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The Silk Road Blues

China's neighbourhood wants better conditions for joint projects under the Belt and Road Initiative

Read this article in German.

Though far from the original, the new remake of the Silk Road is a success. In Latin America, an increasing number of countries are participating in China's so-called Belt and Road Initiative (BRI). Venezuela is the fifth country in the region to benefit from the global infrastructure project. The situation looks different in Asia, however. There, the initial euphoria seems to have already evaporated, as several Southeast Asian nations have recently expressed doubts.

Ironically, Beijing's flagship partner country Malaysia has voiced its concerns. The new government in Kuala Lumpur under Prime Minister Mahathir Mohamad is surprisingly critical of the arrangements made with China by the previous government. It is openly questioning the benefits for the Malaysian economy – for example, with regard to the plans for a train service along the east coast where infrastructure is poorly developed. Earlier, Prime Minister Mahathir already shocked neighbouring Singapore when he postponed construction of the Singapore-Kuala Lumpur high-speed rail line.

Even countries such as Myanmar and Thailand have become reluctant lately. Aung San Suu Kyi's government is reconsidering a USD 9bn China-sponsored project for a deep-sea port. An influential economic adviser of Aung San Suu Kyi has described the Kyaukpyu port project as 'crazy' and 'absurd'. The number of warnings against Beijing's growing influence and the consequences of foreseeable massive debt are increasing. Myanmar's relationship with China is not without complications anyways. This has already led to Beijing initiatives being initially celebrated and then later dropped. In 2011, President Thein Sein suspended the internationally controversial USD 3.6bn Myitsone Dam megaproject, the largest of seven dams on the headwaters of the Irrawaddy River.

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In Thailand too, fears of an overwhelming Chinese presence are seething. The country is a key piece in China's Southeast Asian connectivity puzzle. Bangkok is currently trying to convince its neighbours to jointly launch a regional infrastructure fund for the Mekong region. The multilateral financing would reduce the dependence on China. In short order, China's Prime Minister Li Keqiang reminded Thailand, Cambodia, Laos, Myanmar and Vietnam that the Mekong River originates in China and, therefore, the People's Republic must also be involved. Meanwhile, last December Thai government officials celebrated the laying of the foundation stone for a high-speed train route that is to connect the country with southern China via Laos. With Thailand at the heart of Beijing's pan-Asian rail network, the Chinese government is planning on opening new routes to Southeast Asia from southern China with high-speed train connections over historically impassable terrain.

More Belt and Road concerns

In mid-September, Pakistan also voiced its concerns. No other nation has ever received as much Chinese investment and credits for BRI projects as Pakistan. In total, Islamabad will receive around USD 15bn for projects completed and constructed over the China-Pakistan Economic Corridor (CPEC). But heated criticism has finally broken out. Abdul Razak Dawood, an economic adviser close to new Pakistani Prime Minister Imran Khan, told the *Financial Times* that all CPEC projects should be postponed for at least a year, with five additional years given to set up the economic corridor. Since then, Dawood has had to publicly dial back his comments. But his tirade against the previous government's supposed poor negotiating tactics was widely heard: it is now believed that the faulty strategy might have led to unfair contracts.

At this year's Indian Ocean Conference, China's neighbours spoke of its 'imperialism' and 'chequebook diplomacy'. According to the renowned economist Prasenjit Basu, it has long been evident that everywhere from Africa to Asia, Beijing is looking for '*Lebensraum*' and markets for its overproduction – via debt-financed projects. Basu argues that it's the same principle everywhere: because of the massive debt of the host

countries, China can acquire valuable infrastructure facilities. Sri Lanka offers a cautionary example. The island had to sign over the BRI-funded port of Hambantota for 99 years when the government was no longer able to service its Chinese debtors.

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It would be surprising if a project of the scope and power of the BRI did not bring considerable potential for conflict. The modern vision of the Silk Road will re-adjust the geopolitical balance. In this regard, Southeast Asia is playing a key role. Every Chinese cargo ship needs to pass through this region to get to the rest of the world. The planned networks of roads and railways will connect China with around 60 countries. But China's smaller neighbours increasingly doubt that the BRI really is a win-win solution.

Cooperation with India and Japan

Projects such as hydropower plants for impoverished Cambodia, the China-Laos high-speed rail line and the deep-sea port for Myanmar sound appealing at the bargaining table. They have developing countries dreaming of wealth and jobs. The BRI can quickly turn the insular growth markets of a hopelessly under-connected world region into boulevards of globalised supply chains and venues of new investment.

According to a report by the Asian Development Bank, Southeast Asian countries need to invest five per cent of their GDP until 2030 in order to adapt their infrastructure to growing demands. China can help bridge financing gaps through the BRI. This is especially true in cases where neither private investors nor international financial institutions are willing or able to step in. It is therefore unlikely that the Asia-wide grumbling against BRI will grow into open revolt. The region is destined to be intertwined with the People's Republic. China is the largest trading partner of almost all Southeast Asian nations and thus possesses a high level of political power. The concerted criticism seems to serve instead as a warning shot in the direction of Beijing and an invitation to Delhi and Tokyo.

This invitation will be all too readily accepted in India and Japan. The countries themselves act as financiers of major projects and development cooperation in the region. Both recently committed themselves as equal partners in Malaysia and Indonesia in infrastructure development, and both Tokyo and Delhi have promised extensive support to the Mekong

region. Beijing also seems to have recognised this as a sign of the times. On the day the *Financial Times* published Dawood's criticism, Beijing and Islamabad announced that third countries have been invited to financially participate in CPEC.



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