics, constructivism, and complex interdependence theories is essential tool to probe into China's MSRI strategy in ASEAN countries. Second, the classification of the MSRI strategic assertiveness to Southeast Asia by selecting the official documents, journals, academic researches, public and private think tank analyses. Third, the comparison analysis between SCS territorial claimants' and non-claimants' perceptions, responses and expectations of China's MSRI strategy.

I. Definitions

A. *Geopolitics*

The concept of 'geopolitics' was first coined by the Swedish political scientist Rudolf Kjellen in 1899. Geopolitics is the intersection of political power and geographic space.¹⁵ Geopolitical competition occurs when state aspires great powers for controlling over territory, natural resources and other important geographical positions or places, such as ports and harbors, canals, river systems, and etc.¹⁶

Even though China's Foreign Minister Wang Yi said that BRI is

¹⁵ Tunander Ola, "Swedish-German Geopolitics for A New Century: Rudolf Kjellén's The State as A Living Organism," *Review of International Studies*, 2001, pp. 451-452, <https://search.proquest.com/docview/204946908?accountid=10067>

¹⁶ Rongxing Guo, "Exploiting Natural Resources in Cross-Border Areas," *Territorial Disputes and Cross-Border Management*, (Canada: Elsevier, 3rd edition, 2018), pp.139-179, <https://www.sciencedirect.com/science/article/pii/B9780444640024000064>

not a tool of geopolitics to penetrate into countries along Belt and Road.¹⁷ While the objectives, actions, and outcomes of the MSRI have become clearer that improving ASEAN countries' infrastructure facilities connectivity, policy coordination and financial integration demonstrates China's motivation to limit dissent and gain consensus across a variety of audiences.¹⁸

Xue and Xu, the director and a researcher at the Department of International Strategy in Chinese Academy of Social Sciences, contended that BRI is motivated by China's wish to cope with the US rebalance to Asia, Japan's accelerated steps toward normalization, India's growth economic market. In this formulation, the BRI plays a critical role to move away from viewing itself as simply an East Asian country to an identity as part of Central Asia and a main power on the Eurasian continent. This means that China is paying attentions to all of China's neighbors rather than some of them.¹⁹ Moreover, according to the book of "*Geopolitics and China's National Defense Strategy*", the author Yao Yueh-liang, Vice President, National Security College of China's National Defense University, he illustrated the relationship between geopolitics and national defense is mutual affected which contains three aspects: geopolitical environment is a critical basis for estimating peripheral and national defense situation, geopolitical factors are an important foundation for

¹⁷ Catherine Wong, "Cooperate or Stop Criticizing, China's Foreign Minister Wang Yi Says as Belt and Road Summit Nears," *South China Morning Post News*, 2019, <https://www.scmp.com/news/china/diplomacy/article/3006893/cooperate-or-stop-criticising-chinas-foreign-minister-wang-yi>

¹⁸ Jean-Marc F. Blanchard & Flint Colin, "The Geopolitics of China's Maritime Silk Road Initiative," *Geopolitics Journals*, vol. 22, no. 2, pp.223-245.

¹⁹ Li Xue, "China Needs Great Power Diplomacy in Asia," *The Diplomat*, 2015, <https://thediplomat.com/2015/03/china-needs-great-power-diplomacy-in-asia/>

China's national defense forces, geopolitical thinking is an important perspective of national defense research.²⁰

B. *Geo-economics*

The term geo-economics emerged in the early 1990s when the Soviet Union was about to collapse. Geo-economics is a power of politics by geographically economic means. According to "Geo-Economic Strategy for the South China Sea," the journal of *China Soft Science*, Wu Yin and Tang Jian indicated that geo-economic strategy in the South China Sea is not only to efficiently seek China-ASEAN "Win-Win Cooperation," but peacefully resolve the South China Disputes.²¹ From China's perspective, the core of "New Security Concept" includes mutual trust, mutual benefits, equality, and coordination. Apart from working on the establishment of a regional security and cooperation mechanism, such as Shanghai Cooperation Organization (SCO), the ASEAN Regional Forum (AFR),²² as well as Declaration on the Conduct of Parties in the South China Sea, China takes geo-economic means to achieve national interests which involve maintaining GDP growth, reinforcing peripheral diplomacy relations, and being a responsible major power in the region.

The key driving forces for geo-economic relationships between China and ASEAN countries involve the factors of geopolitics, geo-

²⁰ Yueh-Liang Yao, *Geopolitics and China's National Defense Strategy*, Tainjinrenmin publisher, 2002.

²¹ Yin Wu & Jian Tang, "Geo-Economic Strategy for the South China Sea," *China Soft Science*, issue. 1, 2011, pp.1-16.

²² Permanent Mission of the People's Republic of China to the UN official website, "China's Position Paper on the New Security Concept," <https://www.fmprc.gov.cn/ce/ceun/eng/xw/t27742.htm>

location, geo-cultural and economic factors. Economics factors directly play critical role on geo-economic relationships. Geo-location and geopolitics factors indirectly act on geo-economic relationships. Geo-culture has a vital mediating effect on geo-economic relationships. Besides, the geo-economic relationships driving forces involve endogenous forces and external forces. The economic driver is an internal force, while political, cultural and location drivers are external forces. Economic drivers improve geo-economic relationships through market, industrial policy, technical, network and benefit-sharing mechanisms. Political drivers facilitate geo-economic relationships through cooperation, negotiation, coordination and institutional mechanisms. Cultural drivers enhance geo-economic relationships through transmission mechanism. Location drivers advance geo-economic relationships through selection mechanism, such as border ports, seaports and airports. These infrastructure facilities affect transportation costs and logistics time as well as result in economic prosperity and development in border areas.²³ Therefore, China-ASEAN geo-economics relationship primarily bases on economics drivers, geo-location element, geopolitical function and geo-cultural effects. Apparently, what China's MSRI has implemented in ASEAN countries matches these four factors.

C. *Constructivism*

Social Constructivism was established as recently as the late 1980s and early 1990s by such thinkers as Nicholas Onuf, Alexander Wendt,

²³ Shufang Wang, Xiao Xue, Axing Zhu, Yuejing Ge, "The Key Driving Forces for Geo-Economic Relationships between China and ASEAN Countries," *Sustainability Journal*, vol. 9, no. 12, pp.1-20.

Emanuel Adler, Friedrich Kratochwil, John Gerard Ruggie, and Peter Katzenstein. Nicholas Greenwood Onuf was the first theorist who introduced the term “Constructivism” in International Relations theory in 1989, contending that states much the same as individuals are living in a “world of our making.”²⁴

The international system exists only as an intersubjective awareness among people in the sense of being constituted by ideas, not by material forces. Constructivism is a set of ideas, a body of thought, a system of norms, which has been arranged by certain people at a particular time and place. Constructivist Alexander Wendt published a journal article ‘Anarchy is What States Make of It: The Social Construction of Power politics’ in 1992 which outlined a constructivist approach to international relations theory. According to Wendt, whether a system is conflictual or peaceful is a function not of anarchy and power but of the shared culture created through discursive social practices. The social practices result from self-interests and identities.

Besides, states can reshape structure by process, norms, and new gestures which to reconstitute interests and identities toward more other-regarding and peaceful means and ends.²⁵

D. *Complex Interdependence*

In the late 1970s, due to the increasing non-governmental interactions, growing complex transnational economy connections, and

²⁴ “Constructivism: An Introduction,” E-International Relations Learning, 2011, <https://www.e-ir.info/2011/02/03/constructivism-an-introduction/>

²⁵ Dale C. Copeland, “The Constructivist Challenge to Structural Realism,” *International Security*, vol. 25, no. 2, pp. 187-212, 2000, <http://www3.nccu.edu.tw/~lorenzo/Copeland.pdf>

technology advancement while the use of military force and power balancing decreased which caused international relations tend to mutual affected relations on economic and power balancing situation.²⁶

Complex interdependence provides critical concept of sensitivity and vulnerability. If an entity is less sensitive to changes, it will be able to maintain a dominant status through keeping the status quo. If it is more sensitive, it will feel forced to adjust and adapt its decision making more often and more quickly. If an entity is less vulnerable, it will have more capability to keep control through the changes and issues which it makes to confront. If it is more vulnerable, it will be less able to solve problem efficiently. In other words, a less sensitive and less vulnerable actor will have more influence and control in an international issue. While more sensitive and more vulnerable actor will have less ability to deal with changes which might result in more dependently rely on strong actor in certain area.²⁷

According to Robert Keohane and Joseph Nye, complex interdependence involves three main characteristics: multiple channels of contact and communication, an absence of hierarchy among issues, and the minor role of military force. Complex interdependence demonstrates that states are tied comprehensively by national resources, economic market, financial integration, and political aspects. Apart from governmental interactions, multiple channels such as non-governmental organization, non-profit organization, philanthropy foundation, and

²⁶ Robert O. Keohane & Joseph S. Nye, *Power and Interdependence* (New York: NY, Addison-Wesley and Longman, 2001), p.8.

²⁷ Kenneth S. Rogerson, "Information Interdependence: Keohane and Nye's Complex Interdependence in The Information Age," *Community and Society*, vol. 3, no. 3, pp. 421-422, 2010, <https://www.tandfonline.com/doi/pdf/10.1080/13691180051033379>

multinational enterprise those channels offer a wide variety of trade, finance, technology, biological environmental security, and social charity for states to discuss without military method. Besides, in the global village, the issues of climate change and environmental protection are as important as the issues of arms race and national security. Furthermore, the issues of climate change, economic and financial agenda, environmental defense might be critical variables in state to state relations.

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II. Classification of China's MSRI strategic assertiveness to Southeast Asia

China's MSRI assertiveness in Southeast Asia comprises the calculations of maintaining domestic economic growth, the geostrategic deployment of String of Pearls, and China-led global governance order. China manages to fill three needs with one deed by implementing the MSRI program. With a slowdown in China's economic growth since 2011, the profit margin of domestic industrial enterprises had fallen significantly and a number of loss-making company soared, China has fallen into excessive capacity dilemma. The overcapacity aspects include labors and raw materials of iron, steel, cement, electrolytic aluminum, and plate glass.²⁹ In order to solve the overcapacity dilemma, China has launched BRI infrastructure investment to export excessive manufacturing materials and labors. Meanwhile, exporting surplus infrastructure raw materials and technical construction labors to Southeast Asia not only promotes Sino-ASEAN diplomatic relations but also

²⁸ Robert O. Keohane and Joseph S. Nye. "Power and Interdependence in the Information Age," *Foreign Affairs*, vol. 77, no. 5, 1998, p.28.

²⁹ Junkuo Zhang & Changwen Zhao "Analysis of the Problem of Overcapacity in China: Relevant Policies, Theories and Case Studies," 2015, http://en.drc.gov.cn/2015-10/13/content_22216933.htm

reinforces the deployment of String of Pearls strategy.

The MSRI infrastructure investments have laid the foundations for advancing the String of Pearls deployment in Southeast Asia and South Asia region. For instance, the Melaka Gateway in Malaysia, the Kra canal in Thailand, the Kyaukpyu port in Myanmar, the Hambantota port in Sri Lanka, and the Gwadar port in Pakistan. China has solidified the String of Pearls deployment by providing MSRI infrastructure raw materials, technical labors, and capital loans with preferential rate to construct outwardly commercial-used but furtively military-used ports.³⁰ The overlapping dots of String of Pearls deployment and the MSRI infrastructure investment projects in Southeast Asia which demonstrate China's assertiveness to enlarge geostrategic influence and geopolitical power in region.

Besides, the other assertiveness to conduct MSRI in Southeast Asia is to open the way for China's engagement in global governance. Compare to Chinese paramount leader Deng Xiaoping 1992 official principle guiding foreign policy to "keep a low profile" (tao guang yang hui) and to "get some things done" (you suo zuo wei) showed China's unwillingness to play a leading role on the world stage,³¹ while in Xi Jin-ping's report at 19th CPC National Congress, he mentioned "Global Governance" five times showed the great ambition that China will take an active attitude in reforming and developing the global governance system.³²

³⁰ Nicholas Szechenyi & Michael J. Green, "China's Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region," 2018, <https://www.csis.org/analysis/chinas-maritime-silk-road>

³¹ Zhong-ying Pang & Liang-fook Lye, "China and Global Governance," *China and Global Governance*, (United Kingdom, UK: World Scientific Publishing, 2012) pp.527-532, https://www.worldscientific.com/doi/pdf/10.1142/9789814425858_0057

³² A speech delivered at the 19th National Congress of the Communist Party of China by Xi Jinping, October 18, 2017, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era,"

Xi unveiled the MSRI concept not only to boost infrastructure connectivity network throughout Southeast Asia, Oceania, the Indian Ocean, and East Africa but also to pave the way for demonstrating “Global Governance” along the MSRI neighboring countries. It is a grand strategy to shape the Sino-centric community of shared destiny in Asia via leveraging economic influence along the MSRI countries which in turn sets the rules of the game for China’s global governance.³³ Additionally, the Southeast Asia region is the economic and infrastructure connectivity springboard for the MSRI policy extension to the Indian Ocean and East Africa Ocean.

III. Compare and contrast SCS territorial claimants’ and non-claimants’ perceptions, responses and expectations to the MSRI strategy.

Different countries’ perceptions of MSRI scheme will generate different expectations and lead to different responses toward China’s MSRI strategy. States’ perceptions might be affected by internal ideas and external elements. Internal ideas could be state’s domestic politics, economy, and culture. External elements include foreign relations and regional security issue. Thus, ASEAN countries’ perceptions of China’s MSRI could be affected by internal ideas or external elements, or both endogenous and external factors.

After analyzing Southeast Asia countries’ official documents, think tank reports, and local newspaper from 2013 to 2019 about SCS territorial claimants’ and non-claimants’ perceptions, the author groups ASEAN countries’ perceptions into three categories of opportunities, challenges and threats. Some

http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf

³³ Guilherme Vasconcelos Vilaça, “China and Global Governance: One Belt One Road, the New Development Bank and the Concept of Market State,” 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3055005

ASEAN countries, for example, Lao and Cambodia consider the MSRI as an opportunity to reinforce domestic economy, to improve facility connectivity, and to integrate them into regional economy network. Other ASEAN countries, Vietnam and Myanmar consider that the MSRI threatens their national security and sovereignty. The other ASEAN countries, the Philippines, Thailand, Malaysia, Singapore, and Indonesia view the MSRI half for opportunity and half for threat. Different perceptions of ASEAN countries yield to different attitude and response to the MSRI project.

ASEAN countries have several types of attitude toward China's MSRI strategy. First, attitude transforms from opposed to approval. Philippines is a very representative state which had switched opposed to supportive attitude toward China's MSRI foreign policy for national interests concerns. Philippines intends grabbing the collaboration on MSRI infrastructure projects and obtaining high financial aids for improving the domestic economy and facility connectivity via participating MSRI projects. After Duterte in charge of the Philippines government, he takes an open-minded approach and supportive response to China's MSRI program.

Second, attitude stays conservative and prudent. Myanmar and Vietnam take conservative and cautious steps toward the MSRI program from the very beginning due to several reasons of domestic politics effectiveness, the public counterforce, national security concern, and the influence of the extra-regional powers.

Third, attitude is openness but discreet. Thailand, Malaysia, Singapore, and Indonesia are welcome China's MSRI infrastructure investment, technical support and financial assistance but keep a watchful eye on China's strategic ambitions on expanding geopolitical and geo-economic power and craving to

switch civil railroad, ports and canal into military stagnation points.

Fourth, attitude is friendly and embracing. Due to diplomacy affinity and stably mutual trust as well as economic dependent mentality, Cambodia and Laos are the few states join China's MSRI program without hesitation since they need capital and technical skills to boost transportation system, energy facility, and industrial development. Thus both Cambodia and Laos plan to implement national development strategy via gaining the resource and assistance from China's MSRI project.

For example, the Rectangular Strategy focuses on Cambodia's growth, equity, and efficiency by four methods of following: enhancing agricultural productivity, continuing rehabilitation and construction of physical infrastructure, increasing private sector growth and working conditions, and fostering human resource training.³⁴ The perception of hinging on the MSRI program to accelerate Cambodia's Rectangular Strategy progression leads to Cambodia's proactive response of the MSRI infrastructure investment on Pan-Asia railway Network Eastern route, roads, and bridges cooperation.

On the other hand, building Laos into a Land-Linked Country connected with China and other ASEAN countries is one of Laos national development plan. The China-Laos railway is an important part of the middle section of Pan-Asia railway. Construction began on December 25th, 2016 and is scheduled to open to traffic in December, 2021. It's constructed mainly by China's investment and operated jointly by China and Laos.³⁵ Apart from railway

³⁴ Phnom Penh, "The Rectangular Strategy for Growth, Employment, Equity and Efficiency Phase III of Royal Government of Cambodia of the Fifth Legislature of the National Assembly, 2013, https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/genericdocument/wcms_237910.pdf

³⁵ Selina Ho, "Can the China-Laos Railway Keep on Track," East Asia Forum official website, 2019, <https://www.eastasiaforum.org/2019/07/12/can-the-china-laos-railway-keep-on-track/>

system, the MSRI program offers financial and technical assistance in constructing Laos's economic zones, energy facility, and satellite system those investment strengthen Laos determination to join in China's MSRI project.³⁶

Five, attitude is cooperative and supportive. Brunei government has taken cooperative and supportive responses to China's MSRI program for the sake of resolving oil-dependency economic dilemma, developing industrial diversification, strengthen regional connectivity, and accelerating negotiation process of signing the Cord of Conduct in South China Sea. Besides, Brunei expects to hinge Brunei Vision 2035 national development plan on China's MSRI program not only to foster infrastructure development but also to strengthen the connectivity between Brunei and regional countries, as well as to ramp up Brunei's geopolitical influence in region.

In a nutshell, comparing ASEAN countries' perceptions of MSRI program yields that most ASEAN countries have the similarities of pursuing facility connectivity, accelerating domestic economic growth, and promoting regional economic integration. While contrasting SCS sovereign claimants' and non-sovereign claimants' perceptions on MSRI program yields three finding results which include: (1) non-claimants are more neutral than claimants. (2) SCS territorial claimants, such as Philippines, Vietnam, Malaysia and Indonesia, those countries' foreign policy toward China are more susceptible to the United States and Japan than non-claimants' foreign policy. (3) The relations between China and SCS claimants are more complex and delicate than SCS non-claimants' relations with China. Because SCS claimants' economic dependency

³⁶ Tai Beiping & Lin Hao "China-Laos Cooperation Benefits both Sides, Contributes to Community of Shared Future," *Xinhua News*, 2018, http://www.xinhuanet.com/english/2018-02/03/c_136946358.htm

on China affect their responses to China's threat to their sovereignty. SCS claimants have bigger risk than non-claimants of suffering from the economic dependency on China which result in the decreasing ability to confront China in the SCS territory sovereignty issue.

IV. The relations between China's MSRI strategy and the South China Sea Conflicts

Apart from comparing and contrasting the SCS territorial claimants' and non-claimants' responses to the MSRI strategy, the author probes into the cause and effect relations between SCS tension and China's MSRI strategy. The author observes that the claimants' attitudes changed from objection to approval and their responses changed from negative to positive of China's MSRI project. The claimants' positive attitudes and responses to the MSRI program which increase diplomatic and economic ties with China. The MSRI program formulates an amicable ambience to reduce SCS tensions between China and the claimants. Even though China's MSRI program may temporarily quench SCS quarrel, the disputes will not be brought into a satisfactory termination until parties reach consensus on signing the Code of Conduct (COC) in the South China Sea.

The goals of China's MSRI are not only to procure a peaceful settlement with SCS claimants but also to amply its's geopolitical and geo-economic power in Southeast Asia and South Asia. For the purpose of securing energy and trade access to the South Asia region, the South China Sea is an important relay station links Asia Pacific region and the Indian Ocean. Also the South China Sea plays a critical role in geographic, natural resources, and strategic deployment in the Southeast Asia region which fundamentally affect China's

national benefits and military strategy concerns. For China, maintaining stable and peaceful relations with claimants in the South China Sea bases on the Sino-ASEAN mutual trust building. Therefore, China advocated the MSRI program not only for the purpose of exporting excessive domestic production but for the goal of circumventing regional tension.³⁷

According to China National Development and Reform Commission statement, the Maritime Silk Road is designed two routes: one goes from China's coast to Europe through the South China Sea and the Indian Ocean, and the other is from China's coast through the South China Sea to the South Pacific. The MSRI project in Southeast Asia contains infrastructure investments of road, railway, port, airport, canal, and energy pipeline as well as financial loans and aid.³⁸ The more capital, technical skills, and materials flow into Southeast Asia, the fewer capacity ASEAN countries have to resist China's hard and soft power invasion.

China manages to ease SCS disputes by maneuvering the MSRI geopolitical and geo-economic influence in Southeast Asia countries. While the relations between SCS conflicts and the MSRI strategy is complicated and unpredictable. Because each SCS territorial claimed state has domestic and diplomatic calculations on obtaining maximum national interests. Therefore, there is no permanent friends nor permanent enemies only permanent interests in South China Sea.

³⁷ Fu-kuo Liu, "The Implications of the Maritime Silk Road Initiative for China's Geostrategic Advance to South and Southeast Asia," *Prospect Journal*, vol. 14, no. 1, 2015, pp.75-97.

³⁸ National Development and Reform Commission of China official publication, *The Belt and Road Initiative Progress, Contributions and Prospects* (Beijing: Foreign languages Press, 2019), pp. 34-48.

1.5 Research Scope

The author gathers the research data from January 2013 to December 2019 which contain government official documents, non-government data, news reports, academic journals, and think tank reports about the relations between China's MSRI program and the Southeast Asia countries. The research geographical location focuses on Southeast Asia and China to investigate the SCS territorial claimants' and non-claimants' perceptions, responses, and expectations of China's MSRI strategy. Besides, this thesis is conducted by political, economic, and strategic versions to explore the cause and effect relations between the MSRI strategy and the SCS tension. In addition, the author analyzes the responses and interventions of the United States, Japan, and India to China's MSRI strategy in Southeast Asia.

1.6 Research Limitations

BRI is a long-lasting and continued project which has lots of uncertainties, variables, and challenges in the future. This thesis can hardly forecast the precise and accurate outcome of China's MSRI strategy in Southeast Asia countries. This author also encountered language limitation in Chinese and English data which may generate the problem of accessing to Southeast Asia native language data information. While The author solved the language problem by analyzing and examining the state's think tank papers and studies to conduct this thesis.

If the author had sufficient research time and ample budget, she could have gone to the ASEAN countries to conduct field investigations. Even though this thesis lacks field study due to time and budgetary constraints, the author summarizes the key elements and extracts the essence from official research archive and data which might provide academic contributions to the following researchers who are interesting in the relevant issues and topics.

1.7 Research Questions

The final results of China's BRI has been in the academic spotlight since it unveiled its objectives in 2013. It has drawn some academic attentions to probe into the outcome of BRI whether it will succeed or fail in the end. Other scholars have been attracted to conduct the research of the aftereffects of the long-lasting BRI investments in the Southeast Asia region. In order to address the BRI issues already outlined and begin to fill the research gaps in the previous researches, the research purpose is to report on an investigation of ASEAN countries' reactions of China's MSRI strategy and the relations between the MSRI and South China Sea conflicts. The paper is designed to address the following research questions:

Question 1: What are the strategic implications of the MSRI strategy toward ASEAN countries?

Question 2: What are ASEAN countries' perceptions, responses, and expectations of China's MSRI strategy?

Question 3: What are the MSRI connections and effects on South China Sea conflicts?

Question 4: What are big powers responses and interventions in China's MSRI strategy?

The Maritime Silk Road Initiative is an ongoing and long-lasting foreign policy for ASEAN infrastructure investment and regional economy integration. The research findings of China's MSRI strategic implications in Southeast Asia, the analysis of ASEAN countries' perceptions, responses and expectations to the MSRI program, as well as the research outcome of the complex causes and effects of MSRI and the South China Sea disputes are the core essences of this thesis.



Chapter 2 China's Belt and Road Initiative and Strategy

2.1 China "Belt and Road" Initiative

BRI is a complex strategy which involves geopolitics, geo-economics, constructivism and complex interdependence purposes by implementing diplomatic and economic tactic to strengthen China's geostrategic influence along BRI countries. The BRI is an abbreviation of Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative. The concept of Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative were introduced by Chinese President Xi Jin-ping during his visit to Kazakhstan and Indonesia in autumn of 2013. In a speech delivered at Nazarbayev University, Xi suggested China and Central Asia hand in hand to build a Silk Road Economic Belt. In Xi's speech at the Indonesian parliament, he proposed building a close China-ASEAN maritime cooperation via constructing the Maritime Silk Road.¹ Moreover, On January 26, 2018, the State Council Information Office of the People's Republic of China published a white paper which indicated a blueprint for China's Arctic strategy to develop a "Polar Silk Road" under the BRI framework.²

The Silk Road Economic Belt and the 21st Maritime Silk Road Initiative is the most important foreign policy to fulfill the Chinese Dream of being a responsible country and returning the great empire era by achieve the goals of policy coordination, financial integration, unimpeded trade, facility connectivity, and people to people bound. China avowed the BRI concept as following:

The Belt and Road Initiative aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the

¹ The State of Council of the People's Republic of China, "Chronology of China's Belt and Road Initiative," 2015, http://english.gov.cn/news/top_news/2015/04/20/content_281475092566326.htm

² Belt and Road Initiative official website, 2018, <https://www.beltroad-initiative.com/belt-and-road/>

Belt and Road, set up all-dimensional, multi-tiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries. The connectivity projects of the Initiative will help align and coordinate the development strategies of the countries along the Belt and Road, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust and respect each other and live in harmony, peace and prosperity. ³

The routes of the Belt and Road Initiative

The Silk Road Economic Belt and the Maritime Silk Road include three land-based silk roads, two sea-based silk roads, and one Polar silk road. The land-based silk road economic belt separated three routes one via Central Asia, Russia to Europe, another via Central Asia, West Asia, the Persian Gulf to the Mediterranean, the other via South Asia to Indian Ocean.⁴ The Maritime Silk Road is envisioned as two sea-

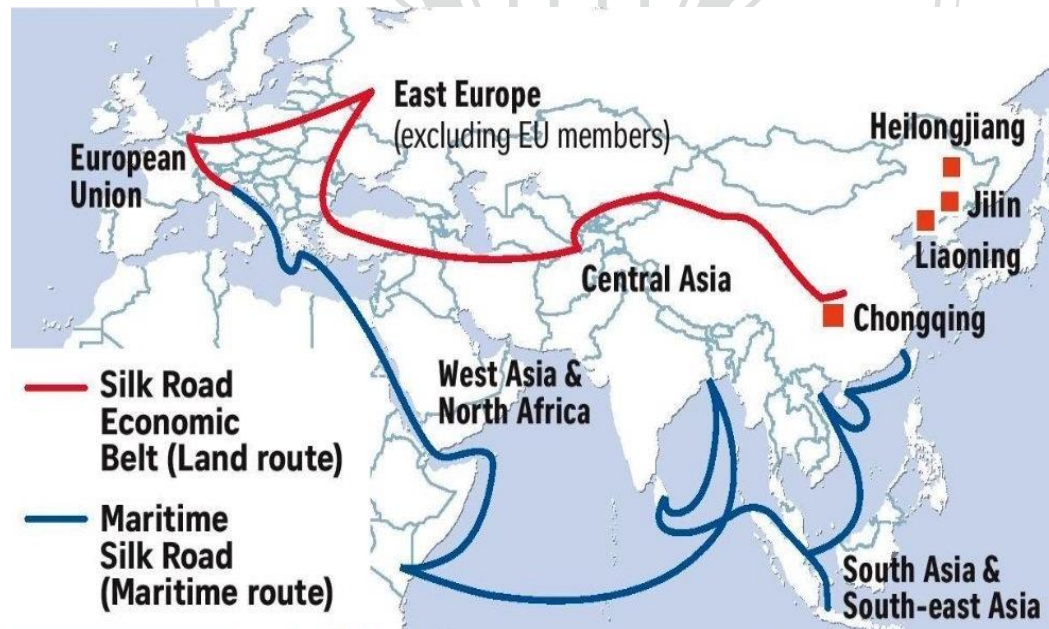


Figure 2. 1 China's Belt and Road Routes (Source: Bloomberg Straits Times Graphics)

³ National Development and Reform Commission of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

⁴ Werner Fasslabend, "The Silk Road: A Political Marketing Concept for World Dominance," *European View*, vol. 14, no. 293, 2015, <https://doi.org/10.1007/s12290-015-0381-3>

based routes one starts from South China Sea to Indian Ocean and extend to Europe, the other starts from South China Sea to South Pacific Ocean. The Polar silk road covers an area of about eight million square kilometers, involving Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States.⁵

After Chinese president Xi Jin-ping unveiled the Silk Road Economic Belt and the Maritime Silk Road Initiative in 2013, it was not long before the Third Plenary Session of the 18th Central Committee of the Communist Party of China had called for accelerating infrastructure links among BRI neighboring countries.⁶ In March 2015, the “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” was issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People’s Republic of China. It represented that BRI had been in carry-out phase.

2.2 Purposes of the Maritime Silk Road toward ASEAN

The MSRI is a transport route that plans to connect China’s east coast with Europe through the South China Sea and the Indian Ocean for strategically geopolitics and geo-economics calculations.⁷ Besides the Southeast Asia geostrategic location and economic conditions serve critical role for the MSRI implementation: the insufficient infrastructure facilities, large consumer market, and numerous manufacturing hubs and natural resources provide China an adequate environment to achieve the MSRI geostrategic goals. Beijing has three objectives to implement the MSRI program in Southeast Asia as follows:

⁵ The State Council Information Office of China official website, “China Proposes Building Polar Silk Road in Arctic,” 2018, http://english.scio.gov.cn/pressroom/2018-01/26/content_50313801.htm

⁶ The State Council of China official website, “Chronology of China’s Belt and Road Initiative,” 2015, http://english.gov.cn/news/top_news/2015/04/20/content_281475092566326.htm

⁷ Michael J. Green, Center for Strategic International Studies Report, “China’s Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region,” 2018, <https://www.csis.org/analysis/chinas-maritime-silk-road>

1. Maintain China's Domestic Economic Growth

China has become an enthusiastic mover of regional economic and regional security cooperation in East Asia since the mid-1990s when China began to shift from a single-minded actor for bilateralism to embrace multilateralism. As Suisheng Zhao indicated,⁸ the driving force of China's participation in regional cooperation and strategic deployment which bases on the calculations of China's domestic interests to forge a stable environment and to enhance economic growth, as well as on the calculation of foreign diplomatic strategy to maintain regional political, economic and diplomatic stability.⁹ Dwight H. Perkins, an American economist, pointed out the reason why China's economic growth slows down is the stagnation of supply and demand side. China's domestic demand market is saturated and supply market is overcapacity.¹⁰ In order to solve the overcapacity problem and to stimulate economic growth, Beijing manages to export excessive productivity, such as labors, steel, nonferrous metal, building materials, coal and shipbuilding by the BRI program.¹¹

2. The Strategic Interests of String of Pearls

China's String of Pearls strategy is a strategic network of military, commercial facilities and relationships along with its sea lines of communication which pass through South China Sea, Southeast Asia, Indian Ocean, and the Arabian Sea. This thesis aims to deduce the geopolitics and geo-economics ramifications between

⁸ Suisheng Zhao is Professor and Executive Director of the Center for China-US Cooperation at Josef Korbel School of International Studies, University of Denver. A founding editor of the *Journal of Contemporary China*, he is a member of the Board of Governors of the US Committee of the Council for Security Cooperation in the Asia Pacific (USCSCAP), a member of the National Committee on US-China Relations, a Research Associate at the Fairbanks Center for East Asian Research in Harvard University.

⁹ Suisheng Zhao, "China's Approaches toward Regional Cooperation in East Asia: Motivations and Calculations," *Journal of Contemporary China*, vol. 20, no. 68, 2011, pp.53-67.

¹⁰ Dwight H. Perkins, "Understanding the Slowing Growth Rate of the People's Republic of China," *Asian Development Review*, vol.32, no.1, 2015, pp.1-30.

¹¹ Yiping Huang, "Understanding China's Belt and Road Initiative: Motivation, Framework, and Assessment," *China Economic Review*, vol. 40, 2016, pp. 314-321.

String of Pearls and the MSRI deployment. According to the relevant research, the MSRI program has paved the way for the expansion of the strategic dot of String of Pearls for security and energy deployment through Indo-Pacific region. The String of Pearls has a strong link with China's growing maritime interests in the Indian Ocean to change the entire geostrategic character of the region.¹² While China claims that the economic cooperation, infrastructure connectivity and the security of Sea Lines of Communication(SLOC) are the main purposes for extending to the Indian Ocean. Zhou Bo, an honorary fellow with China's Academy of Military Science, rejected the notion that China was establishing military bases throughout the Indian Ocean. China has only two purposes in the Indian Ocean: economic gains and the security of SLOC access rather than bases, is what the Chinese Navy is really interested in. Zhou posited that China's economic mega-projects in the Indian Ocean and South China Sea will help to mitigate security concerns.¹³

An American expert of the Heritage Foundation, Dean Cheng, objected China's ostensibly official statement and urged that the United States should lay partnership with India to counter China's increasing military presence and economic influence in the Indian Ocean.¹⁴ According to the analysis of Center Strategic and International Studies (CSIS), Southeast Asia is a core and critical region for the Maritime Silk Road and String of Pearls strategy not only for the geopolitics and geo-economics conditions but also those states with less infrastructure and maritime capabilities which give China opportunities and

¹² David Brewster, "Silk Roads and Strings of Pearls: The Strategic Geography of China's New Pathways in the Indian Ocean," *Geopolitics journal*, vol. 22, no. 2, 2017, pp.269-291.

¹³ Bo Zhou, "The String of Pearls and the Maritime Silk Road," 2014, http://www.china.org.cn/opinion/2014-02/12/content_31445571.htm

¹⁴ The Economic Times, "India US Need to Partner to Balance China in the Indian Ocean," 2010, <https://economictimes.indiatimes.com/news/politics-and-nation/india-us-need-to-partner-to-balance-china-in-indian-ocean/articleshow/6478245.cms>

rational excuses to gain control and access to Southeast Asia.¹⁵ Besides, in the CSIS report, *China's Maritime Silk Road: Strategic and Economic implications for the Indo-Pacific Region*” unpack the MSRI geo-economics and geostrategic implications in Indo-Pacific region. The report contains (1) the analysis of Myanmar Kyaukpyu deep-sea port and a special economic zone investment, (2) studies of economic drivers and challenges of China's Maritime Silk Road, and (3) the paper of security implications of China's military presence in the Indian Ocean. CSIS concluded that China is paving the military operations to match its interests abroad.¹⁶ This thesis summarizes the key points of China's MSRI implications in South Asia and the regional states' political and economic calculations of participating in the MSRI and identifies actions taken by them that can affect China's MSRI strategy succeed or not.¹⁷

3. The Maritime Silk Road and China's Global Governance in Southeast Asia

Apart from the concerns of exporting overcapacity productions and expansion of String of Pearls choke point, the other assertiveness in Southeast Asia is to pave the way for China's global governance and reshape regional even global order. China has contributed endeavors in participating world affairs over the past decades. Now Beijing aims to become a responsible global governor in the dimension of global economy, monetary, currency, cyber security, and climate change, for the purpose of building peaceful community of shared human destiny. Due to the expectation of being a responsible state and the leader of global

¹⁵ Zack Cooper, “Security Implications of China's Military Presence in the Indian Ocean,” 2018, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180627_Cooper_SecurityImplications.pdf

¹⁶ Nicholas Szechenyi & Michael J. Green, “China's Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region,” *CSIS Report*, 2018, <https://www.csis.org/analysis/chinas-maritime-silk-road>

¹⁷ Chien-peng Chung, “What are the Strategic and Economic Implications for South Asia of China's Maritime Silk Road Initiative?” *The Pacific Review*, vol. 31, no. 3, 2018, pp. 315-332. <https://doi.org/10.1080/09512748.2017.1375000>

governance, China actively participates in global fields of security, economy, monetary and sustainable development international mechanisms. What's more, China has conducted the BRI program to set the rules of game for a Beijing style global governance. On the other hand, the Southeast Asia region is not only in a strategic position of military logistic supply and transfer but also in a connectivity point to extend China's geopolitical and geo-economic influence to Indian Ocean and East Africa Ocean. Therefore, the MSRI program paves the way for China's global governance with the intentions of setting its favorite rules in coping with foreign affairs or disputes among regional states and reshaping regional order even global order.

The MSRI program is the main approach to reshape Southeast Asia regional order via making those countries plunge into China's debt trap diplomacy. Even though the MSRI program provides infrastructure investments and financial loans to ASEAN countries, it is highly possible that the default countries lose territorial sovereignty or infrastructure facilities control as a repayment for the sky-high unaffordable debts which will end up spurring China's power in Southeast Asia. Hence, China is keen to conduct the MSRI program in ASEAN countries for the strategic calculations of exerting influences and reshaping regional order. China's MSRI program implementation in Southeast Asia is the first step to work on reforming global order into China-dominated status and being global governance leader.

2.3 The Strategic Means to Fulfill the Maritime Silk Road in ASEAN

For the intentions of coping with China's domestic excessive capacity, magnifying the strategic benefits of String of Pearls, and accelerating global governance objective, China reinforces the People's Liberation Army Navy power as well as strengthens the MSRI projects by means of infrastructure investment support,

financial loans, and technical assistances. On the other hand, the lack of systematic network of transportation, telecommunication, and energy equipments which provide perfect stage for China to perform the MSRI infrastructure investment in Southeast Asia region. According to China BRI official White Paper, *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st -Century Maritime Silk Road*, China aims to improve the connectivity with Southeast Asia countries via policy coordination, facilities connectivity, unimpeded trade, financial integration, and people to people bond projects. Aside from this, cooperation mechanisms, such as ASEAN Plus China, China-ASEAN Cooperation, Lancang-Mekong Cooperation, Greater Mekong Subregion Economic Cooperation, Asia-Pacific Economic Cooperation, and ASEAN Regional Forum play important roles to push forward the regional collaboration.¹⁸

Based on the literature review information, the strategic approaches of accomplishing the Maritime Silk Road are divided into two categories. First, the means of infrastructure investment consists of China's financial loans, manufacturing raw materials and technician inflow. Second, China has proactively advertised the BRI program through international mechanisms. The international mechanisms of Belt and Road Summit, Lancang-Mekong Cooperation, Greater Mekong Subregion Economic Cooperation and APEC are economic orientation to advertise the Maritime Silk Road capacity in promoting ASEAN economic development. Besides, the ASEAN Regional Forum and China-ASEAN Cooperation as security and political purposes to reinforce China-ASEAN mutual trust, interaction and cooperation.

1. Financial Assistance to Fulfill the Maritime Silk Road

The Asia Infrastructure Investment Bank (AIIB) began operations in January

¹⁸ National Development and Reform Commission of China official website, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

2016 which aims to provide financial support for infrastructure projects in BRI participated countries. 57 nations had approved as prospective founding members which covers Asia, Europe, Latin America, Oceania and Africa regions. ASEAN countries such as the Philippines, Vietnam, Thailand, Cambodia, Laos, Myanmar, Malaysia, Singapore, Indonesia, and Brunei joined AIIB as prospective founding members from 2015 to 2016. All of ASEAN countries participate in AIIB without haste which indicate that those nations indeed need financing support to build critical infrastructure equipment and transportation system, for instance the projects of railways, roads, ports, and airports. AIIB have expanded the members to 100 countries with the approval of the African newcomers of Benin, Djibouti and Rwanda in July 13th, 2019.¹⁹

Chinese president Xi stated that US\$40 billion were settled up to establish the Silk Road Fund in 2014. Then in 2017 Belt and Road Summit, he announced to increase extra \$US14.5 billion to the Silk Road fund. China has demonstrated great determination and concrete assistance to strengthen the BRI implementation with the Silk Road Fund financing platform.²⁰ Besides the AIIB serves not only infrastructure projects financing function but also strategically intentions of creating complex interdependence ambience of geopolitics and geo-economy in BRI participated countries. Therefore, the AIIB financial support is one of main tactical methods to accomplish the MSRI program in Southeast Asia region. The MSRI respectively synergizes Southeast Asia countries those national development programs. For example China has committed \$US9 billion loans to support the

¹⁹ The State Council of the People's Republic of China, "AIIB Expands Membership to 100 in Three Years," 2019,

http://english.www.gov.cn/news/photos/201907/14/content_WS5d2ac6d0c6d05cbd94d6784d.html

²⁰ The Silk Road Fund website, "Silk Road Fund Received Additional 100 Billion RNB," 2017,

<http://www.silkroadfund.com.cn/enweb/23809/23812/35056/index.html>

Philippines ambitious “Build, Build, Build” program.²¹ For Vietnam, Chinese president Xi claimed that Silk Road Fund will boost Vietnam national “Two Corridors and One Economic Circle” plan. Besides, during Chinese premier Li Keqiang attending for 9th East Asia Summit in Myanmar, he announced \$US20 billion loans to boost Southeast Asia’s connectivity construction.²² Furthermore, during the sixth summit of the GMS Economic Cooperation, Chinese Foreign Minister Wang Yi pledged that the Maritime Silk Road will drive up Greater Mekong Sub-region (GMS) countries economic development.²³ Therefore, financing loans and financial aids are the primary tactical methods to achieve the MSRI goal in Southeast Asia region.

2. Multilateral and Bilateral International Mechanism to advertise the MSRI influence in Southeast Asia

The international mechanisms are highly applicable tools to promote the BRI project and attract like-minded partners to accomplish the BRI infrastructure connectivity objective. While things are more complicated than what China simply performs its goals of promoting partner’s critical infrastructure development, economic prosperity, and better resident livelihood. As China increases its presence in Southeast Asia through the BRI which will be more complex when it comes to threatening ASEAN countries’ national security and territorial sovereignty.

Center for Strategic International Studies researcher indicated that if Southeast Asia countries apply the loans from AIIB and Silk Road Fund beyond their financial capabilities, it is highly possible that ASEAN countries will suffer

²¹ Belt and Road official website, “China promises 9 billion US Dollars to Support Philippines Build Build Build program,” 2017, <https://www.yidaiyilu.gov.cn/xwzx/hwxw/30860.htm>

²² The State of Council of China official website, “China Offers over \$20b Loans for SE Asian connectivity,” 2014, http://english.www.gov.cn/premier/video/2014/11/14/content_281475010101087.htm

²³ Xin Zhou, “China Calls for Enhanced Cooperation Development in Greater Mekong Sub-region,” *Xinhua News*, 2018, http://www.xinhuanet.com/english/2018-03/31/c_137079311.htm

from China's debt trap diplomacy. Sri Lanka is obviously trapping into China's debt trap because of the Hambantota port project. Sri Lanka borrowed US\$301 million from China with an interest rate of 6.3%, while the interest rates on soft loans from the World Bank and the Asian Development Bank are only 0.25% to 3%.²⁴ The Hambantota port doesn't gain enough shipping cargo to support its daily operation cost which makes Sri Lanka struggle in huge debt crisis.²⁵ In December 2017, Sri Lanka formally handed over its southern port of Hambantota to China on a 99-year lease as a default concession.²⁶ From the angle of America, the 99-year lease Hambantota port to China is absolutely a debt trap plan to seize the control of Sri Lanka main port. From the position of China, in order to reduce the BRI partners' doubt and avoid American interference in BRI implementations, China contrives to strengthen multilateral and bilateral relations with ASEAN countries through international mechanisms.

The Multilateral mechanisms such as the biannually Belt and Road Summit, the Greater Mekong Subregion Economic Cooperation, Lancang-Mekong Cooperation, the ACMECS Master Plan, and the Association of Southeast Asian Nations including Master Plan on ASEAN Connectivity 2025 those mechanisms are China-dominant mechanisms to boost China and Southeast Asia countries' relations. Whenever these mechanism meetings are hosted, China always seizes the opportunity to advertise the benefits and interests that the MSRI program will bring to ASEAN countries via promoting logistic transportation network, regional economic integration, and human interconnection.

²⁴ Veasna Var & Sovinda PO, "Cambodia, Sri Lanka and the China Debt Trap," *Asia Times*, 2017, <https://www.asiatimes.com/2017/03/article/cambodia-sri-lanka-china-debt-trap/>

²⁵ Michael Bennon, "Bailing Out China's Belt and Road," CSIS Report, 2019, <https://reconnectingasia.csis.org/analysis/entries/bailing-out-chinas-belt-and-road/>

²⁶ Ankit Panda, "Sri Lanka Formally Hands over Hambantota Port to Chinese Firms on 99-Year Lease," *The Diplomat*, 2017, <https://thediplomat.com/2017/12/sri-lanka-formally-hands-over-hambantota-port-to-chinese-firms-on-99-year-lease/>

2.4 The Integral ASEAN Countries' Views and Responses to the MSRI Program

Perceptions of the MSRI Program

The perceptions of ASEAN countries as a whole to China's MSRI program comprise positive and negative attitudes. From positive angle, the MSRI infrastructure investments will promote facility connectivity and bridge the economic development gap among ASEAN countries which is conducive to ASEAN's economic community and integration. Because the economic development gap between CLMV countries (Cambodia, Laos, Myanmar, Vietnam) and ASEAN-6 (Brunei, Malaysia, Indonesia, Philippines, Singapore, Thailand) hamper their economic integration process. Besides, CLMV countries lack of critical infrastructure facilities such as transportation, energy, information and communication system which obstruct ASEAN's connectivity as well.

Therefore, reducing the development gap among ASEAN countries by improving CLMV countries' social-economic development is the first step to facilitate regional integration and community in Southeast Asia.²⁷ On the other hand, China has been committed to accomplishing Sino-ASEAN facility connectivity, unimpeded trade, financial integration, and people to people bond by implementing the MSRI program in Southeast Asia. The MSRI infrastructure investments of roads, railways, airports, ports, energy and telecommunication facilities in CLMV countries will improve the logistic connectivity and economic activity with other ASEAN countries. For example, the Pan-Pacific Railway Link, from Kunming to Singapore railway network, will definitely advance the linkage of ASEAN countries and promote multilateral economic cooperation. The economic and critical infrastructure development progress of CLMV

²⁷ Ludo Cuyvers, "The ASEAN Way and ASEAN's Development Gap with Cambodia, Laos, Myanmar and Vietnam: A Critical View," *Asia Pacific Business Review*, vol. 25, issue. 5, 2019, pp. 683-698.

countries is beneficial to ASEAN's community. Therefore, from the positive view of ASEAN countries as a whole, they expect to hinge on China's MSRI program to accelerate the process of ASEAN's economic integration.²⁸

While every coin has two sides, China's MSRI program benefits to ASEAN economic community and prosperity but come along with China's increasing diplomatic leverage power in ASEAN as well. It is the negative vision that most of the ASEAN countries are wary of China's expanding military power and geostrategic influence by implementing MSRI debt trap diplomacy. Except Laos and Cambodia, the rest of ASEAN countries perceive that China's MSRI infrastructure investments and financial assistance are sugar-coated scheme to deploy the dual-use stagnation points along the String of Pearls routes and to create an advantageously geostrategic environment in Southeast Asia. Besides, ASEAN deems that China tactically implements the MSRI project to alienate ASEAN countries, especially alienates the SCS claimants in coping with SCS issue.²⁹

Responses to the MSRI Program

Thanks to the positive perception of garnering economic interests to promote ASEAN economic community and negative perception that China exerts leverage through the MSRI program, ASEAN countries have taken three approaches to respond China's MSRI program: cooperative approach, coalition approach, and defensive approach.

The cooperative approach to respond China's MSRI program: countries take cooperative and supportive responses to China's MSRI program to accelerate economic community. Even though the most of the ASEAN countries, such as Malaysia,

²⁸ Jenn-Jaw Soong, "China's One Belt and One Road Initiative Meets ASEAN Economic Community: Propelling and Deepening Regional Economic Integration?" *The Chinese Economy*, vol. 51, issue. 4, 2019, pp. 291-297.

²⁹ Gatra priyandita & Trissia Wijaya, "China's Southeast Asia Gambit," *The Diplomat*, 2017, <https://thediplomat.com/2017/05/chinas-southeast-asia-gambit/>

Indonesia, Vietnam, Myanmar, Thailand, and Singapore take discreet and prudent attitudes to the MSRI investment, the 10 ASEAN countries still engage in the MSRI program and AIIB financial system. The reason why the MSRI investment project is acceptable to ASEAN is that China take non-interference policy to conduct MSRI program. According to the Treaty of Amity and Cooperation in Southeast Asia, Non-interference in the internal affairs of one another is the fundamental principle of ASEAN Way which followed by the characteristics of peaceful resolution of conflict and renunciation of the threat or force.³⁰ The coherent notion of non-interference matches up China and ASEAN Community which result in ASEAN Community's acceptance of the MSRI infrastructure investments.³¹

The cautious approach to react the MSRI strategy: ASEAN countries have to reinforce multilateral relations and unity to prevent China's MSRI alienating strategy by means of leveraging geopolitical and geo-economic power and trapping those countries in huge debt situation for the purpose of gaining control of them.³² The methods of shedding China's alienating threats are that ASEAN countries solidly stick together by conducting ASEAN Political-Security Community annual meeting, irregular high level officer visiting, and military cooperation.³³ From the angle of SCS conflicts, unity is strength, which is pretty important for the SCS territorial claimants to controvert China's Nine-Dash Line assertion and to safeguard their sovereignty and maritime interests in South China Sea. Furthermore, China manages to alienate SCS claimants' relations by leveraging the MSRI economic debt trap and financial support

³⁰ ASEAN official website, "Treaty of Amity and Cooperation in Southeast Asia," 1976, <https://asean.org/asean/about-asean/overview/>

³¹ Phidel Vineles, "ASEAN and China Struggle to Buckle the Belt and Road," *East Asia Forum*, 2019, <https://www.eastasiaforum.org/2019/01/26/asean-and-china-struggle-to-buckle-the-belt-and-road/>

³² Vannarith Chheang, "China's Economic Statecraft in Southeast Asia," *ISEAS Perspective*, issue. 45, 2018, pp. 1-8.

³³ ASEAN official website, "ASEAN Political-Security Community Blueprint 2025," 2016, <https://asean.org/wp-content/uploads/2012/05/ASEAN-APSC-Blueprint-2025.pdf>

tactics. The less solidarity ASEAN claimants have, the more odds China garners to extort SCS maritime interests. Hence, the best way to fend off China's alienating calculation through implementing the MSRI program is that ASEAN countries fasten on solidarity as well as to foster political mutual trust and to advance confidence-building.

The defensive approach to counteract the MSRI scheme: The manner to give China a run for its malicious assertiveness of gaining control in ASEAN is to maintain closer relations with other big powers. ASEAN Community strengthen diplomatic linkage and military alliance with Asia-Pacific countries to counteract China's military presence and the strategic assertiveness in region. ASEAN countries are on the defense of Beijing's carrot-and-stick approach, which has made them seek coping strategy from United States, Japan, and India to maintain regional balance of power. The military and diplomatic alliance with Asia-Pacific big powers will reduce China geostrategic impact and increase ASEAN countries ability to cope with China's carrot-and stick foreign policy.³⁴

2.5 Chapter Summary

On the surface, China has avowed to be a responsible state and take care of ASEAN countries by achieving policy coordination, facility connectivity, financial integration, unimpeded trade, and people to people bond through the MSRI foreign policy,³⁵ while under the table, the MSRI program is an economic-orientation tactic to allure ASEAN countries but geopolitical and geo-economic concerning strategy to achieve the destination of China's interests. China manages to conduct the MSRI

³⁴ Egberink Fenna & Frans-Paul van der Putten, "ASEAN and Strategic Rivalry among the Great Powers in Asia," *Journal of Current Southeast Asian Affairs*, vol. 29, no. 3, 2010, pp. 132-139.

³⁵ National Development and Reform Commission of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

program in ASEAN countries for the purposes of resolving domestic excessive productions problem, stimulating China's economic growth, reinforcing String of Pearls deployment, and conducting China-led management in ASEAN countries to be the foundation of China-dominated global governance in the world. China's methods to fulfill the MSRI strategy include infrastructure investments, financial assistances, bilateral and multilateral international mechanisms to advertise the benefits that MSRI will bring to ASEAN countries.



Chapter 3 ASEAN Response: Countries Having Territorial Disputes with China

3.1 Vietnams' Perceptions, Responses and Expectations of MSRI

Vietnam's perceptions of China's MSRI strategy could be divided into two phases: the years of 2013 to 2016 and the years of 2017 to 2019. Because the Sino-Vietnam relations hit rock bottom in 2014 and 2015 due to the sever South China Sea territorial conflicts and the strong Vietnam anti-Chinese sentiment.

In the early month of May 2014, serve water conflicts were erupted between China and Vietnam in South China Sea. On May 2nd, 2014, the China National Offshore Oil Corporation (CNOOC) deployed the semi-submersible oil rig Haiyang Shiyou 981 (HS 981) for exploratory mission near the Paracel Islands. The exploratory position was located in the continental shelf and exclusive economic zone (EEZ) of 200 nautical miles from the Vietnamese coast. Vietnam immediately sent naval ships to the disputed water and requested China to withdraw the HS 981. Then, China mobilized naval ships, escort ships and surveillance ships to ram and shot water cannons to Vietnam naval ship. The confrontation developed severe anti-Chinese protests in Vietnam and damaged the economic ties with China. Given the fact of strong anti-Chinese sentiment and Sino-Vietnam tension in South China Sea, Vietnam had pushed away China's MSRI program till October 2014. Vietnam was willing to join AIIB as founding members on Oct 24th, 2014 that relieved Sino-Vietnam SCS tension. Besides, it was a turning point for Vietnam to switch rejected way to accepted way upon China's MSRI program.

The turning point for a better Sino-Vietnam relationship was when Vietnam conceived itself could be benefit from China's MSRI program and willing to enhance economic cooperation with China in 2017. The Deputy Prime Minister of Vietnam

Truong Hoa Binh met with Chinese Vice Premier Zhang Gaoli on September 11, 2017. Deputy PM Binh affirmed to enhance economic cooperation and mutual trust with China. Besides, Binh expressed Vietnam is ready to hinge the “Two Corridors and One Economic Belt” framework on the MSRI project to boost Vietnam domestic economic development.¹

Then Chinese president Xi Jin-ping met Vietnam Prime Minister Nguyen Xuan Phuc in November 2017. Xi stated that under the cooperation of MSRI and Vietnam’s Two Corridors and One Economic Belt, both sides agreed to deepen practical cooperation in trade, finance, and infrastructure facilities construction. The goal of MSRI investment is to achieve mutual benefit and win-win situation for China and Vietnam. Additionally, Vietnam Prime Minister Nguyen Xuan Phuc stated to enhance cooperation with China in fields of agriculture, electricity, and cross-border economic cooperation zones, and intensify tourism cultural exchanges.² Even though Vietnam perceives that joining the MSRI project is beneficial for its domestic economy development, distribution and transportation system improvement, Vietnam still takes conservative and prudent attitude on participating in China’s MSRI program for avoiding sinking into China’s debt trap diplomacy and prevent from sacrificing Vietnam territorial sovereignty in South China Sea.

Vietnam’s Response to the MSRI program

Vietnam has taken discreet and conservative reactions to the MSRI program because of the anxieties of China’s intention to expand maritime power and economic influence by conducting the MSRI infrastructure investment in Southeast Asia region.

¹ “Deputy PM Meets Chinese Vice Premier, Urging Stronger Cooperation,” *Vietnam Net Newspaper*, 2017, <http://english.vietnamnet.vn/fms/government/186216/deputy-pm-meets-chinese-vice-premier--urging-stronger-cooperation.html>

² Ministry of Foreign Affairs of China official website, “Xi Jinping Meets with Prime Minister Nguyen Xuan Phuc of Vietnam,” 2017, http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpcxdeswjapcebdynlwjxgsfw/t1510288.shtml

Vietnam international relations expert indicted that China's MSRI strategy is not simply for economic calculation, but also for geopolitical and geostrategic deployment in East Asia. Because the East Asia is the centerpiece of geopolitical competition between America and China.³

Vietnam has taken scrupulous methods to respond China's MSRI infrastructure investment and the official development assistance. The methods include Vietnam government precise evaluation for the infrastructure facility requirements from China, loans risk management on diversifying infrastructure debts from different major powers, and defense cooperation enhancement with United States, Japan, and India to safeguard Vietnam maritime security and territorial sovereignty.

Vietnam government has strictly evaluated whether each China proposed the MSRI infrastructure investment projects is indispensable for Vietnam or not. Then selects the essential investment and rejects the unessential investment which may keep Vietnam away from plunging into huge but dispensable debts. As Vietnam expert Honang Viet cited the example of Sri Lanka Hambantota port project which was leased to China in December 2017 for 99 years after Colombo fell into heavy debt to Beijing. He expressed the concern that Beijing has maneuvered the MSRI debt trap policy to carry out its purposes on benefiting Chinese economy and extending geostrategic influence by exporting excessive labors, technology, and industrial overcapacity as well as providing high-rate loans to ASEAN countries. China's MSRI infrastructure investments not only impact debtor countries' economy and security, but also affect society based on how Chinese companies run the infrastructure facility operations.⁴ Based on the lessons from Sri Lanka, Vietnam government strictly evaluates the

³ Le The Mau, "The Changing Geopolitics of East Asia and Its Implications for Regional Security," *National Defense Journal*, 2019, <http://tapchiqptd.vn/en/events-and-comments/the-changing-geopolitics-of-east-asia-and-its-implications-for-regional-security/13305.html>

⁴ An Nguyen, "Experts Warn of Debt-Trap for Vietnam in Belt and Road Initiative as China Bids For Projects," 2019, <https://www.rfa.org/english/news/vietnam/bri-05222019152925.html>

necessity of each China's MSRI infrastructure investment to prohibit sinking into the debt trap.

Besides, Vietnam has obtained foreign direct investment projects from worldwide enterprises to diversify risk from putting debt egg in Chinese basket. According to the statistics of Vietnam Foreign Investment Agency, Ministry of Planning and Investment, accumulated to December 20th, 2019, Korea ranked first with a total registered capital of 67.71 billion USD (accounting for 18.7% of total investment capital). Japan ranked second with 59.3 billion USD (capturing 16.4% of total investment capital), followed successively by Singapore, Taiwan, and Hong Kong. Furthermore, Honduras, Iceland and Lithuania were the new partners to invest infrastructure projects in Vietnam, bringing the total number that having valid investment projects in Vietnam to 135 countries.⁵

In addition, in the aspect of infrastructure investment, Japan is the largest investor in Vietnam. The Japan-led infrastructure investment projects involve the areas of high-speed railway, agriculture, telecommunication, trade, and services. Among all Japanese investment projects, the high-speed railway and the Hoa Lac Science and Technology economic park⁶ are the primary investment in Vietnam. In order not to put debt egg in China's premeditated trap basket, Vietnam turns to cooperated with different countries to strengthen domestic infrastructure development.

Last but not the least, Vietnam responds to China's MSRI rising geostrategic assertiveness by reinforcing defense cooperation with United States, Japan, and India. From the view of Vietnam, strengthening defense relations with major power insures

⁵ Vietnam Foreign Investment Agency and Ministry of Planning and Investment official website, "Brief on Foreign Direct Investment of 2019," 2020, <http://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=45020&idcm=122>

⁶ Japan International Cooperation Agency Press Releases, "Signing of Japanese ODA Loan Agreements with Vietnam: Building Infrastructure to Strengthen International Competitiveness," 2017, https://www.jica.go.jp/english/news/press/2017/170607_01.html

Vietnam's legal military presence in South China Sea. From the view of Washington, Tokyo, and New Delhi, Vietnam geographic location plays critical role in monitoring China's military construction in South China Sea. Therefore, in the light of this circumstance, the defense alignment between Vietnam and major powers is necessary and urgent.

Vietnam Expectation of China's MSRI program

Even though Vietnam is wary of China's MSRI debt trap diplomacy⁷ and responds with conservative and cautious measures, Vietnam conceives three positive expectations for the MSRI project. First, the expectation of obtaining China's infrastructure investment and concessional loans to stimulate economic development. It's an opportunity for Vietnam to capture benefits of economic growth associated with infrastructure development.⁸ Especially in the backdrop of growing protectionism in the West, engaging in China's MSRI policy is an alternative option to promote Vietnam domestic economy.⁹

Second, the expectation of maintaining good relations with China is conducive to the signing of the Code of Conduct (COC) and protecting Vietnam maritime interests in South China Sea. The COC has undergone negotiation stage since China and ASEAN countries inked the Declaration on the Conduct of Parties in South China Sea (DOC) for the achievement of peace and stability in South China Sea.¹⁰ However, the COC negotiation process is long and trial because the parties have not built mutual trust and

⁷ Viet Anh, "Vietnam Still Wary of China's Belt and Road Initiative," *Biz News*, 2018, <https://bizlive.vn/biznews/vietnam-still-wary-of-chinas-belt-and-road-initiative-3480105.html>

⁸ "Opportunities for Hong Kong and Vietnam under Belt and Road Initiative," *Vietnam Investment Review*, 2018, <https://www.vir.com.vn/opportunities-for-hong-kong-and-vietnam-under-belt-and-road-initiative-60773.html>

⁹ HÀ NỘI, "Tread carefully on China's Belt and Road initiative: Experts," *Vietnam News*, 2017, <https://vietnamnews.vn/politics-laws/395203/tread-carefully-on-chinas-belt-and-road-initiative-experts.html>

¹⁰ DOC Official Document, "2002 Declaration on Conduct of Parties in the South China Sea," 2002, <https://cil.nus.edu.sg/wp-content/uploads/2017/07/2002-Declaration-on-the-Conduct-of-Parties-in-the-South-China-Sea.pdf>

confidence, yet have not reached consensus in sharing SCS natural resources and territorial issue in economic exclusive zones. Building the cornerstone of mutual trust is the fundamental issue in resolving with SCS disputes. Therefore, advancing China-Vietnam friendship and mutual trust by the MSRI project cooperation formulates a better way to ease tension even solve the Sino-Vietnam SCS disputes and to protect Vietnam SCS interests.

Third, the expectation of increasing Vietnam regional influence, discourse right and visibility. In international relations, participation in international mechanisms is a critical method to avoid marginalization and maintain international status. The geographical location advantages Vietnam to be the centerpiece of China's MSRI program. Therefore, Vietnam engagement in the MSRI program may increase its geopolitical and geo-economic influences through enhancing economic tie and facility connectivity with China as well as other Southeast countries. Meanwhile, Vietnam may increase its diplomatic visibility by attending biannual BRI Summit and AIIB annual meetings.

To sum up, Vietnam's attitude about China's MSRI policy switched from opposite to supportive attitude but with conservative and prudent participation in the MSRI program. Even though Vietnam perceives China's assertiveness to enlarge its geopolitical and geo-economic influences by implementing the MSRI policy to deepen constructivism effectiveness in Southeast Asia region, Vietnam doesn't dodge the MSRI strategy. On the contrary, Vietnam participates in the MSRI project and turns the possible risk into power to boost its domestic economy development and manage to ascend international status instead of marginalization. The conservative and cautious responses involve that Vietnam government precise evaluation for the infrastructure facility requirements from China, loans risk management on diversifying infrastructure debts from different major powers, and defense cooperation enhancement with United

States, Japan, and India to safeguard Vietnam maritime security and territorial sovereignty as a strategy to reinforce Vietnam negotiation power in SCS issue.

3.2 Philippines' Perceptions, Responses and Expectations of MSRI

Sino-Philippines relations have undergone dramatic changes from antagonistic to redeemed and to new friendly relations. The Sino-Philippines relationship has changed from confronted to coordinated relations since Philippines President Rodrigo Duterte proclaimed pivot to China and upheld an independent foreign policy.¹¹ Compare to ex-president Benigno Aquino's defensive and discreet attitude toward China's MSRI policy, Duterte Administration takes supportive and positive attitude to engage in the MSRI program.

In the term of ex-president Benigno Aquino III Administration from 2010 until 2016, Philippines and China did not get along with each other due to SCS conflicts and Philippines' pro-U.S. foreign policy. On January 22nd, 2013, Sino-Philippines relations hit rock bottom when Aquino Administration instituted arbitral proceedings against China under the United Nations Conventions on the Law of the Sea(UNCLOS).¹² China's malevolence behaviors of SCS sovereignty invasion and military expansion provoked and triggered Philippines' actions to defense territorial sovereignty and maritime interests in South China Sea by seeking assistance from Hague international court.¹³

Besides, Aquino had taken measures to enhance Philippines-U.S. defense cooperation in South China Sea. For instance, under the foundation of 1951 Mutual

¹¹ Lbarra Edcel John A. "The Philippines' Pivot to China: A Review of Perspectives," *Center for International Relations & Strategic Studies Journal*, vol. 5, no. 9, pp. 1-2, 2017, <http://www.fsi.gov.ph/the-philippines-pivot-to-china-a-review-of-perspectives/>

¹² Hague Permanent Court of Arbitration official website, "The South China Sea Arbitration," 2013, <https://pca-cpa.org/en/cases/7/>

¹³ Edcel John A. Ibarra, "Considerations on the Legal Approach to Dispute Settlement: The Philippine Experience with the South China Sea Arbitration," *Commentaries*, vol. 4, no. 5, 2018, pp. 1-3.

Defense Treaty, Manila and Washington signed the Enhance Cooperation Defense Agreement (ECDA) in April 2014 to authorize rotational presence of U.S. forces at agreed locations in the Philippines, as well as to undertake military exercises, joint and combined training activities, humanitarian assistance and disaster relief activities between U.S. and Philippines.¹⁴

While the pro-American foreign policy and SCS arbitration proceedings had made Sino-Philippines relations in an incompatible situation which limited China's MSRI implementation in Philippines. Aquino Administration had taken conservative and discreet attitude to the MSRI program due to the awareness of China's MSRI geostrategic penetration in Southeast Asia. Philippines carefully evaluated the need and risk of accepting the MSRI infrastructure projects. Seldom MSRI infrastructure projects had been approved until Duterte Administration.

Regardless the public wariness about the potential side-effects come along with the MSRI program, Duterte has taken active response to the MSRI investment project for the purpose of repairing Sino-Philippines relations, boosting domestic economy, safeguarding maritime interests in South China Sea, and reinforce Philippines geostrategic influence in region. Duterte expects to hinge on the Maritime Silk Road to build Philippines into a middle-class state and let people have more convenient, richer, and happier life. Apart from the domestic society prosperity calculation, gaining Philippines' maximum strategic interests between China and United States is the fundamental reason for Philippines' pivot to China.

Philippines is a very representative state which had switched opposed attitude to supportive attitude toward China's MSRI project. Philippines intends to grab the MSRI

¹⁴ Carl Thayer, "Analyzing the US-Philippines Enhanced Defense Cooperation Agreement," *The Diplomat*, 2014, <https://thediplomat.com/2014/05/analyzing-the-us-philippines-enhanced-defense-cooperation-agreement/>

infrastructure investment opportunities to foster domestic economy and facility connectivity by receiving China's technical skills, raw materials, and financial support.

Philippines' Perceptions of China's MSRI project

Philippines' perceptions of the MSRI project included Aquino's negative perception and Duterte's positive perception. Aquino viewed the MSRI infrastructure investments as diplomatic tactics to enlarge China's geopolitical and geo-economic power and build a China-centric order in Southeast Asia. While Duterte perceives the MSRI program as an opportunity to boost Philippines social-economic development.

In a Chinese press interview statement, Duterte expects to hitchhike on the BRI wagon to increase Philippines' economic development and infrastructure connectivity.¹⁵ From Philippines standpoint, increasing domestic economy and infrastructure connectivity network is the top priority for the next decade. Therefore, Philippines has unveiled "Dutertenomics," an economic strategy to transform the Philippines into an upper middle-income economy by 2022 and close to a high-income state by 2040. Besides, Duterte initiated the Build, Build, Build program as a means to usher in a "Golden Age of Infrastructure" for Philippines. The "Build, Build, Build" program include 75 projects in building 32 roads and bridges, six airports, four seaports, nine railways, 10 water resource projects as well as irrigation systems, five flood control facilities which worth a combined total of \$36 billion investment budget.¹⁶ These projects will help to bring down the cost of production, improve rural incomes, and encourage countryside investments.

In order to finance the Build, Build, Build program, Philippines government would need the abundant infusion of foreign loans and technical skills. After attending

¹⁵ "Duterte to Attend Belt and Road Summit in China," *Rappler News*, 2017, <https://www.rappler.com/nation/165119-duterte-belt-road-summit-china>

¹⁶ Department of Finance of Philippines, "Build, Build, Build to Roll out 75 Projects worth \$35.5 Billion," 2018, <https://www.dof.gov.ph/index.php/build-build-build-to-roll-out-75-projects-worth-35-5-b/>

2017 Belt and Road Summit and several states meeting with Xi-Jinping, Duterte has acknowledged that China's MSRI financially and technically assists Philippines infrastructure development.¹⁷ For example, during Duterte's visit to Beijing in October 2016. China pledged US\$24 billion investment loans to Philippines which include US\$ 9 billion soft loans and US\$15 billion foreign direct investments from Chinese firms in railway, port, energy and mining projects to support Duterte's "Build, Build, Build" infrastructure construction strategy.¹⁸ Besides, Philippines and China signed 29 deals during Chinese President Xi Jin-ping's state visit to Philippines in November 2018. The 29 deals consisted of cooperation in the field of oil and gas development, communication technology, infrastructure projects, and humanitarian cash assistance.¹⁹

While the loans China had promised are far behind those China has delivered to Philippines. The promise of offering US\$24 billion loans didn't specify a timeline which increases the uncertainty risk of defaulting on China's commitments. According to Philippines Economic Planning Secretary Ernesto Pernia's statement, China has only provided US\$73 million loans to fund an irrigation project in north of the capital, Manila.²⁰ The total number of China's foreign direct investment inflows only reached \$1.04 billion by March 2018.²¹ Even though China had pledged \$24 billion in investment to Philippines, but China hasn't delivered as much as its promised.

¹⁷ "Interview: Philippines Expects to Hitchhike onto China's Belt and Road Wagon: president," *Xinhua News*, 2017, http://www.xinhuanet.com/english/2017-05/10/c_136271699.htm

¹⁸ Jason Koutsoukis & Cecilia Yap, "China Hasn't Delivered on Its \$24 Billion Philippines Promise," *Bloomberg*, 2018, <https://www.bloomberg.com/news/articles/2018-07-25/china-s-24-billion-promise-to-duterte-still-hasn-t-materialized>

¹⁹ Jelly Musico, "Philippines and China Ink 29 Deals During Xi's Manila Visit," *Philippines News*, 2018, <https://www.pna.gov.ph/articles/1054454>

²⁰ Jason Koutsoukis & Cecilia Yap, "China Hasn't Delivered on Its \$24 Billion Philippines Promise," *Bloomberg*, 2018, <https://www.bloomberg.com/news/articles/2018-07-25/china-s-24-billion-promise-to-duterte-still-hasn-t-materialized>

²¹ Alvin A. Camba, "Myth-Busting Chinese FDI in the Philippines," *The Diplomat*, 2018, <https://thediplomat.com/2018/07/myth-busting-chinese-fdi-in-the-philippines/>

Philippines' Responses to China's MSRI project

Philippines think tank indicated that the Philippines should cautiously respond to the MSRI project because excessive dependence on foreign loans will receive more negative effects than positive effects. Richard Heydarian, a Philippines academic analyst, observed that the lacking of transparency and accountability MSRI program which will definitely increase partners' risks of sinking in China's debt diplomatic strategy.

Apart from Philippines scholar viewpoint, Malaysia also discerns the risks of trapping in China's huge infrastructure debt. Malaysia Prime Minister Mahathir had warned Philippines to be careful falling into the MSRI debt trap. In Mahathir's official visit to Philippines on March 7th, 2019, he mentioned that if a state borrows abundance of money without debt-paying ability which will end in the control of the lender.²² Besides, the enormous number of foreigners stay and work in a country will greatly influence a country's economy, tax revenues and political equation.²³ Additionally, the influx number of Chinese labors has risen to 3.12 million which take jobs away from Filipino workers and make real estate price tremendously growth.²⁴ Thus, He suggested that Duterte should prudentially measure whether Philippines needs so many China's infrastructure investments in Railroad, airport, seaport, and energy facilities or not. Those infrastructure investments maybe not essential for Philippines but one hundred percent result in high debts.

Notwithstanding the possibilities of falling into debt trap, Duterte keeps

²² Raul Dancel, "Beware of China Debt Trap Malaysia's Mahathir Tells the Philippines," *The Strait Times*, 2019, <https://www.straitstimes.com/asia/se-asia/beware-of-china-debt-trap-malaysias-mahathir-tells-the-philippines>

²³ "Malaysian PM Mahathir Warns Philippines against Foreigner Influx," *The Strait Times*, 2019, <https://www.straitstimes.com/asia/se-asia/malaysian-pm-warns-philippines-against-foreigner-influx>

²⁴ Lalaine C. Delmendo, "The Philippines is Now in Its 8th Year of a House Price Boom," *Global Property Guide*, 2019, <https://www.globalpropertyguide.com/Asia/philippines/Price-History>

embracing the MSRI project to support Philippines “Build, Build, Build” program for the goal of boosting domestic economy development and facilities connectivity. From April 25th to 27th, 2019, Duterte attended the second Belt and Road Summit. He made the remark that Philippines and China will keep on the MSRI cooperation to further bilateral comprehensive and strategic relations.²⁵

Aside from domestic economic and facility improvement calculations, Duterte commits to pursuing stable and close relations with China for three motivations: gaining South China Sea interests on maintaining territorial sovereignty and natural resources, expanding regional diplomatic space, as well as managing the most beneficial balance point for Philippines in Philippines-China-US triangle relations to amplify its regional influence and discourse right.

On the basis of Duterte’s official statements and casual remarks from 2014 to 2019, the author detects that Duterte counts on China more than United States for pursuing geopolitical interests and domestic economy prosperity when U.S. President Trump executes “America First” policy and trade protectionism. Therefore, instead of turning down China’s MSRI assistance, Duterte has chosen to accommodate it to seek the maximum domestic and regional politic and economic interests.

Philippines’ Expectations of China’s MSRI project

Philippines’ expectations of China’s MSRI consist of two aspects: economic consideration and geopolitical calculation. From economic perspective, Duterte Administration expects to garner sufficient investment capital from the MSRI project. Meanwhile, the main objectives of China’s MSRI program is to strengthen intercontinental infrastructure connectivity, spur regional economy, increase regional

²⁵ Azer Parrocha, “Duterte sees High-quality Projects with China,” *Philippines News*, 2019, <https://www.pna.gov.ph/articles/1068192>

political coordination, foster financial integration and unimpeded trade cooperation. Philippines and China have aligned goals when it comes to infrastructure plans and economic growth. Therefore, Duterte expects the MSRI project to technically and financially assist Philippines' national development strategy, the Build, Build, Build (BBB) Plan implementation. In order to usher the "Golden age of infrastructure" and boost domestic economy, Philippines does need abundant of foreign direct investment and financial assistance. In the light of this backdrop, Philippines elevates relations with China by actively engage in the MSRI project for the sake of deepening mutual trust and cooperation.

From geopolitical calculation, Philippines government expects to increase geopolitical influence as well as enlarge the negotiation and mediation space in South China Sea issue via partaking in China's MSRI program. The Philippines-China-U.S. triangular international relationships are difficult to manage because each diplomatic actions generates simultaneous reactions from the other two partners. Given the fact that Donald Trump came into the oval office and initiated "American First" and trade protectionism, Duterte perceives that Philippines won't benefit from Trump's foreign policy. Instead of being Pro-American, Duterte Administration prefers to take Pro-China diplomacy to amplify its geopolitical and geo-economic influence. On the other hand, improving Sino-Philippines relations could result in the consequences of stirring U.S. attention of Philippines geographic importance and advance Philippines negotiation chips in South China Sea with China.

Therefore, Philippines' expectations of the MSRI project are not simply to stimulate domestic economy and regional connectivity, but mostly to enlarge the diplomatic operation space in South China Sea issue as well as reinforce geopolitical influence between Washington and Beijing.

3.3 Indonesia's Perceptions, Responses and Expectations of MSRI

Indonesia is located at the strategic crossroads of the Indian Ocean and the Pacific Ocean. Indonesia is made up of more than 17,000 islands with total land area of 1.8 million square miles. It has a population estimated at 272.2 million in 2019 which is the largest population in South East Asia.²⁶ As an archipelago consisting of 17,000 islands and a mountainous topography on its land, Indonesia is one of the world's most challenging territories to manage and construct facility connectivity.²⁷ In order to garner sufficient infrastructure investment, technical support and financial assistance to accelerate domestic economy and logistic transportation development, Indonesian President Joko Widodo (Jokowi) has taken open minded attitude to partake in China's MSRI Initiative. While with the perception of the MSRI strategic assertiveness and potential impact on host country economy and security affairs, Indonesia takes cooperative but discreet responses to China's MSRI program.

Indonesia's Perceptions of China's MSRI Program

Form the economic aspect, Indonesia government observes that China implements the MSRI foreign policy through tremendous infrastructure construction investments, transportation system technology exporting, and concessional loans or grants support which are possibly conducive to host country economic growth and modern society development but it does have the potential risk of undermining host country homeland security and territory or maritime sovereignty.

From positive economic perception, China's MSRI infrastructure investment and financial support could be an engine to drive Indonesia's economy. For example, the Jakarta-Bandung Bullet Train project which China committed to provide USD 5.5

²⁶ Worldometer website, "Indonesia Population, 2020," 2020, <https://www.worldometers.info/world-population/indonesia-population/>

²⁷ Dikanaya Tarahita & Muhammad Zulfikar Rakhmat, "Solving Indonesia's Infrastructure Gap," 2017, <https://thediplomat.com/2017/05/solving-indonesias-infrastructure-gap/>

billion loans to Indonesia with 60% is denominated in US dollars at a low 2% interest rate and another 40% is denominated in Renminbi at a 3.4% interest rate. The Jakarta-Bandung HSR project is a 40-year concessional loan with no guarantee infrastructure plan which enables Indonesia financially and technically to advance domestic transportation system as well as stimulate domestic economy.

While from negative economic perception, in the cases of Sri Lanka Hambantota port and Myanmar Kyaukpyu port, benefits to host countries have not materialized but heavy debts come first with China's MSRI investment support. Besides, instead of increasing local employment rate, the infrastructure projects are boons for Chinese labors, engineering firms, construction companies, and suppliers such as steel and concrete manufacturers. Once built, they take on a nearly colonial tenor, moving raw materials out of host countries and moving Chinese goods into the host countries.²⁸

Apart from the positive and negative economic perspectives, with China's muscular maritime projection in South China Sea and intimidating String of Pearls assertiveness, Indonesia perceives the potential risk of undermining homeland security as well as maritime sovereignty from plunging into China's MSRI debt trap diplomacy. Because Indonesia is wary of sacrificing its Exclusive Economic Zone in Natuna Sea under China's MSRI carrots and sticks strategy.

China has not clearly claimed territorial sovereignty on Natuna Island, but did stress that China and Indonesia have overlapping claims of maritime rights near Natuna Island waters. As China Foreign Ministry Spokesperson Geng Shuang declared "China has sovereignty over the Nansha Islands and sovereign rights and jurisdiction over the relevant waters. China and Indonesia don't have disputes over territorial sovereignty, but we have overlapping claims of maritime rights and interests in some areas in the

²⁸ Josh Stephens, "China's Belt and Road Initiative is Tying the World Together - But What's the End Game," 2019, <https://archpaper.com/2019/11/chinas-belt-and-road-initiative/>

South China Sea.”²⁹ China has unilaterally claimed the maritime right in Natuna Island waters because China’s Nine-Dash-Line overlap what Indonesia claimed the Exclusive Economic Zone near the Natuna Island. However, Indonesia considers that China’s Nine-Dash-Line is no basis in international law.

Given the fact that China and Indonesia has Natuna Sea imbroglio, even though Indonesia government welcomes China’s MSRI investment and financial support, Indonesia takes discreet response to the MSRI project, in case of undermining the sovereignty over Natuna EEZ.

Indonesia’s Responses to China’s MSRI Program

In accordance with the Indonesia government three perceptions of China’s MSRI strategy: the positive economic perspective, the negative economic perspective, and homeland security and maritime sovereignty perspective, Indonesia responds to the MSRI strategy with three measures. First, actively engage in the MSRI project to promote domestic economy and facility development. Second, gain infrastructure investment loans from Japan to decrease capital dependence on China and diversify debt risk in case Indonesia sinks in China’s debt trap. Third, reinforce defense cooperation with neighboring countries to shield Indonesia maritime interests from China’s intimidating military projection in Indo-Pacific region under the sugar coating MSRI strategy.

On the basis of advancing Indonesia economic growth and maritime facility improvement, Jokowi Administration actively engages in China’s MSRI project. The Sino-Indonesian Joint Statement on Strengthening Comprehensive Strategic Partnership was signed in March 27th, 2015 during the visit of Jokowi to China declared

²⁹ Ministry of Foreign Affairs of China, “Foreign Ministry Spokesperson Geng Shuang’s Regular Press Conference on January 8, 2020,” 2020, https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1730335.shtml

that China's MSRI Initiative and Indonesia's Global Maritime Fulcrum are highly complementary to each other. Two sides agreed to establish Sino-Indonesian Maritime Partnership by strengthening policy communications, advancing industrial investment cooperation and maritime infrastructure connectivity, as well as enhancing practical cooperation in maritime economy, maritime culture, and maritime tourism.³⁰

The concept of Global Maritime Fulcrum was first unveiled by Jokowi in East Asia Summit 2014. He indicated that the center of gravity of the geo-economic and geo-political world is shifting from West to East, and Indonesia is a maritime hub between Indian and Pacific Ocean. Indonesia must take practical actions to linkage global maritime security, global economy, and global connections via fulfill the Indonesia Global Maritime Fulcrum policy.³¹ Global Maritime Fulcrum vision rests on five core pillars: (1) maritime culture, (2) maritime infrastructure and connectivity, (3) protection of maritime resources, (4) maritime diplomacy, and (5) maritime defense; and two auxiliary pillars: maritime governance and maritime environment.

Jokowi plans to hinge Global Maritime Fulcrum on China's MSRI Initiative to accelerate Indonesia maritime connection toward Asia and Pacific region. In 2015 G20 summit in Antalya, Turkey, Xi promised to support Indonesia's maritime facility connectivity by offering AIIB concessional loans and the Silk Road Fund.³²

Besides, five cooperation contracts which worth US\$23.3 billion was signed in the BRI Trade and Investment Forum on April 12th, 2018. The cooperation contracts covered the construction of a \$2 billion hydropower plant in Kayan, North Kalimantan;

³⁰ Embassy of the People's Republic of China in the Republic of Indonesia official website, "Joint Statement on Strengthening Comprehensive Strategic Partnership between the People's Republic of China and The Republic of Indonesia," 2015, <https://www.fmprc.gov.cn/ce/ceindo/eng/zgyyn/zywx/t1249223.htm>

³¹ "Jokowi Launches Maritime Doctrine to the World," *The Jakarta Indonesia News*, 2014, <http://www.thejakartapost.com/news/2014/11/13/jokowi-launches-maritime-doctrine-world.html>

³² "Indonesian Leader Widodo's Emphasis on Development Boosts China ties," *South China Morning Post*, 2016, <http://www.scmp.com/news/china/diplomacy-defence/article/2004622/indonesian-leader-widodos-emphasis-development-boosts>

the development of a US\$700 million industry for converting dimethyl ethercoal into gas; and the construction of a US\$17.8 billion hydropower plant on Kayan River. Other contracts covered the development of a \$1.6 billion power plant in Bali and the construction of a US\$1.2 billion steel smelter.³³ China and Indonesia also signed a memorandum of understanding on the development of Tanah Kuning Mangkupadi Industrial Park in northern Kalimantan and on the development of electric vehicles.³⁴

Furthermore, a joint venture agreement for a high-speed railway project was expected to connect the national capital Jakarta with Bandung in neighboring West Java province. The US\$5.5 billion project is conducted on business to business basis and Build-Operate-Transfer model, in which Indonesia controls 60 percent of the joint venture's stake, while China controls the remaining 40-percent share.³⁵ After 50 years operation, the full ownership of the HSR project will be transferred to the Indonesian government. Even though Indonesia expects Jakarta-Bandung HSR to accelerate domestic manufacturing industry and create jobs opportunity, Jokowi Administration intends to take only 10% stake of the HSR loans and the rest of 90% go to China to reduce Indonesia debt risk.³⁶

From the negative economic perspective of considering debt risk, Jokowi Administration not only negotiated with China to reduce the HSR loans to 10% stake, but also accepted Japan Official Development Assistance (ODA) loans to diminish capital reliance on China. According to Fitch Solutions 2019 analysis, Japan has totally

³³ Ade Irma Junida, "Indonesia China sign US\$23.3 Billion Cooperation Contracts under Belt and Road," *Antara News*, 2018, <https://en.antaranews.com/news/115354/indonesia-china-sign-us233-billion-cooperation-contracts-under-belt-and-road>

³⁴ "Indonesia China Sign \$23.3 Billion in Contracts," *The Jakarta Post*, 2018, <http://www.thejakartapost.com/news/2018/04/14/indonesia-china-sign-23-3b-in-contracts.html>

³⁵ "China Indonesia Launch Joint Venture for Jakarta-Bandung Railway Project," *Xinhua news*, 2015, http://www.xinhuanet.com/english/2015-10/16/c_134720286.htm

³⁶ "Jakarta may Offer China Larger Stake in High-speed Rail Project," *The Strait Times*, 2017, <https://www.straitstimes.com/asia/se-asia/jakarta-may-offer-china-larger-stake-in-high-speed-rail-project>

disbursed US\$74.4 billion ODA loans to Indonesia.³⁷ Besides, Japan International Cooperation Agency (JICA) and Indonesia government signed loans agreement of up to a total of US\$1.16 billion (127.215 billion yen) for two projects: the Patimban Port Development Project and Development of World Class University with Socio Entrepreneurial Spirit at Universitas Gadjah Mada. The objective of Patimban port project is to strengthen the logistics capacity of the Jakarta Metropolitan Area and improve the total economic activities in the region by constructing an international seaport and access roads in Patimban. The goal of Development of World Class University aims to improve the quality of education and promote research and product development. JICA financial support enables Indonesia government to strengthen economy and infrastructure development without over-reliance on China's MSRI project.

Additionally, the third response to China's MSRI strategy is to deepen defense alignment with neighboring countries. Reinforcing maritime security and defense cooperation with India and Australia as well as considering join the Quadrilateral Security Dialogue are imperative methods to hedge China's intimidating military projection in Indo-Pacific region and maintain Indonesia maritime interests in Natuna Sea. Indonesia government opposes hegemony of any major power and seeks equidistant economy, politics, and defense engagement with China, India, Australia, and U.S. respectively to boost domestic economy, protect maritime interests in South China Sea, and ensure international status in Indo-Pacific region.³⁸

³⁷ Michelle Jamrisko, "China No Match for Japan in Southeast Asia Infrastructure Race," *Bloomberg*, 2019, <https://www.bloomberg.com/news/articles/2019-06-23/china-no-match-for-japan-in-southeast-asia-infrastructure-race>

³⁸ Vibhanshu Shekhar, "Indonesia's Debate and Response to China's One Belt One Road Initiative: Balancing between Developmental Incentives and Geopolitical Anxieties," *China Studies*, vol. 59, no. 4, 2016, pp. 81–112.

Indonesia's Expectations of China's MSRI Program

1. Expectation of accelerate Indonesia's Global Maritime Fulcrum Initiative

Indonesia government expects China's MSRI project to support Indonesia's Global Maritime Fulcrum Initiative by boosting Indonesia's economic growth, advancing domestic and maritime infrastructure connectivity, and increasing the development of human resources, national science and technology. Advancing infrastructure development in the constructions of ports, airports, high speed railway, electricity power plant is Indonesia government top priority to accelerate domestic economy. China government promised to develop various infrastructure projects in Indonesia which include construction of 24 ports, 15 airports, construction of roads along 1,000 kilometers, railroad construction along the 8,700 km,³⁹ as well as the power plants with a capacity of 35,000 Megawatts.⁴⁰

Beyond infrastructures, Indonesia is very much lacking of human capacities to support the development of a maritime state. Qualified human resources in the maritime field is a high expectation of China's MSRI to realize the vision of becoming a Global Maritime Fulcrum.⁴¹

2. Expectation of reciprocal and equidistant cooperation with neighboring countries

The expectation of partaking in China's MSRI is to formulate reciprocally diplomatic and economic relations with China, while to maintain stable and mutual

³⁹ "China to Invest in 24 Ports 15 Airports and Railway Projects," *Rambuenergy News*, 2015, <https://www.rambuenergy.com/2015/04/china-to-invest-in-24-ports-15-airport-and-railway-projects/>

⁴⁰ "China-invested Power Plant Starts Construction in Indonesia to Resolve Electricity Shortage," *Xinhua News*, 2016, https://www.chinadaily.com.cn/bizchina/2016-10/26/content_27179531.htm

⁴¹ Yose Rizal Damuri, "A maritime Silk Road and Indonesia's Perspective of Maritime State," CSIS Working Paper Series, pp. 2-41, 2014, https://www.csis.or.id/uploads/attachments/post/2019/01/10/a_maritime_silk_road_and_indonesia_s_perspective_of_maritime_state.pdf

trust defense and security cooperation with India,⁴² Australia,⁴³ and United States⁴⁴ to foster Indonesia's international space and negotiation ability in Indo-Pacific region. Indonesia is in the centerpiece of Indo-Pacific region and the largest country in Southeast Asia which plays geostrategic role for major powers. Therefore, how to survive in a tricky international circumstance among China, United States, and India as well as to enlarge Indonesia's economic and maritime interests are major concern for Jokowi Administration. With the objection to hegemony of any major power in the Indo-Pacific region, Jokowi Administration look for an equidistant engagement and reciprocity cooperation with neighboring countries.

3.4 Malaysia's Perceptions, Responses and Expectations of MSRI

Malaysia plays a critically effective role in the MSRI implementation in Southeast Asia. Geographically, Malaysia is located in an irreplaceable position which is a land-bridge connects Thailand and Singapore and links construction of the Pan-Pacific Railway from Kunming, China down to Laos, Thailand, Malaysia, and Singapore. Strategically, Malaysia controls the Straits of Malacca which not only serves as one of the most important sea lines of communications in the world, but also is important maritime trade lines. Besides, Malaysia is an influential partner for other ASEAN countries. No matter in providing assistance to Indonesia, Myanmar, Laos,

⁴² Indonesia Ministry of External Affairs, "Shared Vision of India-Indonesia Maritime Cooperation in the Indo-Pacific," 2018, https://mea.gov.in/bilateral-documents.htm?dtl/29933/Shared_Vision_of_IndiaIndonesia_Maritime_Cooperation_in_the_Indo_Pacific

⁴³ Australia Government Department of Defense, "Joint Statement on the Sixth Indonesia-Australia Foreign and Defense Ministers 2+2 Meeting," 2019, <https://www.minister.defence.gov.au/minister/lreynolds/statements/joint-statement-sixth-indonesia-australia-foreign-and-defence>

⁴⁴ U.S. Embassy and Consulates in Indonesia, "Fact Sheet: U.S.-Indonesia Maritime Cooperation," 2015, <https://id.usembassy.gov/our-relationship/policy-history/embassy-fact-sheets/fact-sheet-u-s-indonesia-maritime-cooperation/>

Cambodia, Philippines which were affected by natural disasters or improving ASEAN economy development, Malaysia has actively contributed efforts in Southeast Asia region.⁴⁵

Malaysia's geostrategic location is an important hub for the MSRI to connect Southeast Asia with South Asia region, while the Sino-Malaysia relations are fundamental question whether the MSRI project could successfully proceed or not. The Sino-Malaysia cooperation in the MSRI project is like sea waves ups and downs due to changing domestic politics and leaders' ideology and perception of China's MSRI strategy. Different Prime Minister's perceptions generate different responses to China's MSRI project.

Malaysia's Perceptions of China's MSRI Program

Malaysia's perceptions of China's MSRI project could be separated into two parts which include Najib's and Mahathir's perceptions. Different administrations had different perceptions of China's MSRI Initiative. The former Prime Minister Najib Razak perceived that the engagement of the MSRI Initiative benefits Malaysia's economy and facility connectivity. Once the East Coast Rail Link and the Pan-Pacific Railway projects completed and into operation, the transportation facilities not only increase domestic logistic connectivity, but also provide Malaysia opportunities of accessing to new markets and stimulate import and export trading.⁴⁶ Thus, Najib Administration deemed that China's MSRI project might bring positive effects rather than negative effects. In the light of positive perception, Najib was willing to support the MSRI implementation in Malaysia.

Compare to Najib's perception, Mahathir has same but different perceptions of

⁴⁵ "Malaysia Plays Big Role in ASEAN – Salleh", Datuk Seri Dr Salleh Said Keruak is Malaysia Communications and Multimedia Minister, *New Strait News*, 2017, <https://www.nst.com.my/news/nation/2017/08/265243/malaysia-plays-big-role-asean-salleh>

⁴⁶ "Malaysia Says It Stands to Reap Benefits from Belt and Road Initiative," *Xinhua News*, 2017, http://www.chinadaily.com.cn/business/2017-10/27/content_33780518.htm

China's MSRI Initiative. The similarity perception is that China's MSRI project will accelerate Malaysia economic growth and advance transportation connectivity, but this is in the circumstance that MSRI provides Malaysia transparent and affordable investments instead of huge debt trap diplomacy. On the other hand, the difference perception from Najib's perception is that Mahathir perceived China's assertiveness of expanding naval power and deepen geopolitical and geo-economic influences by implementing the MSRI strategy in Southeast Asia. Because China uses the MSRI Initiative as a new colonialism tool to implement investment influence around Southeast Asia.⁴⁷ Hence, Mahathir Administration had taken watchful steps toward China's MSRI project to avoid plunging into the MSRI debt trap stratagem.

Malaysia's Responses of China's MSRI Program

The previous Najib Administration responded the MSRI Initiative with cooperative and active engagement and play a bellwether role in persuading other ASEAN countries to partake in the MSRI program. With the expectations of promoting the development of ASEAN-China relations and enhancing domestic import and export trading, Najib was willing to engage in the MSRI project and support the AIIB establishment to advance regional transportation connectivity and economic development.⁴⁸ China and Malaysia had reached the pinnacle of Sino-Malaysia relations in the term of Najib Administration. In November 2016, fourteen Memorandum of Understandings were signed by China and Malaysia government with China's promise to provide RM143.64 billion to support Malaysia's development of defense, economy, agriculture, education, finance and the infrastructure construction.⁴⁹

⁴⁷ Phillip Hernandez, "A New Colonialism Chinese Foreign Direct Investment in Malaysian Infrastructure," *The New Malaysia*, vol. 37, no. 11, 2019, pp. 75-76.

⁴⁸ Ministry of Foreign Affairs of China, "Prime Minister Najib Razak of Malaysia Meets with Wang Yi," 2015, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1286827.shtml

⁴⁹ "Malaysia China sign 14 MOUs worth RM143.6 billion", *Malaysiakini News*, 2016, <https://www.malaysiakini.com/news/361327>

Among the fourteen MOUs, the biggest project is the RM55 billion East Coast Rail Link (ECRL) construction which is one of the high-impact projects under the 11th Malaysia Plan. Najib indicated that the ECRL will stimulate east coast economy by making products more competitive due to cheaper transport costs, and will raise the income of industries and businesses located along the rail link route.⁵⁰ Najib Administration expected the prosperity and brightness come along with China's MSRI investment.

But the responses to the MSRI project switched from cooperative and active engagement to prudent and discreet cooperation, After Mahathir Administration swept into power in May 2018. Prime Minister Mahathir had suspended the MSRI projects of East Coast Rail Link, Melaka Gateway, Oil and Gas Pipeline, and Kuantan Industrial Park due to the concerns of loans unaffordability and intention to push back the projects which are neither viable nor necessary for Malaysia.⁵¹ Mahathir promised to review any unfair MSRI investment projects authorized by previous Najib Administration, and vowed to renegotiate or cancel the unaffordable infrastructure construction project.⁵² Mahathir Administration re-evaluated the practicability of each MSRI investment project and re-negotiated the total loans and interest rate with China. For example, the ECRL project was suspended and re-negotiated with Beijing to reduce investment capital and loans interest. It was revised to cut the cost to RM44 billion⁵³ and construction jobs for Malaysian local workers would increase from the 30 percent to 40

⁵⁰ Azura Abas, "Mind the Gap: ECRL can Close East-west Coast Economic divide, Says Najib," *New Straits Times*, 2016, <https://www.nst.com.my/news/2016/11/192672/mind-gap-ecrl-can-close-east-west-coast-economic-divide-says-najib>

⁵¹ "We cannot Afford This: Malaysia Pushes Back on China's Big Projects," *New Straits Times News*, 2018, <https://www.nst.com.my/news/nation/2018/08/403620/we-cannot-afford-malaysia-pushes-back-chinas-big-projects>

⁵² Takashi Nakano, "Malaysia Seizes \$240m from Chinese Company over Delayed Project," *Asian Review*, 2019, <https://asia.nikkei.com/Politics/Malaysia-in-transition/Malaysia-seizes-240m-from-Chinese-company-over-delayed-project>

⁵³ Eileen Ng, "Malaysia: Revised China Deal Shows Costs Were Inflated," *The Diplomat*, 2019, <https://thediplomat.com/2019/04/malaysia-revised-china-deal-shows-costs-were-inflated/>

percent. Construction, which was halted in July 2018, should resume soon and the project's completion date had been extended to Dec.31, 2026. Mahathir's circumspect responses prevent from sinking into China's debt trap and served the interests for Kuala Lumpur.⁵⁴

Malaysia's Expectations of China's MSRI Program

Contrast to Najib's optimistic expectations of China's MSRI project to boost economic growth and facility connectivity, Mahathir Administration expects China to provide a more transparent and affordable investment projects in Southeast Asia to fulfill China's goal of a community of shared destiny. A lack of transparency in China's MSRI project will neither increase the credibility of infrastructure project nor motivate host countries' willingness to join in the project. Therefore, China must increase the transparency of BRI investment projects to boost its credibility. Besides, the MSRI program benefit China rather than host countries because most of the Chinese-owned enterprises won the construction bid and employ Chinese labors not local people.⁵⁵ Mahathir Administration expected that the MSRI program to be a "Fair Program" that not only benefits Chinese enterprises and labors but also avail those in host countries.

Further, Mahathir government expected that China's true purpose behind the scenes is to advance regional economy and connectivity, not to make ASEAN countries into debt trap and dominate them in the way of implementing the MSRI project. The best way for China to accomplish what President Xi-Jinping call for a bright and prosperity human community is to implement sustainable and transparent infrastructure investments in BRI participated countries.

⁵⁴ Radzi Razak & Ali Nufael, "Mahathir: Malaysia Saves Billions in Renegotiated ECRL Deal with China," *Benar News*, 2019, <https://www.benarnews.org/english/news/malaysian/rail-deal-04152019164237.html>

⁵⁵ "Lack of transparency in China's Belt and Road projects: EU firms," *The SUNDAILY NEWS*, 2020, <https://www.thesundaily.my/business/lack-of-transparency-in-china-s-belt-and-road-projects-eu-firms-XJ1902734>

3.5 Brunei's Perceptions, Responses, and Expectations of MSRI

Brunei Darussalam is a very small but energy-rich country with crude oil production about 126.8 thousand barrels and 35.5 million cubic meter gas production per day in 2019.⁵⁶ The lucrative natural resources made Brunei rank number 5 richest country in the world in 2019 fiscal year⁵⁷ with GDP amounted to 12.6 billion U.S. dollars and GDP per capita for 31436.9 USD.⁵⁸ Brunei Prime Minister Sultan Hassanal Bolkiah came to the throne in 1967 and he is the supreme executive authority in charge of Minister of Defense, Minister of Finance and Economy, and Minister of Foreign Affairs.⁵⁹ Even though Brunei is an absolute monarchy and dictator government, Brunei has good social welfare system with no personal income tax, free health care and free education.⁶⁰ Brunei has bountiful natural resources and completed social welfare system but the critical infrastructure and social development still have room to improve, such as information and communication facility upgrade, high technology personnel training, transportation and postal system advancement. Therefore, the Brunei Vision 2035, launched in January 2008, aims to promote infrastructure development on communication apparatus, transportation system, and industry facility as well as to cultivate hi-tech skillful human resources.⁶¹

Rich natural resources make Brunei oil dependency economy which results in unilateral, unbalanced and high risk economic situation. According to BP World

⁵⁶ Brunei Department of Economic Planning and Development, "Gross Domestic Product 2019 First Quarter," 2019,

http://www.deps.gov.bn/DEPD%20Documents%20Library/DOS/GDP/2019/GDP_Q12019.pdf

⁵⁷ Pham Binh, "Richest Countries in the World 2019, *Global Finance*, 2019,

<https://www.gfmag.com/global-data/economic-data/richest-countries-in-the-world>

⁵⁸ "Brunei 2019 GDP," *Trading Economics*, 2020, <https://tradingeconomics.com/brunei/gdp>

⁵⁹ Brunei Ministry of Finance and Economy, "His Majesty Sultan Hassanal Bolkiah Mu'izzaddin Waddaulah Ibni Al-Marhum Sultan Haji Omar Ali Saifuddien Sa'adul Khairi Waddien," 2020, <https://www.mofe.gov.bn/SitePages/Minister-of-Finance.aspx>

⁶⁰ Embassy of Brunei Darussalam, "Introducing Brunei," 2018, <http://www.mfa.gov.bn/bahrain-manama/SitePages/bruneiintroduction.aspx>

⁶¹ Brunei Embassy official website, "Brunei Vision 2035," <http://www.bruneiembassy.org/brunei-vision-2035.html>

Energy Outlook report, Brunei's oil reserves will run out by 2035. Brunei government is proceeding multiple deployments on high technology, manufacturing, and tourism industry to diminish the coming impact of oil depletion.⁶² Due to Brunei's multiple economic development conditions, Brunei has positive perceptions of China's MSRI program.

Brunei's Perceptions of China's MSRI Program

Brunei's perceptions of China's MSRI program could be divided into aspects of domestic economy concern, the Code of Conduct in South China Sea concern, and regional connectivity concern. First, Brunei government perceives the opportunity to advance internal economy by synergizing Brunei Vision 2035 on China's MSRI program. A Joint Statement was released by Brunei and China government to elevate from Strategic Cooperative Relations to Strategic Cooperative Partnership in November 2018. China pledged to accelerate Brunei 2035 Vision national development by strengthening bilateral cooperation on infrastructure construction, assisting Brunei economy diversification, and providing hi-technology personnel training. China vowed to assist Brunei to build a balanced, sustainable and strong economy by establishing Brunei-Guangxi Economic Corridor to provide technical skills training on agriculture, halal food and aquaculture. Also strengthening critical infrastructure cooperation on information and communication system, as well as transportation facility. From Brunei's point of view, multiple deployments on different industry is the top priority to resolve oil-dependency dilemma and balance socioeconomic development. Therefore, the economic interests impel Brunei to join in the MSRI program.

Second, Brunei's consideration of signing Code of Conduct in South China Sea and building SCS into a peace, cooperative, and joint development sea. Even though

⁶² Sheith Khidhir, "Brunei is Looking to Diversify," *The ASEAN Post*, 2018, <https://theaseanpost.com/article/brunei-looking-diversify>

the Declaration on Conduct of Parties in South China Sea (DOC) was signed in November 2002 by China and ASEAN countries,⁶³ the DOC is non-legally binding official document only with the function to reaffirm their commitment to push the signing of Code of Conduct (COC). The COC negotiation process still has long way to go to enhance SCS parties' mutual trust, confidence-building and consensus-building.⁶⁴ From Brunei's point of view, having good relations with peripheral SCS claimants, especially with China, is a wiser method to reach the consensus on COC rather than bad relations. Besides, if parties achieve COC agreement of joint development on SCS energy exploitation which will avail Brunei energy industry of postponing the day of oil and gas consumption. Therefore, Brunei tends to take deliberately quiet stance on SCS jurisdictional quarrel and opts to take supportive attitude on China's MSRI implementation.

Third, Brunei perceives that the engagement in China's MSRI program will strengthen connectivity between Brunei and regional countries because the MSRI program not only serves trading platform for business to business but also as a culture understanding stage for locals to locals by traveling. Besides, Brunei government views the MSRI program as an opportunity to strengthen policy coordination as well as to build peace and cooperative multilateral relations among China and ASEAN countries. Hence, Brunei participates in China's MSRI program to contribute efforts in building harmonious regional relations and prosperity future.

From China's angle, conducting the MSRI program in Brunei is conducive to China's strategic interests in South China Sea issue. Beijing has been aware that Brunei

⁶³ Ministry of Foreign Affairs of the People's Republic of China, "Declaration on the Conduct of Parties in South China Sea," 2003, https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/gjs_665170/gjzzyhy_665174/2608_665204/2610_665208/t15311.shtml

⁶⁴ Liang Luo, "A Guide to the South China Sea COC," *China US Focus*, 2017, <https://www.chinausfocus.com/peace-security/a-guide-to-the-coc>

has relatively remained silent on China's SCS territorial claims, operations of artificial island building and military construction. Besides, Brunei has taken more moderate and negotiable way than other claimants on dealing with SCS overlapping territorial and exclusive economic zone interests. Brunei proposed the dual-track approach that SCS disputes should be handled through friendly consultation by claimants and countries in the region should jointly safeguard stability in the South China Sea. The dual-track approach has been highly advocated by China to resolve SCS quarrels. China intends to strengthen Sino-Brunei economic and diplomatic ties by implementing the MSRI program for the sake of making one more friend rather than one more enemy in South China Sea issue.

Apart from SCS issue interests consideration, less bankroll requirement from Brunei the less investment capital pressure for China. Brunei needs hi-tech skills applying to the industries on manufacturing, agriculture, artificial intelligence, and critical infrastructure construction more than monetary support from China because Brunei is rich for selling natural resources but Brunei's economy is impoverished and unbalanced for unilateral oil and gas industry development. Besides, Brunei's ASEAN chair serving in 2021 which will increase Brunei's discourse right as a host country in SCS issue. China perceives Brunei's advantage of serving 2021 ASEAN chair, so China keens to strengthen diplomatic ties with Brunei for the purpose of gaining Brunei's support in coping with SCS tension and alienate Brunei from other claimants to consolidate Beijing's interests. In light of the above reasons, China has been eager to strengthen relations with Brunei by conducting the MSRI program.

Brunei's Responses to China's MSRI Program

Brunei government has taken cooperative and supportive responses to China's MSRI program by upgrading relations to "Strategic Cooperative Partnership" and strengthening bilateral cooperation in MSRI program. In November 2018, both sides

agreed to elevate bilateral relations from “Strategic Cooperative Relationship” to “Strategic Cooperative Partnership.” For the purpose of enhancing political mutual trust, promoting economic cooperation, strengthening people to people bond and cultural connections, as well as reinforcing mutual assistance and promoting mutual interests in multilateral affairs.⁶⁵ Furthermore, Brunei agreed to sign a memorandum of understanding to support and jointly promote cooperation in China’s MSRI program.⁶⁶ In January 2020, China and Brunei government co-established the Joint Steering Committee (JSC) as an strategic cooperative mechanism to further strengthen cooperation in areas of trade, science, technology, energy, maritime, transportation as well as information and communications investment.⁶⁷

The MSRI investment projects in Brunei include Temburong sea bridge, Pulau Muara Besar (PMB) Petrochemical Project, and Brunei- Guangxi Economic Corridor (BGEC) project. The 30 kilometer Temburong bridge links Bandar Seri Begawan, the national capital of Brunei, with Temburong, an enclave separated from the rest of Brunei by Malaysia and Brunei Bay. The US\$ 1.7 billion sea bridge project was completed and into operation in March 2020. The bridge shortens the transportation time from two hours to 15 minutes which increase Brunei’s logistic efficiency and promote tourism industry.⁶⁸

The PMB petrochemical project is jointly conducted by China’s Hengyi Industries and Brunei petroleum company which started in 2017. The first phase of the

⁶⁵ Ministry of Foreign Affairs of the People’s Republic of China, “China and Brunei Lift Ties to Strategic Cooperative Partnership,” 2018, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1734985.shtml

⁶⁶ Ministry of Foreign Affairs Brunei, “Joint Statement between Brunei Darussalam and the People’s Republic of China Bandar Seri Begawan,” 2018, <http://mfa.gov.bn/Lists/Press%20Room/news.aspx?id=710>

⁶⁷ Ministry of Foreign Affairs of the People’s Republic of China, “Joint Press Release of the Inaugural Meeting of the Joint Steering Committee between the People’s Republic of China and Brunei Darussalam,” 2020, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1734985.shtml

⁶⁸ “US\$ 1.7 Billion Brunei Temburong Bridge Opens,” *Belt and Road News*, 2020, <https://www.beltandroad.news/2020/04/01/us-1-2-billion-brunei-temburong-bridge-opens/>

project was completed in September 2019 with crude oil processing capacity of eight million tons, and producing 1.5 million tons of paraxylene and 500,000 tons of benzene, as well as other refined petrochemical products. Besides, Hengyi Industry has provided talents training of sending Brunei local qualified students to study chemical engineering at Zhejiang University in China and employ them after graduation.⁶⁹ The PMB petrochemical project will proceed to second phase by 2022, worth another 10 billion U.S. dollars in investment.⁷⁰

Brunei also agreed to establish the Brunei-Guangxi Economic Corridor under the framework of China's MSRI program for the sake of expanding halal food market to China and ASEAN countries, increasing the quality and quantity of agriculture product by learning the new planting skills and know-how from China, as well as receiving preferential tariff in the MSRI food market. Apart from selling agriculture products, Brunei plans to expand pharmaceuticals and cosmetics industry by joining in China's MSRI economic and trade system.

Brunei's responses to China's MSRI program are economic and strategic interest orientations. Economically, Brunei has taken cooperative and supportive attitude toward the MSRI investment projects for the considerations of diversifying its economy and promoting balanced development on agriculture, fishery, technology and tourism industries. Strategically, in order to increase Brunei's diplomatic maneuvering space and discourse right in South China Sea issue, Brunei tends to have an intimate relationship with China by engaging in the MSRI program. Joining the MSRI program is a good way to build mutual confidence and trust which Brunei government as a leverage to gain economic and strategic interests from China.

⁶⁹ "Chinese Standards: Success in Brunei Petrochemical Project," *Belt and Road News*, 2019, <https://www.beltandroad.news/2019/11/01/chinese-standards-success-in-brunei-petrochemical-project/>

⁷⁰ "Biggest Chinese Investment Project in Brunei to be Operational by Year End," *Xinhua News*, 2019, http://www.xinhuanet.com/english/2019-03/01/c_137860961.htm

Brunei's Expectations to China's MSRI Program

Brunei expects to hinge on China's MSRI program to diversify its economy and foster the Brunei Vision 2035 national development plan, to accelerate the negotiation process of South China Sea Code of Conduct, to increase Brunei's diplomatic maneuvering space and discourse right in SCS issue, as well as to ramp up Brunei's geopolitical influence in region. First, diversifying economy is the top priority for Brunei government because the lucrative oil-dependency economic system will vanish away sooner or later when the oil is depleted. Hence, Brunei manages to diversify its economy by developing agriculture, science, fishery, and tourism industries and advance human resources capacity and talent by the synergy of Brunei Vision 2035 and China's MSRI program.

Second, Brunei expects China's MSRI investment program to create peaceful, harmonious, mutual benefit atmosphere in Southeast Asia region, which will be conducive to accelerating the concurrence of signing the Code of Conduct in South China Sea. Because mutual trust and confidence building is the cornerstone of reaching a consensus on legally-binding Code of Conduct, resolving disputes and natural resources sharing in South China Sea. Brunei expects China's MSRI program as an effective platform to promote diplomatic and economic relations among China and SCS claimants by applying infrastructure investment and financial supports.

Third, the expectations of increasing Brunei's diplomatic maneuvering space and discourse right in SCS issue are the main concerns for Brunei to maintain positive relationship with China via partaking in the MSRI program. Being a microstate and in the rivalry context of Beijing and Washington, it is hard for Brunei to escape the quirky actions of big powers in Southeast Asia region. The best way for Brunei to survive and reinforce its geopolitical influence in South China Sea is to engage in international mechanisms through rational diplomatic and trade cooperations and talks. Hence,

Brunei has taken cooperative and approval attitude as a strategic leverage to cope with China for the exchange of SCS interests and maintain geopolitical influence in region. Besides, it is the engagement in the MSRI program to avert from China-dominated political and economic system isolation and avoid from marginalization.

3.6 Chapter Summary

The SCS claimants' have positive and negative perceptions of the MSRI program: the perspective of boosting domestic economy and infrastructure development, as well as the anxiety of China's military expansion, geopolitical and geo-economic influence leverage via MSRI strategy. The different perceptions generate different responses to the MSRI program. The SCS claimants' responses could be divided into four categories: conservative and prudent, opposed to approval, openness but discreet, and positive and supportive.

Conservative and prudent responses: Because Vietnam views the MSRI program as challenge and threat to its national security and sovereignty, Vietnam takes conservative and prudent methods to the MSRI program. The methods include precise evaluation for the infrastructure facility requirements from China, loans risk management on diversifying infrastructure debts from different major powers, and defense cooperation enhancement with United States, Japan, and India to safeguard Vietnam maritime security and territorial sovereignty.

Opposed to approval responses: Philippines is a very representative state which had switched from opposed to supportive attitude toward the MSRI project. With the regime transferred from Aquino to Duterte, Philippines' responses to the MSRI program had changed from defensive and non-engagement to supportive and cooperative participation. The reasons why Duterte takes positive response to the MSRI project are for the purpose of repairing Sino-Philippines relations, boosting domestic

economy, safeguarding maritime interests in South China Sea, and reinforce Philippines geostrategic influence in region.

Openness but discreet responses: Indonesia views the MSRI project half for opportunity to drive domestic economic development but half for threat to the homeland security and SCS maritime sovereignty. Even though Indonesia opens the door to the MSRI infrastructure investments, Indonesia prudently responds to China's MSRI program by three methods. First, actively engage in the MSRI project to promote domestic economy and facility development. Second, gain infrastructure investment loans from Japan to decrease capital dependence on China and diversify debt risk in case Indonesia sinks in China's debt trap. Third, reinforce defense cooperation with neighboring countries to shield Indonesia maritime interests from China's intimidating military projection in Indo-Pacific region under the sugar coating MSRI strategy.

Apart from Indonesia, Malaysia also takes openness but discreet responses to the MSRI program since ex-Prime Minister Mahathir took charge of government in May 2018. Mahathir detected that China's assertiveness of expanding naval power along the String of Pearls and reinforcing geopolitical and geo-economic influences by conducting the MSRI strategy. Mahathir welcomed the MSRI infrastructure investment projects to accelerate regional economic growth and transportation connectivity but turned down the unaffordable loans assistance to avert from sinking into China's debt trap.

Cooperative and supportive responses: Brunei government has taken cooperative and supportive responses to China's MSRI program for the sake of resolving oil-dependency economic dilemma, developing industrial diversification, strengthen regional connectivity, and accelerating negotiation process of signing the Code of Conduct in South China Sea. Besides, Brunei expects to hinge Brunei Vision 2035 national development plan on China's MSRI program not only to foster infrastructure

development but also to strengthen the connectivity between Brunei and regional countries, as well as to ramp up Brunei's geopolitical influence in region.

In conclusion, the SCS claimants' responses to the MSRI program contain the dimensions of conservative and prudent, opposed to approval, openness but discreet, as well as positive and supportive. To some degree that SCS claimants' willingness to engage in the MSRI program which indeed narrows the diplomatic distance between China and claimants. Additionally, the China-claimants MSRI cooperation relieves SCS tension and create relatively negotiable atmosphere to the discussion of signing Code of Conduct in South China Sea. In other words, China has effectively coped with SCS conflicts and quarrels by conducting infrastructure investments and financial assistance but how long the effective duration will take which is still under observation.





Chapter 4 ASEAN Response: Countries Don't Have Territorial Disputes with China

4.1 Cambodia's Perceptions, Responses and Expectations of MSRI

Cambodia's perceptions of China's MSRI Program

Cambodia's perceptions of China's MSRI are amalgamated by two elements: Cambodia's national development strategy as well as long-term close Sino-Cambodia relations. Cambodia is a "Pro-China" country which has close diplomatic ties with China. Cambodia has no territory or maritime conflicts with China in South China Sea issue, no wonder Sino-Cambodia political and economic relations are stable. Apart from long-term friendship set up consolidated mutual trust relations, the motivation to achieve the Rectangular Strategy and 2015-2025 Industrial Development Strategy is the critical element that Cambodia eagers to partake in China's MSRI program.

Given the fact of mutual trust Sino-Cambodia relations and the calculation of boosting domestic economic power, Cambodia takes positive attitude to perceive and estimate the effects and outcome of accepting China's MSRI financial and technical investment. Cambodia government perceives that China's MSRI investment project will assist Cambodia's Rectangular Strategy to accomplish the national strategic goals of advancing critical infrastructure development, expanding economic horizon, promoting Information and Communication Technology industry, as well as strengthening regional economy integration. With the positive perception of the MSRI Initiative, Cambodia government responds friendly and cooperatively to China's MSRI infrastructure investment.

Cambodia's Responses of China's MSRI Program

Hun Sen Administration has taken friendly and embracing attitude to respond China's MSRI investment projects in Cambodia. From joining the AIIB to accepting

all China's infrastructure investment loans, Cambodia has chosen to actively engage in China's MSRI Initiative without hesitation for the purpose of boosting domestic economy and infrastructure development.

Cambodia signed the Memorandum of Understanding for the preparing of AIIB establishment in October 24th, 2014,¹ and became one of the AIIB initiative founding members in December 25th, 2015 after the AIIB Articles came into effect.² In January 2018, China and Cambodia signed 19 Economic and Trade Cooperation Documents to improve bilateral economic and technical cooperation in the fields of economic, trade, technology, health care, forestry, agriculture and humanity. Three of the documents were signed for the exchange of notes on restoration project of royal palace in Angkor and the exchange of notes on providing goods and materials to Cambodia. Besides, infrastructure cooperation documents were signed in areas of highways, airports, power transmission and transformation, ports and special economic zones to demonstrate the consensus on deepening the MSRI infrastructure practical cooperation and enhancing China-Cambodia comprehensive strategic cooperative partnership.³

Cambodia government welcomed China's MSRI infrastructure investment financial support, for example US\$1.87 billion expressway from Sihanoukville to Phnom Penh capital,⁴ and US\$880 million international airport project in Siem Reap.⁵ Besides, China and Cambodia conducted a joint venture hydropower dam construction in the northeastern province of Stung Treng, with a cost of nearly US\$800 million that

¹ "21 Asian Countries Sign MOU to Set up AIIB," *Xinhua News*, 2014, http://www.china.org.cn/world/2014-10/24/content_33864818.htm

² "Asian Infrastructure Investment Bank Formally Established in Beijing," *The BRICS Post*, 2015, <https://www.thebricspost.com/asian-infrastructure-investment-bank-formally-established-in-beijing/>

³ The Ministry of Commerce of China, "China and Cambodia Sign Economic and Trade Cooperation Documents on Economic and Technical Cooperation between the Two Governments," 2018, <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201801/20180102698985.shtml>

⁴ Sim Vireak, "Dynamism of Chinese Investment in Cambodia," *Asia Times*, 2019, <https://www.asiatimes.com/2019/11/opinion/dynamism-of-chinese-investment-in-cambodia/>

⁵ "China to Invest \$880 Million in Building New International Airport for Cambodia," *People's Daily News*, 2017, <http://en.people.cn/n3/2017/0816/c90000-9256170.html>

51 percent stake for China, 39 percent stake for Cambodia, and 10 percent stake for Vietnam. The dam ownership will be handed over to Cambodia after 40 years. The dam is operational and estimated to produce 1.97 billion kilowatt-hours per year to relieve electricity shortages, lower the price of electricity, and contribute to socioeconomic development in Cambodia.⁶

Besides, China and Cambodia have possibly inked secret deal for China's naval deployment in Cambodia's Sihanouk Ream Naval Base. According to a senior U.S. Indo-Pacific Command's deputy director for strategic planning and policy, Army Brigadier General Joel B. Vowell said the China's construction and naval deployment in Cambodia's Ream Naval Base would begin in 2020 which will facilitate China's military access to the deep coastal waters on the Gulf of Thailand. Vowell indicated that China's military extension in Ream base is extremely big concern for the U.S. and its allies in Southeast Asia region. Apart from China's use of Ream base, Chinese construction of an airport and resort in Koh Kong province, 70 kilometers north of Ream Naval Base, which absolutely demonstrated China's strategic quest for military network expansion. It is interesting that Cambodia grants China's military deployment in Ream base and access to the Gulf of Thailand but rejects U.S. assistance for repairing a training facility and boat maintenance depot at the Ream base. Even though Cambodia's Prime Minister Hun Sen and Defense Minister Tea Banh have not answered a June 24th, 2019 Pentagon letter to them about the Ream plans,⁷ Cambodia already showed its diplomatic and defense support stance to China and demonstrated their unwavering friendship in exchanging and maintaining strategic interests for each other.

⁶ "Cambodia Hydro Project Powers Up," *China Daily News*, 2018, <http://www.chinadaily.com.cn/a/201812/19/WS5c19a94aa3107d4c3a00195c.html>

⁷ Neou Vannarin, "US Military Official Confirms China Deal to Use Cambodian Naval Base," *Voa News*, 2019, <https://www.voanews.com/east-asia-pacific/us-military-official-confirms-china-deal-use-cambodian-naval-base>

In addition to naval base construction, China and Cambodia have continued cooperation in building special economic zones in Cambodia metropolitan and rural areas. For instance, the Sihanoukville Special Economic Zone (SSEZ) is a landmark project of China's MSRI



investment which aims to create nearly 20,000 jobs for the local community.⁸ SSEZ is located in Preah Sihanouk province, adjacent to capital city Phnom Penh, 12km from the Sihanoukville international deep sea port, railway station and 3 km from the Sihanoukville International Airport.⁹

Figure 4. 1. 1 Sihanoukville Special Economic Zone (Source: Hong Kong Trade Development Council)

Furthermore, both sides have continued in building the Kunming-Singapore Rail Link (KSRL), also named Pan-Asian Railway Network. The eastern route via Vietnam, Cambodia, links with Thailand Bangkok to Singapore. The rail network is expected to strengthen logistic connectivity and economic integration.¹⁰



Figure 4. 1. 2 Kunming-Singapore Rail Link Routes (Source: Geopolitical Monitor)

⁸ “China, Cambodia Pledge to Promote Pragmatic Cooperation,” *Xinhua News*, 2018, http://www.xinhuanet.com/english/2018-01/11/c_136888394.htm

⁹ Cambodia SSEZ official website, “Cambodia Sihanoukville Special Economic Zone,” 2020, <http://www.ssez.com/en/company.asp?Ione=3>

¹⁰ “Fact Sheet: Kunming-Singapore High Speed Rail Network,” *Geopolitical Monitor*, 2017, <https://www.geopoliticalmonitor.com/fact-sheet-kunming-singapore-high-speed-rail-network/>

Cambodia's Expectations of China's MSRI program

According to the World Bank report, Cambodia has attained a lower middle-income country after it attained lower-middle income status with Gross National Income per capita reaching US\$1,070 in 2015.¹¹ Cambodia is endeavoring to become an upper middle-income country by 2030 and a high-income country by 2050. As Prime Minister Hun Sen stated at the opening ceremony of World Economic Forum on ASEAN in 2017, he avowed that Cambodia will actively implement open economic policy to integrate into regional and global economy for the sake of becoming upper middle income country by 2030 and high income country by 2050.¹² Becoming upper middle income country by 2030 and high income country by 2050 is the critical objective of Cambodia's Rectangular Strategy, therefore, Hun Sen expects to hinge Cambodia's Rectangular Strategy and 2015-2025 Industrial Development Strategy on China's MSRI project to increase domestic critical infrastructure development, strengthen manufacturing technology, enlarge jobs market, as well as enhance Cambodia competitiveness to catch up with other countries in the Asia-Pacific region.¹³

4.2 Laos' Perceptions, Responses and Expectations of MSRI

Laos' Perceptions of China's MSRI Program

Laos is enclosed by China, Vietnam, Cambodia, Thailand, and Myanmar, moreover, mountainous topography and the lack of infrastructure development restrict Laos' socioeconomic connectivity to the Southeast Asia countries and limit national

¹¹ "Combined Project Information Documents and Integrated Safeguards Datasheet," World Bank Report, 2017, <http://documents.worldbank.org/curated/en/852341511757313894/pdf/Project-Information-Documents-Integrated-Safeguards-Data-Sheet-Higher-Education-Improvement-Project-P162971-Sequence-No-00.pdf>

¹² Cambodia Council of Ministers, "Prime Minister Hun Sen Shares Cambodia's Experience with Participants of WEF on ASEAN 2017," 2017, <https://pressocm.gov.kh/en/archives/5228>

¹³ "Cambodia to Benefit from China-proposed Belt-Road Initiative: Scholar," *Xinhua News*, 2017, http://www.xinhuanet.com/english/2017-05/16/c_136288707.htm

development. Therefore, improving facility connectivity is a top priority to transfer Laos from a land-locked country into land-linked country. The aspiration of becoming a land-link country reinforces Laos' motivation to join in China's MSRI program for the sake of increasing facility connectivity and boosting internal economic development. At the Leaders Roundtable of the 2017 Belt and Road Summit, Laos president Bounnhang Vorachith expressed that Laos strongly supports the implementation of China's MSRI infrastructure investment.¹⁴



Figure 4.2. 1 Laos is Surrounded by Five Countries (Source: Encyclopedia Britannica)

Laos' Responses of China's MSRI Program

Under the foundation of Sino-Laos diplomatic affinity and stable mutual trust, as well as the perceptions of the MSRI that lead Laos to a land-linked country, Laos has taken positive and warmly embracing attitude to respond to China's MSRI program. Moreover, Laos joined AIIB without hesitation and without thinking twice before accepting China's excessive materials, financial supports, and technical skills which come along with tremendous loans and pressures to yield guarantee interests to China. According to a report by the Center for Global Development, a Washington-based economic think tank, Laos is one of eight global countries in high risk of suffering from China's BRI debt trap. While the possible future unaffordability to repay China's loans

¹⁴ Ministry of Foreign Affairs of Laos PDR, "Statement by H.E. BounNhang Vorachith, President of the Lao People's Democratic Republic at the Leaders Roundtable of the Belt and Road Forum," 2017, <http://www.mofa.gov.la/index.php/activities/state-leaders/1774-statement-by-h-e-bounnhang-vorachith,-president-of-the-lao-people%E2%80%99s-democratic-republic-at-the-leaders-roundtable-of-the-belt-and-road-forum>

has not held Laos government back from engaging in the MSRI project, instead keeps on the bilateral MSRI cooperation.¹⁵

In November 2015, China and Laos government signed an agreement on the construction of a cross-border railway to boost economic cooperation and regional connectivity. According to bilateral agreement, China-Laos railway, the middle route of Pan-Asian Railway Network, has a total length of 418 kilometers and an estimated cost about US\$6.26 billion with 70 percent from China and 30 percent from Laos.¹⁶ The railway project started in December 2016 and is scheduled to be completed and into operation in December 2021.¹⁷ The China-Laos railway is the leading project to promote the establishment of economic corridor. The China-Laos Economic Corridor is a comprehensive embodiment of the strategic alignment between China's MSRI Initiative and the Laos' strategy of transformation from a land-locked country into a land-linked one.¹⁸

Apart from railway project, Laos accepted a US\$40 million National Road 13 Improvement Plan and Maintenance Project to improve connectivity with china, Thailand, Vietnam and boost transportation efficiency and trading growth.¹⁹ Furthermore, Laos and China had reached agreement on the fields of energy, science, technology, and production capacity and investment to improve the corridor cooperation.²⁰

¹⁵ David Hutt, "Laos on a Fast Track to a China Debt Trap," *Asia Times*, 2018, <https://www.asiatimes.com/2018/03/article/laos-track-china-debt-trap/>

¹⁶ The State Council of China, "China Laos to Start Railway Cooperation," 2015, http://english.www.gov.cn/news/top_news/2015/11/14/content_281475234635896.htm

¹⁷ The State of Council Information Office of China, "China-Laos Railway Power Supply Project Launched in Lao Capital," 2020, http://english.scio.gov.cn/beltandroad/2020-01/02/content_75570499.htm

¹⁸ Ministry of Foreign Affairs of China, "Wang Yi Holds Talks with Foreign Minister Saleumxay Kommasith of Laos," 2018, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1624856.shtml

¹⁹ AIIB official website, "AIIB Approves First Project in Lao PDR," 2020, https://www.aiib.org/en/news-events/news/2019/20190404_001.html

²⁰ Ministry of Foreign Affairs of China Press Document, "List of Deliverables of the Second Belt and Road Forum for International Cooperation," 2019, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1658767.shtml

In the light of a series of Chin-Laos infrastructure cooperation and economic relation enhancement, Laos obviously responds China's MSRI Initiative with a cooperative and friendly measures. Laos' positive responses reinforce bilateral relationship and mutual trust, while the responses definitely lead Laos into a situation that the more reliance on China, the more debt risks Laos has to deal with.

Laos' Expectations of China's MSRI Program

This thesis analyzes Laos expectations from the views of domestic and regional aspects. From domestic view, Laos government has expected to transfer into a land-linked country by hinging on China's MSRI Initiative. China's infrastructure investment highly complements Laos' needs of improving critical infrastructure development, promoting domestic economy, ameliorating Laotian living standards, and increasing regional connectivity. The positive expectation is more forceful than the fearing of debt crisis in future. That's the reason why Laos warmly embraces the MSRI financial assistance without think twice before leaping into China's debt trap diplomacy. For Laos, MSRI cooperation is not a trap but an opportunity of boosting Laos socioeconomic development and facility advancement.

From regional view, the MSRI infrastructure investment has made Laos more competitive not only at home but abroad. The railway and road projects grant Laos efficiently access to regional market with a short transportation time and cost down which makes products more competitive. Besides, the Pan-Asian Railway Network cannot be completed without the part of China-Laos railway because it is in



Figure 4.2. 2 The China-Laos Planned Railway
(Source: Laos J&C Group)

the middle route of the total Pan-Asian Railway Network. The China-Laos railway is a docking station which Laos expects to contribute efforts in the Pan-Asian Railway project for the goal of increasing regional connectivity and becoming economic radiation center of Indochina Peninsula by converting itself from a landlocked country to a land-linked hub.²¹

4.3 Thailand's Perceptions, Responses and Expectations of MSRI

Thailand's Perceptions of China's MSRI Program

Thailand military government perceives that the synergy of China's MSRI Initiative and Thailand 4.0 National Strategy Plan not only advances Thailand critical infrastructure and economic development, but also promote regional facility connectivity and economic ties.²² Thailand 4.0 Plan aims to transfer Thailand into an innovative and value-based industry high income country within 20 years. In January 2017, Thailand Prime Minister Prayut Chan-o-cha launched Thailand 4.0 policy with four objectives: to achieve economic prosperity, to increase social well-being, to raise human values, and to protect environment. First, Thailand government plans to create a value-based economy driven by innovation, technology and creativity, as well as increase national income per capita from 5,470 USD in 2014 to 15,000 USD by 2032. Second, to create a forwarding society without leaving anyone behind and to reduce social disparity from 0.465 in 2013 to 0.36 in 2032, and with completely transformation of social welfare system within 20 years. Third, to make Thailand have at least 5 Thai universities ranked amongst the world's top 100 within 20 years. Fourth, to achieve

²¹ The State of Council Information Office of China official website, "China-Laos Railway Power Supply Project Launched in Lao Capital," 2020, http://english.scio.gov.cn/beltandroad/2020-01/02/content_75570499.htm

²² Pan Mengqi, "Belt and Road Enhances Regional Benefit of Beijing-Bangkok Ties," *Thailand News*, 2018, <https://www.nationthailand.com/news/30348445>

sustainable economic growth and development without damaging the environment.²³

Besides, the Eastern Economic Corridor Development Plan is a key component of Thailand 4.0 with the goals of enhancing critical infrastructure development and boosting economic growth in 3 eastern provinces around Bangkok, namely Chachoengsao, Chon Buri and Rayong. The Eastern Economic Corridor is a combined area of more than 13,000 square kilometers and a planned investment of US\$50 billion to build the Greater Bangkok Metropolitan Economic Area within 5 years.²⁴

According to Thailand Prime Minister Prayut statement, Prayut not only acknowledge that China has created a sense of reinforcing multilateralism to address common challenge in the rapid and complex changes world, but also perceives that China and Thailand share the common vision and prospect to promote regional infrastructure connectivity and boost economic development in Southeast Asia. Therefore, Prayut has positive perceptions of China's MSRI investment project in Thailand. Besides, Prayut observes that the MSRI Initiative and Thailand 4.0 National Strategy Plan share the common objectives and interests to advance regional economic prosperity, transportation connectivity, and financial integration.²⁵ Hence, based on the common vision and common benefits of the synergy of the MSRI Initiative and Thailand 4.0 Strategy Plan, Thailand government takes openness attitude to respond China's MSRI program by accepting China's MSRI infrastructure investment and financial backing. While Thailand still takes discreet attitude and keeps a watchful eye on China's military assertiveness to reinforce the String of Pearls strategy by implementing the MSRI Initiative to switch civil railway, ports, and canal into military stagnation point.

²³ Royal Thai Embassy website, "Thailand 4.0," 2017, <https://thaiembdc.org/thailand-4-0-2/>

²⁴ Thitinan Pongsudhirak, "Eastern Economic Corridor Must Continue, 2018, <https://www.bangkokpost.com/opinion/opinion/1588850/eastern-economic-corridor-must-continue>

²⁵ "Interview: Thailand supports BRI, Shares Objectives: Thai PM," *Xinhua News*, 2019, http://www.xinhuanet.com/english/2019-04/26/c_138011925.htm

Thailand's Responses of China's MSRI Program

Thailand military government responds to China's MSRI program with openness but prudent measures due to the perceptions of the potential economic interests of engaging in the MSRI program and the wariness of the MSRI extending naval influence along the Sting of Pearls in Indo-Pacific region. In openness measure, Thailand Prime Minister Prayut supports China's MSRI infrastructure investment projects to boost Thai Eastern Economic Corridor development and spur regional flow of capital, goods, and people connectivity.²⁶ The Sino-Thailand collaboration on the MSRI project includes Kunming-Bangkok railway project, Kra Canal construction, and Thailand Eastern Economic Corridor development.

1. The Kunming-Bangkok Railway

In December 2014, Thailand and China government signed the Memorandum of Understandings on railway cooperation to further consolidate joint development and friendship through the railway projects. Then in December 2015, the Kunming-Bangkok railway cooperation project was launched and began the construction in 2016 with the expectation of completed in 2022. The whole project will be divided into four sections, namely, Bangkok-Kaeng Khoi, Kaeng Khoi-Map Ta Phut, Kaeng Khoi-Nakhon Ratchasima, and Nakhon



Figure 4.3 The Kunming-Bangkok Railway
(Source: Encyclopedia Britannica)

²⁶ "PM meets with China Government Representative," *National News Bureau of Thailand*, 2019, <http://thainews.prd.go.th/en/news/detail/TCATG190610154440611>

Ratchasima-Nong Khai. ²⁷The Kunming-Bangkok railway, the middle route of Pan-Asian Railway Network, which links China's southern Yunnan province, Kunming with Thailand capital Bangkok and down to Singapore.²⁸

The Kunming-Bangkok high speed railway cooperation is a flagship project in jointly realizing BRI spirit of wide consultation, joint construction and shared benefits between China and Thailand. In the rail joint venture, China is responsible for the design of railway, supervision of construction and manufacturing of trains and signal systems for the entire project. Along the completed railway project stretches to China's Kunming in the north while extends to Malaysia and Singapore in the south, Thailand will become a regional transport and logistic hub. Consequently, Thailand's status of ASEAN transportation and trading market will be reinforced, as well as boost Sino-ASEAN economic cooperation.²⁹

2. Kra Isthmus Canal

Except the joint venture high speed railway project, the Kra Isthmus Canal is under proposed status, according to the World Bank analysis report of China's BRI Economics: *Opportunity and risks of transport corridor*. China and Thailand have planned to build a canal go through the Malay Peninsula to link the South China Sea and the Andaman Sea. Even though China government avowed that no official agreement has been signed and China has not involved in Thailand canal project,³⁰ indications show that China is interested in strategic significance of Kra canal and

²⁷ The State Council of China, "Premier Li Congratulates Launch of China-Thailand Rail Project," 2015, http://english.www.gov.cn/premier/news/2015/12/20/content_281475257339998.htm

²⁸ "China and Thailand sign MOU on Rail Development," *Thailand Today News*, 2017, <http://www.thailandtoday.in.th/economy/elibrary/article/804>

²⁹ The State Council of China, "China and Thailand Inaugurate Construction of High-Speed Railway in Thailand, 2017, http://english.scio.gov.cn/beltandroad/2017-12/22/content_50119932.htm

³⁰ The Ministry of Foreign Affairs of China, "Foreign Ministry Spokesperson Hong Lei's Regular Press Conference on May 19, 2015," 2015, https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1265148.shtml

the canal may soon become a reality to bypass the Malacca Strait.³¹ Once the Kra Canal completed, the 100-kilometer canal would link the South China Sea and the Andaman Sea through the Malay Peninsula in southern Thailand. The Kra Canal would be an alternative route for the Malacca Strait, because the waterway route would be 1,200 Kilometers shorter than Malacca Strait route.³²

3. Eastern Economic Corridor

Thailand military government welcomes China's MSRI financial and technology investment to promote the Eastern Economic Corridor development and transform Thailand into a high-tech manufacturing hub and artificial intelligence orientation country. Both sides agreed to promote cooperation between China's Guangdong-Hong Kong-Macao Greater Bay Area and Thailand's Eastern Economic Corridor, as well as increase exchange and cooperation in the aspects of e-commerce, technology, and manufacturing industry to boost regional connectivity, trading and economy.³³

Though Thailand military government actively hinges the National Strategy 4.0 Plan on China's MSRI Initiative to optimize critical infrastructure facility and motivate domestic and regional economy and connectivity, Thailand military government still takes prudent measures to prevent falling into the MSRI debt trap diplomacy. Thailand's responses of China's MSRI program are different from SCS claimants' responses of reinforcing the defense alignment with Japan, United States, and India for the purpose of counteracting China's expanding MSRI military and geostrategic influence. Thailand military government focuses on avoiding plunging into huge

³¹ Rhea Menon, "Thailand's Kra Canal: China's Way Around the Malacca Strait," *The Diplomat*, 2018, <https://thediplomat.com/2018/04/thailands-kra-canal-chinas-way-around-the-malacca-strait/>

³² "Nation Denies Report of Canal Agreement," *China Daily*, 2015, http://www.chinadaily.com.cn/china/2015-05/20/content_20767271.htm

³³ The Ministry of Foreign Affairs of China, "Li Keqiang and Prime Minister Prayut Chan-o-cha of Thailand Meet the Press," 2019, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1713918.shtml

infrastructure debt rather than spotlighting on besieging China's growing naval power impact by strengthening defense cooperation with major powers. Because Thailand neither expresses a strong position on restricting China's MSRI naval expansion, nor be a SCS claimed state confronting China's military presence in South China Sea.

Besides, Thailand used to be a critical long-standing U.S. security ally in Asia,³⁴ while Thai-U.S. relations soured since Washington had criticized and opposed Thailand military coup d'état in 2014. After Thailand military took over government, Thailand alienated from U.S. and moving closer to China. Moreover, Washington cancelled 2014 Thai-U.S. military drill and high level military officer visiting which resulted in deteriorating US-Thai relations.³⁵

Meanwhile, China filled the void and bolster up Sino-Thailand relations with agile diplomacy and astute economic foreign policy to replaced US as Thailand main defense partner and arms supplier.³⁶ Thailand's diplomatic stance and defense alignment shifted from Washington to Beijing which result in openness responses of China's MSRI program investment, but Thailand military government still takes prudent steps to deal with possibly skyrocketing project costs and resists falling into China's MSRI debt trap by requiring more financial, commercial and operational control of the MSRI investment projects in Thailand.³⁷

Thailand's Expectations of China's MSRI Program

Thailand's expectations of China's MSRI Initiative are complex component of domestic politics calculation and international status promotion. For domestic political

³⁴ The Asia Foundation, "Recalibrating Thai-U.S. Relations," 2018, <https://asiafoundation.org/2018/08/29/recalibrating-thai-u-s-relations/>

³⁵ "US Cancels Military Exercises with Thailand Following Coup," *The Guardian*, 2014, <https://www.theguardian.com/world/2014/may/24/us-cancels-military-exercises-thailand-coup>

³⁶ "How China is Replacing US as Thailand's Main Defense Partner and Arms Supplier," *South China Morning Post*, 2019, <https://www.scmp.com/news/asia/southeast-asia/article/3040311/how-china-replacing-us-thailands-main-defence-partner-and>

³⁷ "Thailand Resisting Falling into Rail Debt Trap," *The Bangkok Post*, 2019, <https://www.bangkokpost.com/thailand/special-reports/1667000/thailand-resisting-falling-into-rail-debt-trap>

aspect, Thailand Prime Minister Prayut expects to consolidate power by stimulating domestic economy and infrastructure development through garnering China's MSRI financial and technology investment. The MSRI capital and expertise support on the Eastern Economic Corridor establishment, Thailand transportation infrastructure upgrade, and Thai people living standard advancement which not only accelerate Thai socioeconomic development, but also assist Prayut government runs smoothly and maintain internal politics.

On the other hand, Thailand military government expects to promote its international status and the power of discourse by hinging on China's MSRI program. As Prime Minister Prayut stressed that Thailand was ready to be a strategic connectivity hub for China's MSRI radiation to Southeast Asia region, and encourage foreign investors to use the Eastern Economic Corridor as their production base to distribute products to Cambodia, Laos, Myanmar, Vietnam, and other countries through China's MSRI route.³⁸ Thailand wishes to increase international status and discourse right by contributing efforts in China's MSRI Initiative to improve regional connectivity and share common benefits under a sustainable framework of multilateral cooperation.³⁹ Hence, the expectations of consolidating internal politics power and enhancing international status as well as international discourse right are the main purposes for Thailand military government to engage in China's MSRI program.

4.4 Myanmar's Perceptions, Responses and Expectations of MSRI

Myanmar's Perceptions of China's MSRI Program

For China, Myanmar plays critical role to expand geopolitical, geo-economic and

³⁸ "Thailand's EEC to Be Linked with China's One Belt One Road Initiative," *Asia News Monitor*, 2017, <https://search.proquest.com/docview/1898666353?accountid=10067>

³⁹ Embassy of China in Thailand, "H.E. Prime Minister Prayut Chan-o-cha Interviewed by Chinese Media on China-Thailand Belt and Road Cooperation," 2019, <http://www.chinaembassy.or.th/eng/ztd/2019BRF/t1658465.htm>

geostrategic influence in South Asia and Southeast Asia. Economically, Myanmar is important for China as a trading hinterland to the Indian Ocean for China's landlocked inland provinces of Yunnan and Sichuan. Strategically, Myanmar is crucial for China to manipulate diplomatic and military presence between the Pacific Ocean and Indian Ocean.⁴⁰ Geographically, Myanmar shares boundaries with India from northwest and China in the northeast which leads them to complicated relations in security, strategic, military and economic interests. Additionally, Myanmar geographic position takes critical role for China's energy supply routes because it is inevitable to build an alternative oil transit routes in Burma for the sake of avoiding oil shipment controlled over the Malacca Strait. Diplomatically, Myanmar has irrepressible strategic value for China to presence regional politics and diplomatic rivalry with India.⁴¹ Therefore, in order to expand geostrategic influence in region, China has actively sought to boost the MSRI infrastructure cooperation with Myanmar to cement bilateral relations and to bolster China's String of Pearls strategy.

Form Myanmar positive perception, China's MSRI is an omnibearing program to financially and technically support Myanmar socioeconomic development. As Myanmar State Counsellor Aung San Suu Kyi stated that China's MSRI program will benefit Myanmar economic growth and bring more convenient living environment for the coming generations with better transportation and power supply system. But from the negative perception, if Myanmar defaults on the MSRI loans, the potential negative effects will come along with huge infrastructure investment loans of losing control of the critical infrastructure facility or even expose national security to uncertainty risks.

⁴⁰ Shee, Poon Kim, "The Political Economy of China-Myanmar Relations: Strategic and Economic Dimensions," *Southeast Asia*, vol. 19, no. 1, 1997, <https://pdfs.semanticscholar.org/9eee/5d8ebad61776cfa9834bc300f31e50e2d9c1.pdf>

⁴¹ Namrata Panwar, "India and China Competing over Myanmar Energy Resources," Working Draft for British International Studies Association Conference 2009, 2017, https://www.bisa.ac.uk/index.php%3Foption%3Dcom_bisa%26task%3Ddownload_paper%26no_html%3D1%26passed_paper_id%3D125+%&cd=6&hl=en&ct=clnk&gl=in,

Therefore, Myanmar government has taken conservative and prudent attitude in response to China's MSRI program.

Myanmar's Responses of China's MSRI program

In order to stimulate Myanmar's economic growth and advance critical infrastructure development for a future prosperity, Myanmar government responds to China's MSRI program with conservative and prudent cooperation with China to build the China-Myanmar Economic Corridor (CMEC) under BRI framework. In December 2017, China and Myanmar government reached a consensus on building CMEC. In September 2018, the two sides signed the Memorandum of Understanding on building the CMEC and established the CMEC joint committee. Then in December 2018, Myanmar established BRI committee with Suu Kyi as chairperson for the sake of improving coordination between central government and local province on the China-backed projects. The jointly construction was put on the fast track.⁴² The CMEC covers the infrastructure investment projects of China-Myanmar High-Speed Railway, Kyaukpyu Deep Port, and Special Economic Zones, as well as the discreet oil pipeline operation control.

The China-Myanmar High-Speed railway MOU was signed in April 2011 but was halted in July 2014 due to social opposition, financial feasibility, and distribution of interests between China and Myanmar. The project was backed on construction under Myanmar National League for Democracy-led government.⁴³ The US\$9 billion China-Myanmar railway consists of two branches: Meiktila to Yangon and Meiktila to Kyaukpyu. The Kunming-Yangon railway with a total length of 1920 kilometers will connect to Thailand Bangkok which is the western route of the Kunming-Singapore

⁴² The State Council Information Office of China, "Belt and Road Boosting Myanmar Development," 2020, http://english.scio.gov.cn/beltandroad/2020-01/14/content_75611034.htm

⁴³ Debby Chan Sze Wan, "China-Myanmar High-speed Railway Quietly Back on Track," *Myanmar Times*, 2018, <https://www.mmmtimes.com/news/china-myanmar-high-speed-railway-quietly-back-track.html>

Railway Network. The branch of Meiktila -Kyaukpyu railway with a total length of 810 kilometers will stretch to Kyaukpyu port. The Kunming-Kyaukpyu railway trend is parallel with China-Myanmar oil and gas pipeline.

Myanmar government deems better transportation system for faster economic growth because Myanmar's economy will benefit from the cross-border railway by exporting agriculture products, such as rice and fruit to China, Thailand, Singapore with less transportation time and lower logistic cost.⁴⁴ From China strategic view, the China-Myanmar railway not only assists China develop its southwestern hinterland, but also provides strategically alternative gateway for the vulnerable Strait of Malacca.⁴⁵ Therefore, China and Myanmar consider that the cross-border railway bring economic and geostrategic benefit which makes the railway project in full swing construction.

Besides, the Kyaukpyu Port construction and special economic zone establishment are the flagship project of China-Myanmar MSRI cooperation. In November 2018, the framework agreement on the Kyaukpyu Special Economic Zone (SEZ) and Deep-Sea Port Project was signed to strengthen bilateral cooperation and forge ahead project construction.⁴⁶

The initial SEZ and port project called for an investment worth of US\$9 billion or \$10 billion which beyond what Myanmar capacity.⁴⁷ If Myanmar does not earn sufficient revenue from the port to pay the initial skyrocketing loans of US\$7.5 billion, Myanmar will at high risk of trapping in the debt and the Kyaukpyu port will turn out

⁴⁴ The Ministry of Information of Myanmar, "Talks Highlight Yunnan-Mandalay Railway and Other Topics at China-Myanmar Economic Corridor Forum," 2019, <https://www.moi.gov.mm/moi:eng/?q=news/28/02/2019/id-16837>

⁴⁵ Gregory B. Poling, "Kyaukpyu: Connecting China to the Indian Ocean," CSIS Report, 2018, <https://www.csis.org/analysis/kyaukpyu-connecting-china-indian-ocean>

⁴⁶ "China Myanmar Sign Framework Agreement on Kyaukpyu SEZ Deep-sea Port Project," *Xinhua News*, 2018, http://www.xinhuanet.com/english/2018-11/08/c_137592850.htm

⁴⁷ "Government Inks Agreement with Chinese Firm to Develop Kyaukpyu SEZ," *The Irrawaddy News*, 2018, <https://www.irrawaddy.com/news/burma/govt-inks-agreement-chinese-firm-develop-kyaukpyu-sez.html>

to be a second “Hambantota Port.”⁴⁸ In order to minimize the loans pressure to affordable level, Myanmar government took resolute position and renegotiated China’s share-holding ratio from 85% down to 70% and trimmed the project cost from US\$7.5 billion to a total investment not more than US\$ 1.3 billion.

China was willing to accept Myanmar’s request and reduced investment loans because the Kyaukpyu port plays critical role that allows China strategically accesses to the Indian Ocean via the Bay of Bengal and reduces its reliance and vulnerability to the Strait of Malacca. Besides, China considers that Kyaukpyu deep sea port is indispensable to the establishment of Kyaukpyu SEZ, an important economic zone for China to enlarge its southwestern hinterland and to radiate geo-economic influence to Indochine Peninsula. Therefore, China had continued negotiation with Myanmar to push the Kyaukpyu port and special economic zone development. Under a series of conferences and negotiation, Myanmar and China agreed to speed up building China-Myanmar community by advance the five-year development plan for economic and trade cooperation and forge ahead the construction of highways, railways, power grids, and special economic zone to form a structural network of China-Myanmar Economic Corridor.⁴⁹

Apart from port and SEZ cooperation, Myanmar was willing to restart the oil and gas pipeline operation on the condition that China diplomatically and militarily took Myanmar government’s side rather than Kachin State’s side and assisted Myanmar government to settle down Kachin’s opposition to the oil and gas project. Because the oil and gas pipeline route passed through Kachin State which stimulated the fighting

⁴⁸ Dipanjan Roy Chaudhury, “China-Myanmar Railway Line may Pose Challenge for India,” *The Economic Times*, 2019, <https://economictimes.indiatimes.com/industry/transportation/railways/china-myanmar-railway-line-may-pose-challenge-for-india/articleshow/72971617.cms>

⁴⁹ The State Council of China, “China Myanmar Agree to Jointly Build Community with Shared Future,” 2020, http://english.www.gov.cn/news/topnews/202001/18/content_WS5e22ef0bc6d0db64b784cc61.html

for land control and lucrative investment profit between Myanmar government and Kachin Independence Army. The oil and gas pipeline operation had been suspended due to severe armed clashes of the Kachin's opposition to the oil gas pipeline operation.⁵⁰

The China-Burma oil and gas pipeline project agreement was signed by China's state-owned China National Petroleum Corporation (CNPC) and Myanmar government in 2008 and construction was completed in early 2015. After two years leaving unused China-Myanmar oil pipeline, the Crude Oil Transportation Agreement between China and Myanmar was signed in April 2017 and the oil pipeline restarted operation. A 771 kilometers long crude oil pipeline extends across Myanmar into China's southwestern Yunnan province with design to transmit 22 million tons of crude oil annually to China. The oil pipeline is parallel to a natural gas pipeline which was fully operational in 2015.⁵¹ The 793-km gas pipeline is designed to transport 12 billion cubic meters of gas annually from the Shwe offshore field in the Bay of Bengal to China Yunnan province.⁵²

From Myanmar government point of view, the oil and gas pipeline benefits the inhabitants along the pipeline in Myanmar, creates job opportunities, and improves living standard. Besides, it has effectively driven the development of Myanmar's petrochemical production, raised the degree of local industrialization and electrification, and promoted socio-economic development.⁵³ Hence, Myanmar accepted China's investment to maximize its economic and infrastructure facility interests.

⁵⁰ James Byrne, "Conflict in Northern Myanmar Related to China National Petroleum Corp's Oil and Gas Pipeline Project," 2012, <https://interfaxenergy.com/article/6916/conflict-in-northern-myanmar-related-to-cnpcs-oil-gas-pipeline-project>

⁵¹ Aung Shin, "Myanmar and China Sign Crude Oil Pipeline Agreement," *Myanmar Times*, 2017, <https://www.mmtimes.com/national-news/25676-myanmar-and-china-sign-crude-oil-pipeline-agreement.html>

⁵² Asia Sentinel, "Myanmar-China Pipeline: Myanmar Pays a Price," 2017, <https://www.asiasentinel.com/p/myanmar-china-pipeline>

⁵³ "China-Myanmar Oil Gas Project Benefits Both," *China Daily News*, 2017, http://www.chinadaily.com.cn/business/2017-05/11/content_29300055.htm

While not all of China-backed investment projects had been accepted by Myanmar government. The Myitsone Dam construction is the most controversial project which has been suspended since 2011 due to inhabitants' severe protest. The Myitsone Dam project is located at the confluence of the Mali and Nmai rivers, about 37 km from Myitkyina, the capital of Kachin State in northern Myanmar. Despite of numerous concerns of environmental damage and social impact raised by local and international groups, the hydroelectric dam construction began in December 2009. But Myanmar government suspended the construction due to Kachin's object to losing their land and resources for a project from which they will get no benefit. The dam project even resulted in armed clashes between Myanmar Tatmadaw and the Kachin Independence Amy. The decades-long ethnic tension between ethnic Kachin rebels and Myanmar's military has worsened since construction of the dam began. The project is still up in the air with possibility of either cancellation or reopen negotiation.⁵⁴

From Myanmar's diplomatic projections and renegotiations on China-Myanmar railway construction, Kyaukpyu port and SEZ establishment, as well as the oil and gas pipeline reopened operation, and the postpone of Myitsone Dam project, this thesis deduce that Myanmar government has taken conservative and prudent responses to China's MSRI investment.

Myanmar's Expectations of China's MSRI Program

This thesis analyzes Myanmar's expectations of China's MSRI program from political and economic perspectives, as well as divides political perspective into domestic factor and international factor. First, from the perspective of international political factor, United States has imposed sanctions on Myanmar military government

⁵⁴ "Myanmar suspends controversial Myitsone Dam," *Reuters News*, 2011, <https://www.reuters.com/article/us-myanmar-dam-factbox/factbox-myanmar-suspends-controversial-myitsone-dam-idUSTRE78T15S20110930>

with the accusations of Rohingya genocide.⁵⁵ Besides, UN Security Council urges financial sanctions, arms embargo and consumer boycott to Myanmar military government for the brutal treatments of ethnic cleansing, massacres, sexual assault, extrajudicial killings and other serious human rights abuses on Rohingya.⁵⁶

The Sanctions have left Myanmar military government diplomatically and economically high and dry from international system. While China expressed its position of understanding Myanmar government's effort to uphold national stability and the approach to resolving the Rohingya issue.⁵⁷ Besides, Beijing courts Myanmar affection by providing MSRI infrastructure investment financial and technical support which drew Myanmar closer to China and alienated from UN and United States. Comparing to West countries sanctions and China's friendly responses, Myanmar eagers to hinge on China's MSRI program to break through economic stagnate and international diplomatic isolation but with prudent and discreet engagement of China's MSRI project in Myanmar.⁵⁸

Second, from the perspective of domestic political factor, Myanmar government expects China to play an effectively mediated role to relieve the tension of Myanmar military government and Kachin State, as well as to ease the Rohingya ethnic agitation in Rakhine State through implementing the MSRI infrastructure projects and sharing common benefits, such as Oil and Gas Pipeline operation, Kyaukpyu port, and Myitsone Dam project.

⁵⁵ Edward Wong, "U.S. Imposes Sanctions on Myanmar Military Over Rohingya Atrocities," *The New York Times*, 2018, <https://www.nytimes.com/2018/08/17/us/politics/myanmar-sanctions-rohingya.html>

⁵⁶ Joshua Carroll, "UN Calls for Sanctions and Arms Embargo against Myanmar Army," *Aljazeera News*, 2019, <https://www.aljazeera.com/news/2019/08/calls-sanctions-arms-embargo-myanmar-army-190806011519378.html>

⁵⁷ Permanent Mission of China to the UN official website, "Statement by Ambassador Ma Zhaoxu at the Security Council Open Briefing on Myanmar," 2018, <https://www.fmprc.gov.cn/ce/ceun/eng/hyyfy/t1607841.htm>

⁵⁸ Thu Aung, "Myanmar and China Ink Deals to Accelerate Belt and Road as Xi Courts an Isolated Suu Kyi," *Reuters News*, 2020, <https://www.reuters.com/article/us-myanmar-china/myanmar-china-ink-deals-to-accelerate-belt-and-road-as-xi-courts-an-isolated-suu-kyi-idUSKBN1ZH054>

Third, from the economic perspective, Myanmar government expects China's MSRI investment project to facilitate economic growth by promoting critical infrastructure facilities, advancing agriculture production technology, and spurring manufacture and tourism industry development.⁵⁹ Therefore, in the light of international sanctions, Myanmar ethnic disputes, and underdeveloped socioeconomic environment, Myanmar expects China's MSRI program to speed up Myanmar socioeconomic development, strengthen connectivity with neighboring countries and increase its competitiveness to catch up with other ASEAN countries.

4.5 Singapore's Perceptions, Responses and Expectations of MSRI

Singapore's Perceptions of China's MSRI Program

Singapore has three perceptions of China's MSRI strategy implementation in Southeast Asia region. First, Singapore has positive perception that the developing ASEAN countries will benefit from the MSRI infrastructure investment and AIIB financing loans to stimulate their internal economy and promote regional connectivity. Second, Singapore perceives China's geopolitical and geo-economic assertiveness by implementing MSRI investment projects such as port and canal construction, oil and gas pipeline, telecommunication network, and special economic zones establishment. Third, Singapore perceives the great impact that the alternative trading route of China-Malaysia Melaka Gateway and the East Coast Rail Link as well as China-Thailand Kra Isthmus Canal will affect trade flowing through the Strait of Malacca and Singapore.⁶⁰

Even though China and Singapore do not have territory dispute or compete for the SCS natural resource, the energy chokepoint of Malacca Strait makes China feel

⁵⁹ Jiang Zhida, "Belt and Road Boosting Myanmar Development," *China Daily News*, 2020, <https://global.chinadaily.com.cn/a/202001/14/WS5e1cf966a310128217270a0b.html>

⁶⁰ Jacqueline Woo, "Singapore Geared up to Keep Its Spot as Major Port," *The Straits Times*, 2017, <https://www.straitstimes.com/business/spore-geared-up-to-keep-its-spot-as-major-port>

uncomfortable just like having prickle on the back. Thus, China manages to breakthrough Malacca Dilemma to ensure energy supply chain by implementing MSRI investment on Myanmar oil and gas pipeline construction, Malaysia Melaka Gateway and Thailand Kra Canal projects. China's investment projection triggers Singapore's awareness of the MSRI potential impact to its maritime trading center position and the observation that Singapore's geopolitical and geo-economic influence will be diminished by the growing MSRI alternative trading route.

Therefore, the positive and negative perceptions of China's MSRI program support Singapore to take openness but discreet responses to the MASI strategy for the sake of maintaining Singapore's maritime trading center position, avoiding marginalization and taking advantage from China's MSRI program.

Singapore's Responses of China's MSRI Program

Singapore's responses of China's MSRI program had turned indifferent attitude into concerned attitude due to the observations of regional countries' feedbacks of the MSRI investment, considerations of international trend resulted from BRI implementation, and Singapore's national economic calculations. Singapore has taken openness but discreet attitude to respond to China's MSRI program since 2017, the year after China and Malaysia reached the consensus of Melaka Gateway construction in 2016,⁶¹ and two year later of hearsay information that China and Thailand inked Kra Canal project in 2015.⁶²

Given the fact that nearly most of the countries around the world participate in China's MSRI program, except U.S. and India, which demonstrates that a new international architecture is forming and Singapore must to catch up the international

⁶¹ Lidiana Rosli, "KAJ Development Signs MOU to Develop Melaka Gateway," *The Straits Times*, 2016, <https://www.nst.com.my/news/2016/09/170052/kaj-development-signs-mou-develop-melaka-gateway>

⁶² Lam Peng Er, "Thailand's Kra Canal Proposal and China's Maritime Silk Road: Between Fantasy and Reality," *Asian Affairs: An American Review*, vol. 45, no. 1, 2018, pp.1-17.

trend. Therefore, Singapore welcomes China's MSRI program to promote bilateral coordination on financial service, third-party cooperation, and logistic transportation, as well as the law and judicial support. Besides, the upgraded version of China-Singapore Free Trade Agreement took effect on October 2019 with the signing of a series of documents of skill exchanges and training, technological innovation, smart city and intellectual property to enhance bilateral trade cooperation.⁶³

In November 2015, Singapore and China launched the Chongqing Demonstration Initiative on Strategic Connectivity (CCI) under the frame work of MSRI program to promote cooperation on financial services, flight industry, transportation, logistics, information and telecommunication.⁶⁴ As of September 30th, 2019, a total of 199 projects have been signed with a total value of about USD 27 billion.⁶⁵ At the same time two countries agreed to establish "All-Round Cooperative Partnership Progressing with the Times" to elevate bilateral relations to a higher level via reaching broad consensus on areas as follows:⁶⁶

1. Work towards the early establishment and operation of the AIIB to provide financial support for infrastructure development and enhance regional connectivity.
2. Continue to encourage and promote bilateral trade and investment through platforms such as the Investment Promotion Committee.

⁶³ China Chongqing Liangjing official website, "China Singapore Agree to Enhance BRI Trade Cooperation," 2019, http://english.liangjiang.gov.cn/2019-10/16/content_37516053.htm

⁶⁴ China Chongqing Liangjing official website, Yifei Wang, "China Singapore Launch Demonstration Initiative on Strategic Connectivity in Chongqing, 2016, http://www.chinadaily.com.cn/regional/chongqing/liangjiang/2016-01/10/content_23105140.htm

⁶⁵ Yuling Chen, "Chinese Vice Premier and Singaporean Deputy PM Unveil Chongqing Connectivity Initiative Gallery," 2019, <https://www.ichongqing.info/2019/10/17/chinese-vice-premier-and-singaporean-deputy-pm-unveil-chongqing-connectivity-initiative-gallery/>

⁶⁶ Ministry of Foreign Affairs of Singapore, "Joint Statement between the People's Republic of China and the Republic of Singapore on the Establishment of an All-Round Cooperative Partnership Progressing with the Times," 2015, <https://www.mfa.gov.sg/Newsroom/Press-Statements-Transcripts-and-Photos/2015/11/Joint-Statement-between-the-Peoples-Republic-of-China-and-the-Republic-of-Singapore-on-the-Establish>

3. Further develop the China-Singapore Suzhou Industrial Park and Sino-Singapore Tianjin Eco-city and affirm their role as pathfinders through the replication of their successful and innovative experiences to other projects.
4. Strengthen cooperation in transportation, science, and information-communications through the joint committee of bilateral innovation cooperation.
5. Further promote environmental and water cooperation and enhance communication and cooperation on agriculture and food safety.

Furthermore, Singapore and China signed a Memorandum of Understanding (MOU) on Third-party Market Cooperation in April 2018 to promote greater collaboration between Singapore and Chinese private enterprises in third-party markets in BRI participated countries.⁶⁷ The third-party market cooperation is a cross-border cooperation model that China's BRI serves as an intermediate platform to encourage Chinese companies' and foreign companies' cooperation in technology skill training, infrastructure co-investment, and financial collaboration in the third countries. The third-party market financial collaborations involve syndicated loans, joint financing, on-lending, and equity investment to reduce financing risks.

According to the report of Third-Party Market Cooperation Guidelines and Cases issued by China's National and Development and Reform Commission in August 2019, the third-party market cooperation refers to economic cooperation among Chinese enterprise and foreign enterprises to draw upon each other's strengths and work

⁶⁷ "Singapore China Sign MOU to Boost Collaboration in Belt and Road Initiative", *Channel News Asia*, 2018, <https://www.channelnewsasia.com/news/asia/singapore-china-sign-mou-collaboration-belt-and-road-initiative-10117042>

together to promote industrial, infrastructure development and higher living standard in third country with the goal of one plus one plus one is greater than three.⁶⁸

Australia North-East Gas Transmission Line is one of China-Singapore third-party market cooperation projects which conducted by the State Grid Corporation of China (SGCC) and Singapore Power enterprise (SP). The Phase 1 of SGSPAA's North-East Gas Transmission Line was successfully completed and put into operation in January 2019. It is the first gas transmission line in Australia to realize the gas export from Northern Territory to alleviate the gas shortage in eastern Australia.⁶⁹

Singapore's Expectations of China's MSRI Program

Singapore's expectations of the MSRI program contain three aspects: the domestic national development calculation, the regional geopolitical and geo-economic influence consideration, and the international status concerns. Domestically, Singapore expects the MSRI Third-Party Market cooperation to be one of the methods to benefit its 2025 Smart Nation development policy by increasing Singapore foreign reserve which is essential element to maintain currency rate and confidence in financial market. Singapore's 2025 Smart Nation plan aims to accelerate the artificial intelligence development of digital government, digital economy, and digital society to transfer Singapore into smart country.

Regionally, Singapore expects to maintain the position as trade and financial center in Southeast Asia region. If Singapore abandons participation in China's MSRI Initiative, Singapore will highly possible in the risk of marginalization and its financial center will be replaced by other ASEAN countries in the coming decades.

⁶⁸ China's National and Development and Reform Commission Official Report, "Third-Party Market Cooperation Guidelines and Cases," 2019, <https://www.ndrc.gov.cn/xxgk/zcfb/tz/201909/W020190905514523737249.pdf>

⁶⁹ China's National and Development and Reform Commission Official Report, "Third-Party Market Cooperation Guidelines and Cases," 2019, <https://www.ndrc.gov.cn/xxgk/zcfb/tz/201909/W020190905514523737249.pdf>

Internationally, Singapore intends reinforcing its geopolitical and geo-economic influence in Southeast Asia region by prudently partaking in China's MSRI program. It's critical to catch up international trend and update newly international foreign affairs by engaging major powers-led mechanism because international relations are treacherous and changeable. Therefore, Singapore expects to join in China's MSRI program to avoid marginalization and to catch up international economic and diplomatic movement.

4.6 Chapter Summary

The SCS Non-claimants' perceptions and responses to China's MSRI program are plainer than SCS claimants' but which still play critically influential roles to the MSRI implementation in Southeast Asia. The SCS Non-claimants' perceptions to the MSRI program could be divided into sections of absolute opportunity and opportunity with threat. Laos and Cambodia view the MSRI program as an absolute opportunity to boost their critical infrastructure and economic development without the fears of plunging into China's debt trap policy. While even though Singapore and Myanmar have acknowledged the opportunities to accelerate domestic and regional economy via partaking the MSRI program, they also have detected that threats will come with China's sugar-coated assertiveness of expanding geopolitical, geo-economic and naval influence along the String of Pearls in Indo-Pacific region via switching MSRI invested civil railways, roads, airports, and ports into military stagnation points.

The reasons why Laos and Cambodia warmly embrace China's MSRI financial assistances without think twice before leaping into the huge debt trap are that the Sino-Laos and Sino-Cambodia diplomatic affinities and stable mutual trust set great cornerstone for the MSRI investment in Laos and Cambodia, as well as the reason that Laos and Cambodia crave to advance national socioeconomic development and to catch

up with other developed ASEAN countries.

On the other hand, the responses of Thailand, Singapore, and Myanmar are more conservative and more prudent than Laos' and Cambodia's. Although the Thailand military government welcomes China's MSRI financial and technology investment in the projects of the Kunming- Bangkok railway, Kra Isthmus Canal, Eastern Economic Corridor, Thailand military government takes prudent measures to prevent falling into the MSRI debt trap diplomacy. Besides, Thailand discreetly hinge the National Strategy 4.0 Plan on China's MSRI Initiative to optimize infrastructure facility and motivate domestic economic prosperity.

From Singapore's standpoint, Singapore has taken openness but discreet responses to China's MSRI program for the expectations of speeding up 2025 Smart Nation development policy and maintain Singapore-centric trade and financial position in Southeast Asia. In addition, the perception of the great impacts of MSRI infrastructure constructions on alternative trading route from China-Malaysia Melaka Gateway, the East Coast Rail Link to China-Thailand Kra Isthmus Canal which stimulate Singapore to take countermeasures to protect its geostrategic interests in the Strait of Malacca.

From Myanmar's point of view, the MSRI financial and technical investment will bring opportunity to boost domestic economy while with the side-effects of threatening Myanmar national security and sovereignty. Therefore, Myanmar has taken conservative and prudent responses to China's MSRI investment in renegotiations on China-Myanmar railway construction, Kyaukpyu port and SEZ establishment, as well as postpone the Myitsone Dam project.



Chapter 5 Responses and Interventions of Big Powers

5.1 The United States' Responses and Interventions of China's MSRI

The US-China relations is that competition exceeds in cooperation in the global influence of Asia-Pacific region. Specifically, the areas of Taiwan Strait, South China Sea, and Indian Ocean are the main zones for US and China contention. In 2013, Beijing government launched the MSRI concept to strengthen China's connectivity with ASEAN countries, Bangladesh, Pakistan, Sri Lanka, and Africa which is the exactly same path of the String of Pearls strategy. Besides, MSRI paves the way for Chinese military expansion along the String of Pearl route. China's increasing navy power, military support base expansion, and MSRI economic and politic penetrations which challenge US global leadership and influence in Asia-Pacific region. With the sceptic and defensive perception of the MSRI strategy, Washington has taken diplomatic and defensive measures to counteract China's MSRI potential military threats and geopolitical outreach.

The Responses of Rising Dragon and the MSRI strategy

In the term of Obama administration, US strategic attention had shifted from Iraq and Afghanistan to Asia with the motivation to preserve and enhance a stable security order in Asia-Pacific region.¹ The Obama administration announced the "Pivot to Asia" policy to formulate a better way to rebalance and manage Asia region issue. The pivot covers five core principles to strengthen alliances, deepen partnership with emerging powers, build a stable and constructive relationship with China, empower regional institutions, and build regional economic architecture.² Based on the principles, three

¹ Stephen P. Cohen, "Asia Pivot: Obama's Ticket out of Middle East," *Brookings Institution report*, 2013, <https://www.brookings.edu/opinions/asia-pivot-obamas-ticket-out-of-middle-east/>

² Trefor Moss, "America's Pivot to Asia: A Report Card," *The Diplomat*,

out of five principles have related to the awareness of China's rising is inevitable. Therefore, the major task of American pivot and rebalancing policy is to reinforcing bilateral and multilateral security and economic cooperation with Asia-Pacific countries.³

It was interesting that the U.S. and China chronologically diplomatic events strongly related to each other's foreign policy establishment. After Washington announced the Pivot to Asia policy, Beijing conducted a series of diplomatic policy as following: Beijing unveiled the BRI concept in 2013; AIIB was established with twenty one Asian countries signed the Memorandum of Understanding on Establishing AIIB in October 2014; contribution of 40 billion US dollars to set up Silk Road Fund in November 2015.⁴ These actions have demonstrated Beijing's intention to accelerate the geo-economic and geopolitical influences in Asia-Pacific region and to counteract US's pivot to Asia.

And what's more interesting, later in 2016, under the Pivot to Asia grand strategy, the Trans-Pacific Partnership (TPP) was established and led by United States which is an economic orientation mechanism to promote economic development and broader economic integration between US and Asia-Pacific countries while except China's participation. The TPP members only included Japan, Vietnam, Malaysia, Singapore, Brunei Darussalam, Australia, Canada, Chile, Mexico, New Zealand, and Peru. Even though Obama administration had no bad comments about China's BRI foreign policy in public, the actions had illustrated that US had taken active countermeasures such as shifting focus on Asia-Pacific regional issues and strengthening multilateral economic ties with Southeast Asia and South Asia countries to counteract China's BRI strategic

2013, <https://thediplomat.com/2013/05/americas-pivot-to-asia-a-report-card/>

³ Zulfqar Khan and Fouzia Amin, "Pivot and Rebalancing Implications for Asia-Pacific Region. *Policy Perspectives*, vol. 12, no. 2, 2015, pp. 3-28.

⁴ "Chronology of China's Belt and Road Initiative," *China Daily News*, "2015, http://www.chinadaily.com.cn/business/2015-03/28/content_19938313.htm

influence.

Apart from Obama administration vigilant but polite feedback of China's BRI policy, the Trump administration has given a straightforward and stinging criticism to China's BRI strategy and has negative attitude on the MSRI investment in Indo-Pacific region. US Secretary of State Mike Pompeo slammed that China peddles corrupt infrastructure deals in exchange for political influence and conducts BRI infrastructure investment without transparency which results in several countries suffering from its bribe- fueled debt-trap diplomacy.⁵ Besides, vice president Mike Pence indicated that the BRI establish footholds from Sri Lank to Pakistan to Greece, ostensibly for commercial use but for military purpose in reality.⁶ President Donald Trump expressed that BRI will probably upend global trade order and the existing economic framework as well as make the developing countries in high debt.

In U.S. president Donald Trump's position, maximizing American trade interests and carrying out American First policy are the most important and urgent national missions. Therefore, as long as the international affairs, state, or action challenges American interests or violate "American First" value, Trump will fight back and protect what he believes. The events of China's growing military muscles in South China Sea, the MSRI investment in accelerating Sting of Pearls strategy, and trade competition have challenged US strategic interests.

Hence, Trump's administration has counteracted the MSRI by certain diplomatic measures. While the countermeasures against China's MSRI policy has not only been served as a negotiation strategy to reach Trump's economic and political calculations

⁵ US Embassy official website, "Secretary Pompeo's Press Availability with British Foreign Secretary Jeremy Hunt," 2019, <https://uk.usembassy.gov/secretary-pompeos-press-availability-with-british-foreign-secretary-jeremy-hunt/>

⁶ US White House Remark, "Remarks by Vice President Pence at the Frederic V. Malek Memorial Lecture," 2019, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-frederic-v-malek-memorial-lecture/>

in Indo-Pacific region, but also to ensure US world-leader and global manager status. Trump's administration has conducted the following diplomatic and security interventions to fight back China's MSRI influence in Indo-Pacific region.

The US Interventions against China's MSRI policy

Compare to the Obama's moderate coping strategy for the MSRI project, Trump administration opts to take aggressive interventions to protect free, fair, and open order in Indo-Pacific region. The interventions consist of strengthening bilateral and multilateral defensive cooperation, providing infrastructure investment budget, setting up interstate infrastructure investment mechanism, advocating the boycott to the MSRI debt trap strategy, and military patrol to demonstrate US engagement in Asia-Pacific region.

First and foremost, the multilateral alignment to reinforce Indo-Pacific security and defense network among Japan, Australia, and India. The objection of US-led Quadrilateral Security Dialogue (QUAD) mechanism is to cope with the MSRI expanding maritime strategy and assertiveness in land reclamation and territorial claims from ASEAN, Pakistan, Sri Lanka, to East Africa. The first Quad meeting was held on November 12th, 2017, addressed seven core themes: the rules-based order in Asia, freedom of navigation and overflight in the maritime commons, respect for international law, enhancing connectivity, maritime security, the North Korean threat and nonproliferation, and counter-terrorism. Trump Administration is increasing military presence and reinforcing security partnership with its allies within the framework of Quadrilateral Security Dialogue as a countermeasure to China's expanding military assertiveness and geostrategic influence in Indo-Pacific region.⁷

⁷ Jesse Barker Gale, "The Quadrilateral Security Dialogue and the Maritime Silk Road Initiative," *CSIS Report*, 2018, <https://www.csis.org/analysis/quadrilateral-security-dialogue-and-maritime-silk-road-initiative>

Besides, U.S. government has been eager to build bilateral security alliance and enhance mutual trust with Japan, ASEAN countries, and India since China applied the BRI initiative in 2013. In 2015, US and Japan unveiled the new defense guidelines to ensure two governments close cooperation in the following four aspects. First, enhancing bilateral military presence through ISR (Intelligence Surveillance Reconnaissance) and exercise to maintain maritime order and Freedom of Navigation. Second, strengthening deterrence and their defense postures against ballistic missile launches and aerial incursions. Third, securing peaceful and safe use of space by providing mutual support on space systems resiliency and threat early-warning awareness. Fourth, ensuring cybersecurity via exchanging expertise training and education.⁸ The Defense Guidelines ensures U.S.-Japan security and defense cooperation in Asia-Pacific region.

U.S.-ASEAN Defense Cooperation: The U.S. government acknowledged the importance of the ASEAN outlook on the Indo-Pacific and recognized ASEAN centrality as integral to its Indo-Pacific Strategy with ASEAN indispensable and irreplaceable position. Washington has strengthened defense cooperation with ASEAN countries and emphasized on interoperability and military skills.⁹

In May 2019, the U.S. and Indonesia had committed to normalize Army special force relationship with a joint combined exercise training starting form 2020. They support the possibility of reinforcing information sharing and exchange of views on an assessment of regional threats by the Association of Southeast Asian Nations Our Eyes (AOE) for strategic information exchange among ASEAN countries.¹⁰

⁸ Japan Ministry of Defense official website, “The Guidelines for Japan-U.S. Defense Cooperation,” 2015, https://www.mod.go.jp/e/d_act/anpo/shishin_20150427e.html

⁹ U.S. Mission to ASEAN official website, “The United States Welcomes the ASEAN Outlook on the Indo-Pacific,” 2019, <https://asean.usmission.gov/the-united-states-welcomes-the-asean-outlook-on-the-indo-pacific/>

¹⁰ U.S. Department of Defense official website, “Joint Statement Between the Ministry of Defense of the Republic of Indonesia and the Department of Defense of the United States of America,” 2019,

In July 2019, the U.S. and the Philippines held the Eighth Bilateral Strategic Dialogue. The Bilateral Strategic Dialogue comprises four working groups: 1) Defense and Security group; 2) Economics, Development, and Prosperity; 3) Regional and Global Diplomatic Engagement; and 4) Rule of Law and Law Enforcement. Both sides pledged to enhance defense cooperation by improving defense infrastructure, updating personnel and logistics procedures, and increasing mutual communication and coordination on operational elements of regional security.¹¹

In September, 2019, the U.S. and Singapore amended the 1990 memorandum of understanding regarding the use of facility in Singapore by United States by extending the 1990 MOU for another 15 years. The 1990 MOU facilitates US forces access to Singapore military facilities for transit and logistics support, and has underpinned the US security presence in the region. Then both side agree to extend this defense cooperation to another 15 years.¹²

In November, 2019, The U.S. and Thailand inked Joint Vision Statement 2020 on the margins of the ASEAN Defense Ministers' Meetings (ADMM). The purpose of defensive vision statement is to address the complex security challenge across Indo-Pacific region through U.S.-Thailand sustainable security cooperation and defense alliance.¹³

U.S.-India Defense Cooperation: US and India signed Defense Technology and Trade Initiative (DTTI) agreement in the second bilateral 2+2 Ministerial Dialogue in

<https://www.defense.gov/Newsroom/Releases/Release/Article/1863375/joint-statement-between-the-ministry-of-defense-of-the-republic-of-indonesia-an/>

¹¹ U.S. Embassy in the Philippines official website, "8th Philippines-United States Bilateral Strategic Dialogue Joint Statement," 2019, <https://ph.usembassy.gov/8th-philippines-united-states-bilateral-strategic-dialogue-bsd-joint-statement/>

¹² Singapore Ministry of Defense, "Fact Sheet: 2019 Protocol of Amendment to the 1990 Memorandum of Understanding," 2019, https://www.mindef.gov.sg/web/portal/mindef/news-and-events/latest-releases/article-detail/2019/September/24sep19_fs

¹³ U.S. Embassy and Consulate in Thailand official website, "Joint Vision Statement 2020 for the U.S. – Thai Defense Alliance," 2019, <https://th.usembassy.gov/joint-vision-statement-2020-for-the-thai-u-s-defense-alliance/>

the middle of December, 2019. The DTTI Industry Collaboration Forum will provide a standing mechanism for US-Indian dialogue on defense technological and industrial cooperation to strengthen bilateral military to military strategic partnership.

For the third part of the US intervention is the US-led infrastructure investment in Indo-Pacific region: The Secretary of State Mike Pompeo demonstrated that Washington seeks strategic partnership rather than strategic dependency like BRI has done to the other countries. Trump administration will invest 113 million US dollars in technology, energy and infrastructure development to reduce the MSRI debt-trap influence in Indo-Pacific region.¹⁴ In addition, Trump Administration vowed to launch Blue Dot Network as countermeasure against the non-transparent BRI program. The Blue Dot Network has been led by the US Overseas Private Investment Corporation (OPIC), the Japan Bank for International Cooperation (JBIC), and the Australian Department for Foreign Affairs and Trade (DFAT) to promote market-driven, transparent, and financially sustainable infrastructure projects. The goal of Blue Dot Network is to bring the public and private sector together to advance high-quality, trusted standards for global infrastructure development in an open and inclusive framework in Indo-Pacific region.¹⁵

Fourthly, the U.S. government continually advocates the boycotts to the MSRI program. As vice president Pence remarked that Beijing is applying whole-of-government approaches by political, economic, military strategy, as well as propaganda to expand its influence.¹⁶ Obviously, China is exerting strategic influence via

¹⁴ Viola Zhou, "Not to be Outdone Trump Offers Rival to China's New Silk Road," 2018, <https://www.inkstonenews.com/politics/pompeo-unveils-new-indo-pacific-investments-counter-chinas-belt-and-road/article/2157635>

¹⁵ "China's Belt and Road Strategy has a New Competitor Enter America's Blue Dot Network," *ABC News*, 2019, <https://www.abc.net.au/news/2019-11-06/us-introduces-blue-dot-network-as-answer-to-belt-and-road/11675226>

¹⁶ U.S. Vice President Michael Richard Pence, "Remarks by Vice President Pence on the Administration's Policy Toward China," *White House News*, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/>

providing MSRI infrastructure investments but at exorbitant interest rate which pulls Indo-Pacific countries into severe debt trap situation. The concrete evidences of Myanmar Kyaukpyu port,¹⁷ and Sri Lanka Hambantota port,¹⁸ show that the MSRI investment has caused formidable financial debt for the economic fragile countries. Therefore, U.S. strongly advocates that the method to boycott China's MSRI debt trap strategy is to aloof from the BRI investment program. Washington manages to freeze the BRI expanding by expressing the warning statements about its debt-trap scheme to the ambivalence countries and take-in countries.

The U.S. vice president Mike Pence encouraged the Indo-Pacific countries choose American development financing support instead of falling into the MSRI debt diplomacy. He suggested partners refusing coercive debt from the MSRI infrastructure investment to protect national sovereignty.¹⁹ Besides, the Secretary of State Mike Pompeo issued a warning to Panama about accepting BRI investment could lead to potential debt trap danger, after a meeting with Panamanian President Juan Carlos Varela.²⁰ Pompeo also urged Italy to be wary of the predatory BRI investment project which aims to cultivate Beijing's geostrategic influence.²¹ The U.S. governmental officials have continued making opposed statements to wake Indo-Pacific parties up from the beautiful but tricky BRI dream.

¹⁷ Thompson Chau, "China-led Port Project Inches ahead in Myanmar," *Asia Times*, 2019, <https://www.asiatimes.com/2019/07/article/china-led-port-project-inches-ahead-in-myanmar/>

¹⁸ Supun Marasinghe, "We will Revisit Agreement to Lease Hambantota Port to China: President Gotabaya Rajapaksa," 2019, <https://www.newsfirst.lk/2019/12/02/we-will-revisit-agreement-to-lease-hambantota-port-to-china-president-gotabaya-rajapaksa/>

¹⁹ Charissa Yong, "APEC Summit: Pence Warns Indo-Pacific Region against China's Debt Diplomacy, Says US Offers Better Option," *The Straits Times*, 2018, <https://www.straitstimes.com/world/united-states/pence-slams-china-says-us-offers-countries-better-option>

²⁰ Owen Churchill, "Mike Pompeo Warns Panama and Other Nations about Accepting China's Belt and Road Loans," *South China Morning Post*, 2018, <https://www.scmp.com/news/china/diplomacy/article/2169449/mike-pompeo-warns-panama-and-other-nations-about-accepting>

²¹ "U.S. Secretary of State Pompeo Asks Italy to Be Wary of China's Predatory Moves," *Reuters News*, 2019, <https://www.reuters.com/article/usa-italy-pompeo-china/uss-pompeo-asks-italy-to-be-wary-of-chinas-predatory-moves-idUSR1N22B00N>

Last but not least, the US regular military patrolling in South China Sea and Indo-Pacific Ocean. U.S. government sent Navy ships and aircraft to the Spratly Islands to sustain the right of Freedom of Navigation (FON) as countermeasure to China's land reclamation and construction activities in the Spratly Islands.²² On 25th, October, 2015, a missile destroyer USS Lassen (DDG-82) operated FON mission within 12 nautical miles of the Subi Reef, an artificial island acclaimed by China. For this part, Chinese Foreign Ministry said the patrol action had threatened its sovereignty and security interests.²³ Besides, China has conducted military drills and continued military constructions in the Spratly Island, as well as claimed to deploy missiles to target medium and large warship in South China Sea which increases Sino-US tensions in SCS.²⁴ Despite of China's ongoing response of vociferation and military constructions in the Spratly Islands, U.S. Navy and Air Force have continued regular patrol to assert Freedom of Navigation in South China Sea.

Additionally, in May 2019, U.S. government completed first joint naval patrol with Japan, Philippines, and India for the sake of strengthening maritime security and cooperation throughout a free and open Indo-Pacific. Six warships included the United States Navy, the Japan Maritime Self-Defense Force, the Philippines Navy, and the Indian Navy sailed together and transited through disputed international waters in the South China Sea.²⁵

²² Report of US-China Economic Security Review Commission, "US Freedom of Navigation Patrol in the South China Sea: What Happened What It Means and What's Next," 2015, <https://www.uscc.gov/sites/default/files/Research/US%20Freedom%20of%20Navigation%20Patrol%20in%20the%20South%20China%20Sea.pdf>

²³ Sam LaGrone, "U.S. Destroyer Comes Within 12 Nautical Miles of Chinese South China Sea Artificial Island Beijing Threatens Response," 2015, <https://news.usni.org/2015/10/27/u-s-destroyer-comes-within-12-nautical-miles-of-chinese-south-china-sea-artificial-island-beijing-threatens-response>

²⁴ Brad Lendon, "China's Reaction to US Navy Operation: We Have Missiles," *CNN News*, 2019, <https://edition.cnn.com/2019/01/10/asia/china-missiles-south-china-sea-intl/index.html>

²⁵ Ankit Panda, "US, India, Japan, Philippine Navies Demonstrate Joint Presence in South China Sea," *The Diplomat*, 2019, <https://thediplomat.com/2019/05/us-india-japan-philippine-navies-demonstrate-joint-presence-in-south-china-sea/>

The joint patrol demonstrated two implications. Symbolically, these four countries have teamed up to safeguard Indo-Pacific maritime security and interests. Practically, they are willing to take a stance against China's expanding Navy power through the MSRI dual-use ports project.

5.2 Japan's Responses and Interventions of China's MSRI

Japan's Perceptions and Responses to China's Belt and Road Initiative

Japan had taken observed attitude toward the BRI at the beginning that China proposed to increase regional connectivity by applying the BRI foreign policy. Though in the observation period, Abe's Administration didn't make sarcastic criticism about China's Silk Road Economic Belt or the Maritime Silk Road propaganda, Japan kept a low profile stance that did not take an actively supported or obviously unsupported attitude toward the BRI policy. While Japan's vague stance had changed from indistinct position to non-engagement viewpoint to conditional cooperation with China's BRI project due to the combined effects of domestic and international factors.²⁶

Domestic factors consist of three elements. First, Abe Administration's political consideration of winning the Liberal Democratic Party in the election of the house of Representatives in October 2017 which provided a solid political base for Abe Administration. Given the fact that some Japan political parties suggested that joining the BRI project could promote Japan's economy and connectivity with other countries, while other political parties advocated that Japan should far away from the predatory BRI project in case of sinking in China's debt trap diplomacy. In order to integrate the two dissimilar viewpoints, Abe's Administration has engaged in BRI program but with

²⁶ Miao Wang, "Why Japan Changed Its Attitude towards the Belt and Road Initiative," *Foreign Policy News*, 2018, <https://foreignpolicynews.org/2018/12/19/why-japan-changed-its-attitude-towards-the-belt-and-road-initiative/>

conditional principles. Second, Abe government considers having ability to avoid economic dependency on the BRI trade policy, as well as making a proper risk management for the conditional engagement. Third and the fundamental reason for Abe's conditional engagement in the BRI initiative is to maintain domestic economy.

The international reasons why Japan shifted from non-engagement to conditional engagement consist of ensuring Japan's diplomatic influence in global politics and seeking Japan-China plus-sum economic cooperation. Japan has to maintain its diplomatic maneuvering space by engaging in international mechanisms. If Japan continues to turn down the BRI program, Japan will probably be on the margin of China's BRI economic system in the future. Moreover, global diplomatic and economic relations are the two side of same coin. Good diplomatic relations result in better economic relations. Japan seeks to increase domestic economy by exporting products to China, United States, or third countries. While Trump Administration has launched trade protectionism which causes negative impact to Japan's economy. Japan must find the way out to export its products. Therefore, based on the economic and diplomatic concerning, Japan shifted from non-engagement to conditional engagement in China's BRI program. Albeit Abe administration takes cooperatively conditional engagement measure as a response to BRI, Abe Administration also cautiously takes defense and diplomatic measures to restrain China's expanding geopolitical and military influence along the BRI countries.

Japan's Interventions on China's MSRI Program

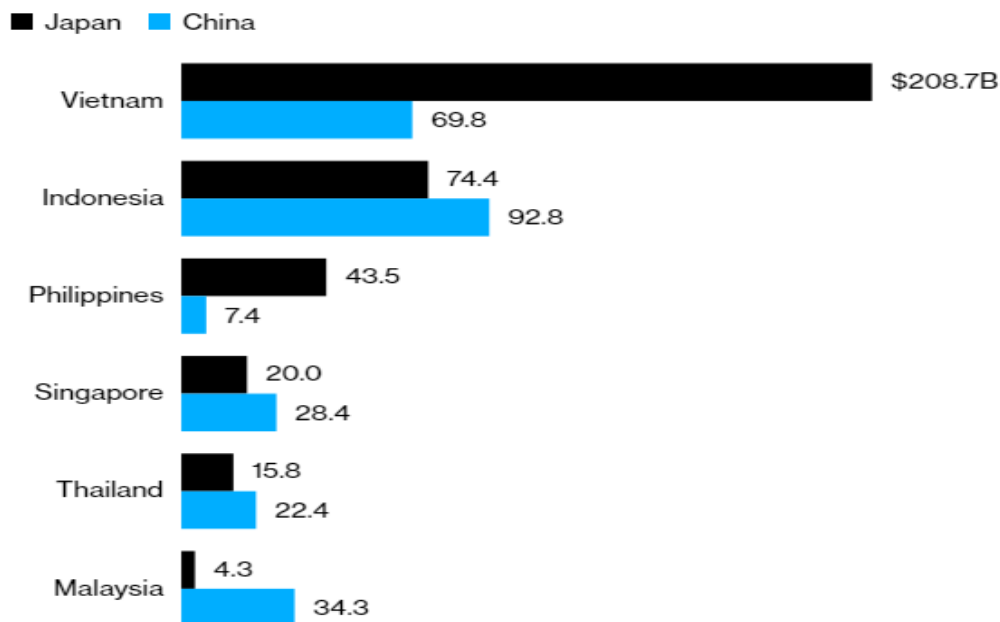
Japan has taken measures to strengthen geopolitical, geo-economic, and geostrategic defense cooperation with ASEAN countries, United States, and India to counteract China's MSRI and String of Pearl Strategy influence in Asia-Pacific region. According to Fitch Solutions 2019 analysis about comparing the infrastructure investment in Southeast Asia between Japan and China, Japan has beat China in

Southeast Asia infrastructure race (Table 5.2.1). Japan has totally invested 367 billion US dollars in Vietnam, Indonesia, Philippines, Singapore, Thailand, and Malaysia which compares China's 255 billion US dollars. 240 Japanese-led infrastructure projects versus 210 Chinese-backed projects in 10 Southeast Asian economies (Table 5.2.2). Vietnam is the biggest focus for Japan's infrastructure investment, while Indonesia is the primary investment country for China.²⁷

Table 5.2. 1 Infrastructure Investment in Southeast Asia: Japan Versus China

Building Battles

Japan far outpaces China in value of infrastructure projects in Southeast Asia



Source: Fitch Solutions (data provided 18 June 2019)

²⁷ Michelle Jamrisko, "China No Match for Japan in Southeast Asia Infrastructure Race," *Bloomberg*, 2019, <https://www.bloomberg.com/news/articles/2019-06-23/china-no-match-for-japan-in-southeast-asia-infrastructure-race>

Table 5.2. 2 Infrastructure Projects in Southeast Asia: Japan Versus China

Breaking Ground

Across Southeast Asia, Japan's infrastructure projects overtake China's

	China	Japan
Cambodia	28	14
Indonesia	55	51
Laos	23	4
Malaysia	31	10
Myanmar	16	16
Philippines	8	29
Singapore	13	24
Thailand	9	15
Timor-Leste	2	3
Vietnam	25	74
TOTAL	210	240

Source: Fitch Solutions (data provided 18 June 2019)

In order to enlarge Japan's geostrategic influence in Southeast Asia and Indo-Pacific region, Japan has conducted infrastructure investment in ASEAN countries and reinforced diplomatic and defense ties with United States and India to counteract China's MSRI influence.

I. Japanese-Backed Projects in ASEAN countries

Japan International Cooperation Agency (JICA) provides Official Development Assistance (ODA) concessional loans and ODA grants without provision for the repayment to the Southeast Asia countries which include Vietnam, Indonesia, Philippines, Singapore, Myanmar, Thailand, Malaysia, Laos, and Timor Leste.²⁸ The Japanese ODA loans not only assist the Southeast Asia countries infrastructure development but also advance Japan economic growth. Because the

²⁸ Ministry of Foreign Affairs of Japan, "Japan's ODA Data by Country," 2018, <https://www.mofa.go.jp/policy/oda/data/index.html>

JICA signed the Binding Loan Agreement with Southeast Asia countries to limit that only creditor companies have the right to bid for the infrastructure projects which stimulated Japanese industrial export. Besides, the primary objective of ODA investment project is to enlarge Japan geopolitical and geo-economic influence in Southeast Asia region. Japan use ODA loans and grants as tools to strengthen bilateral relations with ASEAN countries. The top three acquired Japanese bankroll countries are as following:

1. Projects in Vietnam

The infrastructure investment in Vietnam has been so far reached US\$209 billion which included a US\$ 58.7 high-speed railway from Hanoi to Ho Chi Minh city.²⁹ The bullet-train system high-speed rail link consisted of two section: a 280 km section between Hanoi to Vinh and another 380 km section between Ho Chi Minh City and Nha Trang.³⁰

2. Projects in Indonesia

Apart from investing in Vietnam, the ongoing investment in Indonesia include the projects of Bali beach conservation, the Patimban port construction, and the development of a regional disaster risk resilience plan in Central Sulawesi.³¹ The Bali Beach Conservation investment is to rehabilitate the coastal area where are getting coastal erosion, seawall collapse, coastline recession seriously in Bali Island by coastal restoration and conservation plans such as sand nourishment, structural measures, and capacity building of coastal

²⁹ Minh Tam, "Vietnam Tops Priority of Japanese Infrastructure Investment," *Hanoi Times*, 2019, <http://hanoitimes.vn/vietnam-tops-priority-of-japanese-infrastructure-investment-45337.html>

³⁰ "Vietnam Opts for Japanese bullet trains, *The Japan Times*, 2009, <https://www.japantimes.co.jp/news/2009/12/12/national/vietnam-opts-for-japanese-bullet-trains/>

³¹ Tomoo Kikuchi and Sayaka Unzaki, "Japanese Infrastructure Investment in Southeast Asia," *RSIS Policy Report*, 2019, pp. 6-10.

management system.³² The Patimban Port Toll Road project aims to strengthen economic growth and logistic capability in Jakarta Metropolitan Area by constructing a toll road between Patimban Port and Cikopo-Palinaman Toll Road.³³

3. Projects in Philippines

The infrastructure investment projects in Philippines contain the aspects transportation facility, disaster risk reduction and management, and agriculture and Agribusiness technology skills training. For example, the Central Luzon Link Expressway construction, New Bohol airport construction, the Pasig-Marikina river channel improvement project, flood risk management project for Cagayan river, and national irrigation sector rehabilitation and improvement project.³⁴ Japan's ODA loans to Philippines from fiscal year 2012 to 2016 totaled to 27374.88 million yen. The figures of ODA grants to Philippines reached 2850.83 million yen.³⁵

II. Reinforcing geostrategic ties with U.S. and India.

Except for strengthening geopolitical and geo-economic relations with Southeast Asia countries, Japan attempts to draw closer diplomatic and defensive ties with Washington and New Delhi. Japan aligns its “Free and Open Indo-Pacific Strategy” with India’s “Act East Policy” to work together in achieving the common objectives of ensuring the peace and prosperity in Indo-Pacific region.

³² Japan International Cooperation Agency official website, “Bali Beach Conservation Project - Phase II,” 2017, https://www.jica.go.jp/english/our_work/social_environmental/id/asia/southeast/indonesia/c8h0vm0009wtw2s.html

³³ Japan International Cooperation Agency official website, “Patimban Port Toll Road Project,” 2010, https://www.jica.go.jp/english/our_work/social_environmental/id/asia/southeast/indonesia/c8h0vm000e7m839.html

³⁴ Japan International Cooperation Agency official website, JICA Philippines On-going Projects List, 2019, https://www.jica.go.jp/philippine/english/activities/c8h0vm00004cez31-att/index_01.pdf

³⁵ Japan International Cooperation Agency official website, “Japan's ODA Disbursements to Philippines by Fiscal Year,” 2016, <https://www.mofa.go.jp/mofaj/gaiko/oda/files/000142548.pdf>

The bilateral ties reached new milestone by launching of 2+2 Ministerial Dialogue to further Japan-India security and defense cooperation. The first 2+2 Foreign and Defense Ministerial Meeting was held in November 2019, under the “Special Strategic and Global Partnership” consensus, Japan and India have agreed to share Indian Ocean maritime information, deepen maritime security cooperation between Japan Maritime Self-Defense Force (JMSDF) and the Indian Navy, and strengthen both side’s ground and air military operation in Indian ocean.³⁶

Aside from security cooperation, Japan drew closer relationship with India by plunging Official Development Assistance loans in Indian high-speed railway and bridge construction. Furthermore, Japan moved ahead cooperation with India in the fields of IT industry, food processing, health longevity, agricultural skills training, and energy transition cooperation plan. Japan Prime Minister Abe expressed his view that a strong India benefits Japan and a strong Japan benefits India in a summit meeting with Indian Prime Minister Modi in 2018. Modi also stated that a strong Japan and a strong India will be able to fulfill the roles of maintaining peace and prosperity in Asia region.³⁷

Japan and India launched their own maritime silk road, the Asia-Africa Growth Corridor (AAGC), to compete with China’s MSRI strategy. The AAGC object is to integrate the economies of South, Southeast, and East Asia with Oceania and Africa as well as connect the dots of Myanmar Sittwe, Indian Jamnagar port and Djibouti in the Gulf of Eden for counteracting China’s MSRI geo-maritime strategy.³⁸ Abe Administration pumped an additional \$200 billion

³⁶ “Japan-India Defense Ministerial Meeting,” *Japan Defense Focus*, no. 104, October 2018, <https://www.mod.go.jp/e/jdf/no104/activities.html>

³⁷ Ministry of Foreign Affairs of Japan, “Japan-India Summit Meeting,” October 29, 2018, https://www.mofa.go.jp/s_sa/sw/in/page3_002603.html

³⁸ Andreea Brinza, “Abe Strikes a Belt and Road Balancing Act,” *The Japan Times*, 2018, <https://www.japantimes.co.jp/opinion/2018/11/13/commentary/japan-commentary/abe-strikes-belt-road-balancing-act/#.XhGaFlUzaM8>

into emerging Asian and African markets, which seems that it will likely be one of the sources of funding for the Asia-Africa Growth Corridor.³⁹

The economic cooperation and defensive alliance with India are not strong enough to compete against China's MSRI strategy in Indo-pacific region. Abe Administration operates dual hedge against the MSRI strategy by hinge the "Asia Democratic Security Diamond" policy on Trump Administration's "Free and Open Indo-Pacific Strategy."⁴⁰ The concept of "Asia Democratic Security Diamond" was first unveiled by Japan Prime Minister Abe in 2012, which is a quad security network among Japan, India, Australia, and the United States: a version Japan's Free and Open Indo-Pacific Strategy (FOIP). Then in November 2017, U.S. President Donald Trump outlined his vision to build a free, fair, and reciprocal trade, open investment environments, good governance, and freedom of the seas in Indo-Pacific region with all countries prosper side by side as sovereignty and interdependent states: a version of US Free and Open Indo-Pacific Strategy (FOIP).⁴¹

Under the consensus of building a free, open, and security Indo-Pacific regional posture, Tokyo and Washington have worked toward the cooperation in defense and security cooperation. The Japan Minister of Foreign Affairs, Mr. Taro Kono and Minister of Defense, Takeshi Iwaya, US Secretary of State, Mike Pompeo, the Acting Secretary of Defense, Honorable Patrick Shanahan attended the 2019 Japan-U.S. Security Consultative Committee (Japan-U.S. 2+2) in

³⁹ Wade Shepard, "India and Japan Join Forces to Counter China and Build Their Own New Silk Road," *The Forbes*, 2017, <https://www.forbes.com/sites/wadeshepard/2017/07/31/india-and-japan-join-forces-to-counter-china-and-build-their-own-new-silk-road/#2ac074904982>

⁴⁰ Tetsuo Kotani, "Can the Indo-Pacific Compete with China," *The Japan Times*, 2018, <https://www.japantimes.co.jp/opinion/2018/01/10/commentary/japan-commentary/can-indo-pacific-compete-china/#.XhHmlUzaM8>

⁴¹ U.S. Department of States Report, "A Free and Open Indo-Pacific: Advancing a Shared Vision," 2017, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>

Washington, D.C. to further cooperation of realizing a free and open Indo-Pacific. Japan and U.S. reinforced bilateral security and defense cooperation by conducting military joint operations, introducing advanced weapon systems to Japan, streamlining the foreign military sales process, continuing U.S. Force deployment in Japan, and strengthening cross-domain operations, such as new domains of space, cyberspace, and the electromagnetic spectrum. These measures were confirmed to deepen Japan-U.S. cooperation and consultation on ensuring deterrence and security in Indo-Pacific region.⁴²

Economically, Japan has conditionally engaged in China's BRI project to seek possibly plus-sum Japan-China infrastructure and economic cooperation in joint development of industrial parks or electric power infrastructure in Southeast Asia countries,⁴³ while for maximizing Japan's geopolitical and geostrategic benefits, Abe's Administration has strategically aligned with India and United States to confront China's military influence in Indo-Pacific region.

5.3 India's Responses and Interventions of China's MSRI

India's Perceptions of China's MSRI Program

India's perceptions of China's MSRI consisted by the concerns of economy, politics, and security of India. As Harsh V. Pant and Ritika Passi indicated joining or not joining that is a two-edge sword for Indian government. For economic concern, if Indian participates in BRI, India may reap economic benefits of accessing to broader market and sufficient manufacturing resources, cutting down transportation cost for the shorter and faster routes between India and other countries, and garnering preferential

⁴² Japan Ministry of Foreign Affairs official website, "Japan-U.S. Security Consultative Committee, April 19, 2019," 2019, https://www.mofa.go.jp/na/fa/page3e_001008.html

⁴³ Asei Ito, "China's Belt and Road Initiative and Japan's Response: from Non-participation to Conditional Engagement," *East Asia*, vol. 36, 2019, pp. 115-128.

tariff to stimulate Indian export growth. If India is absent from BRI, India will not only deprive itself of gaining economic interests of regional connectivity but also make itself on the sidelines of regional integration. Because the international relations of China, Pakistan, Afghanistan, the Central Asian republics and Iran will become closely by convergent economic policies, rules, and norms. The BRI investments from land, maritime, digital and cyberspace in those countries will also substantiate their common logistic and processes with China.⁴⁴

For political concern, engaging or not engage in China's BRI is a double-edge sword for Indian diplomatic relation with peripheral states. If India took part in the BRI project, it might promote political accommodation with India and China. But India might suffer the consequences of China's economic intervention and huge infrastructure debt. While if India does not partake in the BRI program, India will possibly be isolated from the global supply chain and regional policy coordination.⁴⁵

For security assessment, some conservative analysts insist on staying away from BRI, keeping eyes on the increasing China-Pakistan economic and diplomatic relations, and then formulating proper countermeasures to BRI overwhelming operations in Central Asia and Southeast Asia region. India is aware of the ascending threats from China's BRI strategy in South Asia. The pending threats have come from two directions. One is Silk Road Economic Belt (SREI) and the other is the 21st Maritime Silk Road (MSRI). The path of SREI concerns with China-Pakistan Economic Corridor (CPEC) which not only furthers trade cooperation but also furnishes better military transportation between China and Pakistan.⁴⁶

⁴⁴ Harsh V. Pant & Ritika Passi, "India's Response to China's Belt and Road Initiative: A Policy in Motion," *Asia Policy*, issue. 24, pp. 88-95.

⁴⁵ Harsh V. Pant & Ritika Passi, "India's Response to China's Belt and Road Initiative: A Policy in Motion," *Asia Policy*, issue. 24, p. 92.

⁴⁶ Harsh V. Pant & Ritika Passi, "India's Response to China's Belt and Road Initiative: A Policy in Motion," *Asia Policy*, issue. 24, p. 93.

Besides, the MSRI implementation of building dual-use operation ports along the String of Pearls sites, such as Kyaukphyu port and Sittwe port in Myanmar, Hambantota port in Sri Lanka, and Gwadar port in Pakistan, which reinforce Indian concerns of China's strategic encirclement.⁴⁷ Therefore, New Delhi's wariness of China's growing intentions to stretch economic and military power over Indian Ocean has made both side hard to form bilateral trust mechanism. The reasons why India deeply suspects and mistrusts China are the legacy of the Sino-Indian War and the unsettled border disputes in Kashmir and Donglang (Doklam) border issue among China, Sikkim (a state of India), and Bhutan.⁴⁸

The Event of Donglang Conflicts

The India-China military deadlock resulted from Chinese road construction neared the tri-junction area of India, China, and Bhutan. On 1st June, 2017, China asked India to remove two bunkers in Sikkim but India rejected China's request. Then China's unilaterally dismantled two bunkers in Sikkim state of India. On 16th June, 2017, Chinese troops accompanied by construction vehicles and road-building equipment began moving south into what Bhutan has considered its territory.⁴⁹ A series of China's actions aggravated Indian government. On 18th June, Modi government sent troops and weapons nearby Donglang area to protect Bhutan border interests. On 28th August, India and China announced that both side agreed to withdraw troops from the Doklam

⁴⁷ Anthony Steriotti, "The Significance of China's String of Pearls Strategy," 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2951903

⁴⁸ Stephen Westcott, "The Intractable Sino-Indian Border Dispute: A Theoretical and Historical Account," 2017, <https://pdfs.semanticscholar.org/227f/416f0db428f9bf6378beacf9d237b3a8f435.pdf>

⁴⁹ Michael Safi, "Chinese and Indian Troops Face off in Bhutan Border Dispute," *The Guardian*, 2017, <https://www.theguardian.com/world/2017/jul/06/china-india-bhutan-standoff-disputed-territory>

confrontation line after staying in “no war, no peace” mode for 70 days.⁵⁰

Bhutan asked for India’s help to protect Bhutan territory interest in Doklam. From China intended invasion,⁵¹ Doklam serves an important strategic geography position for India, China and Bhutan. If state gains the control of Doklam, state will garner high surveillance point. In addition, if China takes control of Doklam, China will directly access to Bhutan and India.



Figure 5.3. 1 Doklam Location
(Source: Guardian graphic)

Moreover, the Doklam Plateau is nearby Indian Siliguri Corridor, the Chicken’s Neck of India, which serves critical position in Indian boundary security. Therefore, Indian government has managed to defend the Doklam security in the name of protecting Bhutan national interests.⁵²

China-India-Pakistan Border Conflicts in Kashmir

India has been feuded with Pakistan for Kashmir since the partition of Indian and Pakistan from Britain in 1947. Under the scheme of partition provided by the Indian Independence Act of 1947, Kashmir was free to accede to India or Pakistan which resulted in war between India and Pakistan in 1948. Due to the mediation and investigation of United Nations Commission for India and Pakistan (UNCIP), India and

⁵⁰ Prabhash Dutta, “Doklam Standoff Ends: What Made China Agree to Restore Pre-June 16 Position of Troops,” *India Today News*, 2017, <https://www.indiatoday.in/india/story/doklam-standoff-china-india-sikkim-indian-army-pla-1032761-2017-08-28>

⁵¹ “Where is Doklam and Why It Is Important for India,” *India Today News*, 2018, <https://www.indiatoday.in/education-today/gk-current-affairs/story/where-doklam-why-important-india-china-bhutan-1198730-2018-03-27>

⁵² “Where Is Doklam and Why It Is Important for India,” *India Today News*, 2018, <https://www.indiatoday.in/education-today/gk-current-affairs/story/where-doklam-why-important-india-china-bhutan-1198730-2018-03-27>

Pakistan ceased fire in December 31th, 1948, and both sides withdrew troops behind the Line of Actual Control in Kashmir. But the Kashmir dispute continued and triggered second war in 1965. The conflict over Kashmir has not resolved so far because it contains the mix of ethnic, religious, hypernationalism, irredentism and territorial turbulence.

The Indian-Pakistan war in 1948 ended with the division of Kashmir between India and Pakistan but Kashmiris continued to see themselves as one people. Because Muslim Kashmiris are a majority population on both side of the Line of Actual Control. The religious and territorial partition has given the rise to India-Pakistan conflicts. Despite the contest of India or Pakistan, Kashmiris have preferred to be independent from India and Pakistan. But the truth seems that it is not easy for Kashmir to be independent state by virtue of the intricate reasons of Kashmir strategic ground, nationalism and state building, and the last but most important element, glacier water resource. Glacier water provides water and electricity which palys critical roles for India and Pakistan industry and agriculture operations, therefore, Kashmir geostrategic location and glacier resource create a zero sum game between India and Pakistan. If one controls Kashmir completely could pose an existential threat to the other.⁵³

Apart from the competition of India and Pakistan over Kashmir, China has involved the Kashmir territorial contest since Pakistan ceded part of Kashmir to China in 1963. Hence, the Kashmir is ruled by China, India, and Pakistan: India administers Jammu, the Kashmir Valley, Ladakh, and the Siachen Glacier; Pakistan administers Azad Kashmir and Gilgit-Baltistan; while China administers Demchok district, the Shaksgam Valley, and the Aksai Chin region.⁵⁴

⁵³ Shawn Snow, "Analysis: Why Kashmir is a Major National Security Issue for Both India and Pakistan.," *The Diplomat*, 2016, <https://thediplomat.com/2016/09/analysis-why-kashmir-matters/>

⁵⁴ Shawn Snow, "Analysis: Why Kashmir is a Major National Security Issue for Both India and Pakistan.," *The Diplomat*, 2016, <https://thediplomat.com/2016/09/analysis-why-kashmir->

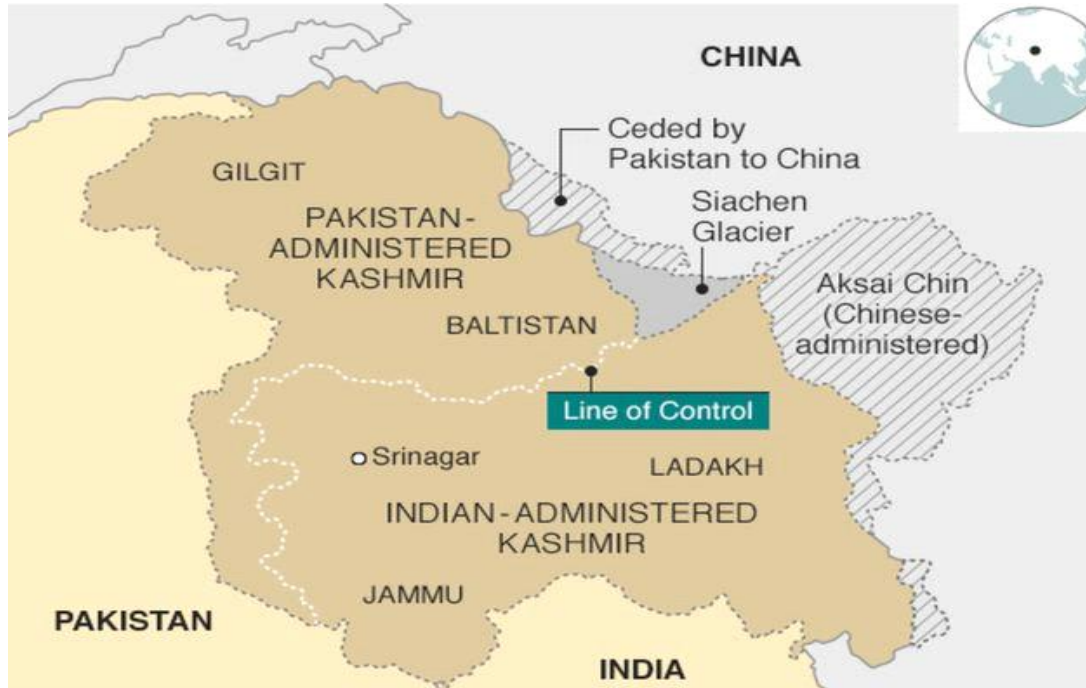


Figure 5.3. 2 Kashmir Border Disputes (Source: Guardian graphic)

The relevance of China’s Silk Road Economic Belt and Kashmir Dispute

The China-Pakistan Economic Corridor passes through Pakistan-occupied Kashmir region which threaten Indian national security and natural resources interests, thus India takes measures to protect its homeland security and nationalism in Kashmir. Indian government has taken the methods of revoking Jammu and Kashmir special status and sending military troops to secure Kashmir from terror attacks. Despite Pakistan and China’s protestation against India’s revocation in Kashmir autonomous status, Modi government has asserted that the cancellation of Article 370 in Indian Constitution is its internal matter which Pakistan and China do not have the right to engage in.⁵⁵ No matter Modi’s abrogation of Kashmir autonomous status resulted from internal causes of honoring his election politics or external causes of counteracting

matters/
⁵⁵ Helsinki, “Revocation of Jammu and Kashmir's Special Status has National Security Connotation: EAM Jaishankar,” *India Today*, 2019, <https://www.indiatoday.in/india/story/revocation-of-jammu-and-kashmir-special-status-has-national-security-connotation-eam-jaishankar-1601515-2019-09-21>

China's Silk Road Economic Belt in Kashmir, India will continue to defend its national sovereignty and integrity in Kashmir region.

Given the fact that Kashmir triangle boundary conflicts and Doklam issue sowed the seed of Sino-India mutual mistrust and instability, it is not easy to develop mutual trust between China and India. Besides, the negative perceptions of China's BRI strategy make India take conservative and prudent steps toward the BRI program. As Indian military expert, Brig narender Kumar, Brig Narender Kumar, former Senior Fellow at the Centre for Land Warfare Studies and a Distinguished Fellow at USI of India, indicted two points as following:⁵⁶

- China is the main beneficiary and unquestionable leader for the BRI design and implementation.

China's BRI provides dramatic infrastructure loans and economic aids to Southeast Asia, South Asia, and Africa countries. While most of these developing countries can't afford the huge debts of China's infrastructure constructions. The weak solvency countries are highly possible to end up by ceding their infrastructures management right even sovereignty to China. For example, Sri Lanka handed over the Hambantota port to China on a 99-year lease. Pakistan agreed the cession of 40 years Gwadar port operation to China. China promises to be a responsible great power for building a community with shared prosperity future, but the turn of BRI events show that more and more states plunged into China's debt trap. As far as those states are concerned, China is the main beneficiary for the BRI projects. Because heavy infrastructure loans increase the risk of plunging economically fragile

⁵⁶ Brig Narender Kumar, "Belt and Road Initiative: A Potential Threat to the Region and Eurasia," Center for Land Warfare Studies (CLWS) Report, *Issue Brief*, no. 150, August 2018, pp. 1-10, https://www.claws.in/static/IB150_Belt-and-Road-Initiative-A-Potential-Threat-to-the-Region-and-Eurasia.pdf

countries into domestic economy disorder and the unsustainable debt makes these states cannot help but to cede their sovereignty over their territory or the ownership of the inland infrastructure.⁵⁷

- BRI is a geo-economics and geo-strategy initiative.

Facility connectivity is BRI major task to connect China form Southeast Asia, South Asia, Central Asia, Europe to Africa region. Transportation network and logistic efficiency have great impact on improving regional economy for better accessibility to market, labors, and raw materials. Besides, China has outward its military influence to Sri Lanka and Pakistan after taking charge of Hambantota port and Gwadar ports. It is highly possible that China has deployed military base without force or weapons while by maneuvering BRI investment projects. After discerning the relationship between China and BRI joining countries, it is manifest that BRI is not only for geo-economics purpose but also a comprehensive geo-strategy initiative. China manages to form a new regional and extra-regional order by altering economic, political, and military equation. Wait and see how turn of events will take place. Time will decode China's BRI true intention.⁵⁸

Indian Responses of China's MSRI Program

In the light of the Sino-Indian mutual distrust relations and India's negative perceptions of China's MSRI program, India responds to the MSRI program by managing to increase geopolitical, geo-economic, and geostrategic relations with

⁵⁷ Brig Narender Kumar, "Belt and Road Initiative: A Potential Threat to the Region and Eurasia," CLWS Report, *Issue Brief*, no. 150, August 2018, pp. 1-10, https://www.claws.in/static/IB150_Belt-and-Road-Initiative-A-Potential-Threat-to-the-Region-and-Eurasia.pdf

⁵⁸ Brig Narender Kumar, "Belt and Road Initiative: A Potential Threat to the Region and Eurasia," CLWS Report, *Issue Brief*, no. 150, August 2018, pp. 1-10, https://www.claws.in/static/IB150_Belt-and-Road-Initiative-A-Potential-Threat-to-the-Region-and-Eurasia.pdf

peripheral countries, such as the countries of East Asia, Central Asia, Southeast Asia, and Indo-Pacific region, for the sake of undermining China's MSRI geostrategic influence.

In security aspect, India has enhanced bilateral and multilateral defense connectivity and collaboration with East Asia, Southeast Asia, Central Asia countries. In addition, India strengthens military cooperation with Japan and United States to protect Indian security interests in Indo-Pacific region. In bilateral defense cooperation part, India respectively signed military agreement with Taiwan, Vietnam, Myanmar, Thailand, and Singapore. For example, India and Vietnam signed a "Joint Vision Statement on Defense Cooperation" for the period 2015-2020 in May 2015. Both sides agreed to enhance military cooperation on regular defense interaction, defense trade, information sharing, and joint training to protect maritime security in South China Sea. Besides, the "Comprehensive Strategic Partnership" was set up in 2016 to uplift India-Vietnam military cooperation through annual high-level dialogue, naval ship visits, and defensive equipment procurement. In addition, the military drills of India-Thailand-Singapore, India-Myanmar, India-Vietnam have held annually to carry out the missions of counter-terrorism operations, peace-keeping operation, humanitarian rescue, information sharing and communication coordination. The bilateral military operation consolidates mutual trust and defense cooperation between India and Southeast Asia countries.

In multilateral defensive associations, India joins in the ASEAN Regional Forum (ARF) and ASEAN Defense Minister's Meeting-Plus (ADMM-Plus) to demonstrate Indian determination as security actor and provider in East Asia and South Asia region. Notwithstanding ARF and ADMM-Plus could not provide practical measures on solving South China Sea conflicts or inhibiting military competition among states, ARF and ADMM-Plus are important mechanisms for reducing misunderstanding defensive

diplomacy and military operations as well as providing dialogue platform to discuss security issues and exchange opinions. From Indian angle, the more defensive and security international mechanisms India involves, the stronger ability and confidence to counteract China's MSRI military assertiveness in South Asia region.

Apart from ARF and ADMM-Plus, India takes part in the Quadrilateral Security Dialogue (QUAD, or named Quadrilateral Initiative) with United States, Japan, and Australia teamwork to advance a rules-based, free, open, and inclusive Indo-Pacific.⁵⁹ Under the commitment of QUAD, the Malabar naval exercise has been held annually to promote maritime battle inter-operability among India, United States, Japan, and Australia. The Malabar military missions include complex surface, sub-surface, air operations, as well as reconnaissance, rescue exercise, counter-piracy, and counter-terrorism operations.⁶⁰ The purpose of QUAD and Malabar exercise is to balance China's expanding maritime power and as a response to MSRI military assertiveness in Indo-Pacific region.⁶¹ On the other hand, India has been wary of China's MSRI geo-economic and geopolitical encroachment. Therefore, India not only seeks military alignment with other countries but also quests economic way to counteract China's influence in Indo-Pacific region.

From economic and diplomatic method, Indian participations in East Asia Summit, Mekong-Ganga Cooperation, BCIM Economic Corridor, and signing Free Trade Agreement with ASEAN countries which demonstrate its active projection on avoiding marginalization from the MSRI unimpeded trade and financial integration

⁵⁹ Ministry of External Affairs of India, "India-Australia-Japan-U.S. Consultations on Indo-Pacific," 2017, https://mea.gov.in/pressreleases.htm?dtl/29110/IndiaAustraliaJapanUS_Consultations_on_IndoPacific_November_12_2017

⁶⁰ Indian Navy website, "Exercise Malabar 2016," 2016, <https://www.indiannavy.nic.in/content/exercise-malabar-2016>

⁶¹ Jesse Barker Gale, Andrew Shearer, "The Quadrilateral Security Dialogue and the Maritime Silk Road Initiative," CSIS Briefs, March, 2018, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180717_GaleShearer_QuadSecurityDialogue.pdf?csNA9Z0fB6r4L9KKdBnc.a0LzXdNTr7b

influences. In the light of boosting domestic economy and infrastructure development, India takes discreet step to partake in AIIB and be funding member in 2015, for the sake of improving infrastructure development, facility connectivity and economic advantages. India responds to China's MSRI program by prudential participation in AIIB to gain infrastructure investment concessional loans and economic interests; meanwhile strengthening defense alignment with neighboring countries to hedge against China's military expansion in Indo-Pacific region.⁶²

Indian interventions of China's MSRI Program

India takes actions rather than words to intervene China's MSRI program in Southeast Asia countries. Modi government neither publicly criticize ASEAN countries turning to China nor judge the MSRI infrastructure cooperation between China and ASEAN countries. India has intervened China's MSRI program in Southeast Asia region since 2017 by initiating India-Japan joint venture infrastructure investment projects in ASEAN countries to undermine the MSRI geopolitical, geo-economic, and military influence in Southeast Asia. The India-Japan Joint Statement was released on November 11th, 2016, which aims to promote the development of industrial corridors, industrial network, and infrastructure investment cooperation in Southeast Asia, South Asia, and Africa.⁶³

Besides, the vision document of Asia-Africa Growth Corridor (AAGC) was unveiled on May 25th, 2017 at the African Development Bank meeting in Gujarat. The AAGC also named "Freedom Corridor" which is the version of Indian-Japanese Belt and Road Initiative aims to balance China's BRI expanding power and influence in a

⁶² Mala Sharma, "India's Approach to China's Belt and Road Initiative—Opportunities and Concerns," *The Chinese Journal of Global Governance*, vol. 5, issue 2, 2019, pp. 136-152.

⁶³ Press Information Bureau Government of India Prime Minister's Office, "India-Japan Joint Statement During the Visit of Prime Minister to Japan," 2016, <https://pib.gov.in/newsite/PrintRelease.aspx?relid=153534>

manner that does not involve unnecessary military skirmishes.⁶⁴ The “Freedom Corridor” serves as a check on China and offers a pathway to development that is inclusive and mutually beneficially.⁶⁵

5.4 Chapter Summary

After analyzing ASEAN countries’ perceptions, responses, and expectations of the MSRI program, in order to comprehensively investigate the regional relations under the MSRI strategy issue among China, Southeast Asia countries, and Indo-Pacific big powers, this chapter looks into Indo-Pacific big powers, such as United States, Japan, and India’s responses and interventions of China’s MSRI strategy.

First, United States’ responses to China’s MSRI strategy in Southeast Asia could be divided into parts of Obama Administration and Trump Administration. Obama took vigilant but polite feedback to the MSRI scheme, while Trump has given a straightforward and stinging criticism to China’s BRI strategy and has negative attitude on the MSRI investment in Indo-Pacific region. In order to counteract China’s MSRI assertiveness, Trump Administration not only reinforces bilateral security alliance with ASEAN countries but also established QUAD to strengthen multilateral defense cooperation with Japan, India, and Australia. US also launched the Blue Dot Network to provide infrastructure investment budget for Indo-Pacific countries. Besides, US keeps advocating the boycott to the MSRI debt trap strategy and conducting regular military patrol to demonstrate its engagement in Asia-Pacific region.

Second, Japan’s responses had switched from indistinct to non-engagement and

⁶⁴ João Paulo Nicolini Gabriel & Carlos Eduardo Carvalho, “Balancing against China with the Asia Africa Growth Corridor: An Indian-Japanese Initiative towards the Indo-Pacific,” *Conjuntura Austral Journal of the Global South*, vol. 9, no. 48, 2018, pp.115-131.

⁶⁵ Dipanjan Roy Chaudhury, “Pushing Back against China’s One Belt One Road, India, Japan Build Strategic Great Wall,” *The Economic Times*, 2017, <https://economictimes.indiatimes.com/news/economy/infrastructure/pushing-back-against-chinas-one-belt-one-road-india-japan-build-strategic-great-wall/articleshow/58689033.cms>

then conditional engagement. From 2013 to 2015, Japan took indistinct attitude and until 2016 was non-participation. While after 2017, Japan had shifted attitude to conditional engagement because of domestic and international factors. The domestic concerns of maintaining economic growth and political consideration of winning election. The international calculations of increasing export market to diminish the impact of US trade protectionism and expanding Japan diplomatic maneuvering space in region. Meanwhile, Japan takes measures to counteract China's growing geostrategic influence, Japan has conducted infrastructure investment in ASEAN countries and has reinforced geostrategic relations with India and US, for instance, Japan establishes the Asia-Africa Growth Corridor with India and hinges Abe's Asia Democratic Security Diamond on Trump's Free and Open Indo-Pacific Strategy to increase Japan regional geostrategic influence and discourse right.

Third, India's perceptions of China's MSRI strategy contain economic, political, and security concerns. India perceives that joining BRI benefits its economy but might cause threat to its national security. If India out of the BRI, it will be possibly marginalized from the BRI economic and trade system. From political concerns, join or not join both have positive and negative effects on political relations with China. But India values national security more than economic and diplomatic ties with China. Because India discerns that the Silk Road Economic Belt improves China-Pakistan military transportation connectivity which threatens India border security. What's more India detects the encirclement by China's String of Pearls and MSRI strategic deployment.

Therefore, in order to counteract China's MSRI and the String of Pearls encirclement and to reduce the impacts of been marginalized from BRI economic system, India responds to the MSRI program by prudential participation in AIIB to gain infrastructure investment concessional loans and economic interests; meanwhile

strengthening defense alignment with neighboring countries to hedge against China's military expansion in Indo-Pacific region, as well as enhance diplomatic and economic ties with regional countries by engaging in the international mechanisms. Such as East Asia Summit, Mekong-Ganga Cooperation, and BCIM. Besides, India intervenes the MSRI program by conducting the Asia-Africa Growth Corridor with Japan to increase its influence in Indo-Pacific region.

In conclusion, big powers' responses and interventions in China's MSRI strategy increase uncertainties and complexity for the MSRI implementation, as well as increase challenges and difficulties for China's assertiveness to extend and solidify String of Pearls deployment via MSRI program.





Chapter 6 Conclusion

6.1 Research Findings

The release and operation of China's Silk Road Economic Road Initiative(SREI) and 21st Century Maritime Silk Road Initiative(MSRI) have been in the academic spotlight since they were unveiled in 2013. BRI has drawn some academic attentions to probe into the outcome of BRI whether it will succeed or fail in the end. Other scholars have been attracted to conduct the research of the aftereffects of the long lasting BRI investment in the region. In order to address the China's BRI issues already outlined and begin to fill the research gaps in the previous research, this thesis was designed not only to analyze China's MSRI strategic implications in Southeast Asia region, ASEAN countries' perceptions, responses and expectations of China's MSRI strategy, but also to examine the MSRI connections and effects on South China Sea tension and big powers' responses and interventions in China's MSRI strategy.

China's Maritime Silk Road Initiative is an ongoing and long lasting foreign policy to conduct infrastructure investment and financial support in Southeast Asia. The research findings of China's MSRI strategic implications in ASEAN countries, the investigation outcome of ASEAN countries' perceptions, responses and expectations toward MSRI, and the research analysis of the complex causes and effects of MSRI and South China Sea disputes are the core essence of this thesis.

The author has found research findings about China's MSRI strategic assertiveness in Southeast Asia. They are as follows:

1. China needs to build geopolitics and military strategic "Great Wall."

The Maritime Silk Road Initiative is more a geopolitical and military strategic deployment calculation than merely economic one. From the

infrastructure investment of Malaysia Melaka Gateway, Thailand Kra Canal, Myanmar Kyaukphyu deep-port to The Chinese PLA Support Base in Djibouti of East Africa which demonstrates China's ambitions to deploy military strategic "Great Wall"¹ of Sea Lines of Communications (SLOCs) along South China Sea and Indian Ocean to protect China's strategic maritime interests from United State as well as India. As US Department of Defense first claimed the geopolitical concept "String of Pearls" in the "Energy Future in Asia" internal report, China's MSRI diplomatic policy seems an expansion and extension of "String of Pearls" to project power into Middle East and Africa to secure its strategic lines of communications.²

The interest community and economic prosperity of the countries along MSRI route are not the fundamental goals for China, while MSRI is simply a tactic manner to achieve Chinese strategic goals which involve in exporting overcapacity and surplus labor, setting up rim-Indian Ocean commercial support base, building sea-based military choke points, creating a cooperative element of ASEAN countries to shape geopolitical relations turn to China's advantage, and finally developing a strongly super power.³

It is critical to have inseparably diplomatic and economic relations with ASEAN countries that makes China have more profitable chips to deal with US in South China Sea issue. In other words, if China has good relations with Philippines, Vietnam, Malaysia and Indonesia by implementing MSRI

¹ Great Wall Definition:

China's Great Wall, an ancient architecture for military defense, was belt during Spring and Autumn Period (770-476 BC) and the Warring States Period (475-221 BC) of the Eastern Zhou Dynasty with total length of 21,196 kilometers. Great Wall was a military defensive line to defend the invasions from some northern nomadic nations.

Travel China Guide website, "Great Wall of China,"

https://www.travelchinaguide.com/china_great_wall/

² Qudsia Akram & Munaza Fareed, "China's Malacca Dilemma: Power Politics in Indian Ocean," *Politics and International Studies*, vol. 5, no. 2, 2019, pp. 33-34.

³ *Ibid.*

investment project, then it will be challenging for US to find a diplomatic leverage to contend with China for the South China Sea benefits.

Furthermore, the MSRI program beyond geopolitics calculation, for example, China's infrastructure investment in Djibouti which led to the establishment of its first naval base in the Horn of Africa country in 2017. Djibouti had long served as a de facto base for logistical support of Chinese navy that have patrolled the Gulf of Aden since December 2008.⁴

2. Global governance is more important than simply China-ASEAN mutual interests: Constructivism approach.

In order to achieve the Two Centennial Goals and Chinese Dream, Chinese president Xi Jin-ping strengthens the conception of global governance to reach his ambitions; hence the BRI strategy paves the way for implementing global governance. According to the report from China Institute of International Studies(CIIS), Xi would like to build a community with shared future and interest for humanity through discussion and collaboration via engaging in global governance.⁵ As the chairman of the Kuhn Foundation, Dr. Robert Lawrence Kuhn perceived that the BRI provides a mechanism to facilitate development in developing countries and reverse devastating disparities in economic and social well-being. Xi Jin-ping proposes a grand vision of global governance which is an comprehensive version of social constructivism.⁶

China might like to form common identity, beliefs, ideas, norms, even

⁴ Yong Deng, "How China's Belt and Road is Reordering Asia," *Harvard International Review*, 2018, Vol. 39, no. 4, pp. 30-35

⁵ Zhi-cheng Wu, "A Probe into Xi Jinping's Thought of Global Governance," *China International Studies*, 2018, http://www.ciis.org.cn/gyzz/2018-06/07/content_40374252.htm

⁶ Robert Lawrence Kuhn, "Xi Jinping's Comprehensive Governance," 2017, http://www.china.org.cn/opinion/2017-08/21/content_41447529.htm

to shape common knowledge or culture which share common experience and actions by means of maneuvering the BRI strategy. The infrastructure and economic operations of SREI, MSRI, the Silk Road Fund and AIIB play a social constructivism linkage from China, Southeast Asia, South Asia, Central Asia, the Mediterranean to Europe. Among of those routes, the most strategic one for China is from Southeast Asia to Indian Pacific which is the area of implementing the 21st Century Maritime Silk Road Initiative.

Even though Chinese president Xi advocates that BRI strives to uphold the spirits of peace, cooperation, inclusiveness, mutual learning, and mutual benefit to build a community shares common values, interest, and future, the ambition of global governance is the first priority of BRI, then comes to other states' development and prosperity.

For the past five years, international relations theorists and researchers have investigated the concept of Chinese global governance. For example, Weifeng Zhou & Mario Esteban have discussed BRI and AIIB will reshape international architecture. China is moving from a rule-taker to rule-maker via maneuvering the BRI strategy to ensure and promote status in international order and reinforce international influence.⁷

⁷ Wei-feng Zhou, Mario Esteban, "Beyond Balancing: China's approach towards the Belt and Road Initiative," *Journal of Contemporary China*, 2018, <https://www.tandfonline.com/action/journalInformation?journalCode=cjcc20> *Journal of Contemporary China* ISSN: 1067-0564 (Print) 1469-9400 (Online) *Journal homepage:*

Research findings about ASEAN countries' perceptions, attitudes, and responses to China's MSRI program as following:

1. Five types of ASEAN countries' attitudes and responses.

Based on the analysis of Southeast Asia countries' official documents, think tank reports, and local newspaper from 2013 to 2019 about China's MSRI program, ASEAN countries' perceptions could be divided into three aspects of opportunity, challenge, and threat. Laos and Cambodia consider MSRI as an opportunity to promote domestic economy, facility connectivity, and regional economic integration. Vietnam and Myanmar consider MSRI threats their national security and sovereignty. Philippines, Thailand, Malaysia, Singapore, and Indonesia view MSRI as challenge that half for opportunity and half for threat. Different perceptions yield to different attitudes and responses to China's MSRI project.

ASEAN countries have five types of attitude toward China's MSRI strategy. First, attitude transformed from opposed to approval. Philippines is a very representative state which had switched opposed to supportive attitude toward China's MSRI foreign policy for national interests concerns. Philippines intends grabbing China's MSRI financial and technical assistance to improve domestic economy and facility development. After Duterte in charge of Philippines government, he has taken an open-minded approach and supportive response to the MSRI program.

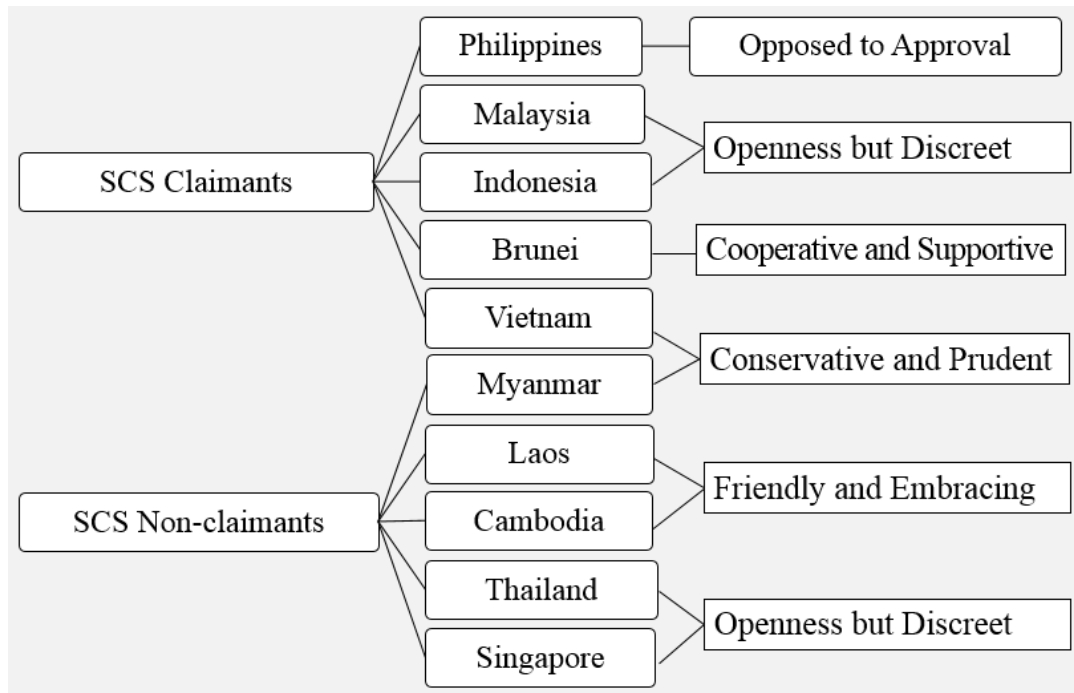
Second, attitude stays conservative and prudent. Myanmar and Vietnam have taken conservative and cautious steps toward the MSRI program from the very beginning due to several reasons of domestic political effectiveness, the public counterforce, national security concern, and the influence of the extra-regional powers.

Third, attitude is openness but discreet. Thailand, Malaysia, Singapore, and Indonesia welcome the MSRI infrastructure investment, technical support and financial assistance but keep watchful eyes on China's strategic ambitions on expanding geopolitical and geo-economic influence and craving to switch civil railroad, ports and canal into military stagnation points.

Fourth, attitude is friendly and embracing. Due to diplomatic affinity, mutual trust, and economic dependency on China, Cambodia and Laos join the MSRI program without hesitation. Apart from the solid diplomatic and economic ties with China, the fundamental reasons why Cambodia and Laos enthusiastically embrace the MSRI program are the needs of capital support and technical skills from china to boost domestic transportation system, energy facility, and industrial development. Therefore, Cambodia and Laos take friendly and embracing attitude to hinge their national development plans on China's MSRI project.

Fifth, attitude is cooperative and supportive. Brunei government has taken cooperative and supportive attitude toward China's MSRI program for the sake of resolving Brunei's oil-dependency economic dilemma, developing industrial diversification, strengthening regional connectivity, and accelerating negotiation process of signing the Code of Conduct in South China Sea. Besides, Brunei expects to hinge Brunei Vision 2035 national development plan on China's MSRI program not only to foster infrastructure development but also to strengthen the connectivity between Brunei and regional countries, as well as to ramp up Brunei's geopolitical influence in Southeast Asia region.

Table 6. 1 ASEAN Countries' Attitudes toward China's MSRI Strategy (Source: Author)



- ASEAN countries need infrastructure development and economic prosperity but proceed with great caution in China's MSRI program.

In analyzing each ASEAN country local news report and official archives, a significant correlation was found between SCS claimants and non-claimants which is that they manage to improve domestic critical infrastructures and economy development by dint of joining China's MSRI program. But most of the ASEAN countries take prudent attitude and precaution to avoid sinking into China's debt trap and geo-economic control. For instance, the suspending of Malaysia East Coast Rail Link project is a crystal clear example to elude the MSRI debt trap. Because the project is financed entirely by Chinese loans and Chinese workers are hired to do the construction works those make the profits return to China, not Malaysia. Therefore Dr. Mahathir's government planned to cancel the East Coast Rail Link program, yet negotiating with China. Malaysia's perceptions and

reactions toward China's MSRI strategy significantly affect other ASEAN countries' awareness to the MSRI strategy. If a fairly, robust country cannot stand up for China, the poorer, weaker nations certainly won't be able to.

Research findings about China's MSRI connections and effects on South China Sea disputes and major powers responses and interventions on the MSRI Initiative as following:

1. The SCS tensions have been temporarily smoothed by the MSRI program.

The SCS tensions have been temporarily relieved by the MSRI infrastructure investment cooperation between China and the SCS claimants. China has successfully improved relations with SCS claimants via providing the MSRI infrastructure investment, financial assistance and technology skills which accommodate SCS claimants' needs. In other words, China and SCS claimants have developed complex interdependence relations under the framework of the MSRI cooperation projects. The complex interdependence relations among China and SCS claimants serve as stable key on tackling over the SCS dispute.

Philippines is the very representative state that converted from opposed to approval attitude toward the MSRI program for national development concerns which include accomplishing Ambisyon Natin 2040 by eradicating poverty before 2040 and transforming the Philippines into a middle-class society.⁸ Second, accelerating economic growth by sharpening the country's competitiveness in the global trade arena. Third, promoting domestic critical infrastructure development to fulfill the envision of Golden Age of

⁸ Pia Ranada, "No Poor Filipino by 2040: Can Duterte Government Set the Stage," 2016, <https://www.rappler.com/newsbreak/in-depth/153408-ambisyon-natin-2040-duterte-administration>

Infrastructure.⁹ Apart from national development concerns, Duterte Administration acknowledges that cooperative manner is wiser than antagonistic method in coping with Sino-Philippines SCS issue after realizing that China's disregard of Hague tribunal ruling in South China Sea case and continuing operations of artificial island construction and military deployment in South China Sea. If Duterte Administration radically confronts China, neither Philippines nor China will benefit from SCS conflict. Therefore, Philippines opts to create an amicable and negotiable ambience in dealing with SCS issue. In addition to Philippines, the other SCS claimants have been affected by the MSRI program and tuned to ease SCS agitation as well. Even though China's MSRI program has temporarily provided an effective prescription to relieve SCS tension, the SCS dispute will continue because there are no permanent friends or no permanent enemies only permanent interests in SCS issue.

2. United States, Japan, and India responses and interventions in China's MSRI Initiative.

Big powers' responses and interventions play influential roles in China's MSRI implementation and which also affect ASEAN countries' perceptions and responses to the MSRI program. The research findings about United States, Japan, and India responses and interventions in the MSRI strategy as follows:

First, With the sceptic and defensive perceptions of the MSRI strategy, Washington has taken diplomatic and defensive measures to counteract the

⁹ Philippines Department of Finance, "Philippines to Benefit from Belt and Road Initiative," 2017, <https://www.dof.gov.ph/index.php/phl-to-benefit-from-belt-and-road-initiative/>

MSRI potential military threats and geopolitical outreach. Trump's administration has conducted diplomatic and military interventions to fight back China's MSRI influence in Indo-Pacific region. The interventions consist of strengthening U.S.-ASEAN bilateral defense cooperation, reinforcing U.S. geostrategic influence in region through the establishment of Quadrilateral Security Dialogue and Indo-Pacific Strategy, providing infrastructure investment budget and setting up interstate infrastructure investment mechanism through Blue Dot Network foreign policy, as well as advocating the boycott of China's MSRI debt trap strategy, and military patrol to demonstrate US defense engagement in Asia-Pacific region.

Second, Japan had taken observed attitude toward China's BRI at the very beginning, while Japan's vague stance had changed from indistinct position to non-engagement and then to conditional cooperation with China's BRI project due to domestic and international factors.¹⁰ Even though Abe administration takes cooperative but conditional engagement in the BRI program, Japan government has taken diplomatic and defense measures to restrain China's expanding geopolitical and military influence in region. For instance, Japan has conducted infrastructure investment in ASEAN countries, such as Vietnam, Indonesia, and Philippines, to enlarge its geopolitical and geo-economic power in Southeast Asia region. On the other hand, Japan has reinforced defense relations with United States and India to formulate a guard net by hinging Japan's "Asia Democratic Security Diamond" policy on

¹⁰ Miao Wang, "Why Japan Changed Its Attitude towards the Belt and Road Initiative," *Foreign Policy News*, 2018, <https://foreignpolicynews.org/2018/12/19/why-japan-changed-its-attitude-towards-the-belt-and-road-initiative/>

Trump Administration's "Free and Open Indo-Pacific Strategy"¹¹ as well as joining the US-led QUAD security coalition. Furthermore, Japan and India launched their own maritime silk road, the Asia-Africa Growth Corridor (AAGC), to compete with China's MSRI strategy.

Economically, Japan has conditionally engaged in China's BRI project to seek possibly plus-sum infrastructure and economic cooperation in joint development of industrial parks and energy infrastructure projects in Southeast Asia countries, while for maximizing Japan's security and defense benefits, Abe's Administration has strategically aligned with India and United States to shield against China's growing military threats in Indo-Pacific region.

Third, India has taken conservative and gingerly measures to cope with China's MSRI strategy because Indian government perceives the pending threats of China's String of Pearls strategy for geostrategic encirclement by MSRI dual-use port constructions in Myanmar Kyaukpyu, Sri Lanka Hambantota, and Pakistan Gwadar, as well as discerns the potential impacts of been marginalized from the BRI trade and financial system. In order to avoid China's MSRI geostrategic threats and to reduce the impacts of been marginalized from BRI financial chain, India responds to China's MSRI program by prudential participation in AIIB to gain infrastructure investment concessional loans and economic interests from AIIB; meanwhile strengthening defense alignment with neighboring countries to hedge against China's military expansion in Indo-Pacific region.¹²

¹¹ Tetsuo Kotani, "Can the Indo-Pacific Compete with China," *The Japan Times*, 2018, <https://www.japantimes.co.jp/opinion/2018/01/10/commentary/japan-commentary/can-indo-pacific-compete-china/#.XhHmIUzaM8>

¹² Mala Sharma, "India's Approach to China's Belt and Road Initiative—Opportunities and Concerns," *The Chinese Journal of Global Governance*, vol. 5, issue 2, 2019, pp. 136-152.

In conclusion, the research findings have four main points. First, China's MSRI assertiveness in ASEAN countries is to build geopolitical and military strategic Great Wall. Second, no matter what kind of ASEAN countries' perceptions and responses to the MSRI program, Southeast Asia countries do need infrastructure investment and economic prosperity but most of the countries proceed with great caution in China's MSRI program. Third, even though MSRI has provided temporarily effective prescription to relieve South China Sea tension, the South China Sea dispute will continue because there are no permanent friends no permanent enemies only permanent interests in South China issue. Fourth, big powers responses and interventions in China's MSRI program increase uncertainties and complexity for the MSRI implementations.

6.2 Suggestions for Further Research

The Coronavirus impacts on China's MSRI program

While the outbreak of 2019 novel Coronavirus disease (COVID-19) has caused great impacts on public health, global economy, and international relations. COVID-19 has resulted in over 2.4 million confirmed cases and over 177,000 deaths globally.¹³ with the numbers are growing up. Since the initial COVID-19 confirmed cases occurred in November 2019 in Wuhan, Hubei province of China,¹⁴ the Coronavirus has caused tremendously social chaos and anxiety due to its characteristics of highly human-to-human transmission and fourteen-day incubation periods.¹⁵ The pandemic has resulted

¹³ Worldometer, "COVID-19 Coronavirus Pandemic Fatality Last Updated April 22, 2020, <https://www.worldometers.info/coronavirus/?zarsrc=130>

¹⁴ Holly Secon, "A Comprehensive Timeline of the New Coronavirus Pandemic, from China's First COVID-19 Case to the Present," 2020, <https://www.businessinsider.com/coronavirus-pandemic-timeline-history-major-events-2020-3>

¹⁵ Chih-Cheng Lai, Tzu-Ping Shih, Wen-Chien Ko, Hung-Jen Tang, Po-Ren Hsueh, "Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and coronavirus disease-2019 (COVID-19): The epidemic and the challenges," *International Journal of Antimicrobial Agents*, vol. 55, issue. 3, March 2020, pp. 1-7.

in panic-buying and stockpiling on food and led to shortages of long-life food products of rice, cans, instant noodles, and tinned vegetables. According to IMF staff analysis, the spread of COVID-19 has not only threatened global financial stability but also has been put the world in a great lockdown as countries conduct epidemic prevention measures, such as country lockdowns, traveling restrictions, entry bans, self-quarantine, and social distancing practices. Those necessary protective measures will lead to global growth fall to -3% with a downgrade of 6.3 percentage points from January 2020. This is the worst economic recession since the Great Depression.¹⁶ Economically, the Coronavirus pandemic has caused great impact on global financial system and economic activity with unknown ending time. Because the vaccine and medical treatment has not been developed yet which means that the notorious Coronavirus will continue threatening human life and safety.

Politically, the COVID-19 has profound repercussions not just for Xi Jin-ping's regime authority and prestige but for international relations and world order. From domestic level, the COVID-19 outbreak has caused tremendous fatalities and severe social panic which lead to political upheaval in China.¹⁷ From international level, the pandemic has tremendously affected Sino-U.S. relations because Beijing and Washington have accused each other of COVID-19 virus origination. U.S. government suspects that the Coronavirus originated in Wuhan Biosafety P4 Laboratory. While China government indicted that it is U.S. military delegation came to Wuhan for Military World activity and then spread the Coronavirus. Additionally, U.S. president Trump event used the word "Chinese Virus" and "Wuhan Virus" to describe COVID-

¹⁶ Gita Gopinath, "The Great Lockdown: Worst Economic Downturn Since the Great Depression," *International Monetary Fund Blog*, 2020, <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>

¹⁷ Robert Amsterdam, "How the Coronavirus Outbreak Exposes the Central Weakness of China's Regime," 2020, <https://www.spearswms.com/how-the-coronavirus-outbreak-exposes-the-central-weakness-of-chinas-regime/>

19 and blamed China for the misinformation and mishandling of COVID-19.¹⁸ The China-U.S. blame game definitely undermines their diplomatic relationship.¹⁹

Besides, the Coronavirus epidemic has affected Sino-British relations due to China's cover-up of COVID-19. The Henry Jackson Society, a London think tank, assumed that if China had provided accurate information to the world and China had taken proper preventions at the beginning outbreak in Wuhan, the world would not suffer from the COVID-19 disaster with more than 93,000 deaths and trillions of dollars in economic damage. China's mishandling of disease and failure to adequately report information to the World Health Organization (WHO) had resulted in at least £3.2 trillion from just the nations of the G7: UK claimed for £351 billion, U.S. claimed for £933.3 billion, £47.9 billion for Canada, and £29.9 billion for Australia.²⁰ The report released by Henry Jackson Society has contended that British government should pursue China through international courts for £351 billion in coronavirus compensation.²¹

Except United States and United Kingdom, the COVID-19 has caused great impacts on Russia, Japan, Korea, Taiwan, Southeast Asia countries, Middle East countries, Africa, France, Italy, and Spanish. Most of countries are BRI participants, except U.S. and Taiwan. China's BRI program will encounter severe challenges due to the global widespread of COVID-19. In the light of Coronavirus pandemic circumstance, future research will not only to investigate the COVID-19 impacts on

¹⁸ David Ignatius, "How did covid-19 begin? Its initial origin story is shaky," *The Washington Post*, 2020, https://www.washingtonpost.com/opinions/global-opinions/how-did-covid-19-begin-its-initial-origin-story-is-shaky/2020/04/02/1475d488-7521-11ea-87da-77a8136c1a6d_story.html

¹⁹ Michael H Fuchs, "The US-China Coronavirus Blame Game is Undermining Diplomacy," *The Guardian*, 2020, <https://www.theguardian.com/commentisfree/2020/mar/31/us-china-coronavirus-diplomacy>

²⁰ Matthew Henderson, Dr Alan Mendoza, Dr Andrew Foxall, James Rogers, and Sam Armstrong, "Coronavirus Compensation Assessing China's Potential Culpability and Avenues of Legal Response," 2020, <https://henryjacksonsociety.org/publications/coronaviruscompensation/>

²¹ China Owes Us £351 Billion: Britain Should Pursue Beijing through International Courts for Coronavirus Compensation," *The Mail Online*, 2020, <https://www.dailymail.co.uk/news/article-8188185/Britain-pursue-Beijing-courts-coronavirus-compensation-study-claims.html>

China's MSRI program implementations in ASEAN countries but also probe into the COVID-19 influences on the relations among China and Southeast Asia countries for the sake of extending further research on China's MSRI program in Southeast Asia region in the novel background of Coronavirus outbreak.





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