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How Does the Belt and Road Initiative Shape ASEAN? China's Dual-Track Approach under Strategic Interdependence

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Abstract

In 2013, China's Premier Li Keqiang announced the ten-year plan for a "diamond decade", and President Xi Jinping announced the Belt and Road Initiative (BRI) and the 21st Century Maritime Silk Road to expand further relations with the Association of Southeast Asian Nations (ASEAN). Scholars have explored China's motives and whether the BRI serves as a public good to foster ASEAN connectivity or Beijing's economic and geopolitical interests. Based on data of more than 440 China-backed investments with above US$100 million in four essential BRI sectors since 2005, collected by the China Global Investment Tracker (CGIT), this article upends the BRI to investigate how it shapes China–ASEAN relations. It argues that China engages in a two-track approach with less essential public diplomacy on the first track and the actual implementation procedures under strategic interdependence on the

second bilateral track, thus implying contradictory trends for the bloc's development and China-ASEAN relations.

Keywords: *international political economy, connectivity, infrastructure, energy, resources, BRI, geoeconomics, strategy*

1. Introduction

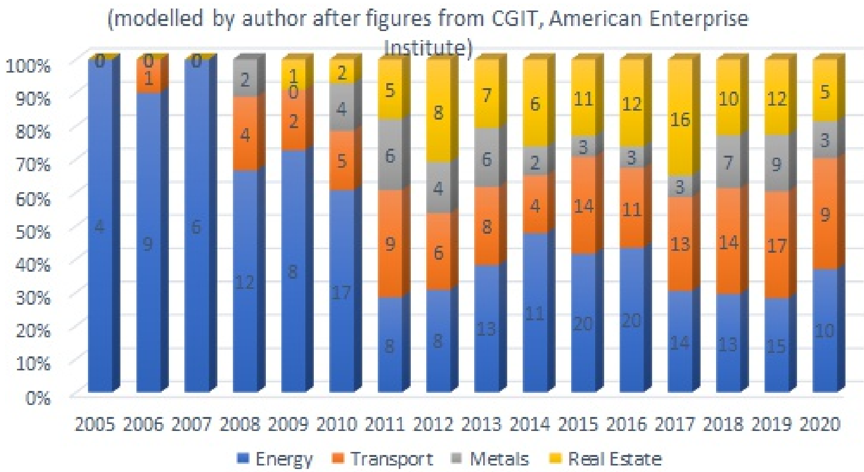
On 30th August 2013, the tenth anniversary of the ASEAN–China strategic partnership, Chinese Premier Li Keqiang (李克強) announced the ten-year plan for a "diamond decade" (鑽石十年) to augment economic cooperation. Li proposed to upgrade the 2008 Free Trade Agreement (FTA) and expressed that "[w]e had the capabilities to create a 'golden decade' in the past. We also have the power to create a 'diamond decade' in the future." (*China.org.cn*, 4th September 2013). Both sides committed to enhancing security communication and cooperation, financial collaboration, risk prevention and infrastructure connectivity. The "diamond decade" plan aims to strengthen the strategic partnership to build peace in the region, including the South China Sea. China's President Xi Jinping (習近平) introduced the "Silk Road Economic Belt" (絲綢之路經濟帶) only eight days later in Kazakhstan (FMPRC, 7th September 2013). Another three weeks later, on 2nd October 2013 in Jakarta, Xi addressed the Indonesian Parliament, introducing the "China-ASEAN community of common destiny" (中國一東盟命運共同體) (CCD). Xi announced the establishment of an Asian Infrastructure Investment Bank (AIIB) that would prioritise ASEAN connectivity needs and develop maritime partnerships to build the "Maritime Silk Road of the 21st century" (21世紀海上絲綢之路). For Xi, the BRI comprises policy coordination, infrastructure connection, smooth trade and capital flow and people's connectivity.

ASEAN countries play an essential role in the Maritime Silk Road (Lu, 2016). The strategic partnership hints at Beijing's intention to achieve goals with ASEAN beyond the regional sphere. On his visit to Brunei in April 2016, China's Foreign Minister Wang Yi (王毅) said, "[a]mong the relationship between ASEAN and significant powers, China–ASEAN ties are just beginning, with the greatest potential, the broadest scope, the most vital momentum, and the best prospects" (FMPRC, 21 April 2016).[1] Conversely, from a strategic point of view, China views ASEAN as a crucial arena to relatively weaken or neutralise ASEAN as an asset for others. ASEAN is China's prime arena for reducing the influence of its most substantial competitors in the region to move Xi's BRI goals forward.

The BRI's US$5 trillion global infrastructure investment programme (Gao, 2020) prioritises considerable investments in transportation connectivity: constructing railways, highways, ports, air routes, telecommunication and energy pipelines to promote market integration (Chen and Li, 2021). One hundred and thirty-seven countries and 30 international organisations had signed 199 cooperation agreements by the end of 2019 with China on jointly building the BRI.

How the BRI shapes China-ASEAN relations broadly and the bloc's development is still open for debate (Zhao, 2019). This article explores this question by conducting empirical assessments based on the data banks of the World Bank and of ASEAN on trade, and primarily of the China Global Investment Tracker (CGIT), published by the American Enterprise Institute (AEI, 2021), concerning investments in the substantial BRI sectors according to investment volume. According to the AEI, the CGIT, inaugurated in 2005, is the only comprehensive public data set covering China's global investment and construction, including nearly 4,000 large transactions worldwide across energy, transportation, technology, property and other sectors, as well as more than 300 troubled transactions (AEI, 2021). Concerning ASEAN, this research filtered the 440 ≥ $100 million investments since 2005 in the four most significant BRI sectors – energy, transport, infrastructure and real estate and construction – from quantitative and qualitative perspectives as facilitated by Chinese actors (see Figure 1).

Figure 1 Number of BRI > $100 million Ventures in ASEAN-10 in the Four Most Essential BRI Sectors, 2005-2020



This article argues that China pursues a dual-track BRI policy, a model which stems from China's official dual-track approach (雙軌思路) when negotiating with ASEAN on the South China Sea conflicts. Allegedly proposed by Brunei but advocated by China, it "requires specific disputes to be peacefully resolved through consultation by parties directly concerned and stability in the South China Sea to be jointly maintained by China and the ASEAN" (FMPRC, 24th July 2016). Bluntly expressed, Beijing allows non-disputed and less essential issues to be dealt with at the China-ASEAN level (first track) but enforces bargaining regarding the fundamental problems, namely China's interference in the territorial sovereignty of ASEAN states at the bilateral level only. Accordingly, this paper infers from Beijing's South China Sea policy that China engages in a dual-track BRI approach. The first track (talk of a "diamond decade", 21st Century Maritime Silk Road, CCD) is a public diplomacy "smoother" to help implement second-track goals. Chinese enterprises compete under strategic interdependence at the crucial second bilateral track to serve the government geoeconomic and geopolitical objectives. Accordingly, state-operated enterprises execute regional gamesmanship with moves in one market aspiring to achieve goals in other markets or the political sphere. ASEAN states might shape the BRI better when they understand disguised Chinese interests and motives, improve intra-coordination and coordinate with external actors.

2. China–ASEAN Relations and the BRI

The thriving China–ASEAN relationships have increasingly drawn scholarly attention (Suehiro, 2017; Beeson, 2019; Gong, 2019; Hoang, 2019; Kong, 2019; Yang and Li, 2019; Bi, 2021; Liu, Tan and Lim, 2021), including their geopolitical dimensions (Klemensits, 2018; Tran, 2019). The BRI concerns investments in six economic corridors covering immense energy- and resource-rich parts of the world, with three encroachments on Southeast Asia. The 21st Century Maritime Silk Road focuses on Indonesia. The other two corridors are Bangladesh–China–India–Myanmar, and the China-Indochina Peninsula, comprising Brunei, Cambodia, Laos, Malaysia, Philippines, Singapore, Thailand, Timor-Leste and Vietnam. The ASEAN Investment Report from 2015 projected annual investment needs of more than $110 billion for infrastructure. Hence, BRI implementation brings synergistic opportunities and challenges to countries in the region and regional integration (Yang and Li, 2019). Academic and think-tank perspectives move between two cliché-like extremes, portraying the BRI as a master plan to "connect" Eurasia and the world for the public good or to "conquer" in preparation for China's future regional hegemony (and beyond). In addition, critics say that China engages in debt diplomacy and ignores human rights and environmental standards. For instance, Yang and Li (2019) assume that the BRI is becoming a public good for the global economic, safety and cultural governance. In contrast, Chellaney (2017) argued that the BRI is a neocolonial strategy to overtake assets and natural resources and expand Chinese military and naval presence through debt diplomacy to fund the initiative's infrastructure projects. As these perspectives fit the interests of the USA and China, both views are robust internationally. However, a literature review on China–ASEAN relations shows that our assumptions should be more fine-grained before exploring the essence of China's goals and how the BRI might shape ASEAN, as regional trends also embed and shaped the BRI. The first track policy refers to regionalism and joint coordination forces among China and ASEAN, and the second track refers to diplomacy related to bilateral and investment relations.

2.1. China–ASEAN First-Track Relations in an International Context

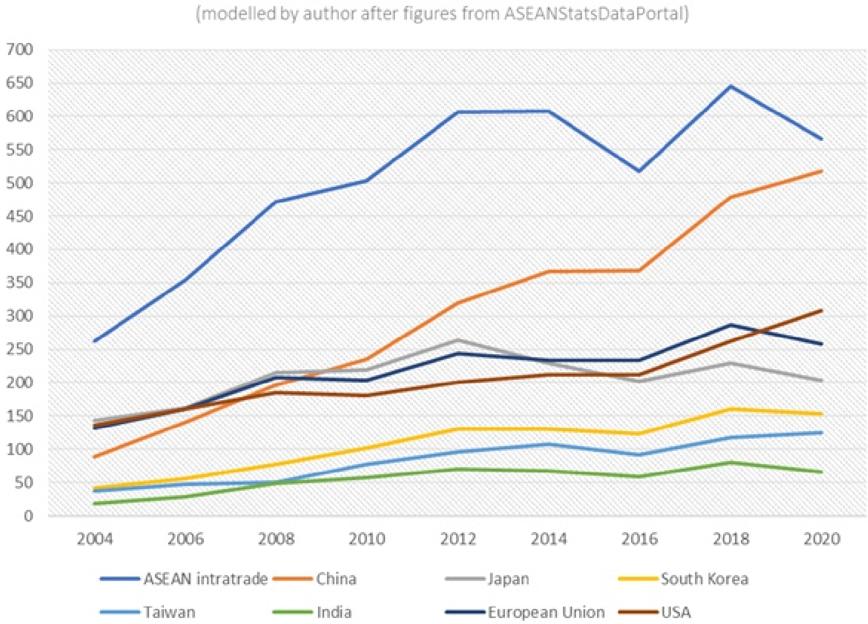
Stubbs (2002) predicted an increasing ASEAN-plus-3 (China, Japan, South Korea)-led East Asian regionalism, as both China and ASEAN put considerable mutual suspicion aside at the turn of the century (Ba, 2003). However, Egbering and van der Putten (2010) observed limited ASEAN power projection capacity, as the bloc was more an object of great power contestation. Ravenhill (2010) claimed that politics instead of economics would drive the "new East Asian regionalism". Arguing from a constructivist perspective, Ba (2006), exploring "who's socialising whom" in China–ASEAN relations, was more optimistic about ASEAN's influence. In contrast, Beeson (2016) questioned ASEAN's capacity to engage with China as a collective actor. Beijing has created China-led institutional policy designs that make the region more convenient for China (Suehiro, 2017). He (2020) and Gong (2019) found that China-led regionalism had modified the logic of alliance politics by developing a hybrid and overlapping membership arrangement that blurs friend–enemy assumptions. Daksueva and Ylmaz (2018) claimed a gradual strategic transformation in China's relations with Southeast Asia, indicating a shift from a traditional "South-South" model to a "North-South" model. Chan (2020) wrote that China is attempting to redefine the region's shared goals and values to obtain consent for its leadership. Chinese soft power, the Shanghai Cooperation Association, the Regional Comprehensive Economic Partnership (RCEP) and South-South cooperation are further facilitators that encroach on ASEAN as a target for the BRI (Gao, 2020). The RCEP, in force since 2020 and vigorously promoted by Beijing, impacts China–ASEAN relations (Chiang, 2019). Beeson (2019) assumed that China is very comfortable with the idea of a rather feeble and ineffective institutional architecture in East Asia, which is designed to prevent rather than facilitate something (namely institutional balancing instead of power balancing). The ASEAN–China Community of Common Destiny (CCD) signals the crystallisation of a deliberative Chinese strategy for future connections at the expense of ASEAN integration to condition ASEAN into "good behaviours" (Hoang, 2019).

China–ASEAN economic and trade relations have developed rapidly in recent decades but have been more competitive than complementary (Wong and Chan, 2002, 2003). China's market potential, military capabilities and enormous size have worried the Southeast

Asian states for a long time (Ho, 2001). The ASEAN FTA boosted intra-bloc trade, which has accelerated since the 1990s (Booth, 2018; Tong, 2021). After China entered the World Trade Organisation (WTO) in 2002, China moved up the manufacturing chain, giving Southeast Asia opportunities to balance export losses by exporting components to China. China and ASEAN were negligible investors in each other's economies. Nevertheless, Wong and Chan (2003) predicted that bilateral trade would expand if both could interlock their economies through more deep integration. In 2010, the ASEAN–China FTA went into force, and China became a more prominent trading partner for ASEAN than Japan. Given their trade and industrial structures, the FTA is both complementary and competitive, and in 2016, it was upgraded. For 2020, while intra-trade decreased, China–ASEAN trade increased. China's increasingly and substantial positive trade balance with ASEAN has led to friction (Chiang, 2019).

An incentive for regional integration of ASEAN was the enormous increase in intraregional trade till 2013. In 2016, the ASEAN Economic Community (AEC) entered into force at the right time, as the deterioration of intra-trade between 2014 and 2016 was reversed, and trade reached new highs. The AEC aims at creating a single market to develop ASEAN into a competitive bloc; to achieve this, it needs regional partners, especially China and Japan (Bergar, 2018). China has become the linchpin of ASEAN trade, likely to overtake intra-ASEAN business soon, and the BRI deepens China–ASEAN relations. In 2020, of the regional East Asian powerhouses, only Taiwan could increase its trade with ASEAN. USA–ASEAN trade increased by $100 billion between 2016 and 2020. The EU, maybe the only actor with a strong interest in a more profound political ASEAN economic integration, lost market shares in ASEAN trade (Figure 2).

Figure 2 ASEAN Commodities Trade ("All") in $billion



In the political realm, Yahuda (2013) observed that China's new assertiveness has arisen due to the expansion of its military power, its "triumphalism" in the wake of the Western financial crisis and heightened nationalism, which contribute to the growing mistrust about China's South China Sea activities. Strategic interdependence affords ASEAN states options to hedge against China. Indonesia and Malaysia adopted an "institutional hedging" strategy through equidistant diplomacy, thereby reaping benefits from China and the U.S. (Kuik, 2016; Huang, 2017; Katsumata and Nagate, 2019; Oba, 2019; Gerstl, 2020). Mubah (2019) found that Indonesia's independent double-hedging plan supports regional stability and cooperation in the region.

China's activities also facilitated U.S.–Southeast Asian countries' affiliation in the U.S. Free and Open Indo-Pacific Strategy (Tran, 2019). ASEAN has a constant fear of overdependence and loss of autonomy. Thus, the persistent pursuance of open regionalism and multipolarity in Southeast Asia (Hoang, 2019), due to China's ASEAN dual-track approach, make a regional leadership role still improbable (Baviera, 2016; Beeson, 2016). Beeson (2018) held that "at this stage, it is unlikely that China will be able to replace America's leadership role". Thus, Gong (2019) argued that BRI and China's influence in Southeast Asia should neither be dismissed nor overestimated, while a Sinocentric order remains improbable. On the other hand, China has no sincere interest in strengthening ASEAN's political integration, which thus has to come solely from within ASEAN.

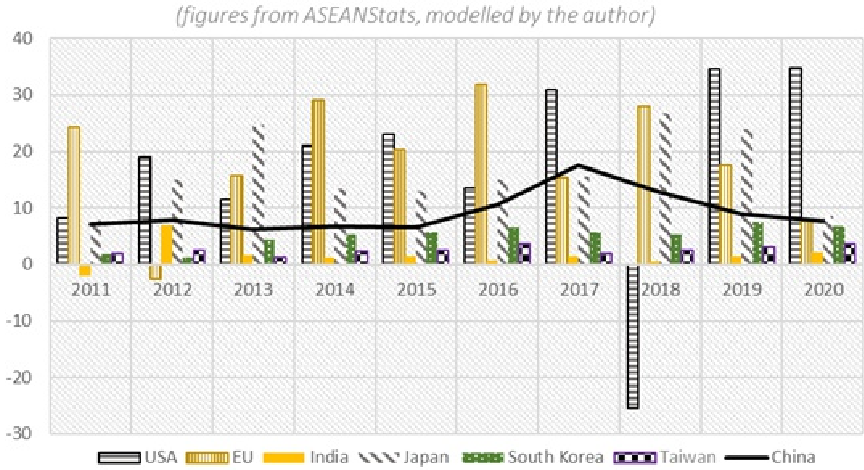
2.2. The Second Track and the BRI in an International Context

In general, China is still a minor investor in most parts of the ASEAN region, which is unlikely to change in the immediate future (Booth, 2018; Chiang, 2019). Through the last decade, Foreign Direct Investment (FDI) from the USA, the E.U. and Japan were regularly higher. Unlike the RCEP, the BRI is less about integration. Still, it has a clear development purpose of industrialisation in countries lacking infrastructure (Corbunova and Komarov, 2017), which benefits China and ASEAN (Chin, Ong and Kon, 2019).

The Asian Development Bank calculated that Asia would need an enormous $26 trillion in infrastructure investment by 2030 (ADB, 2017) and an annual requirement of almost $460 billion per year to develop economically. The McKinsey Global Institute forecasted the need for over $2 trillion in infrastructure across ASEAN to maintain economic growth (AIIB, 2019). The BRI and the AIIB partly fill this gap and help to bind China's geoeconomic and Asia's development goals together. De

Jonge (2017) found that the AIIB has become part of regional networks and linkages around ASEAN, which may challenge the rules and practices of existing financial institutions ("contested multilateralism"). ASEAN's infrastructure development is set out in the AEC 2025 Blueprint and the Master Plan of ASEAN Connectivity 2025. The ASEAN connectivity master plan and domestic policies of individual ASEAN countries are synergistic with the BRI, such as Indonesia's Maritime Sea Toll's programme to better connect ports and commodity distribution among the islands (Hermaputi, Gong and Hua, 2017). Figure 3 displays the FDI to ASEAN from significant trading partners.

Figure 3 FDI in $billion to ASEAN from Major Sources, 2011-2020



All ten ASEAN member states belong to the 57 AIIB founding members of 2015. The bank began operating in January 2016 in Beijing "to improve social and economic development in Asia" (AIIB, 2021).

The ASEAN strategic objectives align with the AIIB's thematic priorities of sustainable infrastructure, cross-country connectivity and private capital mobilisation. However, in 2018, the AIIB only gave loans of US$7.5 billion and four billion in 2019, globally. In reality, AIIB provides loans of less than one per cent of the annual demand projected, which makes the AIIB still marginal in the infrastructure financing of ASEAN.

Suehiro (2017), Kong (2019) and Gong (2019) held that ASEAN countries found Chinese practices, motivations and investment models in infrastructure development projects questionable. Investments in Indonesian port construction remained low because of a lack of mutual understanding and overall deterioration of mutual trust between China and Indonesia, Malaysia or Vietnam (Huang, 2017; Hermaputi, Gong and Hua, 2017; Duong, 2020). Zhang (2021) held that local acceptance levels vary with the business nature and practices, as in Malaysia. Mark, Overland and Vakulchuk (2020) assume that the BRI has transformative potential for Myanmar's economy, while Cambodia almost exclusively embraces and jumps on the bandwagon with China (Po and Primiano, 2020). Shi and Yao (2019) suggested that an overall sense of ownership could increase the acceptance of Chinese investments.

To summarise, China–ASEAN relations are in flux and offer reasons to speculate about the direction in which they will develop and how China's BRI shapes the relations. This is because the China links are not without contradictions, involuntarily urging and giving ASEAN options to manoeuvre through the current regional dynamics. The analytical next section explores BRI investments in the most sensitive and vital BRI sectors. China is usually backing or facilitating these investments since other corporate or public actors make contributions as well. According to the AEI data bank, transport, energy, minerals and metals, retail and construction are ASEAN's most relevant BRI sectors. The following section will present a quantitative-qualitative insight into the foci of China's BRI goals towards ASEAN, which have not been explored in the literature. It upends the BRI to investigate how it shapes ASEAN–China relations and ASEAN development. The analysis also explores the principal cases involving significant investments in the China-Indochina Peninsula, which links China with Cambodia, Laos, Myanmar, Vietnam and Thailand and covers the current 2021 development. The discussion and conclusion sections link the results to this section.

3. Results: BRI Investments in ASEAN

Between 2013 and 2020, China invested around $755 billion globally in countries of the BRI. With $196, East Asia is slightly ahead of West Asia and sub-Saharan Africa as the most appealing region for BRI investments. Globally, energy investments contribute 40 per cent, transport 23, real estate ten and metals nine per cent (GFDC, 2021). The BRI consists of two main strategies: developing overland physical infrastructure, referring to the "belt", and improving maritime transportation, the "maritime silk road". When comparing the investments before and after 2013, the majority occurred after 2013. Indonesia (25 per cent), Malaysia (16 per cent) and Laos (10 per cent) have received half of all BRI-related investments since 2005 (see Figures 4 and 5).

Figure 4 China-backed BRI Projects in ASEAN in Selected Sectors in Total (2005-2020) and since the "Diamond Decade" 2013

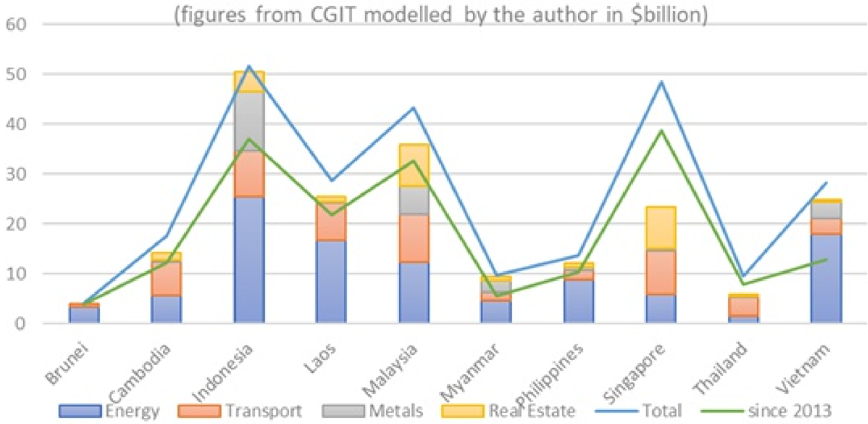


Figure 5 China-backed $billion Investments in the Four BRI Sectors – Energy, Transport, Metals, Real Estate and Construction, 2005-2020 (modelled by author)

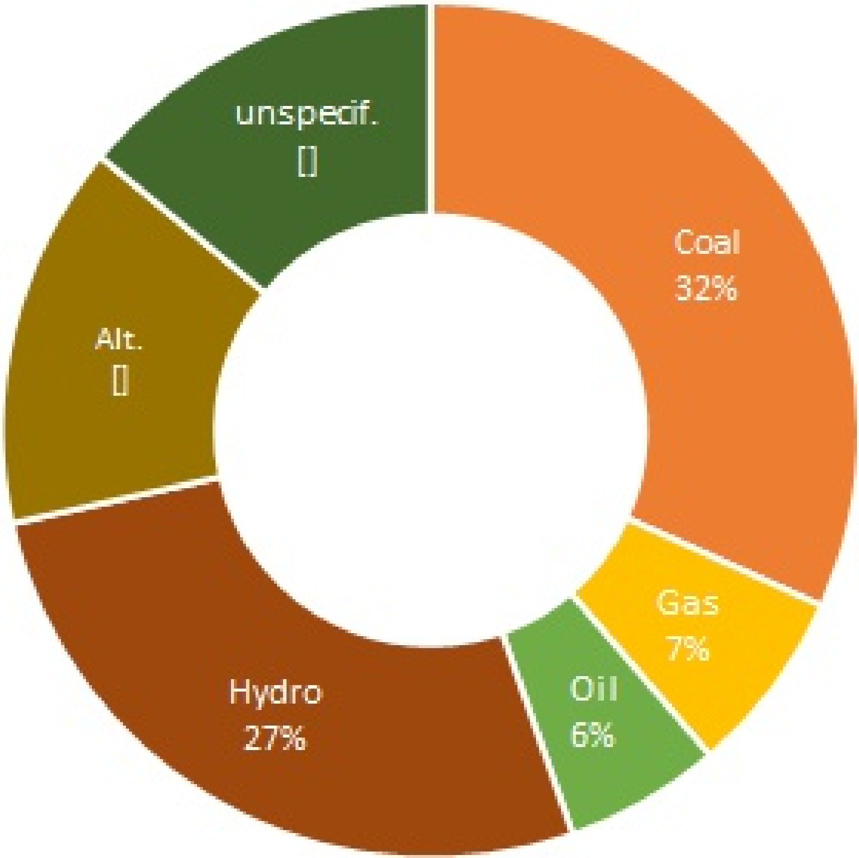
BRI investments to Indonesia amount to over $50 billion and almost $30 billion to Laos. While Indonesia has 270 million people, Laos has only seven million. Thus, Laos received at least 20 times ($4,200) more investment per capita than Indonesia ($200). Only Singapore's per capita ratio is higher. There are regional varieties concerning the sectors. Malaysia and Singapore are most appealing for the real estate and construction sector, and Indonesia and Vietnam are for energy. Only in Singapore is the share for other than the four essential BRI sectors, such as entertainment, exceptionally high. Alibaba invested $2 billion in 2018, and a consortium with the Bank of China invested a whopping $9 billion in the Singaporean logistics sector in 20. In general, FDI from China has become more diversified, ranging from energy to manufacturing and services. Investments in transport and energy are mainly from China's state-owned enterprises, such as China Railway Construction, China Energy Engineering, China Communications Construction, and China's Power Construction Corporation. Most Chinese funding for BRI projects comes from state-directed development and commercial banks (OECD, 2018: 3). The following sections analyse the four most appealing industries and give essential information about their characteristics.

3.1. Energy: Emphasis on Coal

Between 2005 and 2020, the CGIT measured 188 energy-related BRI ventures. Energy is the largest sector, with transactions of over $102 billion (investments usually include local or other shareholders). The top destinations (in $billion) are Indonesia (25.5), Vietnam (18.1), and Laos (16.7), followed by Malaysia (12.4) and the Philippines (8.7). Thailand stands out as the destination with the lowest Chinese stakes: nine investments reach $1.6 billion (mostly, however, in alternative energies).

Fifty-nine are coal projects. Sixteen ventures surpass one billion US$, seven alone in Vietnam. As there are also 13 gas and 11 oil projects, conventional energy projects account for over 80 (see Figure 6).

Figure 6 China-backed BRI Energy Projects in ASEAN Member States, 2005-2020 (CGIT 2020, modelled by author)



Oil projects include eight ASEAN countries with nine Chinese enterprises, including two Greenfield investments. Circa $10 billion has gone into the oil sector. Zhejiang Hengyi, with $3.4 billion and a share of 70 per cent, is the most significant investor in Brunei. Forty-eight projects exceed a value of $500 million, with 35 of these in conventional energies. Coal encompasses most tasks and large projects, with eleven Greenfield ventures. Fourteen of the $500+ million coal investments are in Indonesia, where 24 Chinese enterprises are invested. The Power Construction Group alone has eight projects with over three $billion transactions, including local investors. In Cambodia, 15 projects by ten Chinese enterprises have an investment value of $5.8 billion. Eight $500+ million ventures relate to water power.

Outstanding ventures are the Huaneng Power (100 per cent) in Singapore with $3 billion, the China General Nuclear investment (100 per cent) with $6 billion in Malaysia and the Zhuhai Zhenrong investment with a 70 per cent share of over $2.1 billion in the Myanmar oil sector. The alternative industry, including solar and hydro, counts 40 assets since 2013. Outstanding are two solar projects in Malaysia by Comtec Solar and Jinko Solar (100 per cent each) with half a billion dollars invested.

Of the 35 projects of $100+ million in Laos, 24 are in hydropower. Laos possesses many fast-flowing rivers linked to the Mekong. Only two conventional energy projects are on the list—thirteen different Chinese corporations invested in the Laos energy sector and eleven in the hydro industry alone. In 2010, Sinomach invested $1.6 billion in a coal power plant. The largest project was that of Sinomach in 2016 at over $2.1 billion. The Power Construction Corporation has eight energy projects in Laos, all on hydro energy. Laos wants to become the "battery of Southeast Asia", but under China's control? In March 2021, the government and the majority-owned Chinese company "Electricité du Laos Transmission Company Ltd." (EDLT) signed a 25-year concession agreement that allows the corporation to manage a significant share of the country's power nets by investing over $2 billion in the grid (*The Diplomat*, 17th March 2021). Laos' debts to China stand at an unhealthy 45 per cent of the country's GDP.

The many upstream dams in Laos have contributed to the record-low water levels on the lower Mekong, raising concerns in Vietnam, Cambodia and Thailand. Bangkok thought about not purchasing electricity from a newly announced Mekong dam project.

To summarise, on the downside, China's huge energy investments bring severe environmental pollution, contribute to economic security issues concerning the Mekong River populations with the potential for conflict among upstream and downstream countries, and bring severe debt trap issues, at least for example Laos. On the upside, they carry and finance cheap and stable energy for the people and businesses, creating more industrial investment and future economic development opportunities.

3.2. Transport: Railways, Shipping, Aviation and Free-Trade Zones

The CGIT enumerated 118 ventures in transport, with 90 since 2013. Fifty-three relate to the auto industry, including highway construction, car and tyre manufacturing or assets in local car-maker and related industries. Shipping attracted 16 (only six after 2013) projects, and the aviation 6. Aviation expenses are targeted at $2.4 billion. The biggest project has been an investment in Singapore in aircraft leasing. At the heart of the BRI is railways connectivity, with 43 expenditures.

The top destination for Chinese investments in transport is Malaysia with $9.6 billion, closely followed by Indonesia with $9 billion and Singapore with $8.8 billion. Based on an investment per capita calculation, Laos ($7.5 billion) and Cambodia ($6.5 billion) are significant destinations. There are two kinds of railways projects: the first type concerns Chinese infrastructure goals to connect landlocked Chinese provinces with Southeast Asian countries, and the second type facilitates local infrastructure. The economic corridor of the China-Indochina Peninsula combines both.

The railway projects consist of $41.5 billion (including $290 million in Timor-Leste) of $52 billion invested in the transport sector. Landlocked Laos, sharing borders with Vietnam, Cambodia, Thailand and Myanmar, has become a transportation hub, connecting China's landlocked Yunnan province with Indochina. China Railway Engineering and China Railway Corporation (CRC) have invested at least $6 billion. The CRC also manages two projects worth $1.37 (2020) and $2.2 billion (2018) in Indonesia.

The $5.9 billion investment of the China–Laos railway (or Boten–Vientiane railway) will result in the first modern railway in Laos. The longest bridge spans 7.5 km. That 414 km railway is a quintessential project in China's Indochina plans. The service will begin in December 2021, stop in Thailand at Nong Khai and operate at a maximum speed of 160 km/h (*Bangkok Post*, 17th September 2021). Laos has a 30 per cent stake in the railway, partly covered by loans from China (at least $250 million). The World Bank perceives Laos as the only mainland Southeast Asia country facing a "risk of external debt distress" (*Voice of America*, 4th March 2021). According to China, 10,000 Laotian workers have benefited from the railway. Two subsidiaries of China Railway Construction Corp won a $415 million contract to build the China–Thailand high-speed railway in 2020 (*China Daily*, 19th December 2020). That is the first phase of the 250-km-long line linking the Thai capital Bangkok and the north-eastern province of Nakhon Ratchasima; an additional line connects Nong Khai. It will be Thailand's first high-speed railway connecting with Vientiane and China's Kunming in Yunnan province.

An example of the second type of railway project is the Jakarta–Bandung line in Java/Indonesia. When awarded to Kereta Cepat Indonesia China (KCIC) in 2015, a joint venture consortium between Chinese and Indonesian state-owned companies, the project costs were $4.57 billion for the 142 km project. Better finance conditions than those offered by the Japanese helped China win the contract. In 2021, the Indonesian side announced that it was renegotiating with Beijing to decrease its stake after the costs had increased by a fifth (Reuters, 15th April 2021). The Indonesian side wants to reduce their 60 per cent stake, which shall begin in 2023. One way for Chinese enterprises to get a contract is to buy stakes from an award-winning local company. China Communications Construction Co's Indonesian subsidiary announced that it was buying a stake in a company that had won a contract to build a 170-km (106 miles) toll road in the Southeast Asian country. P.T. China Communications Construction Indonesia (CCCI) transacts $1.65 billion of business with its Indonesian counterpart PT Jasamarga Probolinggo Banyuwangi (Reuters, 14th October 2019).

Chinese companies offer cheap credit and complete construction services, sometimes buying into markets beforehand. The 350-km railway line from Kuala Lumpur to Singapore, the first high-speed rail project in Southeast Asia, has appealed to Chinese companies, Japan's Kawasaki Heavy Industries, Germany's Siemens, and the French company Alstom (*China Daily*, 14th May 2016). The trip might take two hours with an average journey of about 330 km/h. To win the award, China Railway acquired stakes in Bandar Malaysia, a transit hub and the terminal of the proposed project.

The BRI also includes setting up pilot free-trade zones, which have important implications for Southeast Asia. Tong and Kong (2017) assume that these generate more opportunities, especially for the less developed ASEAN states. A significant example is a CITIC-led consortium with five Chinese and one Thai corporation to construct and operate the industrial park and deep seaport projects of Myanmar's Kyaukphyu Special Economic Zone within 20 years (*China Daily*, 31st December 2015). Those projects shall be built in four phases over 20 years. China believes that those projects will create 100,000 jobs for locals every year. By 2025, 90 per cent of the project managers will be locals.

The only Greenfield investment in shipping comes from Shenzhen municipality, one of China's fastest-growing cities, which will invest $200 million in a special economic zone in western Indonesia (*China Daily*, 24th May 2016). The funds will be invested in Tanjung Api-Api SEZ in South Sumatra. The Shenzhen authority is interested in constructing a deep seaport for international container shipping and real estate. The Indonesian side expects more investment and technology transfers.

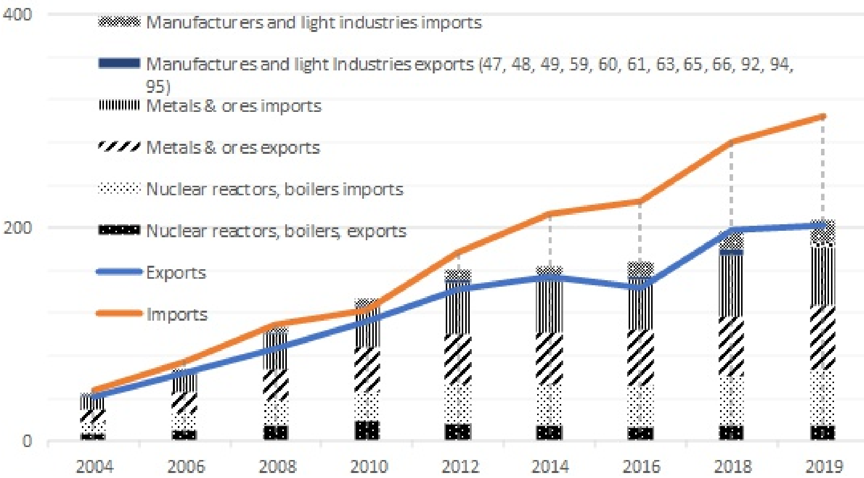
3.3. Minerals and Metals

Concerning bilateral trade relations, the 2010 FTA transformed the formerly balanced ties at the expense of ASEAN. The export-import gap has increased incrementally. Interestingly, labour-intensive commodities trade has remained low, while the metals and ores primary sectors have had strong import and export performance (see Figure 7).

Between 2008 and 2020, the CGIT enumerated 50 investments in the metal sector above $100 million. Twenty-one were Greenfield expenditures. With 29 ventures, Indonesia is most attractive, followed by Malaysia with eleven, Vietnam with four and Myanmar with three.

Figure 7 ASEAN Commodities Trade with China

(source: ASEAN StatsDataPortal, in $billion)



Thirty-six per cent (18) of them are over $500 million. Eleven are in the steel sector (including nickel and other metals), four in aluminium and one in copper. Thirteen of these 18 are Greenfield projects: ten in Indonesia, four in Malaysia, one in Cambodia, Myanmar and Vietnam. In 2011, Guangxi Nonferrous planned to invest $500 million in Cambodia in a Greenfield project; however, that state-owned company filed for bankruptcy a few years later. The Chinese government is not transparent in dealing with overcapacities in the metals sector. On the one hand, the government wants to reduce them; however, on the other hand, China's global price competition suits its geoeconomic impact.

Chinese enterprises facilitate $24 billion in expenses. By far, most investments relate to steel (32, or nickel and related metals), followed by aluminium (nine), non-specified (eight) and one copper project. In the

18+ $500 million projects, 16 state companies are involved. Chinalco invested in aluminium in Indonesia and Malaysia, and Zhejiang Lygend invested in two nickel projects in Indonesia. Most enterprises are state conglomerates with refining competencies.

Five megaprojects surpassed $1 billion. Four of them were in the steel sector (nickel), and one was by Norinco (a military company) in Myanmar at over $1.4 billion. Minmetals facilitated investments in Malaysia of $1.6 billion, and China Nickel Resources (CNR) invested over $1.2 billion in Indonesia. Another Greenfield investment of over $1.2 billion in the steel sector came from Zhejiang Huayou Cobalt, China Molybdenum from Tsingshan in Indonesia. Jilin Nonferrous contributed to a Greenfield investment in Indonesia worth over $930 million and owned 100 per cent by the company. Sinomach (steel, $900 million) in Malaysia and State Construction Engineering (aluminium, $990 million) in Indonesia were further significant investments. These investments and the global resources environment led Jakarta to rethink its trade regime. CNR had severe cash flow problems in 2013 after the group's revenues broke away. Previously, Indonesia implemented an ore exports ban to control the supply chain and provide resources to domestic corporations. CNR suffered a three-fold rise in net losses year-on-year in 2015 (*Metal Bulletin*, 4th September 2015). The state-owned Minmetals has also invested heavily in Malaysia.

In contrast, Hongqiao, the world's largest aluminium producer and privately owned, has further increased production against the will of the Chinese government, which contributed to the world's aluminium overproduction and price drops. Its product remains mainly in Indonesia, available for local smelters. Chinese investments abroad impact world market prices severely. However, Indonesia also has plans to build up its value chains and battery production.

GEM Co Ltd is a private battery producer who has set its eyes on Indonesia's nickel reserves, looking to tap into an expected surge in demand for the battery metal for electric vehicles. In November 2019, the company announced that it was co-investing in a venture worth $700 million to produce battery-grade nickel chemicals to establish a nickel smelting capacity of over 50,000 tons per year. The Japanese trading house Hanwa and the Indonesia PT Bintangdelapan Group are the other firms involved in the project. The founder and chairman of GEM Co, Xu Kaihua, warned competitors not to enter the market, as "[o]nly the top five will survive" (*South China Morning Post*, 27th November 2019). The company manages supply chains from the cobalt and nickel mines of Africa and Southeast Asia to the engines of German cars. GEM has a plant in Indonesia that allows it to avoid the export ban on nickel, and it is the world's biggest recycler of metals from used batteries.

Zhejiang Huayou Cobalt's first nickel and cobalt project in Indonesia will be in operation by the end of 2021, with capital expenditure coming in below-planned levels of $1.2 to 1.3 billion (Reuters, 23rd June 2021). The company is a significant supplier of cobalt for Apple (20 per cent). On the island of Sulawesi, the project is one of several Indonesian nickel and cobalt plants using modern high-pressure acid leach (HPAL) technology that has drawn attention as a new supply source for the fast-growing electric vehicle battery sector.

The private company Zhejian Lygend runs two joint ventures related to nickel production with the Indonesian Harita Group.[2] Zhejiang Lygend said, "[w]hile our core business lies in the international ore trade […] we also follow China's One Belt One Road policy and bring Chinese technologies and management expertise overseas."[3] The company, which has existed only since 2010 and started as a trader in nickel ore, is now active in logistics, smelting, and equipment manufacturing, mainly in the ASEAN region. Together the two companies plan to put out 90,000 tons of nickel, 240,000 tons of nickel sulfate and 30,000 tons of cobalt sulfate.

3.4. Real Estate, Construction and Property

The CGIT counted 96 investments over $100 million in the real estate and construction industries made by 41 Chinese corporations. Thirty-one are Greenfield investments with $11 billion between 2009 and 2020. For nine of them, 100 per cent of the stakes are held by the Chinese, including eight Greenfield investments. Chinese companies participated in $4.8 billion in ventures up to 2013 and $6.2 billion in ventures since 2014. Eighteen investments in Indonesia are all below $500 million. Seven of them are Greenfield investments, 15 are construction, and three are property investments, all between $110 million US$ and $350 million. Eleven Chinese corporations are involved.

The most significant stakes are in Singapore ($8.4 billion), Malaysia ($8.35 billion) and Indonesia ($4.03 billion). Cambodia, an appealing tourism destination for the Chinese, received $1.34 billion. The least significant investment has gone to Thailand, Vietnam, the Philippines, Myanmar and Brunei. There, nine corporations with a total of $2.7 billion are invested in 12 projects. Only two are Greenfield investments. Laos received less than $1 billion. In 2012, the Power Construction Corporation backed a $1.4 billion investment in Malaysia. In 2013, Shandong Bright Ruby invested $910 million in hotel properties. The same year, Guangzhou R&F Properties participated in a Greenfield investment worth $1.37 billion in property in Malaysia. In 2018, the Agile Property invested in a property worth $840 million in another Greenfield investment.

Since 2015, the market share of the Singapore residential property market sold by Chinese developers has surged. Chinese corporations compete with local, foreign and other Chinese corporations. Singapore has become a top-rated destination for Chinese and Korean developers and construction companies. Government land sales from 2009 to 2018 reveal that Chinese developers bought land at a significant premium of 12.5 per cent relative to local developers, holding other factors constant (*Channel News Asia*, 11th August 2019). Information asymmetries might make foreign companies pay higher prices. From a BRI perspective, Chinese corporations do what they should and win contracts. Singaporeans wonder whether aggressive Chinese land bidding deters local developers and pushes up private residential housing-market prices. Chinese companies have a whopping 80 per cent share of the developing real estate market.

A formidable competitor concerning infrastructure projects in Singapore is South Korean conglomerates, who win more construction contracts concerning buildings, expressways and railroads than in their traditional Middle East strongholds. South Korea has received $6 billion in contracts for sophisticated railroads, Mass Rapid Transits, and multistorey train depots in Singapore (*The Straits Times*, 21st December 2018). South Korea's Ssangyong Engineering & Construction Co won an award for a $750 million deal to expand an expressway. The company also obtained an exclusive $400 million contract for a section jointly built with Singapore's Wai Fong Construction Pte Ltd. Ssangyong E&C owns an 85 per cent stake in the joint investment (*Pulse*, 26th December 2018). South Korean players are very competitive in Singapore for technically exceptional infrastructural projects.

4. Discussion

Central to the second track and the BRI steering and implementation, and more behind the scene, is a "leading group" hosted by the NDRC that oversees and coordinates all BRI projects (including the Ministry of Commerce, the Ministry of Foreign Affairs, and the Development Research Centre of the State Council). The National Development Reform Commission’s (NDRC) primary functions are to formulate and implement national economic and social development strategies, promote the reconstruction of the financial system and plan the layout of key construction projects and productivity, among other very significant issues. The NDRC plays a crucial role in overseas projects, such as resources development, maintaining the balance and overall control of essential commodities, and formulating plans for the general import and export volume of critical agricultural products, industrial products and raw materials. Besides, the NDRC also has the task of studying the relations of national economic mobilisation with the national economy and national defence. The party controls the projects abroad, who are agents of their principal, the party. Below the apparent first track of China–ASEAN relations, the second track, comprising bilateral ties with ASEAN member states, including the NDRC and the enterprises involved in the projects, implements the BRI. While the first track is about coordination and public goods, the second is about control, competition and profit maximisation. However, the BRI does not have formal governance principles and has no secretariat.

This paper researched the BRI in the context of China–ASEAN relations and assumed that they have tremendous extra-regional meaning for China. Table 1 shows that China has become the most critical trading partner for exports and imports for most ASEAN countries. This also increases China's influence regarding trade rules and regulations and the content of modern trade agreements. External actors, like Japan, the USA and the E.U. as a regulatory state, have huge stakes. Chinese enterprises compete under strategic interdependence to reduce other powerful actors’ clout. While China is less interested in implementing global normative standards, it promotes Chinese management practices. The leading trade role supports Chinese goals.

Table 1 Chinese (including Hong Kong) Ranking in Exports/Imports of ASEAN Member States (World Bank, WITS) (modelled by author)

	2002	2008	2014	2019
Brunei	6/5	11/5	13/3	7/1
Cambodia	2/1	2/1	4/1	1/2
Indonesia	4/3	2/1	5/1	4/1
Laos	-/-	4/2	2/1	1/1
Malaysia	3/4	4/1	2/1	1/1
Myanmar	-/-	-/-	1/1	1/1
Philippines	3/4	1/5	2/1	1/1
Singapore	3/4	1/3	1/1	1/1
Thailand	3/3	1/2	1/1	1/1
Vietnam	3/2	3/1	2/1	2/1

One can regard the BRI as a marketing and promotion tool. To get a competitive edge, Chinese state-sector enterprises conduct direct market attacks, like price-cutting, often without immediate profits, heavy expenditure on marketing, advertising or promotion attempts, to upset or even replace existing distribution patterns. The BRI comprises sectors where the Chinese generally have massive competitive advantages and overcapacities, including financial resources, a cheap labour force and unregulated corporate practices concerning social, labour and environmental standards. Chinese corporations ignore local communities and do not engage in consultations, according to a report of Human Rights Watch of August 2021 (Human Rights Watch, 10th August 2021). Energy, infrastructure, metals and construction are sectors where Chinese actors are generally competitive, especially as Chinese actors ignore the many international and often public-private instruments that have come up in recent decades. Consequently, only external pressure might lead Chinese actors to rethink their practices regarding their investments abroad. Unlike Western societies, there is no pressure on the Chinese people to augment standards in enterprises abroad.

A June 2021 report by the Green Belt and Road Initiative Centre (GBRIC) claimed that more than $65 billion of Chinese-backed coal power plants had been shelved or cancelled since 2014. Twenty-three Chinese-backed coal-fired plants were postponed, and 14 were cancelled since 2015, while 20 new coal-fired plants went into operation. As the construction of such plants takes many years, only one has reached the operational stage of the 52 announced power projects since 2014 (GFDC, 16th June 2021). The main reasons for these changes are trends in international politics, such as the cancellation of global financing of environmentally unsustainable energy projects. Hence, Chinese "onslaught" tactics on markets backfire.

Chinese state companies have applied the same strategy in the Singaporean housing market's real estate and construction sectors. Singapore counts as Asia’s most modern and attractive place to live, with a very sophisticated path-breaking architecture, although houses are expensive. A competitive edge in Asia's fanciest location also helps these companies compete elsewhere in the region. The competition with Singaporean developers and South Korea is very tough, but it is attractive to Chinese players to outcompete the incumbent player. China is replacing Singaporean developers in Singapore; in other words, the Singaporean host is becoming a guest in his own territory. While Chinese players pay more for the land than the Singaporean competitor, the apartments/houses are sold lower than the competitors offer.

BRI made Indonesia not the heart of the 21st Century Maritime Silk Road but of the competitive arena with Japan and the E.U. regarding railways and metals. In the emerging economies of Asia, Japanese railways always had a competitive edge over European competitors. Chinese competition might turn the table. The railway from Jakarta to Bandung is a project of Indonesian domestic connectivity. However, China made a better offer financially than the incumbent competitor. During the years of construction, the costs have been much higher, and the lack of stakeholder engagement and sufficient environmental and technical impact assessments might be reasons. However, with its subsidies, China has already won that competition and is ready to take a larger share from Indonesia to help finance the project, a win-win situation (for China). While these practices do not decrease mistrust, Chinese railway corporations bite into the market bit by bit in the region.

The Indonesian arena is also helping China gain a competitive edge in metals and nickel for e-batteries and global competitions amidst rising trade wars. In January 2021, the E.U. asked for a panel at the WTO against Indonesia and sought to eliminate “unlawful export restrictions imposed by Indonesia necessary for […] stainless steel" (European Commission, 21st January 2021). For the first time, the E.U. asked for a WTO panel on metals and minerals against a country, not China but is deeply involved with its subsidised state sector. Indonesia might become the world's second-largest steel producer, replacing India. The panel was composed in April 2021, and China provides an example of skilful gamesmanship, as it belongs to the third parties of case DS592, sidelining the E.U.[4]

Concerning energy projects, Chinese actors are reorienting their massive overcapacities externally, while the more modern technologies in the renewable sector might replace the old technologies incrementally. That incremental trend allows China to paint its BRI as green. China exports its coal energy construction packages to Vietnam, Indonesia and Laos with their colossal energy demands. Its state capitalism comes without regulations on finance, transparent public procurement processes, environmental impact assessments, etc. Beijing is not a party to the Global Public Procurement Agreement and many other significant initiatives on the essential BRI sectors. The public procurement chapter of the interregional free-trade negotiations between the E.U. and ASEAN was a substantial reason for the agreement's failure in 2008, two years before the China–ASEAN FTA went into force.

External pressure led the Chinese government to redefine the BRI as green. During the 2019 Belt and Road Forum, arguably a first-track public diplomacy act, green and sustainable development of the BRI and sustainability took centre stage. The Ministry of Ecology and Environment also initiated the BRI International Green Development Coalition. Beijing founded the Green Belt and Road Initiative Centre (BRIGC). Supposedly independent spin doctors there help China send the green message.

Meanwhile, in autumn 2021, the BRIGC changed its name to "Green Finance and Development Center" (GFDC). The GFDC aims to support green development related to finance, transport, innovation, urbanisation and standards with ten working groups. International actors on the GFDC board from the nongovernmental, public-private or state sectors are handy tools for China to participate. The World Wildlife Fund (WWF) takes part, an NGO criticised for being too close to corporations and indirectly helping them greenwash their activities. The German development cooperation agency Gesellschaft für Technische Zusammenarbeit, always anxious that the German government seizes development aid for China, is also participating in this forum. As with the South China Sea conflicts, China here engages internationally minimally, only not to harm the overall strategy and master plan. Astroturfing and greenwashing allow the process on the second track to run smoothly. The test case for credibility would mean seriously engaging with emerging transnational standards and instruments, with local stakeholders and so on. Potential changes remain under the control of the Communist Party or the state sector, which has not been proven otherwise so far.

Laos is a central state for investment in Indochina. Due to China's significant investments in the peripheral ASEAN countries, Laos and Cambodia might benefit more than other regional actors. When the economic disparities in ASEAN flatten, political integration might be easier to achieve. However, Laos, Cambodia and Brunei are easy to deal with for China, which might increase political suspicion elsewhere in ASEAN. China defines strategic hubs in ASEAN that are peripheral. For China's BRI, ASEAN's somewhat marginal members, namely Laos and Brunei, are strategically valuable. Cambodia also belongs to that group. China reframes these members as strategic, as they have weak democratic processes fastening investment procedures. Local engagement with stakeholders does not belong to that plan. Laos and Cambodia depend heavily on financing from China. Constructing strategic hubs that serve Chinese interests is the pinnacle of China's ASEAN and BRI strategy. It also helps the interests of the authoritarian Cambodian government. These strategic moves have the potential to weaken ASEAN integration. The downstream countries perceive China's impact on Laos critically.

In June 2021, China's foreign minister Wang Yi revealed that it was "important to […] further the flagship role of the Guangxi-Brunei Economic Corridor and Hengyi Industries […] and consolidate the 'hub' status of the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area" (FMPRC, 7th June 2021). That attempt to divide and rule is equivalent to China's strategy with China's 16+1 in Europe. The dual-track approach describes China's rhetorical emphasis on China–ASEAN connectivity and their strategic partnership, while *de facto* China implements the bilateral procedure with informal strategic partners. Terms like "strategic partnership", "common destiny", "diamond decade", and since 2019 also "green" BRI, are supportive of this dual-track diplomacy. So far, the branding "21st Century Maritime Silk Road" has led Indonesia not to become a strategic port location but an investment hub for Chinese coal energy investments. The water dams that Chinese enterprises build in Laos are a crucial example of dual-track diplomacy. There was no stakeholder engagement with Vietnam or Thailand about whether they approved the severe interference in the Mekong's water flow. How can the formerly Beijing, now Shanghai locate GFDC deal with those issues seriously?

The CGIT enumerated 30 investments above $100 million with a value of ca. 30 billion US$ that failed or that are "troubled". The two largest are energy projects in Malaysia (gas, $2.3 billion; hydropower, $3.6 billion). In August 2018, Malaysian Prime Minister Mahathir

Mohamad cancelled the gas pipeline project and the Chinese-funded $20 billion East Coast Rail Link (ECRL), as Malaysia could not afford such projects (Reuters, 21st August 2018). Knowing every trick in the book to avoid a debt trap, Mohamad suggested resuming the projects when Malaysia's financial situation improves. The CGIT ranked two ventures as troubled in Cambodia and one only in Singapore. The strategically important locations for China's ASEAN-BRI approach, namely the informal strategic partners, do not have significant incident cases in trouble, according to the CGIT.

The ASEAN is crucial for the USA and the E.U. to promote the international rules-based order and for China to decrease these external actors' clout. The E.U. has been regarded as the world's leading regulatory global power, defining and promoting production standards, transparency, standards of doing business, etc. Apart from the E.U. and China, ASEAN is the largest market with tremendous growth potential on the Eurasian continent. If China wins the regulatory competition there, the E.U.'s regulatory power will shift from global to domestic only, as even in the E.U.'s struggling neighbourhood, China has comparative advantages. China needs to win the regulatory match with the E.U. over ASEAN to put itself in the centre of a Chinese regional order with an unleashed state sector.

5. Conclusion

This article asked how the BRI shapes China–ASEAN relations and ASEAN development. The approach set the BRI in the overall context of China–ASEAN relations, strongly influenced by China's general perception of ASEAN in its regional and geopolitical environment. For ASEAN, the opportunity would be to exploit the contradictions of China's approach similar to China's dual-track system in the South

China Sea. To a certain extent, that approach relativises the size of the BRI compared to overall investment and trade relations. While China has become the most significant trade partner, investment relations still have much potential compared to other sources like the E.U. Notwithstanding, China positions its state corporations in path-breaking markets for future contracts, like the Singaporean house market or the Indonesian railroad and metals markets.

This article experimented with the idea that comparable to China's two-track approach in the South China Sea on conflict and cooperation, the BRI is also a two-track process. The first track emphasises commonality issues, shared values and coordination, while the second track executes China's priority interests, which are not identical with the first-track proclamations. It is puzzling that the AIIB has remained insignificant so far, whereas Chinese National banks control Chinese–ASEAN relations' investment and lending landscape. Hence, the BRI has stayed and increasingly is a Chinese rather than a public good from a financial point of view. Independent from the debt trap discourse, debt relations are predominantly bilateral, putting China in a stronger position.

Roads and mines instead of shared values shape the concept of a community of common destiny, as do Chinese rules. The 21st Century Maritime Silk Road, a critical goal that emphasises the role of Indonesia, ASEAN's central state, still lags behind the Indochina railway connecting the formerly peripheral Laos. China puts itself in a strong position first. Eight years after the Maritime Silk Road speech of President Xi in Jakarta, the results concerning that project are unimpressive. Indonesian BRI dynamics are elsewhere. For instance, China uses Indonesian resources to circumvent international import tariffs. China's impact contributed to drawing Indonesia into a WTO conflict with the E.U.

The deciding issues and strategic moves happen on the second track, with the Chinese-backed investments, loans to the foreign or local player and Chinese gamesmanship at the bilateral level. However, the first track has a vital function for the second track. It smooths the conflictual transactions on the second track, as there is growing mistrust concerning BRI's environmental, financial and social sustainability. The BRI transactions in energy on the second track are environmentally outlandish. At the same time, China has portrayed the BRI on the first track as sustainable and "green" since 2019, which is a chimaera. As with the relatively (still) marginal AIIB, the sustainability of the BRI is "internationalised", while *de facto* the control stays in the hands of the Communist Party.

Thanks to China supporting peripheral states in ASEAN, these states might develop faster economically (Cambodia, Laos, Myanmar), with positive economic effects for intra-trade and, in the end, political integration. However, the strong affiliation of these countries, while others have a more competitive attitude, results in contradictory prospects for ASEAN integration. ASEAN members might hedge against the Chinese investments' risks by tapping the ADB or other financial actors, applying international public procurement standards, demanding standards concerning stakeholder engagement, environmental impact assessments, precautionary principles and other mechanisms. This might increase project costs beforehand, but it might also increase local acceptance and sustainability and contribute to intra-ASEAN stability. Also, Indonesia and Malaysia must take ASEAN leadership positions to decipher these acts of politico-economic gamesmanship. Then, ASEAN indeed could socialise China's BRI with global and green standards, and a China–ASEAN diamond decade could become a reality.

Notes

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1. Foreign Ministry of the People's Republic of China, 21 April 2016. In the original, Wang Yi said "在东盟同各大国关系中，中国－东盟关系发展最早、潜力最大、空间最广、动力最强、前景最好" (*Zài dōngméng tóng gè dàguó guānxì zhōng, zhōngguó-dōngméng guānxì fāzhǎn zuìzǎo, qiánlì zuìdà, kōngjiān zuì guǎng, dònglì zuì qiáng, qiánjǐng zuì hǎo*).
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