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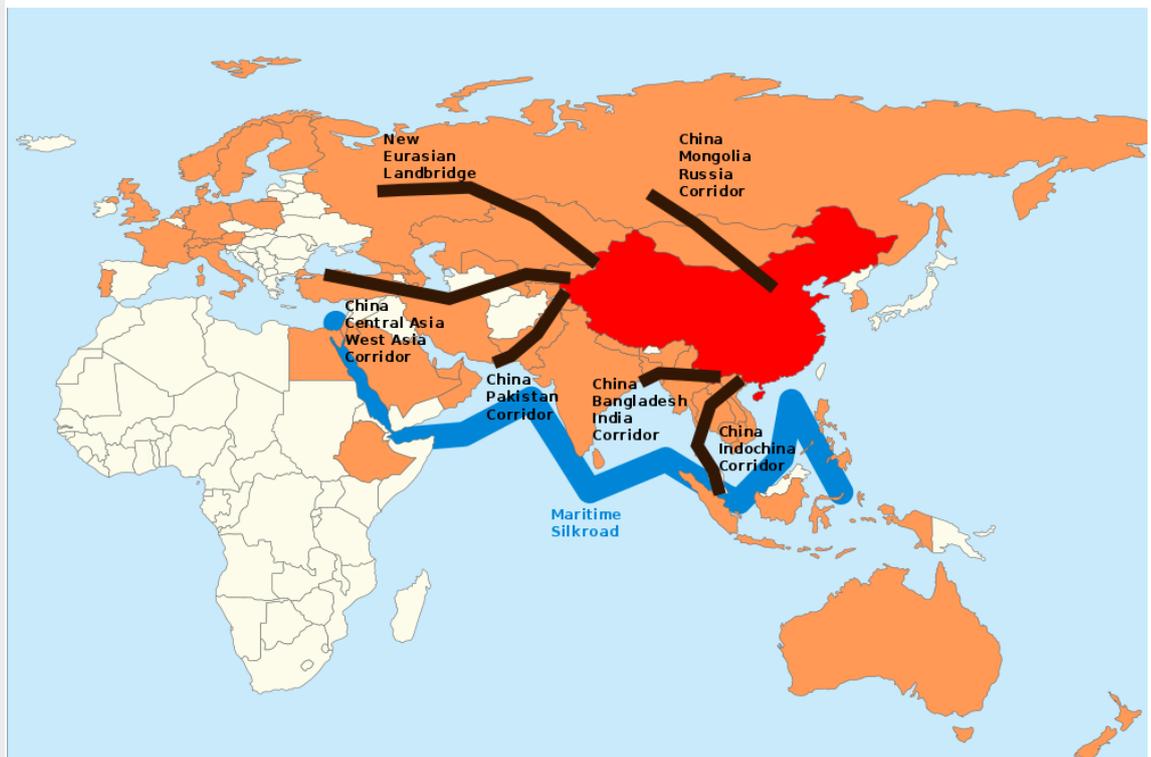
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# Beijing BRI-inging Back the Silk Road



Map depicting the Belt and Road Initiative (China in red, members of the Asian Infrastructure Investment Bank in orange, proposed corridors in black, and maritime silkroad in blue), courtesy of Lommes, Wikimedia user, under the Creative Commons license.

## FEATURED COMMENTARY

## China's Maritime Silk Road: Challenging Test for ASEAN

By Kaewkamol Pitakdumrongkit



A container ship docks at the Singapore harbour. Courtesy of Flickr account of whitecat sg and used under a Creative Commons license.

*The Maritime Silk Road (MSR) holds great potential to foster ASEAN-China economic relations. China could achieve its connectivity scheme while ASEAN states could accomplish their regional integration objectives. However, both sides need to work on developing institutional infrastructure and managing geopolitical conflicts.*

### Commentary

PRESIDENT XI Jinping introduced the idea of the 21st Century Maritime Silk Road (MSR) to further foster ASEAN-China relations during a visit to Jakarta in October 2013. MSR is the maritime part of China's Belt and Road Initiative (BRI).

BRI's goals are to promote

linkages between China and other countries in five areas: policy coordination, connectivity, trade, financial integration, and people-to-people exchanges. MSR, if completed, will connect China with South-east Asia, the Persian Gulf and North Africa.

### Implications for South-east Asia

MSR promises to bring several benefits to ASEAN nations. For one thing, the scheme could support ASEAN's regional initiatives namely the ASEAN Economic Community 2025 (AEC 2025) and Master Plan on ASEAN Connectivity 2025 (MPAC 2025), as revealed in the Joint Communique of the Leaders' Roundtable of the Belt and Road Forum

for International Cooperation issued in Beijing on 16 May 2017.

The above statement indicated that China is willing to support ASEAN's regional frameworks. AEC 2025 aims to accomplish five objectives: (i) a highly integrated and cohesive economy; (ii) a competitive, innovative, and dynamic ASEAN; (iii) enhanced connectivity and sectoral cooperation; (iv) a resilient, inclusive, people-oriented, and people-centred ASEAN; and (v) a global ASEAN.

MPAC 2025's goal is to "achieve a seamlessly and comprehensively connected and integrated ASEAN" by enhancing physical, institutional and people-to-people connectivity.

Looking at these initiatives, it is likely that ASEAN and China would see their interests converge. As a result, Southeast Asian countries are likely to welcome MSR as the initiative can help ASEAN achieve its regional economic integration. For instance, China desires to boost infrastructure development to enhance its exports of iron, aluminium, cement, and steel sectors.

As these materials can serve as intermediate goods of final products such as automobiles and electrical equipment, one could expect that MSR would not only raise ASEAN-China trade and investment in these industries but also enable

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### What is the Belt & Road Initiative (BRI)?

*The BRI, formerly known as the One Belt One Road Initiative, is a development strategy that was announced by Chinese President Xi Jinping in 2013. It comprises a land-based Silk Road Economic Belt, and the ocean-going Maritime Silk Road. The BRI will span more than 68 countries and cover 65% of the world's population and 40% of global GDP.*

Southeast Asian countries to raise their exports of final products which use these materials as components.

#### Filling in ASEAN's Financing Gap

Furthermore, MSR could help finance the projects under the MPAC 2025 scheme. ASEAN countries are in dire need of infrastructure financing. According to the Asian Development Bank, ASEAN would require about US\$2.3 trillion to \$2.8 trillion of infrastructure investment from 2016 to 2030, or \$184 billion to \$210 billion annually. However, the ASEAN Infrastructure Fund (AIF) has a total equity of \$485.3 million.

Although AIF's portfolio is estimated to rise to \$700 million by end-2017, it is still insufficient to fill ASEAN's financing gap. Such deficit could partly account for the delayed implementation of particular programmes. For example,

a study done by the Economic Research Institute for ASEAN and East Asia (ERIA) revealed this.

It found that the Trans-ASEAN Gas Pipeline aimed at linking the region's gas exports and the ASEAN Power Grid to integrate national energy markets into a regional one were less than 50% completed by 2015. MSR could inject additional capital into these projects.

Which Southeast Asian nations are likely to be the main beneficiaries of MSR? At the time of this writing, the immediate gainers are the maritime states in the region. Some evidence suggests that Chinese capital is pouring into these areas to invest in ports and related facilities as well as industrial parks. For example, COSCO, a Chinese state-owned enterprise, holds 49% stake in COSCO-PSA Terminal projects in Singapore.

Beibu Gulf Holding Co. Ltd

bought 38% equity to secure a 30-year management of Kuantan Port in Malaysia. Moreover, China and Malaysia are jointly developing an industrial park in Kuantan in Malaysia for steel, aluminium, and palm oil production. Beijing and Kuala Lumpur also signed an MOU on port alliance to boost their bilateral trade.

In addition, Chinese financing is flowing into Indonesia to develop a high-speed railway, a coal power plant, and other infrastructures to gain access to the latter's natural resources.

#### Challenges Ahead

Physical infrastructure alone would neither help China successfully implement the MSR nor would it enable ASEAN members to reach their regional integration objectives. Soft or institutional infrastructure is also required.

To fully reap the MSR's benefits, Southeast Asian countries and China must work together through the ASEAN-China Free Trade Agreement (ACFTA) and other initiatives to lessen or remove non-tariff and behind-the-border barriers and facilitate trade and financial flows. Doing so would create a more business-friendly environment,

further deepening ASEAN-China economic ties.

Also, Beijing and Southeast Asian states need to find ways to jointly ease geopolitical tensions which could otherwise breed suspicion and mistrust. Neither Beijing's neglect of the 2016 arbitral ruling by the Hague Tribunal that its maritime claims had no legal basis nor China's militarisation of the South China Sea bodes well for Southeast Asia-China ties.

Such tensions must be lessened through bilateral and multilateral mechanisms or both. Otherwise, conflicts may escalate and risk jeopardising the future of the MSR and ASEAN's regional integration projects.

The MSR holds great potential to bolster ASEAN-China economic relations. If managed well, it could create a win-win outcome for both sides. China could achieve its connectivity scheme while ASEAN states could accomplish their regional integration objectives. However, this scheme is not without challenges. For it to succeed, both sides need to work on building institutional infrastructure and managing geopolitical conflicts. ■

## Upcoming Event- 9th RSIS-WTO Parliamentarian Workshop

The Centre for Multilateralism studies will be holding the 9th Annual RSIS-WTO Parliamentarian Workshop in conjunction with the World Trade Organisation and Temasek Foundation International from 7 to 9 May. This will be the latest instalment in a successful partnership bringing together Asia-Pacific parliamentarian

arians to develop their understanding of regional trade issues.

The three-day workshop, held in the heart of Singapore, brings a wide array of influential and informed speakers in the field of trade. This year will see Professor Ralf Emmers, Associate Dean, RSIS,

along with Mr Bernie Kuitien, Head of External Relations, WTO, and Mr Tan Chuan-Jin, Speaker of the House, Singapore Parliament, as well as many other esteemed experts share their valuable opinions and research. Topics will include an update on developments from the 11th

WTO Ministerial Conference, trade in 'green' goods, and more detailed information on the Information Technology Agreement (ITA) and the Belt Road Initiative (BRI). ■

## Cybersecurity and Cybernorms in ASEAN: Building a Stronger Region in the Digital Age



Participants of the "Cybersecurity and Cybernorms in ASEAN: Building a Stronger Region in the Digital Age" workshop.

The "Cybersecurity and Cybernorms in ASEAN: Building a Stronger Region in the Digital Age" workshop was held on 21 and 22 March in Singapore. The workshop was jointly organized by the Lee Kuan Yew School of Public Policy, National University of Singapore, the Cybersecurity Agency of Singapore, the S. Rajaratnam School of International Studies, Nanyang Technological University, and Microsoft.

The workshop, attended by delegates from ASEAN member countries, consisted of a series of talks and activities related to cyberspace threats and the ways to address the issue. The workshop started with an explanation that cybersecurity is a transnational issue where ASEAN member states are required to cooperate to address cybersecurity risks. For instance, cyberattacks affecting government agencies and sectors have resulted in disruption of economic activities. There-

fore, it is important for ASEAN to develop its own cybersecurity strategy through collaboration between government agencies and stakeholders.

Some industry experts provided comprehensive overviews of cybersecurity issues. Dr Astrid Tuminez, Regional Director (Corporate, External and Legal Affairs) at Microsoft Southeast Asia, provided a comprehensive overview of cyberattacks and its evolution. She underscored the need for countries to have technology that is trustable and inclusive. Mary Jo Schrade, Assistant General Counsel and Regional Lead at Microsoft Digital Crimes Unit Asia, spoke about the global impact of cyberattacks, noting that the total annual cost of cybercrime to the global economy is around US\$400 billion.

The workshop also focused on how countries might address cybersecurity concerns. Christian Troncosco, Director

(Policy) at the Software Alliance, emphasized that a multi-stakeholder (public and private sector) approach was key. Stephen Sim (Deputy Director), Mak Yiing Chau (Senior Assistant Director), and Lim Thian Chin (Head of Critical Information Infrastructure Protection) from the Cybersecurity Agency of Singapore spoke about the Singapore government's approach to the situation and emphasized how inter-government cooperation and information sharing is essential in building the necessary framework to address cyber risks.

The speakers also touched on the establishment of global compliance standards and norms that would help promote cybersecurity and restrain cyber-conflict. To this end, Jennifer Koo, Corporate Attorney at Microsoft, emphasized the urgent need for a "Digital Geneva Convention" that would protect individuals from cyberattacks. Similarly, Jarom

Britton, Regional Attorney for the Health, Education & Public Sector (Asia) at Microsoft, suggested that comprehensive compliance standards should be adopted for technology such as cloud computing.

Delegates were also led through cyberattack simulation exercises where they were able to apply the strategies and approaches that they had learned throughout the workshop. At the end of the exercise, delegates agreed that cross-sector collaboration was important, especially in regard to information sharing and strategy development. The transnational nature of the cybersecurity threat also underscored the importance for inter-governmental cooperation, especially in areas such as confidence-building measures, monitoring and incident reporting. ■

## RSIS Seminar Series on Multilateralism Studies: “WTO in the Balance”

On 23 March the Centre for Multilateralism Studies hosted Mr Evan Rogerson, Distinguished Visiting Professor of RSIS, as he spoke on the topic of ‘WTO in the Balance’. As a long-time member of the World Trade Organisation (WTO), most recently serving as the Director of the Agriculture and Commodities Division, Mr Rogerson was the ideal speaker to give an honest

insight into the challenges facing the WTO.

Presently, the WTO currently exists in an environment that lacks commitment to the post-war multilateral system. This, coupled with the lack of progress in the Doha Round that started in 2001, has created perceptions that the future of the WTO is under threat. While Mr Rogerson agrees that the WTO has struggled to

keep up with the changing nature of global trade and is limited by its inability to agree new trade rules partly because of its consensus-based rule-making process, he also believes that the WTO still has much to offer. For example, the WTO’s Dispute Settlement Mechanism is still one of the most widely respected systems of its ilk, bringing stability to the global economy.

The WTO, however, must adapt to be able to continue playing a part in shaping global trade and help counter the emerging economic nationalist rhetoric. In Mr Rogerson’s opinion, the WTO should embrace plurilateral agreements and negotiations that have been developing, such as the TPP and RCEP agreements. These mega free-trade agreements could provide more impetus to multilateral attempts. Mr Rogerson also believed that middle and smaller-sized economies should take the initiative in shaping and directing the discussion within the WTO, as they have the most to gain. Additionally, if these states could cooperate, it would help encourage the larger economic powers who have begun to lose interest. ■



*Evan Rogerson addresses the participants at RSIS Seminar Series on Multilateralism Studies*

## China’s Belt and Road Initiative in Southeast Asia

The Centre for Multilateralism Studies welcomed Dr Guanie Lim to present on ‘China’s Belt and Road Initiative in Southeast Asia: Case Studies of the Automobile and Electronics Sectors’ on 8 January. Dr Lim is a Postdoctoral Research Fellow at the Nanyang Centre for Public Administration, NTU and has widely researched issues related to political economy in Asia with a particular focus on China, Malaysia and Vietnam and Chinese investment in Southeast Asia.

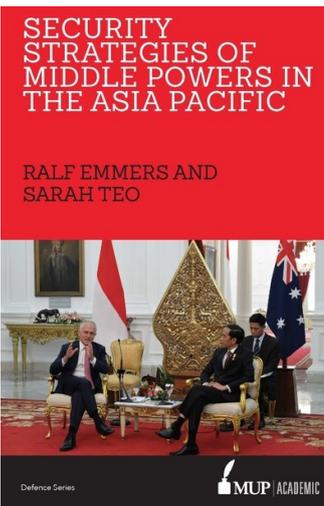
Dr. Lim gave an update on China’s plans for its Belt and Road Initiative (BRI), formerly known as the One Belt One Road project, within ASEAN. The BRI is China’s attempt to become better connected economically with the rest of world, to help China reach the next stage in development after decades of high growth. With Southeast Asia being one of the fastest growing regions and many of the economies reaching middle income status, China is keen to build connections with the region and

increase economic cooperation.

Dr Lim referred to research he carried out on the electronic and automobile industries, and Chinese firms’ experiences in Southeast Asian markets. On the automobile industry, Dr Lim’s research showed that Chinese automobile firms have achieved limited success in the region, due to the restrictive regulation that is present combined with the high levels of competition in an industry which is already consolidated. The

electronics sector however has presented more success for Chinese endeavours. Thanks to the high quality and low price of Chinese products, with businesses working closely with local marketing firms to tailor comprehensive strategies. Dr Lim expects efforts of Chinese firms to establish in Southeast Asia to increase as they attempt to take advantage of opportunities that the development of BRI will inevitably offer. ■

## Security Strategies of Middle Powers in the Asia Pacific by Ralf Emmers and Sarah Teo



Why do some middle powers adopt a regional security strategy that is more functional in nature while others seem to rely on a more normative one?

Security Strategies of Middle Powers in the Asia Pacific examines what drives the different regional security strategies of four middle powers in the Asia Pa-

cific: Australia, Indonesia, South Korea and Malaysia.

Drawing on the extant middle power literature, the authors argue that the regional security strategies of middle powers could take two forms, namely, functional or normative. A functional strategy means that the middle power targets its resources to address a specific problem

that it has a high level of interest in, while a normative strategy refers to a focus on promoting general behavioural standards and confidence building at the multilateral level. This book argues that whether a middle power ultimately employs a more functional or normative regional security strategy depends on its resource availability and strategic environment. ■

### SELECTED PUBLICATIONS

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**Multilateral Matters** is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.