

# ISAS Special Report

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## **The Belt and Road Initiative: Politics, Potentials and Partnerships**

*The symposium on “The Belt and Road Initiative – Politics, Potentials and Partnerships” was organised by the Institute of South Asian Studies, National University of Singapore, in collaboration with the Pathfinder Foundation, Sri Lanka, in Singapore on 29 January 2018. Regional connectivity and infrastructure capacities in Asia are poised to change remarkably following the implementation of the China-led Belt and Road Initiative (BRI). The symposium reflected on the evolving characteristics of the BRI, its political and security challenges and its enormous economic potentials.*

**Taisha Grace Antony and Chan Jia Hao<sup>1</sup>**

The Institute of South Asian Studies (ISAS) at the National University of Singapore (NUS) organised the symposium on “The Belt and Road Initiative – Politics, Potentials and Partnerships” in Singapore on 29 January 2018. It was held in partnership with the Sri Lanka-based Pathfinder Foundation. The one-day event focused on the China-led Belt and Road Initiative (BRI), with the panellists presenting on such key aspects as political and security issues, and economic potentials, particularly at the sectoral level.

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Ambassador Gopinath Pillai, Chairman, ISAS-NUS, and Ambassador-at-Large, Ministry of Foreign Affairs, Singapore, opened the symposium by welcoming Ms Sim Ann, Senior Minister of State for Trade and Industry; and Culture, Community and Youth, Singapore, the distinguished participants and the audience. Emphasising Singapore's desire to work closely with Sri Lanka in promoting growth opportunities, Ambassador Pillai acknowledged that Singapore and Sri Lanka have been developing institutional partnerships, the latest of which was the Free Trade Agreement (FTA) signed by the two countries on 23 January 2018. As the BRI provides significant opportunities for both Singapore and Sri Lanka, it was appropriate that ISAS partnered the Pathfinder Foundation, a Sri Lankan think tank, to organise the symposium on the BRI. Ambassador Pillai noted that the symposium has received an excellent response which is an indication of the strong interest in the BRI in Singapore. On a concluding note, he said that ISAS was following initiatives such as the BRI and the Asia-Africa Growth Corridor closely and was planning to organise several events around them in the future.

In his introductory remarks, Mr Bernard Goonetilleke, Chairman of the Pathfinder Foundation, elaborated on the three key themes of the symposium – politics, potential and partnerships. With regard to politics, Mr Goonetilleke noted that, while the West is wary of China's advances as a global leader, there were others who oppose the BRI due to bilateral issues. Looking at the potentials of the BRI, he highlighted that the deliverables listed in the project cover areas such as policy, infrastructure, trade and finance, and people-to-people connectivity. Granted that some of these projects may not see the light of day and others would fail, yet, even if part of these projects eventually succeed, we could witness a transformation of economies of at least one-third of the countries of the world. On the subject of partnership building, Mr Goonetilleke noted that China was preparing itself to assume global leadership economically and politically, and partnership building through the BRI appeared to be a priority to succeed in its quest.

The importance of the BRI to China could be understood by the recent decision taken to amend the Constitution of the Communist Party of China to include promotion of the BRI as one of China's major future objectives. Mr Goonetilleke advised that the proponents of the BRI should come up with projects that would provide a reasonable return on investments and seek to minimise negative consequences such as environmental degradation. Above all, they must also learn to bargain effectively and not fall victim to corruption so that the BRI would

be a win-win situation for China as well as the participating countries. Finally, Mr Goonetilleke thanked ISAS and the delegation from the Pathfinder Foundation for their efforts to make this symposium a success.

## **Keynote Address: The Belt and Road Initiative – Trade and Investment Potentials**

Ms Sim delivered the keynote address for the event. She stressed the thematic importance of the symposium, saying that the world today is entering a new phase of economic globalisation where increased integration and connectivity have resulted in greater opportunities for cooperation between countries. She discussed Singapore's participation in the BRI and the role it could play in facilitating business opportunities along the Belt and Road, especially in Southeast Asia. According to Ms Sim, Singapore supported the BRI as it enabled mutually beneficial collaboration on economic integration and infrastructure development with countries in the region.

Highlighting the importance of good connectivity for economic development of any region, Ms Sim discussed the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity (CCI). The CCI's goal was to show that, apart from physical connectivity, other avenues of modern connectivity could also accelerate the economic development of both Western China and Southeast Asia by focusing on four sectors – financial services, aviation, transport & logistics and information & communications technology. In particular, Singapore and China have been developing the CCI-Southern Transport Corridor which connects the overland Silk Road Economic Belt with the 21<sup>st</sup> Century Maritime Silk Road.

Ms Sim promoted the Association of Southeast Asian Nations (ASEAN) and South Asia as regional bodies of immense opportunities, but noted the need for them to expand and upgrade their respective infrastructures. There were, according to her, many areas where companies could collaborate to benefit from opportunities along the Belt and Road, arising from South Asia and ASEAN's growth and infrastructure needs. As a leading infrastructure development and financing hub in Asia, Singapore was able to provide the necessary banking and capital market services as well as professional services of infrastructure advisories, political risk

insurance companies and law firms. Ms Sim encouraged Singaporean and South Asian companies to come together in mutually beneficial partnerships to expand into third country markets such as those in Southeast Asia. On a concluding note, Ms Sim commended the symposium for being an excellent platform to understand and discuss the varied opportunities associated with the BRI.

## **Panel I: Understanding the Political and Security Issues**

Dr Iftekhar Chowdhury, Principal Research Fellow, ISAS-NUS, former Foreign Minister of Bangladesh, chaired the first panel on “Understanding the Political and Security Issues”. The panellists for the session were Admiral (Dr) Jayanath Colombage, Director, Centre for Indo Lanka Initiatives, Pathfinder Foundation; Associate Professor Huang Yunsong, Associate Dean, Sichuan University School of International Studies and Coordinator, Center for South Asian Studies, Sichuan University, China; and Dr Amitendu Palit, Senior Research Fellow and Research Lead (Trade and Economics), ISAS-NUS. The panel deliberated on the growing political and security concerns over China funded infrastructure assets being utilised for military and strategic purposes, and their contribution to China’s regional influence.

Introducing the BRI as the very essence of Chinese President Xi Jinping’s ‘China dream’, Dr Chowdhury said that the BRI was part of a plan to make China a great model socialist country by the year 2050. This would involve two stages – China would first become a global leader in innovation with narrow income gaps and make solid progress towards high quality rather than high speed prosperity, and second, by 2050, China would become a global leader in terms of composite national strengths and international influence. What straddles the two stages was the BRI. It was the most significant development strategy launched by President Xi’s government to promote economic cooperation among the countries along the BRI route. In such a gargantuan economic project, however, there were bound to be potential pitfalls. For instance, the recipient partners could become extremely indebted to China, societies might find it difficult to accept the presence of Chinese workers and experts as part of the implementation of many projects, security and political concerns such as going around the objections of some un-enthusiastic actors and the suspicions harboured by elements, even in the United States (US) and security challenges in navigating through the rough courses in

Afghanistan as well as Pakistan's Baluchistan. It still remained to be seen whether the BRI could supplant the old global economic architecture for a new one.

In his presentation, Dr Colombage discussed border and territorial issues and geostrategic and maritime security dynamics in the Indo-Pacific Ocean, stressing that China's unprecedented rise, both economically and militarily, had resulted in the development of an undeclared 'maritime cold war' in the Indo-Pacific oceans. Threats in the region arose from state rivalry as well as non-state actors such as terrorists, radicalised groups, narcotic and weapon smugglers and cybercriminals among others. As China was headed on its path to take centre stage in world affairs, it should address these perceptions of regional insecurity. Offering solutions to these concerns of 'maritime blindness', Dr Colombage emphasised that regional groupings, such as ASEAN and the Indian Ocean Rim Association, could play a key role in maintaining regional maritime order. However, he cautioned that the role of the 'Quad' (Australia, India, Japan and the US) was debatable as it could potentially fuel insecurity and a consequent arms race in the Indo-Pacific maritime region. Dr Colombage called for a 'Peaceful Indo-Pacific', in which a rule-based maritime order was maintained, either through a 'new regional security architecture' or a 'code of conduct' for maritime users.

Dr Colombage's paper was followed by Professor Huang's presentation on "From Connectivity to Sovereignty: Cyber Security under the BRI – A Chinese Perspective". Professor Huang made several assertions. First, since the BRI announcement in 2013, cyber connectivity has been further incorporated into the traditional sphere of maritime security. This has been made possible by the implementation of information technology products across private maritime logistic entities in the Asia-Pacific region. Second, and as a result, this had caused security concerns among Western countries, leading them to become increasingly cautious in cross-border government-to-business commercial activities with Chinese telecommunication equipment providers. Third, however, many of these suspicions had never been verified by the Chinese side. Fourth, actors in the transnational cyber-space were wide ranging, such as hackers, corporations and governments, all of whom would possess responsibilities in ensuring data protection. However, such a multi-actor cyber-space lacked collective global governance. This, therefore, left the Chinese government and firms also victims of the issue, alongside other nations. In his conclusion, Professor Huang emphasised that China's willingness to beef up global governance in cyberspace through international consultations and negotiations might resolve these security concerns, such that

cyber-connectivity became mutually beneficial for both China and the recipient countries of Chinese investments.

Security issues, however, did not confine only to the defence and political sphere. Increasingly, security and economic issues were understood as being tied hand in hand. Dr Palit noted that, since the official announcement of the BRI in 2013, BRI participating countries till date had seen a significant US\$310.2 billion (S\$252.4 billion) worth of Chinese investments, accounting for approximately 61 per cent of total Chinese investments from 2008 to 2016 to these countries. While these Chinese investments into South Asia accounted for only less than one-fifth of total Chinese investments into the collective BRI countries in the same period, approximately 90 per cent of this amount was invested in the energy and transport sectors in the region. Furthermore, zooming into these two sectors, the bulk of investments were centred on coal, hydro, automotives and shipping, and consist of both green field and acquisition investments. What this implied was that while these investments were geared towards domestic markets, as exemplified by their domestic activities, these investments might come off as ‘resource seeking’ and ‘strategic asset-building’ for the host countries. In addition, such investments might discretely form a part of a larger international value chain, where backward and forward linkages and value-adding processes were made possible between these industries in China and the recipient countries. Therefore, Dr Palit pointed to the possibility of ‘win-win’ outcomes for China and the recipient countries. While China’s main agenda might be to create new production networks and supply chains from home, the recipient countries of Chinese investments in South Asia could likewise do so after attaining certain levels of public infrastructure from these investments. In his concluding remarks, Dr Palit emphasised that investments vis-à-vis strategic autonomy for its recipients would continue to be weighed clearly and carefully by recipient countries as part of the BRI.

## **Panel II: Regional Relevance of the BRI**

Dr Colombage chaired the second panel on “Regional Relevance of the Belt and Road Initiative”. The panellists for the sessions were Professor Dai Yonghong, Director, Center for Myanmar Studies, Institute of South Asian Studies, School of International Studies, Sichuan University, China; Dr Gong Xue, Research Fellow, S Rajaratnam School of International

Studies, Nanyang Technological University, Singapore; Mr Luxman Siriwardena, Executive Director and Director, China-Sri Lanka Centre, Pathfinder Foundation, Sri Lanka; and Mr Johan Burger, Director, NTU-SBF Centre for African Studies, Nanyang Technological University, Singapore.

This panel offered regional perspectives from Southeast Asia, South Asia and Africa on developments within the BRI. Dr Colombage began the session by setting the theme in light of Chinese influence in terms of investments and economic participation in various parts of the world. While he added that there was no denial of China's influence, how Chinese investments develop the recipient countries' infrastructure and economy, with respect to domestic political and social concerns remained important, if the BRI, as a whole, was to benefit the recipient countries. At the same time, given that it had been universally recognised that the BRI cannot be a top-down effort merely by China, the level of inclusion and willingness for the governments of the recipient countries to align the BRI with their domestic interests remained to be seen.

The first speaker, Professor Dai, presented his paper on the opportunities and challenges of the China-Myanmar Economic Corridor, a project under the BRI. He began by introducing the 'China-Myanmar Tri-Pillar Economic Corridor' which China's Foreign Minister Wang Yi had proposed during his visit to Myanmar in November 2017. The Corridor was set to start from China's Yunnan Province, extend to the central Myanmar city of Mandalay and then east to Yangon and west to the Kyaukpyu special economic zone, forming a three-pillar giant cooperation pattern. Therefore, beyond merely bilateral connectivity, Professor Dai suggested that the Corridor would gradually benefit political, economic and diplomatic interests of Myanmar. This was against the backdrop of Myanmar's rapid development of its manufacturing industry and futuristic need for linkages between the urban and rural within the country. With regard to economic interests, Professor Dai highlighted that there were opportunities of 'industrial clustering' around each of the economic centres of Yangon, Kyaukpyu and Mandalay. In turn, this would benefit political interests, where the rapid economic development of these various regions could facilitate national reconciliation, thereby allowing the central government to create a political centripetal force. On the bilateral level, Professor Dai also drew on the fact that Myanmar's connectivity with China's South-Western provinces yielded opportunities for Myanmar's market access into one of the fastest growing regions in China. Finally, as far as diplomatic interests were concerned, Professor

Dai remarked that such a substantial potential in the rise of Myanmar's economy would greatly change its diplomatic image in ASEAN and around the world.

Dr Gong complemented Professor Dai's focus on Myanmar by zooming out to the intra-regional cooperation and industry opportunities for the Southeast Asian region, in light of the BRI. Dr Gong made three comments in the face of a rise in BRI investments. First, the BRI 'activated' regional mechanisms in Southeast Asia that had been relatively dormant in the last decades. Southeast Asia appeared to be of the greatest interest among Chinese investments to date, with at least a third of total Chinese investments being directed to the ASEAN countries throughout the last decade or so. Second, the BRI appeared novel in light of a global economic slowdown. In sectoral terms, opportunities also included a surge of investments in leasing, commercial services and the manufacturing sector in the region. In turn, this might help boost these sectors for further investments both from within and outside ASEAN. Third, the BRI also served as a 'wake-up call' for other regional powers to play a larger role in Southeast Asia. For instance, Dr Gong highlighted the increasing rivalry between China and Japan in tendering for infrastructure projects across the region, notably the Jakarta-Bandung High Speed Railway, and the competition in lending from Japan-based Asian Development Bank and China-based Asian Infrastructure Investment Bank. Therefore, Dr Gong concluded that the BRI brought more opportunities for the Southeast Asian region as a whole, beyond those associated with the BRI itself.

On South Asia, Mr Siriwardena discussed the importance of reducing mistrust among South Asian countries and the need for economic reformations within these countries in order for them to fully benefit from Chinese investments. According to Mr Siriwardena, while direct investment from China into South Asia in 2016 reached US\$1.46 billion (S\$1.19 billion), an increase of 114.7 per cent compared to 2013, countries in the region mistrusted both China and the neighbouring states due to various strategic and security concerns. For South Asia, the BRI translated to the fact that cross-border high speed rail, infrastructure, cross-border oil and gas pipeline and telecommunication and electricity power were set to receive a boost. However, he emphasised that strong protectionism and poor receptivity by South Asian countries could see the above becoming missed opportunities. This was given that many countries within the European Union, while having similar security concerns about the BRI as those in South Asia, had not officially endorsed the BRI, but had not dismissed it entirely. At the same time, however, the BRI was facing competition because countries like India and



Japan were also looking at developing cooperation as alternatives to the BRI. Mr Siriwardena concluded that, since the BRI was open-source where participation was based on mutual consensus, it remained that state-led policies ultimately still served as a catalyst to the effectiveness of investments in South Asia, be it from China or elsewhere.

Finally, Mr Burger weighed in on the impact of the BRI in Africa. Like the rest of the speakers in this panel, Mr Burger asserted that the BRI would help Africa in infrastructure, technology transfers, equipment and experience from Chinese entities. With Kenya, as the current main port of entry for BRI investments into Africa, inter-competition among African countries to participate in the BRI was expected to rise. Mr Burger, however, identified that Chinese economic interest in Africa was primarily on agriculture, due to China's growing domestic demands. This could yield benefits for African countries, in terms of upgrading their value chain in food production, generating greater employment opportunities and increasing trade. However, Mr Burger emphasised that sustainable investments and development of Chinese investments would highly depend on the benefits they brought and the needs they addressed for African actors – consumers, companies and governments. African actors had to reconcile their own national interests with Chinese interests to attain these benefits.

### **Panel III: The BRI and Economic Potentials**

Dr Palit chaired the third panel on “The BRI and Economic Potentials”. The panellists for this session were Mr Liang Thow Ming, Chief Sales and Marketing Officer, CHEC Port City Colombo (Pvt) Ltd, Sri Lanka; Mr Zafir Hashim, Executive Vice President and Sector Head, Transportation and Logistics, John Keells Holdings, Colombo, Sri Lanka; and Mr Kevin Nash, Deputy Registrar and Centre Director, Singapore International Arbitration Centre.

In his opening observations, Dr Palit endorsed the symposium as a productive avenue to discuss and understand various dimensions on the BRI. He highlighted the theme of the panel, which was the economic potentials of the BRI and the strategic implications it had for the regions and countries it encompasses. Dr Palit noted that the panellists for the session

were distinguished experts in their own fields and had hands-on ground-based knowledge of the specific areas upon which they were going to present.

Mr Liang's presentation on "The BRI in Action – Background and Details" discussed a key BRI initiative, Port City Colombo, which was a brand new city development built as an extension of the Central Business District of Sri Lanka's vibrant commercial capital. Mr Liang highlighted Sri Lanka's geostrategic location and shared the masterplan overview and timeline for the project. Using the latest sustainable city designs and smart city concepts, the project aimed at "building a world class city for South Asia" which would provide the highest quality commercial, entertainment, medical, education and lifestyle opportunities. Spanning 269 hectares of reclaimed land from the sea, the development would comprise five different precincts – Financial District, Central Park Living, Island Living, The Marina and the International Island. Mr Liang shared that, when completed, Port City Colombo would have over 5.6 million square metres of built space, boasting the best in design and standards.

Discussing the maritime Silk Road implications of the BRI for Sri Lanka, Mr Hashim presented his case on the potentials and opportunities for the country from a commercial standpoint. He stressed Sri Lanka's strategic advantages – its location and position as the container hub of the South Asia region, the FTA with both India and Pakistan, and good relations with most South Asian countries. The growth of port infrastructure capacity in the country, he explained, was hindered by financing issues and time consuming government procedures to secure permission for the same. At the same time, there had been several mega projects in Sri Lanka such as the Colombo International Container Terminals, Colombo International Financial City and the Hambantota port. Mr Hashim stressed that Sri Lanka had enormous potential to improve its bunkering and cargo handling industries as well as to initiate multi-country initiatives. On a concluding note, he called upon Sri Lanka to link its own development plans with the BRI, improve relations with China, increase its skills and competencies and ensure that governments follow common policies regarding the BRI.

Mr Nash, the last speaker for the day, began by discussing how Singapore built its reputation in dispute resolution and arbitration, stating that the country was reputed for being politically neutral, transparent and corruption free. Singapore was a hub that offered all forms of dispute resolution services, it had incorporated common law which made it familiar to parties from any jurisdiction and Singapore courts had a bench that had an unusually high knowledge of

the arbitration process. In discussing the evolution and functions of the Singapore International Arbitration Centre (SIAC), Mr Nash noted that the SIAC was in its 26<sup>th</sup> year of operation and was now one of the largest arbitration institutions in the world. The SIAC followed two sets of rules – a set of commercial rules, which would be useful to the BRI when dealing with multiple parties from multiple jurisdictions, and a specialised set of investment rules for disputes involving investors, state controlled entities and inter-governmental organisations. In the last five years, China had been one of the top foreign users of the SIAC. On the opposite side of the contract, whether within the BRI context or not, several South Asian parties were also major users. The SIAC was tremendously popular with Chinese parties because of shared cultural and political connections, and its convenient geographical location. In terms of opportunities along the BRI, disputes were inevitably going to arise and Singapore looked to be featuring very prominently in these disputes.

## **Conclusion**

Professor Subrata K Mitra, Director of ISAS-NUS, concluded the symposium by thanking Ms Sim, the panellists, ISAS staff and the audience for their participation and cooperation. He highlighted that, through the symposium, ISAS connected the BRI, a ‘global event’, with the Institute’s primary focus on South Asia. Professor Mitra summed up the key takeaways of the day in four points. First, the symposium brought to light the potentials as well as the responsibilities arising from the BRI. Second, the symposium reminded us of the need to think of sustainable methods to ensure that initiatives such as the BRI succeeded today and in the future. Third, the BRI claimed itself not to be there just for China, but for the good of all. This raised an important question regarding the mechanisms in place to ensure that Chinese engagement with the world was trustworthy. His last takeaway was on the importance for the countries to develop commonalities in terms of which to think of their differences and what these commonalities were that would make the plural global world a reality.

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