

## **The 21st Century Maritime Silk Road and China-ASEAN Industry Cooperation**

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### **Abstract**

To construct the 21st Century Maritime Silk Road is an important part of the grand Belt and Road Initiative proposed by the Chinese government, and China-ASEAN industry cooperation is one of the main content of implementing this proposal. The paper states the political, economic and cultural motives of China's proposal to construct the 21st Century Maritime Silk Road and all aspects of the foundation that China-ASEAN industry cooperation already has – analyzing the advantages and opportunities that China-ASEAN industry cooperation possesses, addressing the actual progress, existing problems and current challenges that the industry cooperation faces, and finally presenting some suggestions for the improvement of the 21st Century Maritime Silk Road construction and the amelioration of China-ASEAN industry cooperation.

*Keywords: 21st Century Maritime Silk Road, Belt and Road Initiative, China-ASEAN relations, industry cooperation*

### **1. The Motives of China Proposing the 21st Century Maritime Silk Road**

When Chinese President Xi Jinping visited Kazakhstan on September 7th of 2013, he first raised the initiative of jointly building the Silk Road Economic Belt with European and Asian nations; and when he visited Indonesia on October 3rd of 2013, he then raised the initiative of jointly building the 21st-Century Maritime Silk Road with ASEAN countries. These two grand initiatives together have since then been referred to as the Belt and Road Initiative. On March 28th of 2015, the Chinese government officially published the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road* (hereinafter referred to as the *Vision and Actions*), which has rapidly grasped attentions from all over the world. The

background of proposing the Belt and Road initiative, especially regarding “the Road” initiative, is based on two aspects: first, China has today become a major maritime country, and it is marching to become a great maritime power. This is incomparable to the 1990s, so maritime cooperation must be put on the agenda of China’s foreign policy. Second, this initiative is mainly based on the unique maritime geographic location of Southeast Asia, and therefore is specifically targeting at ASEAN. The new Maritime Silk Road will be extended to the Indian Ocean and Europe, but ASEAN will still be the top priority.

The Belt and Road Initiative is not just a domestic development strategy but an international initiative mainly aiming at developing countries in Asia. So, what are the main reasons for China to propose such a vital and grand initiative?

First, from the political perspective, the Belt and Road Initiative conveys China’s idea for a peaceful world and its open-mindedness. Two thousand years of ancient Maritime Silk Road has spread Chinese civilization and the ideas of peace, openness and inclusiveness of the Chinese nation. These ideas are still adhered to by the new generation of Chinese leaders in their governance. Through the construction of the Belt and Road, China will provide development opportunities for Asia and the whole world, share the achievements of development with all nations, and construct broader areas of mutually beneficial relationships. The Belt and Road Initiative adheres to open regionalism and respects and employs the existing regional cooperation mechanisms. The Initiative will not engage in closed regionalism and is not targeted against any third party. Countries along the Belt and Road can participate voluntarily, contribute according to their abilities, and share the benefits.

Second, from the economic perspective, the construction of the Belt and Road is also an effective channel both for China to transfer overcapacity, and for the Asian developing countries to accept the transferred industries. China now has accumulated huge infrastructure production capacity. Industries such as iron and steel, cement, plate glass, electrolytic aluminum, shipbuilding, wind power equipment and building materials have been saturated in the domestic market, which need to be transferred abroad. These high-quality industries are facing overcapacity issues in China, but they are needed for the economic development of the developing countries along the Belt and Road. So, this is a win-win path for both sides.

Third, from the social and cultural perspective, the Initiative will facilitate cultural exchanges between China and countries along the Belt and Road, increase output of Chinese cultural industries, and enhance China’s cultural soft power. The Belt and Road Initiative is not simply a concept of transportation corridor; it involves a full range of communication activities

along the lines of economic cooperation, technology and culture, which will promote people-to-people communication and the establishment of an Asian community.

## **2. The Groundwork and Advantages of China-ASEAN Industry Cooperation under the Belt and Road Initiative**

For ASEAN countries, the Belt and Road Initiative is about the 21st Century Maritime Silk Road, but the Initiative also has a land connectivity component. In 2010, ASEAN proposed the Master Plan on ASEAN Connectivity, which has received unstinting support from China. In 2011, China set up the Maritime Cooperation Fund, which is mainly used for the construction of China and ASEAN maritime connectivity. In 2012, the China-ASEAN Connectivity Council was established to actively promote maritime connectivity in addition to land connectivity. These activities have laid the groundwork for the 21st Century Maritime Silk Road Initiative. Maritime connectivity takes the major ports along the Belt and Road as nodes to construct a safe and effective maritime transportation channel. The land connectivity is to build the China and Indochina economic corridor, which is one of six economic corridors in the *Vision and Actions*.

Traditional focuses of China-ASEAN economic cooperation include fields such as agriculture, manufacturing, and traditional service industries. However, under the 21st Century Maritime Silk Road Initiative, the China-ASEAN economic cooperation will mostly focus on infrastructure, maritime and land connectivity, port city collaboration, and maritime economic cooperation. Through cooperation in these industries, the Initiative will help relieve the pressure of excess capacity in China and construct a China-ASEAN Maritime Silk Road economic belt. Therefore, industry cooperation will be a major field for China and ASEAN under the Belt and Road Initiative.

China and ASEAN has started industry cooperation long before. Since the initiation of negotiating the China-ASEAN Free Trade Agreement in 2003, the industry cooperation between China and ASEAN countries has been carried out for more than 10 years, which has already laid a good foundation. There are 11 key areas of cooperation, namely agriculture, information industry, human resources development, mutual investment, Mekong river basin development, transportation, energy, culture, tourism, public health and environmental protection. Compared with other countries along the Belt and Road, China-ASEAN industry cooperation has five major advantages.

First, both China and ASEAN have built a legal framework for economic cooperation, which provides behavioral norms for industry cooperation. As early as in 2002, both sides have signed the Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN.

Afterwards, they have successively signed the Agreement on Service Trade, Investment Agreement and other legal frameworks as well as other relevant documents, which helped determine basic rules of trade in goods and services, and of investment cooperation. The upgraded negotiation of China-ASEAN FTA has so far been basically accomplished, and it will help deepen bilateral industry cooperation.

Second, economic cooperation plans have been made to guide industry cooperation. Since 2004, both sides have formulated and implemented two five-year Plans of Action to Implement China-ASEAN Joint Declaration on Strategic Partnership for Peace and Prosperity. Currently, it has made the third plan of action (2016-2020), which has already been put into practice. There are different five-year plans for each area, like the Five-year Environmental Cooperation Plan, the Five-year Cultural Cooperation Plan, and so on. In 2013, China has put forward the implementation of “2+7 cooperation framework”, which refers to the two-point political consensus on promoting political and security cooperation and economic development in parallel, and the seven priority areas that include the political field, business, connectivity, finance, maritime cooperation, security and people-to-people, scientific and environmental field. This has charted the course of bilateral relations in the years to come.

Third, diversified and multi-level cooperation mechanisms have been built to offer a variety of channels for industry cooperation. There are official platforms such as the China-ASEAN Summit, ministerial conferences, senior official meetings and China-ASEAN Expo. Moreover, there are also semi-official and nongovernmental cooperation platforms, such as the China-ASEAN Business and Investment Summit and the associations related to each industry. All of these form good channels of communication.

Fourth, new patterns of China-ASEAN industry cooperation have been created to promote the bilateral industry cooperation with diversified choices. In addition to established cooperation mechanisms such as the China-ASEAN FTA, Pan-Beibu Gulf economic cooperation, and GMS economic cooperation, new patterns of economic cooperation are being built as well, such as the Lancang-Mekong mechanism, the outside economic and trade cooperation zone, cross-border economic cooperation zone, “two country two parks” cooperation, and “two countries co-building the industrial park” cooperation.

Fifth, China-ASEAN industry cooperation has the supporting fund platforms. The capital sources include China-ASEAN Investment Cooperation Fund, China-ASEAN Maritime Cooperation Fund, and a special loan of US\$10 billion for China-ASEAN infrastructure construction set up by China Development Bank. Besides, in the coming three years, China will set aside RMB30 million in support of economic and technical cooperation under the FTA framework. Moreover, there are also loans that can be applied for from

Silk Road Fund (totaling US\$40 billion), Special Funds for Asia and the Asian Infrastructure Investment Bank (AIIB), which is now operational.

### **3. Opportunities for China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

At present, there are five major opportunities for China-ASEAN Industry Cooperation from the 21st Century Maritime Silk Road perspective.

First, the implementation of the 21st Century Maritime Silk Road Initiative opens up a broad prospect for China-ASEAN industry cooperation. And it includes all 10 nations in ASEAN. For China, several coastal provinces in the eastern and southern regions are the priorities when cooperating with ASEAN. Even so, the capacity is very considerable. The 21st Century Maritime Silk Road Initiative brings unprecedented opportunities both for Chinese industries and ASEAN nations.

Second, the 21st Century Maritime Silk Road Initiative meets the needs of the ASEAN countries. Most of the ASEAN countries are developing countries and because of their poor infrastructure, there are large market demand for construction. For example, in the following five years, Indonesia will put USD459 billion dollars to close the gap between the infrastructure level and the economic growth rate, the average invested each year accounts for about 50 per cent of all its annual revenue. But the Indonesian government apparently does not have such ability (Wanant Kerdchuen 2015). The 21st Century Maritime Silk Road Initiative and the Asian Infrastructure Investment Bank (AIIB) focus on the construction of infrastructure, which fits the infrastructure needs of Indonesia. Indonesia is planning to build 24 ports, 15 airports, 18 special economic zones and nearly thousands of kilometres of railway, and Indonesia's President Joko Widodo has expressed his welcome for Chinese enterprises to participate. Currently, China and Indonesia have already signed a USD6 billion high-speed rail project, and China will provide USD50 billion in loans for these projects which include railway, electric power and metallurgy. Similarly, there is also a need for more infrastructure construction in the Philippines, and the need cannot be fully satisfied if supported only by the World Bank, Asian Development Bank (ADB) and the Japan International Cooperation Agency (JICA). The 21st Century Maritime Silk Road Initiative and the Asian Infrastructure Investment Bank (AIIB) will provide huge financial support for its domestic infrastructure construction, which is a great opportunity to change the current poor infrastructure in the Philippines. Other ASEAN countries like Vietnam, Laos, Myanmar and Cambodia face a similar situation.

Third, the implementation of the 21st Century Maritime Silk Road Initiative coincides with a construction period in the ASEAN Economic

Community, which creates new opportunities for China-ASEAN industry cooperation. At the end of 2015, ASEAN declared the establishment of an ASEAN Community which includes the ASEAN Economic Community. With its establishment, ASEAN countries will link as a single market, investment policies will be further eased, mobility barriers will be greatly reduced, and all of these will bring great opportunities for Chinese enterprises to enter the ASEAN market, and bilateral industry cooperation will be more convenient.

Fourth, the building of China-ASEAN basic connectivity network is speeding up right now. China will continue to coordinate air, land and maritime transportation routes, strengthen the planning and building of connectivity in the areas of telecommunications, power, cyberspace, and improve the soft environment such as customs clearance facilitation, market regulation and standard and norm setting. The Chinese government encourages competitive Chinese producers of iron and steel, cement and plate glass, and others, to shift their operation to ASEAN countries to meet the local need of infrastructure development through investment, leasing and loan lending so as to achieve mutual benefit.

Fifth, the two sides have been working together to build an upgraded China-ASEAN Free Trade Area. The negotiations of the upgraded version of FTA have almost been completed at the end of 2015. China will, with a more open attitude, explore with ASEAN a model of pre-establishment national treatment (准入前国民待遇)<sup>1</sup> and a negative list in negotiating an investment treaty. The two sides may strengthen research and cooperation in such areas as harmonization of FTA rules and standards, industrial integration, and SMEs cooperation. The service trade areas of both sides will be further expanded, which increases opportunities for industry cooperation.

#### **4. Achievements of China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

ASEAN countries have mostly responded positively to the 21st Century Maritime Silk Road Initiative proposed by China. Over about a year's period, the two-way industry cooperation has made large progress and achievements which have been reflected in the following aspects.

First, the establishment of the Asian Infrastructure Investment Bank (AIIB) has offered a financial guarantee for China-ASEAN industry cooperation. By the end of 2015, all 10 ASEAN countries participated in AIIB as founding members, and they have shown a positive attitude since the beginning of its formation. In March 2015, just before the Agreement on the Asian Infrastructure Investment Bank came into effect, ASEAN's then rotating chair country, Malaysia, said that ASEAN was supportive of the effort to help set up AIIB, hoping that AIIB and the ASEAN Infrastructure Fund together

can provide more financial support for regional development. The formation of AIIB has ensured adequate financing, stimulated the initiatives of ASEAN countries, and boosted China-ASEAN industry cooperation.

Second, the Chinese high-speed railway is rapidly becoming a major actor in the region. On October 16th of 2015, a Chinese consortium led by China Railway Corporation has officially signed an agreement with a consortium of Indonesian state-owned enterprises to form a China-Indonesia joint venture to take charge of the construction and operation of a high-speed railway project from Jakarta to Bandung, which marks a historical breakthrough for the Chinese high-speed railway industry to spread out. In addition, China-Laos railway cooperation has also progressed remarkably. On December 2nd of 2015, the Laos railway project (from Boten to Vientiane) held a construction commencement ceremony. This is Lao's overseas railway project that directly connects with the Chinese railway network. On March 25th of 2016, the Thai government announced that the railway from Bangkok to Kele will be designed and constructed by Chinese experts, the technology will come from Chinese corporations, and the trains to be made in China. Before long, railways in Laos and Thailand will be linked together and integrated as Pan-Asia railway, forming a Silk Road forged by irons and steels. This will lay the foundation for connecting China-ASEAN industrial chains and building the China-ASEAN economic zone. More importantly, marked by the railway construction, China-ASEAN connectivity will bring the demonstration effect to the implementation of the 21st Century Maritime Silk Road Initiative. Through the two-way industry cooperation, it will make closer the realization of a China-ASEAN Community of Shared Destiny.

Third, the construction of industrial parks has been advanced. Because of the sluggish global economy, China-ASEAN bilateral trade has decreased by 1.7%. Nonetheless, the bilateral economic relations have remained stable and will continue to move forward. Building industrial parks has been a new model for both sides to develop industry cooperation. The existing industrial parks include: China-Malaysia Qinzhou Industrial Park, Malaysia-China Kuantan Industrial Park, Sino-Thailand Chongzuo Industrial Park, Sino-Vietnam (Shenzhen-Haiphong) Economic and Trade Cooperation Zones, China(Guangxi)-Indonesia Economic and Trade Cooperation Zones, Thailand-China Rayong Industrial Park, Sino-Brunei Industrial Park, Guangxi (China-ASEAN) Grain Logistics Industrial Park, and so on. In 2015, the main facilities in China-Malaysia Qinzhou Industrial Park have been fully completed; infrastructure construction in Malaysia-China Kuantan Industrial Park has started; the Guangxi (China-ASEAN) Grain Logistics Industrial Park project has been initiated; the China (Nanning)-Brunei Agricultural Industrial Park and China(Yulin)-Brunei Chinese Medicine Health Industrial Park, together working as the leading projects of Brunei-Guangxi Economic

Corridor, have also commenced. Besides that, in 2015, the China-ASEAN Grain and Oil Processing Park has been initiated and the Brunei Muara Bridge built by China Harbor Engineering Company has held a signing and commencement ceremony. Under the impetus of the 21st Century Maritime Silk Road, China-ASEAN industry cooperation has entered a new stage.

Fourth, the energy industry cooperation is moving forward. In January 2015, all China-Myanmar petroleum pipelines have been connected, which becomes the new path for China's onshore oil import. It contributes to easing China's reliance on the Strait of Malacca when importing oil from the Middle East, ensuring China's energy security, and meanwhile expanding the shared interests of China and Myanmar.

### **5. Problems and Challenges of China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

Although the implementation of the 21st Century Maritime Silk Road Initiative has created a new situation in China-ASEAN industry cooperation, there are some problems in China-ASEAN relations that need to be addressed.

First, China lays much more emphasis on export than import, which is not compatible with the win-win thinking. The implementation of the 21st Century Maritime Silk Road Initiative is based on the principle of cooperation and mutual benefits with ASEAN countries along the Belt and Road. If there is only China unilaterally exporting excess capacity but not opening markets to ASEAN countries, it will discourage them from participating in the initiative. For example, with comparatively good infrastructure, Malaysia and Singapore hope to bring their competitive service industries like finance, telecommunications and foreign trade to the Chinese market. Companies in Thailand, Vietnam and Brunei, on the other hand, are somewhat more concerned and resistant to the entrance of the Chinese companies and products into their markets, worrying about the impact of Chinese competition. So it is not easy for China and ASEAN countries to truly realize win-win industry cooperation. Both sides should conform to the requirements of the upgraded version of China-ASEAN Free Trade Area (CAFTA), further open the service trade market to each other, and lower the investment barriers. As for China, it may be good to follow the Early Harvest Program of China-ASEAN FTA, surrendering part of the profits and let the ASEAN countries to "pick the peaches first".

Second, the preparation in implementation is insufficient, and the decision-making departments of both sides lack coordination. For example, during the implementation of the high-speed railway project in Thailand, because of insufficient research, China provided a relatively high interest rate on a loan, and the Thai government turned to the Japanese lower-interest



loans which finally transferred part of the project to Japan. The construction date of the China-Thailand high-speed program has also been delayed again and again. On March 28th of 2016, the Thai government declared that there will be independent financing instead of the China-Thailand joint venture way of constructing the China-Thailand high-speed railway. The reason for such change is because of the decentralization of the decision-making departments on both sides and the increased number of different stakeholders, which led to overlapping operations by different departments and difficulties in coordination.

Third, the project negotiations often are caught in the conundrum of neglecting one or the other. The China-Indonesia high-speed railway cooperation falls into sheer drama as well. Both China and Japan competed fiercely for the projects in Indonesia. In order to balance the relationship with China and Japan, the Indonesia government once cancelled the high-speed railway project that was intended for Japan and afterward delivered the project to China for more favourable conditions. However, this has led to dissatisfaction on the Thai's part. Even though the Export-Import Bank of China has lowered the 3 per cent bottom line of overseas project for Thailand, the Thai side, taking Indonesia as an example, demanded for a much lower price, decreasing the loan interest rate from 2.5 per cent to 2 per cent, in which the Thai government said would demonstrate the friendship between China and Thailand. The setback in Thailand showed that the negotiation on China's side was limited to the tradition of "case by case." The relevant authorities for the Chinese negotiators have not formed a more integrated set of regulations and guidelines, and the related departments often lack effective communication between each other, and these are the reasons that led China into a very difficult position.

Fourth, weak awareness of risk prevention among Chinese companies. The implementation of the 21st Maritime Silk Road Initiative will encounter political and economic risks. At present, ASEAN countries are overall politically stable, but there are risks which include the political instability in some countries, such as Malaysia, the imperfect legal systems in Myanmar, Laos and Cambodia, the fast changing foreign investment laws and regulations in countries like the Philippines, and the strong oppositions from non-governmental organizations in countries such as Myanmar and Laos. When investing in these countries, Chinese corporations have to consider the political and economic risks; they have to learn from the heavy losses of the three big projects invested in Myanmar and increase their awareness of risks.

In addition to the problems stated above, there are some challenges for China-ASEAN industry cooperation under the 21st Maritime Silk Road Initiative, mainly in the following aspects.

First, the influence from the South China Sea dispute is undermining mutual strategic trust between China and some ASEAN countries. ASEAN, as a whole, has changed their past silent attitude towards the South China Sea dispute. It has constantly criticized China for its rights-defending actions in expanding some reefs in the South China Sea during the ASEAN Foreign Ministers' Meeting and even during the ASEAN Summit in the past few years. With the ruling of the South China Sea Arbitration, which was unilaterally put forward by the Philippines, in July 2016, the South China Sea dispute has become the regional hot issue. The attitudes of Vietnam, Malaysia and Indonesia towards the South China Sea dispute have also become increasingly tougher. China has put forward a "dual-track" approach, which refers to "specific disputes are to be addressed by countries directly concerned peacefully through negotiation and consultation and that peace and security of the South China Sea be jointly upheld by China and ASEAN countries working together." However, with the strong intervention from the United States, and its coordination with Japan and the Philippines, this issue will be much harder to be resolved.

Second, there are persistent doubts on China's intentions. The 21st Century Maritime Silk Road Initiative was China's goodwill and it embodies China's policy of Kindness, Sincerity, Mutual Benefits and Inclusiveness (亲诚惠容) towards ASEAN countries. But there are a lot of people in ASEAN countries who doubt China's intention. A Vietnamese scholar even said that, "every new road constructed by the Chinese Emperor is built to serve for its invasion and expansion" (*Talk Vietnam*, 2015). Hishamuddin Hussein, the Defense Minister of Malaysia, reportedly said that "China has to publish its intentions of pushing this Initiative, and should not consider the 21st Maritime Silk Road Initiative as its own plan but the plan related to the region like ASEAN" (quoted in Zhang, 2015). Feng Huilan, the former Trade Minister of Indonesia, said in the Boao Forum of 2015, "We both know that there are some worries for people along the Belt and Road, they are fearful about China pushing its products, service and even corporations to other countries forcibly by the Belt and Road Initiative" (*Wangyi Caijing*, 2015). And similar doubts have also been expressed by some think-tanks from ASEAN countries.

Third, there are also persistent conflicts in several sets of bilateral interests. Some media organizations in Thailand believe that the fundamental nature of the Belt and Road Initiative is for China to transfer its excess capacity and productivity abroad, benefiting its own economy through overseas investment construction and realizing the purpose of building a powerful China. They have suggested that there are conflicts between the Belt and Road Initiative of China and the national interests of Thailand; there are worries that once the powerful manufacturing industries of China take Thailand as the dumping market, "Made in Thailand" will die (*Sing Sian*

*Daily*, 2016). Many Vietnamese also contend that Chinese corporations always bring their own construction team, which leaves no opportunity for the local businesses in Vietnam in China-invested projects. Furthermore, the Belt and Road Initiative will only increase Vietnam's economic dependence on China (Wei and Mou, 2015).

Fourth, there are persistent restrictions from different investment rules of various countries. In every two years, the Philippines government updates the restricted foreign investment items. In the ninth version of the restricted list, it bans foreign investment in marine resources development and restricts the share proportions of foreign ownership in the areas of land acquisition and land natural resources development. In the public sector, foreign involvement in operation and management should be less than 40 per cent. This has imposed significant costs for the Chinese corporations investing in the Philippines. Other countries also have similar problems. For example, in Malaysia, there is a rule limiting the importation of Chinese labourers which led to labour shortage for Guangxi's firms to construct a steel plant in Kuantan. In Indonesia, there are rules restricting the export of raw ore.

Fifth, opposition from NGOs in some countries could be a concern for Chinese enterprises. A great number of NGOs in Myanmar supported by western countries are working against three big China-invested projects in Myanmar, which are the Myitsone Dam project, Letpadaung Copper Mine, and the Sino-Myanmar Railway (from Kunming to Kyaukpyu) Project. Besides, in Laos, people are fearful of the disruptions brought by China's projects and are concerned that these projects will harm the environment. After the anti-Chinese protests in Vietnam in 2014, the Vietnamese public in general has a hostile view towards China.

Sixth, there are always doubts about the quality of Chinese enterprises. The image of Chinese enterprises has always been inferior to Japanese enterprises, which have been investing and operating in Southeast Asia for a long period of time. Chinese enterprises, especially some small and medium-sized enterprises, are sometimes too profit-oriented and have neglected to fulfil their social responsibilities to the societies they are investing in. They cut down trees, dug the mineral resources, and damaged the environment in Myanmar, Laos and Cambodia, which are unwelcome by the locals. Although the more established and well-governed state-owned enterprises are taking steps to build a better image of Chinese enterprises, the process is comparatively slow.

Seventh, disturbance by external factors could create unwanted complications. The United States' Asia-Pacific "Re-balancing Strategy" has caused China problems and there will be new policy actions in the future. In respect to the South China Sea dispute, the Philippines and Vietnam may further strengthen relations and military cooperation with the United States. In May

2016, after United States President Barack Obama's visit to Vietnam, the United States has promised to fully lift the ban on arms sales to Vietnam, and the bilateral military cooperation has been reinforced. The second leg of the United States' "Re-balancing Strategy" is in the aspect of the economy. The United States has strengthened economic relations with ASEAN countries, and four of the ten ASEAN countries, namely Singapore, Brunei, Malaysia and Vietnam, have reached agreement to join the Trans-Pacific Partnership (TPP). Three other ASEAN countries, namely the Philippines, Thailand and Indonesia, are actively applying for membership in the TPP. As Indonesia puts it, joining the TPP is a signal of ASEAN countries leaning towards the United States economically. Even Cambodia has received the invitation from the United States to join the TPP. In addition to the United States factor, there is also the Japan factor. Japan has expanded its investment in Southeast Asia and has competed fiercely with China in many projects in Southeast Asia. For example, Japan recently used a lower interest rate and shorter reimbursement deadline than China to attract Indonesia to cooperate with Japan to build the Bandung–Jakarta railway. Besides, Japan also expanded the loan amount of the Bank of Asia to compete with the China-led Asian Infrastructure Investment Bank. Finally, new problems of some established projects may crop up unexpectedly. An example of which is the China–Thailand Railway project. Out of consideration about the loan interest rate, the Thai government has decided to raise funds by itself rather than securing the loans from China, which is creating pressure for China to push lower its loan interest rate.

## **6. Some Suggestions on Promoting China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

In order to better construct the 21st Century Maritime Silk Road Initiative and China-ASEAN industry cooperation, the following suggestions are made.

First, enhancing the China-ASEAN inter-governmental cooperation and carrying out relevant agreements. The year 2016 is the starting year of China's 13th Five Year Plan, and also the first year since the ASEAN Community has been declared. China should foster strategic cooperation with ASEAN, seizing the opportunity of the ASEAN economic community and the 21st Century Maritime Silk Road Initiative, deepening industry cooperation between China and ASEAN countries.

To promote the implementation of the 21st Century Maritime Silk Road Initiative, there is a need to carry out the relevant agreements. In November 2015, Chinese Premier Li Keqiang attended the 18th "10+1" (ASEAN plus China) meeting in Kuala Lumpur, and in his speech, he has stated that China is willing to push the Belt and Road Initiative to be integrated with national

development strategies of the regional countries, actively participating in the Master Plan on ASEAN Connectivity, continuing to promote the Pan-Asian railroad construction, signing the transport facilitation agreement with Laos and Thailand as soon as possible, formulating China-ASEAN transport facilitation agreement, and establishing China-ASEAN computer emergency response organizational cooperation mechanism and the China-ASEAN Information Port together. These proposals are very specific in nature for constructing the 21st Century Maritime Silk Road, but they all need to be actively promoted by the involved governments and implemented one by one. Existing platforms such as the Asian Infrastructure Investment Bank, Silk Road Fund, and China-ASEAN Investment Cooperation Fund need to be utilized. At present, the Asian Infrastructure Investment Bank has already entered the operational stage. ASEAN countries and China should play a more important role in jointly building the 21st Century Maritime Silk Road and China-ASEAN industry cooperation.

Second, there is a need to highlight the three common principles stated in the *Vision and Actions* document and fully arouse the enthusiasm of ASEAN. The three common principles of discussing, building and sharing together are the important principles of constructing the 21st Century Maritime Silk Road. China and ASEAN countries should adhere to the principles of equality and realize a win-win solution in industry cooperation. Besides, China should introduce more details about the plan on constructing the 21st Century Maritime Silk Road, leading the ASEAN countries to fully understand the initiative and listening to their voices in order to carry out the principles of discussing, building and sharing together.

Third, adjust the position of the government to the rightful place and let enterprises play the main role. The main bodies in constructing the 21st Century Maritime Silk Road are enterprises, not governments. It should be a model where governments provide the platforms but the real operations are conducted by enterprises. For China, the government should play the role of macroscopic planning and policy guidance, as well as providing policy support and facilitation services for Chinese enterprises to “go out.” When Chinese enterprises go to ASEAN countries, they will encounter some difficulties, such as unfamiliarity with local politics, economy, investment environment, laws and regulations and shortage of professional overseas projects talents. These would require the relevant government departments to form a complete set of “going out” policies, to assist in talent recruitment, and to enhance inter-governmental communications. In addition, the government should utilize the services provided by business organizations and chambers of commerce such as business training. In industry cooperation, it is for the enterprises to play the main role. They are to follow common international business rules, exploit comparative advantages, develop projects, and conduct

marketability operation. It is necessary for the government to avoid excessive administrative intervention.

Fourth, there is a need to resolve the South China Sea issue properly. After the outcome of the South China Sea Arbitration Tribunal, some countries in ASEAN may make use of this opportunity to pressure China. The mutual trust in China-ASEAN relations will then be negatively influenced and that will also affect bilateral industry cooperation. As for the solution of the South China Sea issue, in addition to the “dual-track” approach proposed by China in 2014, Premier Li Keqiang has also put forward suggestions to jointly safeguard peace and stability in the South China Sea by all countries in the 10th ASEAN Summit in November 2015. On this basis, we should further give play to the role of ASEAN in solving the South China Sea issue, accelerating the negotiation on the Code of Conduct (COC), striving to avoid a deterioration in the South China Sea situation.

Fifth, China and ASEAN countries should further promote social and cultural exchanges. Creating an atmosphere of people-to-people closeness and offering each other mutual support and assistance in times of adversity will help the implementation of the 21st Century Maritime Silk Road greatly. At the end of 2015, the ASEAN Community, including the ASEAN socio-cultural community, has been declared. China and ASEAN should make full use of this historic opportunity and strengthen the cultural exchange between both sides. China-ASEAN industry cooperation will not work out without people-to-people exchange and deeper understanding between both sides. As of present, many countries in ASEAN have already relaxed visa requirements for Chinese citizens to promote people-to-people exchange and industry cooperation.

On the other hand, China should step up in the training of students in ASEAN languages to satisfy the needs in industry cooperation with ASEAN countries. As of now, China’s university education of ASEAN languages remains far from adequate. Meanwhile, Chinese academia and government should also encourage the integration of all aspects of knowledge concerning ASEAN and individual ASEAN countries, including politics, history, culture, ethnic characteristics, and so forth, in order to cultivate comprehensive and interdisciplinary talents for China to understand ASEAN better.

## Notes

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1. Pre-establishment national treatment is to provide national treatment for foreign capital during the entry stage, which means the capital importing country should provide foreign capital treatment that is no less than domestic capital in the pre-establishment stage.

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