

Exploring the significance of the connectivity between China and ASEAN under the One Belt One Road Initiative

Na Wei

National Institute of Development Administration (International College), Thailand

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Abstract: The research explores the significance of the One Belt One Road Initiative which improves the connectivity between ASEAN and China. The main research questions and objectives were listed out for guiding the analysis process, many quality literature reviews were used to support the research findings. The initiative of “One Belt One Road” proposed by China has active meaning and significant role for development of ASEAN countries. The “Belt and Road Initiative” has played a positive and practical role in the development strategy of ASEAN countries. The “Belt and Road” initiative and the China-ASEAN connectivity initiative can win numerous opportunities, but the obstacles and challenges will also exist at same time. Under OBOR initiative, both ASEAN and China would get better development, promoting relationships and benefit for people in ASEAN and China.

1. Introduction

The development of Asian has been received attention from the world. In recent years, China has made a great progress in economy and growth to an influential economic entity in the world. The improvement of China also impacts the development of other countries in Asia, especially for ASEAN area. In 2013, Xi Jinping, the President of China, he proposed cooperation initiatives for the “New Silk Road Economic Belt” and “21st Century Maritime Silk Road”. The one belt one road (OBOR) initiative meets the common need of Countries along the route, brings big influence on south Asia countries. It also helps ASEAN member countries complement each other’s advantages, creates new opportunities for open and development, as well as builds new platform for international communication and corporation. Until 2013, China direct invested in ASEAN countries totals reached to \$30 billion, ASEAN has become the fourth largest economy of China’s foreign direct investment. Meanwhile, ASEAN put cumulative investment in China over \$80 billion and become the third biggest foreign investor.

In geography, ASEAN and China are neighbors, the relationship situation affects counties’ security. Although there is small territorial warfare between China and some ASEAN countries, On the whole, both sides try their best to maintain bilateral relations and keep peace. Both China and south Asia countries renowned for rich history and culture. There have been close cultural and commercial exchanges since ancient times. In a long term, China and ASEAN have tight cooperation in political, economic, social and cultural fields, and supported closely in international affairs. In 2003, The establishment of strategic partnership between ASEAN and China and the signing of a cooperation treaty between the two sides indicate that China-ASEAN relations have entered a new stage of comprehensive cooperation. Research objectives of the research is to Identify the connectivity field between China and ASEAN under the One Belt One Road Initiative, finding out the importance of One Belt One Road Initiative in Asia development, the opportunities and challenges to implement the One Belt One Road Initiative in Asia.

2. Background and hypothesis

Chinese President Xi Jinping put forward the OBOR initiative in 2013, it is to establish political mutual trust and achieve economic integration of each countries. Under connectivity in pollical, economical and culture field, it will reduce the gap between the developed and developing countries

in South-East Asia, increase the GDP of both China and ASEAN. According to the working paper of Zeng (2017), the one belt one road will be good news for ASEAN, it will help the member countries build better infrastructure and realized the ASEAN Master Plan for Connectivity” (AMPC), he also considers that the better integration between China and ASEAN will help reduce space inequality for inner ASEAN.

Both China and ASEAN will achieve profit from the initiative, Ferdinand (2016) indicated that China could benefit greatly from OBOR initiative. Over-capacity in many industries is a big problem facing by China. Better connectivity between China and ASEAN would solve the problem as well as improve economy development in Asia. Ferdinand (2016) also mentioned that OBOR expand the business trading, creating good environment for sustainable development in Asia. According to the report from Yu (2016), OBOR initiative will change Asia’s economic and political pattern, make China plays more important role in Asia and help Asia become the most dynamic economy area in the world, however, it also faces challenges to implement the project, improve deep integration and cooperation between China and ASEAN. Asia countries would be more tightly connected, form a big community to stand on a higher stage in the future. ESCAP (2017) reported that one road one belt is golden opportunity for ASEAN, in addition, it helps China and ASEAN complement each other and gives plays to their strength.

China builds traffic network like road and railway in the southwestern region of China, then to build land transport network links with ASEAN. Domestic companies and investors of China can shift their development goals to overseas and reduce pressure from domestic market. For ASEAN, OBOR has provided ASEAN with huge financial support. The projects related to OBOR initiative that will be difficult for ASEAN countries to undertake. These financial supports include the Asian Infrastructure Investment Bank, which provided huge financial support, approximately US\$100 billion, in addition, it also includes big financial support from Silk Road Fund, New Development Bank, and Shanghai Cooperation Organization Development Bank (Soong, 2016).

In 2010 connectivity master plan, ASEAN proposed connection aim in three aspects, which include physical, informational technology, and organizational connectivity. China’s OROB initiative promotes physical connectivity, achieves economic integration in East Asia He (2017) compared Trans-Pacific Partnership Agreement (TPP), Regional Comprehensive Economic Partnership (RECP) with OBOR, the research results show that OBOR can further enhance diversified cooperation among countries and promote regional openness, ASEAN still stays at a relatively low level of integration. Financial integration is poor, and ASEAN does not have a complete and advanced infrastructure like the EU. Starting with the implementation of OBOR in 2013, China’s investment in ASEAN is as high as US\$120 billion. In addition, China’s exchange transaction with ASEAN has also increased tremendously. The report of He (2017) represents theoretical support and analysis of the status quo.

This research lists out the hypothesis which we are going to give enough evidences and analysis to support the H0, asking questions and identifying objectives to guide the research process:

H0: There is Significance of the connectivity between China and ASEAN under the One Belt One Road Initiative.

3. Research analysis and finding

The research collects and look up relevant literatures, uses qualitative analysis methods, and combines with current economic development and political status quo analysis, obtain support for illustrating the important effect of OBOR on the interconnection and development of China and ASEAN. The important effect to connectivity between ASEAN and China represents in many aspects, which includes policy, infrastructure, trading, finance and culture.

3.1 Development situation of ASEAN and China under OBOR

1) ASEAN accepts and supports OBOR initiative

The OBOR initiative has been implemented for 5 year, in the 31st ASEAN Summit and East Asia cooperation Leader Series meeting of last year. The conference showed that ASEAN committed to

connect the “ASEAN Interconnection Master Plan 2025” and One belt one road initiative for realizing further interconnection between ASEAN and China. It is the first official statement about ASEAN and OBOR, which reflect that ASEAN hope the OBOR initiative would bring big energy and speed the infrastructure development and inner connection. The issue reflects that ASEAN member countries consider and identify OBOR is benefit for every member counties, they come to be a unity, shows their confident for connection and development under OBOR.

2) OBOR promote political communication between China and ASEAN countries

Almost all ASEAN countries have processed a pollical communication with Chinese government, whatever the developed countries or developing countries in ASEAN. After implement the OBOR, China strengthens the political communication with ASEAN countries, trying to build deeper relationship in many fields for promote the development of both sides. Before OBOR initiative proposed, ASEAN had plan to build a railway from Singapore to Kunming city of China, however, this plan spends huge money and long time to explore the feasibility, they didn’t startup until China implement the OBOR initiative to act for starting the project. With regarding to building a high-speed rail network linking various countries in East Asia, the first phase includes the high-speed railways in Indonesia and Laos. The second phase of the high-speed rail project is also steadily advancing. This project includes the route from Laos to Thailand. According to Du and Zhang (2018),the high-speed railway transportation project has been processed, like the high-speed railway in Laost that is under construction, it means the OBOR initiative is working and making profit for some countries in ASEAN.

3.2 The trading exchange between ASEAN and China

Since 1991, China has begun to establish foreign trade relations with ASEAN. The total volume of bilateral trade has grown from 7.9 billion U.S. dollars in 1991 to 452.2 billion U.S. dollars in 2016(ESACP, 2017). It is worth noting that from 2012 to 2014, at this stage, the total trade volume between China and ASEAN increased by 8.3% year-on-year, 4.9% higher than that of other exporting countries. For the bilateral trade between China and ASEAN, the country which has the largest trade volume is Vietnam, followed by Malaysia, Thailand and Singapore. In China’s export trade with ASEAN, the main products include machinery and electrical products, textiles, iron and steel, agricultural products and refined petroleum products. In addition, the Chinese government lowered the import tariffs on daily consumer goods in May of this year. For example, the average import tariff on cosmetics dropped from 8.4% to 2.9%, and other daily consumer products’ import tariffs have also been reduced significantly (Du & Zhang, 2018). On the one hand, Chinese domestic consumers can purchase products from ASEAN at a more affordable price, better meet the diversified needs of current domestic consumers. On the other hand, they have expanded China’s opening to the outside world and stimulated the improvement of domestic enterprises.

1) Developing financial connectivity between ASEAN and China

China and ASEAN have a similar financial system which promotes financial developmentof China and ASEAN, it has provided an important carrier for the construction of the OBOR Initiative. The construction and development of the financial system can give full play to the guiding and aggregating role of finance, optimize the industrial structure, and promote common prosperity.

As a very important content of the Belt and Road Initiative, the development of China and ASEAN in financial resources has directly affected the implementation of the entire project (Incalcaterra, 2017). China has already targeted ASEAN an important foreign investment destination.In addition, to strengthen the financial cooperation with ASEAN, China participated in the ASEAN and China, Japan and South Korea (ASEAN+3) financial cooperation mechanism as well as other related organizations, to promote China and east Asia's financial exchanges. With the steady development of China's economy, the yuan as a settlement currency was welcomed by more and more countries.

2) Education, tourism and cultural exchange

The education exchange agreement has been signed between China and ASEAN, in addition, China has signed a mutual recognition agreement of degree with Thailand, Malaysia and other four

ASEAN members, which attracted a lot of Chinese students to study in ASEAN. Some Chinese students take advantages of the linguistic and geographical in some countries, such as Singapore and Malaysia, to be the springboard to Europe or United States. Moreover, China has continuously opened Confucius institutes in ASEAN countries to disseminate and promote Chinese culture, it has made great contributions to the cultural exchanges and integration between China and ASEAN. It is worth to mention that some of Chinese companies in education industry, they identify the English language advantage of Philippine, recruits many Philippine teachers to work online for English teaching, which provide Chinese consumers with cheap and good English education service as well as reduces the cost of education, it has also created many jobs for the Philippines, many teachers obtained good income through the work.

4. Opportunity, challenge and recommendation Opportunities for China and ASEAN under OBOR

The construction of a high-speed railway connecting ASEAN and China is one of most important projects of OBOR initiative. The completion of the high-speed railway network will bring great impact on the relationship between ASEAN and China. In the concept of One Belt One Road initiative, the connection in physical between ASEAN member countries and China is the first step, which will be the basic project and play a very important role in the political, economic and cultural connectivity between ASEAN and China

4.1 Political mutual trust and financial integration

In the process of constructing the high-speed rail, it will involve policies of more than one country, many governments will participate as well as allied consultations and coordination among these countries, they need to get consensus and support the giant project, which is conducive to build more closely and harmonious relations among all these countries which refer to the project. The construction of high-speed rail requires huge amount of funds and support from all relevant countries. The complex project has attracted a lot of external investment for ASEAN and created many new opportunities for financial development of China.

4.2 Trading and environmental protection

In addition, the construction project of high-speed railway can provide more convenient for foreign trading exchanges between the ASEAN and China, as well as for inner trading exchange among ASEAN member countries (Shambaugh, 2016). It also provides diversified carriers for transferring materials and manpower. High-speed railway is a transportation which contribute to the environmental protection, the train was driven by electric power which is a very clean energy source. Comparing to the planes and cars or other transportation, it is not only having advantages on transferring cost, but also can effectively protect the environment out of pollution. Environmental problem has become the hot spot issue in the global, high-speed rail will be effectively in reducing the energy consumption and environmental pollution problems which caused by the economic development and trading, making a better way for keeping the sustainable development of the whole economy, promote economic integration in ASEAN and benefit for the next generations.

4.3 Cultural communication

At present, the high-speed railway has become the main transportation for citizens in China, it can transfer large population for long way in a short period, help the country reduce a lot of transportation pressure. It is also very popular in China, because it is fast and convenient and the price is lower than taking the airplanes. The completion of the high-speed railway project will also provide more diversified choices and services for the improvement of tourism industry, thus it brings increasing of the people inter flows between ASEAN and China, as well as promoting cultural exchanges and communication.

5. Challenges for implementation of OBOR initiative in ASEAN

OBOR is an idea that benefits for national economy and people's livelihood. However, due to the complex of the project, huge investment and would consuming a long period of time, OBOR initiative faces many challenges in the process of implementation.

5.1 Dissonance in political and economic aspects

The implementation of OBOR initiative in ASEAN refers to very complex inner relationship of ASEAN member countries. In the external environment of political, United States and Russia as strong countries in the world, which has very powerful political influence on the development and decision making of ASEAN member countries, the impact from these countries may cause OBOR project suspend or consuming longer time to finish. In addition, the fund investment of the project is also facing a lot of instable risks, for example, there was an earlier consultation of high-speed railway projects in collaboration between Singapore and China, the elementary planning and program has been done, however, the other countries noticed the profit of the project and try to involve in. If the project planning is out of agreement, China will suffer huge losses in investment.

5.2 Problems arising from differences in economic development among ASEAN countries

For the trading between China and ASEAN, because of the economic level different in the association of south-east Asian nations member countries, China put more emphasis on developed countries in ASEAN, the trade is mainly focusing on the countries, such as Singapore, Malaysia, Thailand, etc. China's foreign trade with other Allies accounts was occupying a very small percentage, which may make it be failure for fulfill the mission of OBOR initiative. The difference in economic level among allies will also lead to the issue of interest uneven distribution under the OBOR project implementation, how to reconcile disputes over interests among ASEAN member countries will be a huge problem for OBOR initiative implementation.

6. Recommendation and conclusion

In politically, it should strengthen policy communication between China and ASEAN, build a more solid platform for cooperation projects and development strategies. As an advocate of OBOR, China needs to know more about the needs of ASEAN countries, consider the immediate interests of ASEAN Allies, and promote mutual trust and support between the two sides. In bilateral trade, increasing the liberalization and the level of trade facilitation for China and ASEAN, promoting bilateral exchanges and trade communication of small and medium-sized enterprises, improving the industry and the capacity of complementary for both sides. In terms of infrastructure construction, China should fully respect the local customs and culture of ASEAN countries, strictly abide by the local law when processing the engineering infrastructure construction. Moreover, in the development of the project, fully consider the interests of both parties on the solution of the problem, make the development needs of China to meet the needs of ASEAN.

This research collects many previous literatures for supporting the hypothesis, which illustrates the OBOR initiative positively effect the development of ASEAN and China in many fields, in it the infrastructure is one of the most important projects under OBOR initiative, which would bring enormous change for most of ASEAN member countries and build effective connection between ASEAN and China.

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