

# China's High-speed Rail Diplomacy:

**Global Impacts and East Asian Responses** 

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February 2016

# Knowledge-Net for a Better World

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# China's High-speed Rail Diplomacy: Global Impacts and East Asian Responses\*

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#### **Abstract**

China as a high-speed rail power has just begun to capture the attention of the world. The country now has the biggest high-speed rail network in the world, and it has started to export its rail products overseas. Yet there is little in-depth study of this curious phenomenon in the academic literature. This paper tries to fill this void. China's global high-speed rail development is part and parcel of the country's infrastructure diplomacy which, in turn, is a core part of its initiative to develop the New Silk Roads on land and at sea. The paper argues that the impact of such a mammoth enterprise on global development would be huge, in terms of geopolitics, geoeconomics, and social relations. It assesses Asian responses to this new diplomacy, especially those of Japan, South Korea, and Taiwan.

Keywords: China, East Asia, high-speed rail, infrastructure development, 'one belt, one road'

#### Introduction

(高铁外交) and the way in which China helps to finance this and other infrastructure projects will lead to the making of a 'new' world order. This thesis is new in several respects. First, China's rise to become a high-speed rail power has occurred just in the last decade or so; the speed of development has been phenomenal. The country started to develop its high-speed rail system in 2004 by buying trains and rail technology from foreign companies such as Japan's Kawasaki, Germany's Siemens, France's Alstom, and Canada's Bombardier. Based on foreign technology and its experience in the train industry in the past, China began in 2007 to develop its own tech-

1

<sup>\*</sup>This paper is a working paper (draft as of 31 January 2016). Comments and criticisms are most welcomed.



nology. On 1 August 2008 China's first high-speed rail started to run between Beijing and Tianjin, a week before the official opening of the Beijing Olympic Games. In 2009 China decided to 'go out' to spread its high-speed rail investment, thus beginning a process of industrial transition from 'made in China' as a goods manufacturer to 'created in China' as a technology innovator and promotor. Three major lines are in plan to connect Asia and Europe, Central Asia, and Indo-China.

Second, China's high-speed rail diplomacy has become the core of its infrastructure diplomacy which, in turn, has formed the core of China's foreign policy, all happening within the last few years. Chinese Premier Li Keqiang has acquired the nickname of 'China's high-speed rail salesman' as a result of his energetic promotion while on his many official visits around the world.

Third, to finance infrastructure projects under the New Silk Road initiative, China has taken the lead to set up the New (BRICS) Development Bank (in 2013), the Asian Infrastructure Investment Bank (2014), the Silk Road Fund (2015), and other funding mechanisms, both multilateral and bilateral. (See Appendix 1 for a chronology of the development of the 'one belt, one road' initiative). The initiative was proposed by Chinese President Xi Jinping in late 2013. It is known officially in full as the 'Silk Road Economic Belt' and the '21st Century Maritime Silk Road' or in short the 'one belt, one road' or in Chinese *yidai yilu* (一带一路).

Fourth, according to the 21<sup>st</sup> Century Business Herald, a well-respected business newspaper in China, the global investment market in the time period 2014-2030 for high-speed rail industry is estimated to amount to 17,414 billion yuan, and China is going to take up the lion's share of this market (see Table 1). At present, China is negotiating high-speed rail construction with some twenty to thirty countries.<sup>2</sup> In 2014 China received orders for its train industry worth over US\$100 billion.<sup>3</sup>

Table 1. China's share of the global market of high-speed rail industry, 2014-2030 (estimates)

Country / region	Global investment	China's share	China's share
Country / region	(in billion yuan)	(as percentage)	(in billion yuan)
USA	7,740	35%	2,709
Europe	2,817	20%	563.4
Russia	2,568	35%	898.8
Southeast Asia	1,186	50%	593.0
& Latin America			
Others	3,103	40%	1,241.2
Total	17,414	34.5% (average)	6,005.4

Source: 21st Century Business Herald, 27 January 2015, p. 14.

Note: US\$1 = 6.58 yuan (approx., as of 31 January 2016)

<sup>1</sup> 'Li Keqiang: China's high-speed rail salesman,' China.org.cn, 8 October 2014, http://www.china.org.cn/business/2014-10/08/content\_33699054.htm (accessed 31 January 2016).

<sup>&</sup>lt;sup>2</sup> Jingji taobao [Economic Herald], Hong Kong, No. 24 (1 December 2014), p. 13.

<sup>&</sup>lt;sup>3</sup> 'China pins economic hope on exports of bullet trains, nuclear power plants,' *The Asahi Shimbun*, 19 April 2015.



# **Theoretical Challenges**

China's 'belt and road' initiative has sowed the seeds for an emerging global order, one that is likely to challenge our understanding of international relations in four related areas: international development, international finance, international organisations, and ultimately peace and governance. In terms of *international development*, China, alone or with other emerging economies like those in the BRICS group (Brazil, Russia, India, China, and South Africa), have forged a South-South cooperation programme that supplements the traditional type of aid extended by developed countries. This kind of South-South cooperation, in contrast to the traditional model, is based on mutual benefits among the parties involved, with infrastructure development as a main driver of economic growth. It does not set the kind of 'good governance' conditions, as do the World Bank and the IMF, which require aid-receiving countries to make major political and economic changes to their governance system. In this way, South-South cooperation can be seen to be competing with OECD countries for the hearts and minds of the people in the Global South.

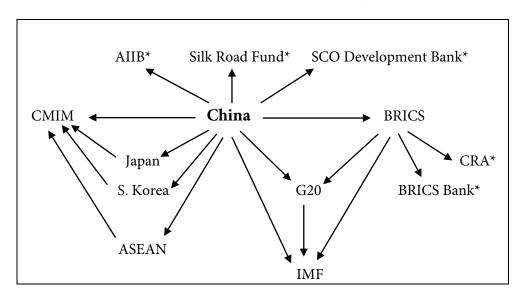


Figure 1. A model of China's multilateral financial engagements

Direction of China's desired flow of its influence

\* These are new institutions initiated by China since 2013:

AIIB: Asian Infrastructure Investment Bank

CMIM: Chiang Mai Initiative Multilateralisation

CRA: Contingency Reserve Arrangement

SCO (Shanghai Cooperation Organisation) Development Bank

Source: Author

Note: G20 holds 65.8% of the quotas of the IMF and 64.7% of its votes



In terms of *international finance*, China has played a leading role in launching the New Development Bank (or the BRICS bank, with an authorised capital of US\$50 billion rising to \$100 billion) with an affiliated Contingency Reserve Arrangement (\$100 billion), <sup>4</sup> the Asian Infrastructure Investment Bank (\$100 billion), the Silk Road Fund (\$40 billion), and Shanghai Cooperation Organisation Development Bank (under construction), the Chiang Mai Initiative Multilateralisation (\$240 billion). China has also set up other funding mechanisms, multilateral, bilateral, or commercial, as well as making contributions through its state-owned banks.<sup>5</sup> (See Figure 1). These financial institutions supplement as well as challenge the work undertaken by the Bretton-Woods institutions, consisting of the World Bank, the International Monetary Fund, and the World Trade Organisation, and by extension, the Asian Development Bank, the European Bank for Development and Reconstruction, and others.

In terms of *international organisations*, apart from the financial institutions mentioned above, China has played a major role in setting up the Shanghai Cooperation Organisation, the Bo'ao Forum (China's answer to the World Economic Forum or the Davos Forum), the Conference on Interaction and Confidence Building Measures in Asia, the Xiangshan Forum (China's answer to the Shangri-La Dialogue), and others. These organisations play a tune quite different from the traditional organisations set up and controlled by the West in managing global politics, finance and development. Also, there is an increasing number of Chinese nationals taking up senior executive and management positions in international organisations, although the number is relatively small and the increase very slow.<sup>6</sup>

In terms of *peace and governance*, China's participation in international organisations and global governance emphasises more on mutual economic growth and development rather than on the advancement of national interests based on near 'absolute' gains and politico-strategic advantages. China calls for greater equality in managing global affairs and for the democratisation of international relations. In general and in relative terms, China's approach to global governance is inclusive rather than exclusive, comprehensive rather than partial, mutual benefits rather than national competitions, economic growth rather than strategic advantage, incremental change rather than big shifts, and non-interference rather than military interventions.<sup>7</sup> Apparently, China's approach is close to aiming at the achievement of 'structural peace'.<sup>8</sup>

Putting together these new developments over time, this paper argues that China is developing its neo-functionalist approach to global affairs (or neo-functionalism with Chinese character-

<sup>&</sup>lt;sup>4</sup> This CRA is established to help developing countries to tidy over when they encounter short-term liquidity problems. It plays a role similar to that of the Chiang Mai Initiative Multilateralisation in Asia.

<sup>&</sup>lt;sup>5</sup> Such as the China Development Bank, the Export-Import Bank of China, and the Industrial and Commercial Bank of China.

<sup>&</sup>lt;sup>6</sup> 'Zhongguo jai miaozun guoji zuzhi' [China resets its aim at international organisations], Xinhuanet, 20 April 2015, <a href="http://news.xinhuanet.com/herald/2015-04/20/c\_134167266.htm">http://news.xinhuanet.com/herald/2015-04/20/c\_134167266.htm</a> (accessed 10 January 2016).

<sup>&</sup>lt;sup>7</sup> Gerald Chan, 'China and global governance,' draft book chapter, forthcoming.

<sup>&</sup>lt;sup>8</sup> In the sense of Johan Galtung's concept of structural peace or positive peace, understood as the absence of structural violence.



istics)<sup>9</sup> which would enhance China's standing and influence in the world. Other countries are being gradually drawn into China's orbit of cooperation: its new soft-power approach based on mutual economic gains is winning willing partners in various parts of the world, thereby helping to nurture the emergence of a 'new' world order. (See Appendix 2 for an indicative genealogy of neo-functionalism with Chinese characteristics or 'geo-neo-functionalism' (a new term that I would like to propose).

# **Impact on East Asia**

China's foreign policy, its New Silk Road initiative, its infrastructure diplomacy, and its high-speed rail investment carry far-reaching implications for the politico-economic development in East Asia, as well as further afield. This is so, despite the fact that Chinese sources say that the countries involved in the 'one belt, one road' number sixty five. Japan, South Korea, and Taiwan are not included in this number, as shown in the information and maps published in China, including 'official' maps issued by Xinhua News Agency. Interestingly, Professor Zhao Lei of the Institute of International Strategic Studies at the Central Party School says that the limit of sixty five is a misunderstanding. To him, any country which devotes and contributes to the development of the 'belt and road' initiative should be counted, including possibly the U.S. and those in Latin America. No doubt, Japan, South Korea, and Taiwan would watch developments closely and react to China's initiative, which will have an inevitable impact on the development of international relations in East Asia.

Whether or not Japan will eventually join the Asian Infrastructure Investment Bank will have a significant impact not only on Sino-Japan relations, but also on Japan-U.S. relations. Of the major countries in the Asia-Pacific region, only the U.S., Japan, and Canada are not yet members of the bank, as of early 2016. U.S. Congress is suspicious of, if not hostile to, China's establishment of the bank. The Congress is unlikely to pass legislation to allow the country to join, especially in view of the uncertainties surrounding the present U.S. financial situation and the political campaigns leading to the presidential election in November 2016. If Japan decides to join, it will then upset its staunch ally the U.S. If it does not, it will find it hard to justify its position in view of the heavy demand for infrastructure investments in Asia and the lack of funds for such investments in the Asian Development Bank, of which Japan and the U.S. are major shareholders. Japan may miss a good opportunity to work early on with other major stakeholders to shape Asia's growth and development in the coming years. One way that Japan can do and seems to have already

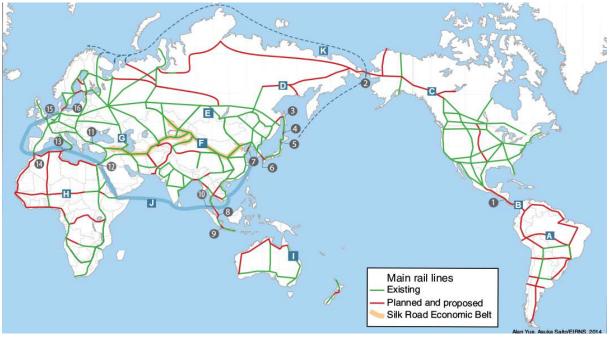
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<sup>&</sup>lt;sup>9</sup> An idea that I first floated publicly in a TEDx talk in Seoul in August 2015, organised by the Korean Foundation for Advanced Studies. The talk is available online at <a href="https://www.youtube.com/watch?v=uRdQ\_2sjF2s">https://www.youtube.com/watch?v=uRdQ\_2sjF2s</a>
<sup>10</sup> Zhao Lei, 'Douzheng "yidai yilu" jianche de shi da zuowu renzhi [To correct ten misunderstandings of the construction of "one belt, one road"],' *Gaike neican, wenze* [*Reform Internal Reference, Selected Articles*], National Development and Reform Commission, No. 6 (2015), pp. 17-18.



started doing is to set up its own infrastructure initiatives and programmes, in competition with China to win diplomatic friends and to secure economic returns.

South Korea needs to strike a fine balance between China and the U.S. like many other countries in the Asia-Pacific region, although it has joined as a founding member of the bank. Taiwan expressed its interest in joining as a founding member, but China rejected Taiwan's expressed wish due to the complex and difficult situation surrounding Taiwan's official name and status. There are rooms for cooperation among China, Japan, South Korea, and Taiwan in high-speed rail development, but there are also areas where China, Japan, South Korea compete with each other to win contracts to build railway systems in many parts of the world. They also compete with countries in the West, like France, Germany, and Spain. In the case of China and Japan, both compete for rail constructions in Indonesia, India, Thailand, Vietnam, California in the U.S., and elsewhere (to be discussed later). China, Japan, South Korea, and Taiwan are major industrialised / industrialising, trading, and investment countries. They have a great stake in seeing the successful construction and the upgrading of infrastructures around the world (see Map 1 for a sketch of the future world connected by rail).



Map 1. A well-connected future world?

Source: <a href="https://larouchepac.com/20141125/eir-releases-new-silk-road-becomes-world-land-bridge">https://larouchepac.com/20141125/eir-releases-new-silk-road-becomes-world-land-bridge</a> (assessed 4 June 2015).

If North Korea can be persuaded to join China, Japan, South Korea, and Russia on economic connectivity and cooperation, then the whole of Northeast Asian can be connected by high-speed rail. This will be based on the linking of Japan to South Korea via the Korea Strait (at a length of 128km) to its south and to Russia through Sakhalin to its north (Hokkaido to Sakhalin Island at



45km and Sakhalin Island to Russia at 7.3km),<sup>11</sup> by building connecting bridges and tunnels as indicated in Map 1. (The Sea of Japan or the East Sea would then become a huge inland lake of sort.) Furthermore, Northeast Asian countries can be linked to a futuristic high-speed rail line running from London in the 'far west' to New York in the 'far east', crossing the Bering Strait by bridge and tunnel physically connecting Siberia with Alaska. For this to happen, both Canada and the U.S. need to be convinced of the financial viability and economic returns.

#### Asia's Responses to China's 'Belt and Road'

To assess the responses of Asian countries to China's initiative, this paper focuses on four regions: Northeast Asia; Southeast Asia; South Asia; and West Asia. In general, the responses of countries in these regions range from warm to cold, with many different degrees of warmth in between; they also range from active to passive and include many different intensities of activeness in between; also, they range from enthusiastic to indifferent and include many variants.

An assessment can be made based on two types of behaviour: words and deeds, that is, what states say and what they actually do. Of course, what they actually do is more important than what they say, for obvious reasons. Also, what states do collectively is more important than what states do individually and separately, in terms of the size of impact on the behaviour of other states. Using the above benchmark, some representative countries are selected within each of the four regions, based on the availability of information and on the manageability of the scope of research.

In Northeast Asia, Japan, South Korea and Taiwan are included; in Southeast Asia, Indonesia, Vietnam, and Thailand; in South Asia, India, Pakistan, and Bangladesh; and in West Asia, Turkey. The choice of these countries becomes apparent as they interact with China more vigorously than many other countries in the infrastructure development under the 'one belt, one road' initiative, with the exception perhaps of Taiwan, because of its unique relationship with China. Apart from these countries, other neighbouring countries will be briefly mentioned when they become relevant to the discussion. An example is Russia, which has great influence in determining the shape of China's infrastructure diplomacy in Central Asia, as Russia is a big power in that region and as it has a similar plan to develop infrastructure in the region, including high-speed rail links. Also it is concerned about the potential competition with China over the sphere of influence in Central Asia, which has been traditionally Russia's political domain.

What these countries actually do is used as a yardstick to assess the nature of their responses. A critical point is to scrutinise whether or not they have contributed financially to working with China to build or upgrade their infrastructures, including roads, railways, airports, sea ports, power grids, dams, trade zones, economic corridors, and so on. For the purpose of research manageability, the building of high-speed rail networks will receive greater attention here, as it has become the cornerstone of China's infrastructure diplomacy.

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<sup>&</sup>lt;sup>11</sup> EIR (Executive Intelligence Review), Vol. 41, No. 49 (12 December 2014), p. 10.



What have states done collectively so far to finance the building of infrastructure in general, and high-speed rail in particular? China has recently led the setting up of several financial institutions to support the construction of various mega projects. The most important institution, in terms of collective effort and political significance, is the Asian Infrastructure Investment Bank (AIIB). Other institutions in which China plays a leading role include the New (BRICS) Development Bank and, to a large extent, the Shanghai Cooperation Organisation Development Bank, in collaboration with Russia and other states in Central Asia. Lesser attention will be paid to the role played by such financial vehicles as the Silk Road Fund and China's many policy and state-owned banks, as they are almost entirely controlled by China. Other countries have little say in determining the policy directions of the Fund and China's own banks. However, many of these banks cooperate with financial institutions and banks of host countries, public or private, to finance the building of infrastructure. In terms of multilateralism and global governance, the AIIB may well become a key test case.

#### The Asian Infrastructure Investment Bank

With an initial capital of US\$50 billion rising to \$100 billion in future, China leads the formation of this bank and it is the largest shareholder. The bank is scheduled to begin operation in early 2016. The 57 founding members fall into two groups: regional members and non-regional members. Regional members are those in the Asia-Pacific region, and there are 37 of them, while nonregional members account for the rest of 20.12 Interestingly, both the Philippines and Vietnam are founding members, although they have enduring territorial disputes with China in the South China Sea. The Philippines was the last among the 57 countries to sign up, on 30 December 2015, just before the closing day for signature. 13 The fact that they and others have joined the bank shows that they at least agree with China on the need to develop infrastructure in Asia and that they see their participation in the bank as an investment, enabling them to borrow money from the bank to finance infrastructure development in their own countries as well as to gain economic and political returns from investing in the bank. Japan and the U.S. did not join; they adopt a more or less wait-and-see attitude. The cold relations between Japan and China also lead Japan to see China as a competitor rather than a collaborator in infrastructure diplomacy, in Asia and elsewhere. Table 2 shows the China-led financial institutions, including the AIIB, that contribute towards the financing of the projects under its 'one belt, one road' initiative.

<sup>&</sup>lt;sup>12</sup> See 'Articles of agreement', Asian Infrastructure Investment Bank, available on the internet.

<sup>&</sup>lt;sup>13</sup> According to the Asian Development Bank, the Philippines is in need of infrastructure finance from 2010 to 2020 amounting to some US\$127.12 billion, requiring an annual investment of \$11.56 billion. China was the Philippines' second largest trading partner in 2014. See 'PH joins China-lead Asian infrastructure development bank,' CNN, 1 January 2016, <a href="http://cnnphilippines.com/business/2015/12/31/PH-joins-China-led-Asian-Infrastructure-Development-Bank.html">http://cnnphilippines.com/business/2015/12/31/PH-joins-China-led-Asian-Infrastructure-Development-Bank.html</a> (accessed 1 January 2016).



Table 2. China-led international financial institutions

	New (BRICS) Development	Asian Infrastructure	Silk Road Fund	
	Bank	Investment Bank		
No. of	5 (Brazil, Russia, India,	57 (founding)	1 (China)	
members	China, South Africa)	57 (founding)		
	\$50 billion (\$10 billion from	\$50 billion (mostly from	\$40 billion (all from	
Capital each member;		China;	\$40 billion (all from	
\$100	\$100 billion long-term)	\$100 billion long-term)	China)	
Targets Infrastructure projects in BRICS as priority	Infrastructura projects in	Infrastructure projects of	Infrastructure projects	
	• '	developing countries in	of countries along the	
		Asia	'one belt, one road'	
China's	Medium	Small (relatively)	Dia	
influence	Medium	Small (relatively)	Big	

Source: Author's revision based on <u>www.zerohedge.com/news/2015-06-08/one-belt-one-road-may-be-chinas-one-chance-save-collapsing-economy</u> (accessed 10 June 2015).

Despite the absence of Japan and the U.S. in the AIIB, both the Asian Development Bank, which is controlled by Japan and the U.S. and headed by a Japanese national (Takehiko Nakao), and the World Bank, controlled by the U.S. and headed by a U.S. citizen (Jim Yong Kim), welcome the establishment of the AIIB. They have expressed their wish to work with the new bank to finance global development. In the process of setting up shop, the AIIB is learning from the experience of the World Bank and the Asian Development Bank through staff recruitment and the transfer of knowledge, practice, and experience.

#### Northeast Asia: Japan, South Korea, Taiwan

*Japan's response.* Japan is the first country in the world to develop high-speed rail, called the bullet trains, in the 1960s. In comparison China is a latecomer, with a history of running high-speed trains only for a decade or so. But fast development in this area has enabled China to become a formidable exporter of high-speed train products and technology these days.

Prime Minister Shinzo Abe of Japan sees China as a strategic competitor in politics and economics. To counter China's increasing influence in infrastructure diplomacy, he pledged, at the seventh Pacific Islands Leaders Meeting in May 2015, a contribution of US\$110 billion to support Asian countries to develop infrastructure projects over the next five years. Half of the fund will be channelled through Japan's aid agencies like the Japan International Cooperation Agency and half through the Asian Development Bank (ADB). Japanese companies take up around 40% to 50% of the ADB's procurement of commercial products and services.

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<sup>&</sup>lt;sup>14</sup> 'Japan unveils \$110 billion plan to fund Asia infrastructure, eye on AIIB,' <a href="http://www.reuters.com/article/2015/05/21/us-japan-asia-investment-idUSKBN0O617G20150521">http://www.reuters.com/article/2015/05/21/us-japan-asia-investment-idUSKBN0O617G20150521</a> (assessed 19 July 2015).

Prime Minister Abe has recently visited many countries around the world to promote Japan's infrastructure diplomacy. For example, he visited in October 2015 six Central Asian states (Mongolia, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, and Tajikistan) to ensure Japan's energy security. This was the first such visit by a prime minister of Japan since the last time when Junichiro Koizumi visited in 2006.

Japan has been in competition with China for contracts to build infrastructures, 15 including high-speed railways where Japan has an impeccable safety record (see Table 3).

Table 3. Balancing powers, balancing interests, or a healthy competition?

Projects	China	Japan	Remarks
Indonesia's first high-speed rail linking Jakarta & Bandung, awarded Sept 2015; Estimated cost: US\$5.5 billion; 140km long; Operation by 2019	China won the contract, based on attractive financial package: no recourse to Indonesian government funding	Japan's financial proposal required Indonesian state funding	Japan is engaged in a major port expansion & a \$3 billion metro in Jakarta. China is engaged in a \$2.5 billion deal to upgrade 30 ports in eastern Indonesia.
India's high-speed rail connecting Mumbai and Ahmadabad, awarded December 2015		Japan offered attractive financial terms	China plans to construct a high-speed rail running from Kunming to Delhi, along the Bangladesh-China-India- Myanmar Economic Corridor.
Bangladesh's port & power plants, Sept 2015	China's \$8 billion deep-water port in Sonadia may be shelved	Dhaka may favour Japan's proposal to build a port complex in Matarbari (25km from Sonadia), plus 4 power plants & an LNG terminal. Japan offers \$3.7 billion at an interest rate of 0.1% over 30 yrs with a 10-yr grace period to build the \$4.6 billion complex.	Dhaka says China will be a key player in other road and bridge projects; Japan & India are concerned about China's increasing & potential navy presence in South Asia
Thailand	China is to build a 800km line between	Japan is to conduct feasibility study to build a	A division of labour? Another potential

<sup>&</sup>lt;sup>15</sup> For some interesting observations, see Wu Shang-su, 'Japan's train diplomacy,' *The Diplomat*, 9 November 2015.



	Nong Khai province	715km line linking	project is Bangkok-
	and Map Ta Phut	Bangkok and Chiang Mai.	Pattaya (194km)
	deep-sea port in	Work to start in 2019 at	
	Rayong province, at	\$8.1 billion.	
	\$10.6 billion		
Vietnam	Joint feasibility study	Japan proposes to build a	Vietnam has shelved
	of a Hanoi-Lao Cai-	1,630km line joining	Japan's proposal for
	Hai Phong Railway in	Hanoi to Ho Chi Minh	the high cost
	northern Vietnam	City at \$56 billion	
Kuala Lumpur-	China eyes this as part		France and
Singapore (350km);	of an eventual line		Germany are also
estimated cost US\$12	running from		interested
billion	Kunming of China to		
	Singapore via Indo-		
	China		
Laos	China to build a high-		Part of the link
	speed rail (427km)		eventually joining
	connecting Vientiane		Kunming, China, to
	to the Chinese border		Singapore.
	in 4-5 years at \$6		China will then have
	billion. Ground-		greater access to the
	breaking ceremonies		Bay of Bengal and
	on 2 December 2015		Gulf of Thailand
Philippines		Japan signed agreement in	
		November 2015 to build a	
		\$2 billion rail connecting	
		Manila with Malolos,	
		40km apart	
USA		Abe visited California in	L.ASan Francisco
		April/May 2015, partly to	(560km at \$68
		promote Japan's bullet	billion);
		trains	Dallas-Houston
			(385km);
U.K.	Xi visited the U.K. in		London-
	October 2015 with an		Birmingham
	eye on winning a high-		(225km).
	speed rail contract		International
			competition

Note 1: Situation depicted here as of early 2016.

Note 2: The reasons for winning or losing contracts for many huge infrastructure projects usually go beyond just simple financial reasons.

Sources: Financial Times; Christian Science Monitor; Straits Times; The Diplomat; various Internet sources.

South Korea's response. Partly because of its tense relations with Japan and partly because of its growing economic ties with China, South Korea is apparently more supportive of China's infrastructure diplomacy than Japan and many other Asian countries. South Korea's is one of the top five contributions to the capital of the AIIB, following China, India, Russia, and Germany. In October 2013, around the time of Xi Jinping's first official announcement of China's 'belt and road' initiative, South Korea proposed an 'Eurasian Initiative', designed to build geo-economic links that would start from Pusan to North Korea, then either through Russia or China to link up with Central Asia and Europe. South Korea has its own dream of connecting Seoul with Europe by high-speed rail across the Eurasian landmass. In late July to early August 2015, the South Korean government, under the initiation of President Park Geun-hye, test-ran the Eurasian Express, which was meant, according to its original plan, to start from Seoul to go through China and Russia via Pyongyang to Europe. Eventually officials and delegates travelling on the Express had to fly by plane first from Seoul in two groups, one group to Beijing and another to Vladivostok, and then joined up on the onward train journey across Eurasia from these two cities, arriving Berlin as the final destination. Apart from connecting South Korea with Europe, the journey served as a showcase to try to entice North Korea to connect with countries in Northeast Asia and to pave the way for future reunification between the two Koreas.

In realising its dream to connect South Korea to Europe, the country faces a major problem from the north. A former South Korean ambassador to China, Chung Chong-wook, laments the fact that South Korea exists 'within the [Asian] continent but being unable to connect to the continent.' At issue is the inability of trains from South Korea to go through North Korea to order to connect with China and Russia. According to Chung: 'Once the severed 25.3-kilometer section on the Gyeongwon Line from Cheolwon, in the South, to [Pyeongyang] in the North is restored, the Korean Peninsula railway will be connected to the Trans-Siberian Railway.' The Gyeongwon Line, built in 1914, used to connect Yongsan Station in Seoul to Wonsan, on the border with North Korea, covering a distance of 223.7km. It was severed in 1945 and was largely destroyed during the 1950-53 Korean War.

In a ceremony to mark the restoration of the South Korean section of the line in August 2015, President Park called on North Korea to open up and reconnect the train passage, as an initial move to reunify the two countries and to connect both Koreas to Eurasia so as to boost economic growth and development. She expressed the hope that the Demilitarised Zone (DMZ) could be turned into a 'Dream Making Zone'. <sup>19</sup> Once the Trans-Korean Line can be connected with the Trans-Siberian Railway, then the shipping time and the logistics costs for trade between South Korean and Europe and with countries in Central Asia would be substantially reduced. <sup>20</sup> Talks on reconnecting the Trans-Korean Rail has been going on since 2000 without making much pro-

<sup>&</sup>lt;sup>16</sup> Chung Chong-wook, 'A starting point for unification,' Korea Joongang Daily, Seoul, 6 August 2015, p. 8.

<sup>&</sup>lt;sup>17</sup> *Ibid*.

<sup>&</sup>lt;sup>18</sup> 'Pyongyang urged to share in railway plan,' Korea Joongang Daily, 6 August 2015, p. 2.

<sup>&</sup>lt;sup>19</sup> 'Park urges N. Korea to join "Eurasian Initiative", 'The Korean Times, 6 August 2015, p. 1.

<sup>&</sup>lt;sup>20</sup> 'KR to reconnect Seoul-Wonsan Line,' The Korean Times, 6 August 2015, p. 10.



gress.<sup>21</sup> President Park said that she would seek cooperation with the U.S., Russia, and China to realise her 'Eurasian Initiative'. Realising the synergies between the 'Eurasian Initiative' and China's 'one belt, one road' initiative, the Korean Development Institute has proposed that South Korea and China should work together to development a high-speed rail network in Northeast Asia.<sup>22</sup>

Considering the difficulties of trains going through North Korea, South Korea has been considering other alternatives, including the shipping of trains from South Korea to China across the Yellow Sea and then carrying on the journey by train through China and Central Asia to Europe. In a visit to China in 1998 made by the then President Kim Dae-jung, the two countries signed an agreement to cooperate in railway cooperation. This was affirmed by Park Geun-hye in her presidential election campaign in 2007. She in fact visited Yantai of Shandong province of China to conduct an inspection tour. The shipping distance between Inchon of South Korea and Yantai is about 500km. In the 2015 budget submitted by the Ministry of Foreign Affairs of South Korea, a sum of 350 million Korean won has been allocated for conducting a feasibility study. The project would take three years to complete. It is estimated that by 2030, the freight demand across the Yellow Sea will be 27.62 million tonnes and passengers flow 2 million per annum. At present, Shandong has a strong Korean presence: 160,000 Korean citizens and 4,700 Korean enterprises.<sup>23</sup>

Russia has a very ambitious plan to develop a high-speed inter-continental link between London and New York across Eurasia on land and through a proposed sea tunnel joining physically Siberia and Alaska. China has a similar plan too to connect its rail lines to the Trans-Siberian Railway as part of the eventual London to New York route. To realise this longest potential train line on earth connecting London with New York, estimated to be 20,000km long,<sup>24</sup> the four major countries involved, Russia, China, Canada, and the U.S. will have to work together. All the countries in Northeast Asia will then stand to benefit in one way or another from this potential connectivity.

In the past few years, both Russia and China have worked with North Korea to build up the transport infrastructure and power grids in Northeast Asia. Some of the projects involve North Korean labour and South Korean conglomerates.<sup>25</sup> If the government in the North agrees, then many connections can be extended to the South, thereby helping to create a completely new zone of economic cooperation in the region.

<sup>&</sup>lt;sup>21</sup> At a historical meeting in 2000 between the then President Kim Dae-jung of South Korea and President Kim Jong-il of North Korea, both sides agreed in a joint statement to rebuild the line, estimated to complete in 2005 and begin operation in 2007. See *Ming Bao*, Hong Kong, 25 October 2015, p. A17. 'President urges N.K. to embrace reform, openness,' *The Korean Herald*, 6 August 2015, p. 4.

<sup>&</sup>lt;sup>22</sup> 'S. Korea urged to link Eurasian Initiative with China's 'one belt, one road' strategy,' 15 December 2015, Yonhap News, <a href="http://english.yonhapnews.co.kr/news/2015/12/15/0200000000AEN20151215004300320.html">http://english.yonhapnews.co.kr/news/2015/12/15/0200000000AEN20151215004300320.html</a> (assessed 3 January 2016).

<sup>&</sup>lt;sup>23</sup> Ming Bao, 25 October 2015, p. A17.

<sup>&</sup>lt;sup>24</sup> 'Russia wants to build a massive superhighway that would make it possible to drive from the UK to the US,' Business Insider, Australia, 25 March 2015, <a href="http://www.businessinsider.com.au/russia-trans-eurasian-belt-development-links-uk-to-us-2015-3">http://www.businessinsider.com.au/russia-trans-eurasian-belt-development-links-uk-to-us-2015-3</a> (accessed 1 January 2016).

<sup>&</sup>lt;sup>25</sup> Kim Taehwan, 'Beyond geopolitics: South Korea's Eurasia Initiative as a new nordpolitik,' *The Asan Forum*, Seoul, 16 February 2015, available online.



Taiwan's response. Taiwan is eager to join the AIIB as a founding member, but received a cold response from China for political reasons. Taiwan might be able to join later in a suitable capacity and with a mutually agreeable name. As a strong exporting country, both its business sector and the government realise the importance of exports to Taiwan's economic health. Taiwan relies heavily on exports more so than many other countries. The proportion of its foreign trade to GDP reaches a staggering 112% in 2014. This percentage figure is far higher than U.S.'s 22%, Japan's 34%, China's 43%, and South Korea's 79%. From an economic standpoint, it is imperative for Taiwan to join China's 'belt and road' initiative. The initiative, consisting of 65 countries, is supposed to cover a third of global trade, a third of global GDP, two-thirds of the world's population, and three quarters of its known energy reserves.

China has proposed to build a tunnel connecting Pingtan of Fujian province to Hsinchu of northern Taiwan in order to run high-speed rail travel. At a length of 150km, it would be three times the length of the tunnel connecting England and France. Taiwan faces a dilemma, a physical connection by tunnel would pose a potential military and security threat, but it could substantially enhance Taiwan's connectivity with the mainland and then through the Chinese mainland to Central Asia, South Asia, and West Asia. Apart from India where Taiwan's export registers about 1% of its total, the other countries combined in the three regions receive less than 1% of Taiwan's exports. So a potentially huge market could be created through enhancing connectivity via the Silk Road Economic Belt. This dilemma has become more complicated for Taiwan under the presidency of Tsai Ing-wen.

#### Southeast Asia: Indonesia, Vietnam, Thailand

The maritime component of China's New Silk Road initiative, the so-called 21<sup>st</sup> Century Maritime Silk Road or just 'one road' in short, dovetails with Indonesia's Global Maritime Fulcrum, an initiative promoted by President Joko Widodo when he came to power in 2014. While China's maritime route is global in perspective, the Indonesian fulcrum initiative is mainly a domestic one. This Indonesian initiative aims to develop roads, railways, and especially seaport connections, given the country's geography which features 18,000 islands stretching across four time zones. In early September 2015 Indonesia called off the plan to build a high-speed rail line connecting Jakarta to Bandung, citing reasons of the exorbitant cost of construction. The two cities are at present connected by ordinary rail. Given the relative short distance between them, some 140km, and

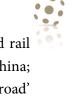
<sup>&</sup>lt;sup>26</sup> 'OBOR should be strongly considered: TAITRA head,' *The China Post*, Taipei, Internet ed., 24 July 2015.

<sup>27</sup> Ibid.

<sup>&</sup>lt;sup>28</sup> Chung Jae Ho, 'Views from Northeast Asia: A Chinese-style pivot or a mega-opportunity?' *Global Asia*, Seoul, Vol. 10, No. 3 (Fall 2015). Available online.

<sup>&</sup>lt;sup>29</sup> https://en.wikipedia.org/wiki/Taiwan\_Strait\_Tunnel\_Project (assessed 2 January 2016).

<sup>&</sup>lt;sup>30</sup> An editorial dated 28 April 2015 of *China Times* in Taipei pointed out the huge trade potential for Taiwan, something not to be easily missed, see <a href="http://www.chinatimes.com/newspapers/20150428000509-260109">http://www.chinatimes.com/newspapers/20150428000509-260109</a> (assessed 2 January 2016).



the number of stops in between, it may not be economically sensible to build a high-speed rail link. The cancellation of the project disappoints the two competing contenders, Japan and China; in particular China, given the fact that President Xi Jinping announced his 'one belt, one road' initiative and his plan to establish the AIIB in a speech to the Indonesia Parliament in late 2013. However, several weeks later, Indonesia announced that the high-speed rail construction was to go ahead after all, awarding the contract to China, to the huge disappointment of Japan. In awarding the contract to China, Indonesia cited the reason of the favourable financial terms offered by China which did not require a financial commitment from the Indonesian state, whereas Japan's bid did.<sup>31</sup> Indonesian officials consoled Japan, saying that other big infrastructure projects would be up for bidding in the near future.

Indonesia needs to upgrade its infrastructure in order to sustain economic growth. Perry Warjiyo, deputy governor of Bank Indonesia, speaking at a forum in Hong Kong on the New Silk Road in January 2015, said that in the next five years, his country would need to build 15 new airports, expand 40 existing airports and 15 seaports, and to construct over 3,000km of roads and railways, among other things.<sup>32</sup> According to the Asian Development Bank, Asia needs new investments worth \$8 trillion for infrastructure development from 2010 to 2020,<sup>33</sup> or \$800 billion per year. Southeast Asia plans to spend an estimated \$7 trillion from 2015 to 2030 to upgrade its infrastructures.<sup>34</sup> Indonesia alone will need \$230 billion per year for such purpose. It will be one of the first countries to apply for funding from the AIIB in 2016 when the bank begins operation.

Vietnam too had considered the building of a high-speed rail linking Hanoi in the north of the country with Ho Chi Minh City in the south, but found the cost prohibitive. Japan and China were again the two competing bidders. It is safe to assume that the plan has only been put on hold, pending on, among various things, the construction of other infrastructure projects such as the Pan-Asian high-speed rail that runs from China's Kunming to Vientiane, Bangkok and then to Malaysia and Singapore. The projected construction of the Kra Canal across an isthmus near the middle of Thailand might goad Vietnam to build a huge seaport facility at Hon Khoai Port at the southern tip of Vietnam, in order to receive the imports and exports through shipping between Asia and Europe, partially bypassing the existing route via the Malacca Strait (see Map 2). The Kra Canal, measuring 102km long, is estimated to cost around \$US\$28 billion and would take

<sup>&</sup>lt;sup>31</sup> Apparently the Japanese government has dropped this requirement of financial commitments from the host government in subsequent biddings for infrastructure contracts, in order to compete with China on the terms of financing. See 'China-Japan rivalry: Who will be Asia's master builder?' *The Christian Science Monitor*, Internet ed., 18 January 2016.

<sup>&</sup>lt;sup>32</sup> 'ASEAN must sketch a vision for longer-term integration,' *China Daily Asia Weekly*, 23-29 January 2015, p. 17. <sup>33</sup> 'Public private partnerships key to meeting Asia's \$8 trillion infrastructure needs – study,' ADB, 30 May 2012, http://www.adb.org/news/public-private-partnerships-key-meeting-asias-8-trillion-infrastructure-needs-study (assessed 5 May 2015).

<sup>&</sup>lt;sup>34</sup> 'Infrastructure fails to bridge gap in SE Asia,' *South China Morning Post*, Hong Kong, 5 December 2014, p. B8. <sup>35</sup> China is going to build a \$6 billion railroad connecting Vientiane to China's border, eventually linking Kunming in China to Singapore via high-speed rail. See Table 3 above; and 'China's dream of rail link to S-E Asia coming true,' *Straits Times*, 21 January 2016, <a href="http://www.straitstimes.com/asia/east-asia/chinas-dream-of-rail-link-to-s-e-asia-coming-true">http://www.straitstimes.com/asia/east-asia/chinas-dream-of-rail-link-to-s-e-asia-coming-true</a> (accessed 23 January 2016).

eight to ten years to build. It would shorten the shipping time between the Andaman Sea and the South China Sea by seventy-two hours and a distance of 1,200km. In July 2015 Vietnam announced that it would build the deep-water port at a cost of US\$2.5 billion with major funds coming from American corporations.<sup>36</sup>

Map 2. The Kra Canal and the Hon Khoai Port



Source: <a href="http://www.straitstimes.com/opinion/new-viet-port-a-clue-to-kra-canal">http://www.straitstimes.com/opinion/new-viet-port-a-clue-to-kra-canal</a> (accessed 20 December 2015).

The two high-speed rail providers, China and Japan, also compete for business in Thailand. The Thai government, however, seemed to have been able to accommodate both, with China and Japan building two separate rail lines in different parts of the country more or less at the same time (see Table 3). The two countries are likely to compete in project biddings in other countries, such as a proposed high-speed train line linking Los Angeles and San Francisco. Japan has a better safety record, while China can build at a lower cost and at a faster speed. Countries planning to build high-speed rail have to consider where the balance between cost and safety should lie, and where their national interests should align.

<sup>&</sup>lt;sup>36</sup> http://www.vietnambreakingnews.com/2015/07/vietnam-to-build-us2-5-bil-seaport-at-center-of-new-regional-route/ (accessed 3 January 2015).



#### South Asia: India, Pakistan, Bangladesh

In early 2015 China made a huge investment in Pakistan to build a complex infrastructure, amounting to \$46 billion as a target budget over ten to fifteen years.<sup>37</sup> Projects would include high-speed rail, power grids, oil and gas pipelines, trade zones, economic corridors, and others. For China, Pakistan is a strategic ally, helping to counter the Indian-U.S. alliance. Connections between China and the Middle East through Pakistan will provide a safer and quicker way to channel resources like oil and gas from the Middle East to China and merchandise from China to the Middle East and Europe. The pipelines through Pakistan will serve a similar purpose to those running through Myanmar, allowing China to have a complementary or an alternative way to bring in its energy needs. These pipelines and land transportation routes through Pakistan will shorten the distance and time taken to go through the existing sea route via the Strait of Malacca. They will also increase safety and security in case of the outbreak of conflicts in Southeast Asia when the Strait, under U.S. military control, might become a choke point for China as well as for other East Asian countries. In addition to Pakistan, Iran also offers a potentially convenient conduit to facilitate China's reaching out to the Middle East and Europe through land and sea connections. Xi Jinping was the first world leader to visit Tehran in January 2016,<sup>38</sup> immediately after the lifting of international (read Western) sanctions against Iran, to strengthen economic and political ties between the two countries. China competes for infrastructure projects in Iran with India, which has established an earlier foothold in the country in this area.<sup>39</sup>

Recently, Bangladesh has turned to Japan instead of China to finance its infrastructure development. This is likely to trigger off a strategic (re)alignment to the balance of power between two groups of countries: Japan, India, and Bangladesh vis-a-vis China and Pakistan. It was reported in September 2015 that the Japan International Cooperation Agency offered Bangladesh a US\$3.7 billion loan on easy terms (interest rate of 0.1 per cent over thirty years with an initial ten-year grace period) to finance the building of four coal-fired power plants of 600 MW each and a port complex in Matarbari, in the country's southeast. 40 (See also Table3)

Japan, which lost to China in its bid to construct a high-speed rail line in Indonesia, had better luck in India. Having apparently learned a valuable lesson in the Indonesia case, Japan was able to obtain a contract to build a high-speed rail connecting Mumbai and Ahmedabad, a distance of 500km along the west coast of India. The travel time could be reduced from seven to two

<sup>&</sup>lt;sup>37</sup> 'Is China-Pakistan 'silk road' a game-changer?' BBC, 22 April 2015, <a href="http://www.bbc.com/news/world-asia-32400091">http://www.bbc.com/news/world-asia-32400091</a> (assessed 18 September 2015).

<sup>&</sup>lt;sup>38</sup> The visit to the Middle East took Xi to Saudi Arabia, Egypt, and Iran, from 19 to 23 January 2016. See 'President Xi Jinping visits Saudi Arabia, Egypt, Iran,' <a href="http://www.xinhuanet.com/english/cnleaders/201601xjp/">http://www.xinhuanet.com/english/cnleaders/201601xjp/</a> (accessed 31 January 2016).

<sup>&</sup>lt;sup>39</sup> Sumitha Kutty, 'Iran's infrastructure projects: India, China competing?' *RSIS Commentary*, S. Rajaratnam School of International Studies, Singapore, No. 14, 22 January 2016.

<sup>&</sup>lt;sup>40</sup> Japan's offer of \$3.7 billion is about 80% of the total cost of construction amounting to \$4.6 billion. See 'Exclusive: Bangladesh favours Japan for port and power plant, in blow to China,' Reuters, 10 September 2015, <a href="http://in.reuters.com/article/2015/09/10/bangladesh-japan-china-idINKCN0RA1T620150910">http://in.reuters.com/article/2015/09/10/bangladesh-japan-china-idINKCN0RA1T620150910</a> (accessed 14 September 2015).

hours. <sup>41</sup> In a visit by Prime Minister Shinzo Abe to India in December 2015, Japan agreed to offer a US\$12 billion loan at 0.1 per cent interest over 50 years to finance the project. <sup>42</sup> Geopolitics may have played a significant part as well, as it was reported that there was no open tender. <sup>43</sup> All is not lost for China though for the time being, as China won a contract earlier to assess the feasibility of a high-speed rail between Delhi and Mumbai, covering a distance of 1,200km. Recently India has shown renewed interest in working with China on building the BCIM economic corridor connecting Bangladesh, China, India, and Myanmar. One of the main projects is the construction of an artery road running from Kunming to Kolkata, the so-called K-2-K corridor, measuring 2,800km and linking up Mandalay of Myanmar and Dhaka of Bangladesh along the way (see Map 3). <sup>44</sup> This main road could branch out to connect to other nearby cities to form a network of road systems.

Map 3: The BCIM economic corridor



Source: 'China, India fast-track BCIM economic corridor project,' *The Hindu*, Internet ed., 26 June 2015.

Like Thailand and to a certain extent Indonesia and Bangladesh, India seems to play a game aimed at balancing its interests with the two high-speed train superpowers. India sees China as a partner in some joint projects such as the BRICS, South-South cooperation, and climate change, as a competitor in other areas such as food and energy security, and even sees China as a threat, considering China's building of seaport facilities around India which could serve a naval purpose as well, thus containing India in a semi-circular formation: Myanmar's Kyaukphyu, Bangladesh's Chittagong, Sri Lanka's Hambantota, and Pakistan's Gwadar. As a result, India's response to China's 'one belt, one road' is lukewarm to suspicious to wavering.

<sup>41</sup> 'Japan on track to secure India high-speed rail link,' South China Morning Post, 23 October 2015, p. A11.

<sup>&</sup>lt;sup>42</sup> 'Warning for Beijing,' *The Indian Express*, Internet ed., 17 December 2015.

<sup>&</sup>lt;sup>43</sup> 'Rail battle between China and Japan rushes ahead at high speed,' *Financial Times*, Internet ed., 20 December 2015.

<sup>&</sup>lt;sup>44</sup> 'China, India fast-track BCIM economic corridor project,' *The Hindu*, Internet ed., 26 June 2015. The BCIM economic corridor is one among six such corridors under China's 'one belt, one road' initiative. The other five are: China-Mongolia-Russia economic corridor; New Eurasian Continental Bridge; China-Central Asia-West Asia economic corridor; China-Indochina economic corridor; and China-Pakistan economic corridor. For some Chinese discussions on these corridors, see China Institute of Contemporary International Relations, '*Yidai yilu*' *duben* ['One belt one road' reader] (Beijing: Shishi Chubanshe, 2015), pp. 80-90.

# **Fellows Program** on Peace, Governance, and Development in East Asia

#### West Asia: Turkey



So far Turkey is the only country in which China has helped to successfully complete the construction of a high-speed rail line, which connects Ankara and Istanbul, measuring 511km. The line was officially inaugurated in July 2014, cutting the travel time between the two cities by half to three hours and thirty minutes. <sup>45</sup> It is reported that at present China is helping Turkey to build nearly a dozen rail lines. <sup>46</sup>

Turkey occupies a geo-strategic position linking China and Asia to its east and Europe to its west. China's dream of using high-speed rail to connect itself with Europe will depend in part on the train lines in Turkey as intermediate connections. China of course can negotiate to go through other countries in Central Asia as well.

The geopolitical relationship between China and Turkey goes beyond infrastructure and trade to military. China has been selling low-end weapons like rockets to Turkey, but recently Turkey has decided to cooperate with China to build a missile defence system for the country, which has drawn major concerns from Ankara's NATO partners.<sup>47</sup>

### Summing up the Asian Responses

From the above analysis, it would be reasonable to conclude that Asian countries on the whole welcome China's 'one belt, one road' initiative (see Table 4). Even countries which are not entirely on good political terms with China like the Philippines and Vietnam have joined the AIIB; and they have invited China to invest and help build infrastructures in their countries. Although Japan competes with China for markets and investments, and for political and strategic advantages, there is no denial that both countries share the same view that infrastructure development is needed in Asia and beyond, and they have acted accordingly to begin to meet those needs. In the process of competing for projects, sometimes China wins and sometimes Japan wins. And there might be occasions when both countries find it necessary to coordinate with each other in infrastructure constructions. The case of Thailand is instructive. Both China and Japan are building two separate rail lines in the country. Thailand requires both to harmonise their standards so that the two lines might eventually join up smoothly. (See Table 3, under Thailand)

<sup>&</sup>lt;sup>45</sup> 'Erdogan suffers delay on new Turkey high speed train,' <a href="http://www.digitaljournal.com/news/world/erdogan-suffers-delay-on-new-turkey-high-speed-train/article/392658">http://www.digitaljournal.com/news/world/erdogan-suffers-delay-on-new-turkey-high-speed-train/article/392658</a> (accessed 13 April 2015).

<sup>&</sup>lt;sup>46</sup> 'China plans a new Silk Road, but trade partners are wary,' *New York Times*, 25 December 2015, http://www.nytimes.com/2015/12/26/business/china-plans-a-new-silk-road-but-trading-partners-are-wary.html?mwrsm=Email&\_r=0 (accessed 31 December 2015).

<sup>47</sup> Ibid.



Table 4: Asian responses to China's 'one belt, one road' initiative: a summary as of early 2016

Most supportive	Largely suppor- tive	Cautiously sup- portive	Not clear	Not supportive
Cambodia	Brunei	Myanmar	N. Korea	India
Laos	Indonesia	Philippines	Taiwan	Japan
Pakistan	Malaysia	Vietnam		USA
Thailand	Singapore			
Turkey	S. Korea			

Note: The positions of the countries cited here are largely indicative; they are fluid and changeable, depending on the times and issues involved.

Source: Author's modification and adaptation from 'Thailand on board with OBOR, Taiwan's status unclear: analysts,' *The China Post*, Internet ed., 18 September 2015, quoting Professor Li Mingjiang's observations.

# **Concluding Thoughts**

China's 'one belt, one road' initiative is a relatively new programme. It is very much a work in progress. Time will tell in clearer terms the difficulties involved in its implementation, for the countries involved to develop the necessary tools and policies to tackle those difficulties, and for observers to make a proper assessment of its impact on global development. In the meantime, it would worth the while to continue to keep a close eye on the unfolding of the 'belt and road' initiative because of its potentially huge impact on international relations and global governance.

Available evidence at present suggests that the initiative holds promise. Despite obstacles and risks of various kinds, the prospects look exciting and 'a brave new world' might well be in the offing. The fact that the U.S. found it necessary to voice its objections initially to the setting up of the AIIB, the fact that the World Bank and the ADB welcomes the opportunity to work with the new bank, and the fact that many countries now find it all the more necessary to strike a fine balance in dealing with the U.S. and China mean that China's increasing influence in the world has to be taken into consideration, in theory and in practice. Therein lies the seeds for the growth of a new world order.

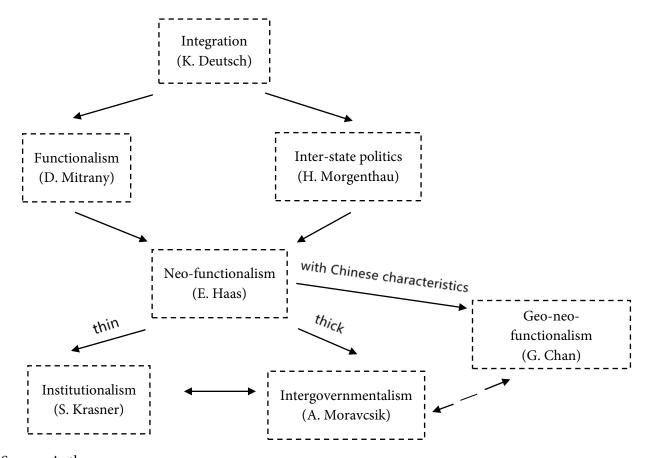


# Appendix 1. Chronology of the development of the 'one belt, one road' initiative

2013 September	Xi Jinping proposes the building of the Silk Road Economic Belt in Kazakhstan
2013 October	Xi Jinping proposes the building of the $21^{\text{st}}$ Century Maritime Silk Road in Indonesia
2013 December	'One belt, one road' or OBOR affirmed by the 3 <sup>rd</sup> Plenum of the 18 <sup>th</sup> Chinese Communist Party Congress
2014 February	Xi and Vladimir Putin of Russia reach an agreement on linking OBOR with the Eurasian rail line
2014 March	Li Keqiang affirms the importance of OBOR in his working report to the government
2014 April	Li stresses the importance of OBOR in an opening speech at the Bo'ao Forum
2014 May	The China-Kazakhstan joint logistics terminal opens in Lianyuangang in Jiangsu province, the first huge project in the Silk Road Economic Belt
2014 November	Xi announces at the APEC summit in Beijing that China will contribute US\$40 billion to set up a Silk Road Fund
2015 March	The National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce jointly issue a document entitled 'Vision and action on jointly building Silk Road Economic Belt and 21st-Century Maritime Silk Road'
2015 March	57 countries join the AIIB as founding members
2015 April	Silk Road Fund's first major investment: China-Pakistan Economic Corridor
2015 October	The Silk Road Think Tank Network (SiLKS) established with 43 founding members and partners from 27 countries
2016	The AIIB becomes operational



## Appendix 2. A genealogy of geo-neo-functionalism in contemporary times



Source: Author



#### Author's Biography

#### **Gerald Chan**

University of Auckland, New Zealand

Gerald Chan is Professor of Politics and International Relations in the University of Auckland, New Zealand. He obtained his Ph.D in Chinese politics and history at Griffith University in Australia and his MA in International Relations at the University of Kent, U.K. Gerald has taught international relations and Asian politics for 15 years at Victoria University of Wellington. He has held visiting or short-term positions at many universities, including the Chinese University of Hong Kong, Cambridge University, the National University of Singapore, Nanyang Technological University, Singapore, and Kobe-Gakuin University in Japan. He is a Life Member of Clare Hall, Cambridge. He has been an external examiner to the politics programme at the University of Hong Kong. He also holds the position of an external Ph.D examiner in the area of Chinese international relations at the University of Malaya. He sits on the international editorial / advisory board of ten academic journals, including Global Society, Cambridge Review of International Affairs, the Journal of Human Security, and the International Journal of China Studies. Before he joined The University of Auckland in 2009, he was Professor of East Asian Politics and Director of the Centre for Contemporary Chinese Studies at Durham University, UK

Professor Chan's key research area is Chinese international relations. He has published a number of books and many articles in this area. He is currently working on several projects relating to China's ability to create norms and rules that change the behaviour of other states; China's role in global financial governace; and China's aid policy.

Two of his co-authored articles won the Best Essay of the Year award: one entitled "Rethinking global governance: a China model in the making?", in *Contemporary Politics* (2008); and the other entitled "Japan, the West and the whaling issue", in *Japan Forum* (2005).

#### Publications include:

- Chan, G. (2015). China's Foreign Policy. CHINA JOURNAL, 74, 173-174.
- Chan, G. (2015). China Eyes ASEAN: Evolving Multilateralism. *Journal of Asian Security and International Affairs*, 2 (1), 75-91.
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