

Final Project Report: Workshop “Constructing the 21st-Century Silk Road: Southeast Asia in the Race for Connectivity and Geopolitical Interests”

In late March 2019, the AC21 university consortium awarded the University of Freiburg a grant of US\$9,970 to organize a workshop titled “*Constructing the 21st-Century Silk Road: Southeast Asia in the Race for Connectivity and Geopolitical Interests.*” Freiburg’s AC21 cooperation partners were the University of Nagoya, Japan, and Universitas Gadjah Mada (UGM), Yogyakarta, Indonesia. The workshop brought together a group of established and young scholars dedicated to the theme of Asian connectivity.

Immediately after the award of the grant, preparations for the workshop began. It was envisaged that the workshop would kick-start an enduring multi-year research cooperation among the three universities on the theme of “*Connectivity in Southeast Asia.*” While the exchanges with the partner universities showed that there is substantial potential to realize this objective, unfortunately the scholars contacted at the University of Nanjing, another AC21 member, did not participate. Yet in the end, we were able to recruit Dr Feng Yuan, a post-doc scholar and BRI specialist at the Free University of Brussels, to participate in the workshop and present Chinese perspectives.

The workshop theme was informed by current policy and academic debates on the infrastructure boom in Asia. Pioneering this trend was the Master Plan on ASEAN Connectivity (MPAC) published in 2010 and amended in 2016. A few years later, in 2013, Chinese President Xi Jinping’s announced the Belt and Road Initiative (BRI). The BRI is a multi-decade mega-infrastructure development project of approximately US\$1 trillion linking China with Europe, which triggered an unprecedented race for infrastructure development in Asia. In 2015, Japan followed with its Quality Infrastructure Program and also India, the US and the EU launched infrastructure schemes, with the latter markedly trailing China and Japan in terms of investments. Riding on their coattails, even smaller countries such as South Korea, Thailand and Malaysia became donor nations.

Pursuing a four-fold objective, the Freiburg workshop responded to this unfolding scenario and the underlying geopolitical interests of donors and recipients: It sought (1) to evaluate in how far the current connectivity drive in Asia contributes to inclusive and sustainable economic growth; (2) to explore the geopolitical ideas and geo-economic objectives behind the connectivity schemes; (3) to examine in how far competitive infrastructure development has repercussions on global and regional institutional architectures; and (4) to assess whether the connectivity schemes promoted by external powers are compatible and how they affect ASEAN’s cohesion as a regional organization and its putative centrality in the region.

The workshop took place in Freiburg on 4 and 5 July 2019. It was opened by the Vice Rector for Research of the University of Freiburg, Prof Dr Günter Neuhaus. Apart from affirming the significance of the workshop theme, Prof Neuhaus also highlighted the prominent role the University of Freiburg attaches to AC21 as a catalyst for global scholarly cooperation. He expressed his appreciation for the long, close and lively cooperation with the University of Nagoya and Universitas Gadjah Mada.

Panel 1: “Connectivity – A New Developmental Paradigm?”

The first panel sought to make sense of connectivity as the currently dominant paradigm in the development discourse. It brought together four scholars who examined the connectivity concept from the perspective of three major players. **Dr Feng Yuan** from the Free University of Brussels outlined the rationale of connectivity from a Chinese perspective. For her, the BRI has economic, institutional and security dimensions. Economic interests include domestic and international objectives. Domestically China seeks to mitigate its blatant economic east-west disparities and to ease

overproduction in the construction sector by exporting infrastructure. In addition, the BRI promotes China's two-way trade: exports of Chinese manufactured goods and imports of raw materials to satisfy the country's rapidly rising energy needs. Intensified economic interaction with BRI partners also facilitates the internationalization of China's currency, the Yuan. Institutionally, China is dissatisfied with the existing world order, which is based on an architecture dominated by the West. Viewing itself excluded from this order, China seeks institutional revisions. In order to shape game rules more conducive to Chinese interests, Beijing has begun to establish its own multilateral institutions. To this end, it pursues a multi-layered institutional policy based on bilateral relations, new regional cooperation arrangements such as the Shanghai Cooperation Organization (SCO), ASEAN+3 and the Regional Comprehensive Economic Partnership (RCEP) and BRI-related multilateral institutions with global reach such as the Asian Infrastructure and Investment Bank (AIIB). Finally, China seeks to enhance its security by strengthening its ties with neighbouring countries and by dissociating itself from Western norms. China resents the interference into its domestic affairs legitimized by these norms and is thus exploring ways of collaboration that exclude Western influences. The BRI is one of them.

Prof **Sanae Ito** (University of Nagoya) explained the audience the rationale behind Japan's Partnership for Quality Infrastructure inaugurated in 2015. This program, she argued, triggered a major paradigmatic shift in Japan's development policy after 2015. While Japan as a long-time member of the OECD's Development Assistance Committee (DAC) increasingly converged with Western neo-liberal modernization policies in the 2000s, the Quality Infrastructure scheme brought it back in tune with the country's early state developmentalist agenda, which according to Prof Ito had been a significant catalyst for the rapid development of neighbouring countries in Southeast Asia. Returning to development policies informed by the developmental state also brought Japan in line with the development agenda of other East Asian donors including China and South Korea. Prof Ito argued that this shift of the Abe government represents an Easternization or even Southernization of development policies, dissociating Japan's development aid conceptually from the one of Western countries. Pivotal of this strategy is its empathy towards the needs of recipient countries and large segments of the latter's population. The case study on the Philippine "Build! Build! Build!" infrastructure plan of incumbent President Duterte served to corroborate these arguments.

In their paper, Dr **Maria-Gabriela Manea** and **Lukas Maximilian Müller** (University of Freiburg) focused on ASEAN's connectivity concept as outlined in the Masterplans on ASEAN Connectivity 2010 and 2016 (MPAC). The plans set forth a regional vision of connectivity as part of the organization's larger approach to development and regional integration. Dr Manea and Mr Müller critically assessed whether ASEAN's vision of connectivity constitutes an alternative, competing development paradigm opposing Western approaches that inform mainstream discourses and practices of international development. They argued that ASEAN's vision of connectivity does not go so far as to constitute a new development paradigm. However, the analysis of the ASEAN connectivity schemes' content reveals that the grouping's strategy is sufficiently distinct because it is anchored in local social realities, priorities, and understandings of Southeast Asia. It can thus empower ASEAN to present itself and act as a self-conscious developmental actor. By contrast, the assessment of the MPACs' institutional design as well as the intraregional and external practices generated by the MPACs exposes substantial weaknesses of ASEAN's external actorness and new role of developmental actor.

Based on a Critical Geopolitics approach and Ernesto Laclau's and Chantal Mouffe's political discourse theory, **Anna Fünfgeld** (University of Freiburg and GIGA German of Global and Area Studies, Hamburg) analyzed in her paper how connectivity schemes such as the BRI and the Master Plan on ASEAN Connectivity have been developed as (geo-)political agendas and what implications their discursive construction bears within the region of Southeast Asia and beyond. She conceptualized connectivity

schemes as *empty signifiers* that have been constructed in order to combine various policy sectors to a grand geopolitical and developmental strategy. By contrasting the discursive construction of these strategies and the antagonisms and equivalences Asian infrastructure donors refer to with their implementation on the ground in Southeast Asia, she sought to make sense of the geopolitical and developmental model they pursue. This helps to relate these strategies to what is commonly understood as the Western liberal order and assess if and in how far it is being challenged by Asian connectivity approaches.

Panel 2: The Geopolitical and Strategic Implications of Competitive Connectivity

The paper presented by **Julia Gurol** (University of Freiburg) set out with the observation that China's Belt and Road Initiative (BRI) has captured the headlines as the most comprehensive and ambitious connectivity strategy linking Asia and Europe. It questioned Chinese government statements and scholarly interpretations which deny a geopolitical dimension of BRI. Instead, Julia Gurol attached to the BRI the function of a grand strategy which seeks to (re-)shape economic integration, regional influence and the global order. BRI is a strategy that seeks to reduce US hegemony and EU influence in the Asia-Pacific and foster China's regional dominance by competing with other regional connectivity projects. For Julia Gurol, the BRI is definitely geopolitical because of the role of the state in the economy and the goal of securing regional political influence. She concluded that the BRI is an important part of China's international strategy aimed to secure a favorable environment for China's lasting development, which is crucial to achieve its grand strategic goal: to keep developing and become a truly great power with international recognition. In fact, BRI is a project with the potential to shift the balance of economic and political power eastward and to promote a marked shift from a Western-led mode towards a model that embodies Chinese principles.

In a historically grounded paper, Prof **Hanns W Maull** (German Institute for International and Security Affairs, Berlin, and University of Trier) analyzed how Japan's relations with Southeast Asia have been affected by the BRI. For Prof Maull the BRI constitutes a direct challenge to the post-Cold War liberal international order and the dominant position of the United States played therein. As Japan is closely aligned to the US, he identified a fourfold dilemma facing Japan: (1) a security dilemma; (2) an alliance dilemma of abandonment and entanglement; (3), an (economically driven) China dilemma; and (4) an international order dilemma. According to Prof Maull, Japan responds to the security dilemma by maintaining the alliance with the United States, but lately also by diversifying support. This includes intensifying relations with other countries concerned about China's growth such as Australia and India as well as Vietnam, Indonesia and the Philippines in its immediate Southeast Asian neighbourhood. The alliance dilemma is tackled by hedging; on the one hand, nurturing close relations with the US, but, on the other, engaging China and enmeshing it in a web of interdependencies. The China dilemma, that arose from close economic relations with Beijing, has been tackled by a variety of strategies: protecting its own assets, diversifying away from China, cultivating Chinese authorities and business, albeit with limited effect. Finally, responding to the international order dilemma, Japan sought to improve its position vis-à-vis China by turning to multilateral fora such as the Transpacific Partnership (TPP), the G20 and ASEAN as well as strengthening relations with the US in an attempt to maintain the Western-dominated international order. Infrastructure development in the economically less advanced countries of the region was a tool to counter the Chinese investment forays under the BRI and to retain influence in these countries.

Working with role theory, Dr **Arndt Michael's** (University of Freiburg) paper analyzed a fundamental geostrategic conundrum: while India is the undisputed economic hegemon in South Asia, the South Asian Association for Regional Cooperation (SAARC) and South Asian connectivity projects in general

are stymied by the unrelenting Indo-Pakistani antagonism, leaving India with a dearth of geopolitical leverage. Simultaneously, Chinese overtures towards Nepal, Sri Lanka and especially Pakistan have led to a feeling of encirclement in India. For the Indian security community, the Chinese implementation of the New Silk Road, connectivity has the potential to catalyze an irreversible change in the strategic balance of power in world regions through pioneering of new trade routes and markets. One pertinent example is the China-Pakistan Economic Corridor (CPEC), a flagship project aimed at providing China access to the Indian Ocean by side-stepping the maritime chokepoint of the Malacca Strait. Therefore, India has commenced to first “Look East” and now to “Act East, i.e. it has begun to focus on other regional groupings such as the Indian Ocean Rim Association (IORA) or the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMST-EC) and especially the Association of Southeast Asian Nations (ASEAN) with new projects and policies. The paper argued that India has no alternative but to seek novel ways of countering an ever-growing Chinese influence in its backyard and that the Indian (infrastructure) pivot to Southeast Asia not only has an economic undercurrent, but a clear geostrategic component, thus constituting a sea change in Indian foreign policy.

Prof **Muhadi Sugiono** (Universitas Gadjah Mada, Yogyakarta) stated that most Southeast Asian countries ostensibly welcome the BRI as a source for badly needed infrastructure investments. In fact, in the 2013-2015 period, nearly 60 percent of China’s BRI investments went to the Southeast Asian region. Yet the response to the Chinese infrastructure overtures is ambivalent. While especially the low-income countries in the Mekong region greet the BRI with enthusiasm, other ASEAN member countries including Indonesia, Malaysia and the Philippines are more cautious. In a case study on Indonesia, Prof Muhadi depicts the ambiguous character of Indonesia’s response to the BRI. While the government seeks to benefit from Chinese investments as a strategy to close Indonesia’s glaring infrastructure gaps, it has to tread carefully because large segments of the population reject a strong Chinese presence in the country’s economy. Fears center on the influx of Chinese workers, the flooding of the domestic market with Chinese products and falling into a debt trap, similar to Sri Lanka and Laos. While the latter concern may be far-fetched, in 2019 ASEAN countries nevertheless adopted an Outlook on the Indo-Pacific, which expresses ASEAN countries strong desire to keep aloof of the intensifying competition between great powers in the region, in particular the US and China.

Panel 3: Competitive Connectivity and its Implications for the Global and Regional Institutional Order

One of the envisaged presenters of the panel, Dr Mikko Huotari (METICS Berlin), had to cancel his participation on short notice. The other speaker on the panel was **Anita Prakash** (Economic Research Institute for ASEAN and East Asia, ERIA, Jakarta), an experienced and well-known professional involved in the development of infrastructure schemes including the pioneering 2010 “Master Plan of ASEAN Connectivity.” Mrs Prakash discussed “*Transregional Issues in Connectivity Plans in Asia, Africa and Europe.*” She briefly outlined the changing geographic designation of the region from Asia-Pacific to Indo-Pacific which according to her still provides sufficient space for ASEAN’s centrality claim. Yet the inclusion of the Indian Ocean Rim in the new Indo-Pacific concept creates new potentials for infrastructure development in the peripheries of the Asian and European economic growth centers, benefitting poor nations in South and Central Asia as well as Africa. While her developmental outlook based on increased connectivity between these regions was optimistic, she cautioned that a precondition is the concept of a free and open Indo-Pacific, an objective primarily promoted by Japan. Another precondition for the connectivity paradigm to succeed, is the need to reconcile the various competing infrastructure schemes. However, without compatibility of infrastructure projects, there is an inherent danger of wasting resources.

Panel 4: “The Developmental Impact of Competitive Connectivity: Who Benefits?”

Panel 4 sought to evaluate the material implications of Asia’s connectivity schemes. What are their macro-economic effects and what impact do they have on the population directly affected by competitive infrastructure modernization? In his paper *“BRick by brick: Economic Impacts of China’s New Silk Road,”* Prof **Christian von Lübke** (University of Applied Sciences Konstanz) focused his empirical analysis on the Chinese Belt and Road Initiative (BRI), which according to him has emerged as the single most significant investment and development program since the Marshall Plan in postwar Europe. Yet ongoing discourses on BRI’s economic and geopolitical impact often overlook significant risks and challenges, making China walking a tight rope. The financing and management of large-scale infrastructure projects has come under increasing international and domestic scrutiny, due to problems of local indebtedness, limited job creation, and lack of transparency. Due to implementation problems and political renegotiations, realized investments fall increasingly behind original targets. Meanwhile, China’s financial risks, including the rising debt of state-owned enterprises, casts a shadow on the BRI outlook. Undoubtedly, the New Silk Road has the potential to generate meaningful economic development and pro-poor growth in many parts of Central, South, and Southeast Asia. But the direction of this twenty-first-century project will ultimately also depend on the willingness of other key economies – including the US, Europe, and Japan – to find common ground, engage China, and cooperate at important BRI junctures.

Prof **Jürgen Rüländ** (University of Freiburg) directed the attention of the audience to the social implications of large-scale infrastructure projects in the Southeast Asian region. While acknowledging that infrastructure is an important facilitator of economic growth, he cautioned that it must be sustainable and inclusive. He argued that this is not the case in the current infrastructure drive in Southeast Asia. Many large-scale infrastructure development projects have unacceptably high social costs due to forced resettlement and the loss of the livelihood of people living in the project area. Irrespective of donor country, albeit to varying degrees, projects suffer from a lack of social sustainability, non-transparent procedures of project implementation, poor stakeholder participation and belated, lax or missing environmental impact assessments. Especially the most disadvantaged segments of society – subsistence farmers, fishermen, indigenous people and the urban poor – have to bear the brunt of the costs caused by infrastructure modernization. Informed by an analytical framework based on historical institutionalism, Jürgen Rüländ explained these problems as a result of path dependent behaviour of governments, project planners and contractors. They are guided by their experiences during their own phase of rapid development. These experiences are strongly influenced by the developmental state and authoritarian variants of modernization theory. These are outdated concepts which do not sufficiently take into account best practices developed by traditional bilateral and multilateral donors. If not addressed, these problems can initiate a downward spiral in project quality, notwithstanding reassurances of the donors to be committed to quality infrastructure.

Panel 5: Case Studies of Major Connectivity Projects

Speakers in the final panel presented specific issues and case studies related to connectivity projects. Dr **Stefan Rother** (University of Freiburg) treated a topic so far rarely discussed in the ongoing connectivity discourse: He asked whether the current infrastructure boom has also initiated processes of “connectivity from below?” In his presentation, he regarded Southeast Asian labor migration as a form of “soft infrastructure.” While connectivity through intraregional labor mobility has become one

of the defining characteristics of Asia and its sub-regions, the policy field is characterized by a glaring governance deficit due to the transnational and temporary dimension of labor migration: Countries of origin might introduce legislation to protect the rights of their citizens, but these are difficult to implement while the migrants are abroad. And while countries of destination face this implementation challenge to a lesser degree, they are effectively governing citizens of other states, often in a unilateral manner. If there are bilateral agreements, these are often developed by the executive institutions with little involvement of parliamentary bodies or civil society. This raises questions of sovereignty and transnational democratic participation, where actors might try to circumnavigate national boundaries in order to address a lack of adequate governance. In his paper, Stefan Rother identified fora promoting a democratization of this governance area such as the Asian Inter-Parliamentary Caucus on Labour Migration. It was initiated by Migrant Forum in Asia (MFA), the major regional network of migrants' rights organizations, in 2007. Since 2008, meetings are held parallel to the ASEAN Inter-Parliamentary Assembly (AIPA). In order to reach beyond annual meetings, in 2014 the process has been formalized with two major goals: To promote the cause of migrant workers in the respective national parliaments and to collectively engage at the regional and international levels in the development of agreements and legislation.

Dr **Andreea Brinza** (Romanian Institute for the Study of the Asia-Pacific) studied a key Chinese BRI project in Myanmar, the Kyaukphyu Special Industrial Zone (SEZ). She attached major strategic significance to this project, which was part of China's intensified moves to get a foothold in the Indian Ocean region, which India claims as its perimeter of influence. The Kyaukphyu SEZ project, focusing on port development as well as on the construction of gas and oil pipelines linked to China's Yunnan province, has been identified by Andreea Brinza as part of China's maritime "string of pearls" strategy. This strategy of port development for dual use purposes in Indian Ocean Rim countries is one component of its maritime Silk Road. The Kyaukphyu project in particular is a priority to overcoming China's Malacca Straits dilemma, that is, its vulnerability to naval blockades of the Malacca Strait by rival powers. Yet the paper also showed that infrastructure modernization in the Kyaukphyu region comes at high costs: the loss of livelihoods of people living in the project area, the lack of jobs created by the project due to China's import of laborers necessary for project implementation as well as environmental degradation.

Dr **Hengky Purwoto** (Gadjah Mada University, Yogyakarta) studied a BRI flagship project in Indonesia, the Jakarta-Bandung High Speed Railway (HSR). The project has gained priority by the government of President Joko Widodo (Jokowi), who has campaigned in the 2014 presidential election with the promise to decisively improve and modernize Indonesia's physical infrastructure. The Jakarta-Bandung HSR is a 142 km railway line, cutting travel time between the two cities from 3 hours to about 45 minutes. Project costs amount to US\$6 billion, with US\$4.5 billion financed by a loan from the China Development Bank. Planners sought to boost the profitability of the project by linking it to real estate development along the railway line. Japan and China intensely competed for the project, with the latter finally getting the approval by the Indonesian government. Observers regarded the approval as a manifestation of deepening Indonesian-Chinese relations. While outlining clearly the economic rationales of the project, Hengky Purwoto's analysis also identified the pitfalls: major delays due to unresolved land acquisition issues, bureaucratic red tape and social problems due to the loss of jobs of small holders and farm laborers displaced by real estate development. There are also severe ecological drawbacks caused by the infringement on water catchment areas, watersheds, forests and agricultural lands, leaving open the net effect of the project once completed.

Jennifer Stapornwongkul (University of Freiburg and German Federal Ministry of Economics, Berlin) examined Thai-Chinese and Cambodian-Chinese special economic zones (SEZs) established under the aegis of the BRI. She characterized them as economic enclaves offering Chinese SMEs a favorable

business environment. At the same time, the Chinese government provides loans and grants to both the developers and the firms settling in the zone. In the Thai-Chinese SEZ in Rayong (Thailand), it is the Chinese developer who, circumventing Thai laws on land ownership, benefits most, while in the Sihanoukville SEZ in Cambodia gains derived from the project are more equitably distributed between the Cambodian government, the Chinese developer and the Chinese firms producing in the zone.

In sum, the workshop portrayed a region in motion, in which the connectivity schemes of various donors transcend their altruistic and benign rhetoric geared towards providing public goods and developmental boosts for economically less advantaged countries. In fact, most contributions linked the connectivity drive in Southeast Asia to the geopolitical and geo-economic competition that has been triggered by China's fast rise as a global power and the BRI. Yet the presentations also suggest that the developmental effects of BRI and other connectivity schemes may be less positive than anticipated. Many projects are haunted by serious problems of economic, social and environmental sustainability, thereby provoking popular opposition in the recipient countries. If these problems go out of control, the projects do not achieve their objective of generating "soft" or even "smart" power for the donors.

Where do we go from here?

The last session of the workshop was devoted to the question of how the three universities cooperating in the Freiburg workshop plan to continue their cooperation on the connectivity theme. There was unanimous agreement that this theme needs more in-depth field work and empirically rich case studies before enabling more generalizing assessments on how connectivity affects socioeconomic development in the poor and middle-income countries of the Southeast Asian region. Researchers of the three universities stated that they are intent to engage in additional empirical work in the near future. The participants of the Gadjah Mada University, Yogyakarta, declared their intention to organize the next workshop, preferably in two years, as this would ensure that the empirical evidence on the impact of connectivity projects by the various donors has become more solid.

The second major question discussed included the publications strategy. Participants agreed that the conference results are worth to be published after revising the papers. A majority of workshop participants opted for a publication in special issues of double-blind peer-reviewed international journals. As the number of papers presented in Freiburg would by far exceed the capacity of one journal (which could publish no more than five or six articles), it was decided to subdivide the papers into clusters informed by the panel topics. In the end four clusters were formed. For each a coordinating person experienced in journal publications was consensually nominated, responsible for organizing the revisions of the papers and providing guidance to make them acceptable for journals with a respectable impact factor. The Freiburg group also offered that the revised papers can be published in the University of Freiburg's established Southeast Asia Occasional Paper Series (<http://www.southeastasianstudies.uni-freiburg.de/publications-1/occasional-paper-series-southeast-asian-studies-at-freiburg>). In the meantime, several papers have already been revised and submitted to the coordinators. There will be slight changes in the titles of the papers, as a few are already in the process of publication elsewhere and some have been modified as a result of the feedback received in the workshop.

The workshop organizers and the participants thank the AC21 consortium for kindly and generously funding the workshop. They will keep the AC21 Secretariat informed about the publication process.

