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# Tightening the Belt (and Road)

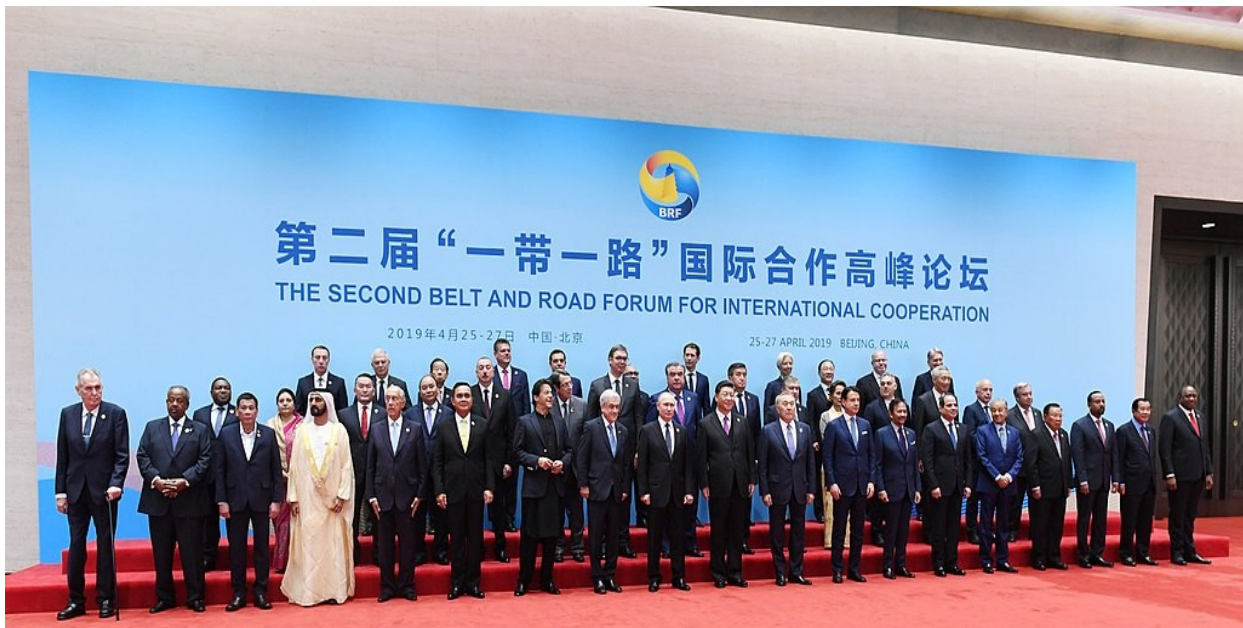


*After increased criticism and pushback, Beijing is recalibrating its Belt and Road Initiative across partner countries to garner more sustainable support, including for projects such as Malaysia's East Coast Rail Link. Photo taken from Pixabay by Holger Schue and tagged under the Pixabay License.*

## FEATURED COMMENTARY

## Belt and Road Forum 2019: BRI 2.0 in the Making?

By Pradumna Bickram Rana &amp; Ji Xianbai



Leaders pose for a photo at the Second Belt and Road Forum in Beijing, April 2019. Photo taken from Wikimedia Commons and tagged under the Creative Commons Attribution 3.0 Unported license.

At the second Belt and Road Forum in Beijing last week, China acknowledged the criticisms labelled against the BRI and pledged to reform it a number of ways. If these pledges are implemented, and cooperation with development partners and stakeholding countries increases, we could see “BRI 2.0” emerging which could lead to a win-win situation for all.

### Commentary

ON 25-27 April 2019, China hosted the second Belt and Road Forum (BRF). Thirty-seven heads of state and government, and international organisations gathered in Beijing for this event. Deals worth US\$64 billion were signed during the three-day summit. The leaders also issued a joint

communiqué expressing their shared commitments to advance high quality, green, sustainable, and inclusive Belt and Road cooperation.

Five years since its inception in 2013, the BRI has established itself as a defining feature in the global economy and politics. BRI-induced Chinese outbound direct investment has totalled \$80 billion. More than 80 special economic zones and high-tech industrial parks have either been built or under construction, creating jobs and billions in extra tax revenue for host governments. Trade has flourished at a time when global trade faces uncertainties. Between 2013 and 2016, the value of China’s merchandise trade with

BRI countries increased at a faster rate than China’s overall foreign trade.

### BRI Achievements & Criticisms

An important contributor to the rapid growth in trade has been enhanced transport connectivity. In the past, direct rail service between China and Europe was inconceivable, but thanks to the BRI, Duisburg, a relatively less well-known city in Germany has become the largest inland port in the world.

Last year 6,300 containerised freight trains from China used this route and that figure could rise to 10,000 within the next five years. The appeal of the rail connection is that it takes 45

days to ship goods by sea from Chongqing to Duisburg and only about 12 days by rail. As part of the BRI, China and BRI countries have launched more than 1,200 new international air routes and signed 18 transport facilitation agreements to improve the efficiency of commercial border crossing process. New trading routes are also being created.

However, the BRI has been criticised by a number of non-BRI countries. For example, the United States (US) sees the BRI as a cover for debt-trap diplomacy, through which China knowingly traps borrowing countries in unrepayable debts to gain polit-

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ical leverage.

Even in several enthusiastic participating countries, the BRI is at risk of losing its lustre due to a host of practical implementation problems. In the wake of the Hambantota Port hand-over, Sri Lanka seemed disillusioned and chose to stay away from the BRF this year.

Several countries like Pakistan, Malaysia, Myanmar, Maldives and Bangladesh recently sought to review, re-negotiate, cancel or scale-down previously agreed BRI commitments, citing concerns over cost-overflow, erosion of sovereignty and reports of corruption. Malaysia's East Coast Rail Link is now back on track after the Chinese reduced the price tag by about a third.

### **BRI 2.0 in the Making?**

At the BRF, President Xi acknowledged the criticisms labelled against his signature policy and pledged to reform it in a number of ways.

First, China will

"multilateralise" the BRI. Mr Xi declared strong support for multilateralism and vowed to work more closely with multilateral development banks in third markets. He also attached importance to BRI adopting multilateral rules and international best practices pertaining to project development, operation, procurement and tendering and bidding.

With the help of Singapore, China is establishing a panel of international mediators from the BRI countries to resolve disputes including cross-border disputes arising from projects under the BRI.

China has also listed 'Strengthening Development Policy Synergy' with similar initiatives such as the ASEAN Connectivity 2025 and the EU Strategy on Connecting Europe and Asia as the number one priority for jointly developing the BRI in the future.

Second, China will make the BRI more sustainable. In the area of finance, a BRI Debt Sustainability Framework, one similar to

that of the International Monetary Fund and World Bank, was released to help in decision-making by partner countries. In the area of environment, Mr Xi made a pledge to "launch green infrastructure projects, make green investment and provide green financing".

### **Path-breaking Anti-Corruption Agenda**

On the socio-political front, the Beijing Initiative on Clean Silk Road mandating BRI countries to fight corruption together was endorsed at the BRF. This step is path-breaking as previous policy statements on BRI rarely made reference to anti-corruption.

Third, China will continue structural reforms including beefing up enforcement of intellectual property rights, stopping forced transfer of technology transfer and abolishing unreasonable regulations, subsidies, and practices. This is because a successful BRI cannot be a one-way traffic where BRI partner countries open up to Chinese trade and investment while China shuts its doors on them. Stakeholding countries have also

been requested to create an environment for investment, and to treat Chinese enterprises in a fair and friendly manner.

Summing up, at the second BRF, in light of the pushbacks and criticisms against the BRI during its first five years, China has pledged to reform the BRI in a number of important ways. This could lead to the emergence of a BRI 2.0. If China implements the reforms that it has pledged, and cooperation with development partners and stakeholding countries increases, then BRI 2.0 will surely lead to a win-win situation and shared prosperity of all countries. ■

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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 spans across at least 65 countries, with projections that approximately 50% of global GDP could originate from these participating countries from 2015 to 2030. Though the promise of development via the BRI continues to attract takers, recently garnering support from G7's Italy, its progress has met stumbling blocks as questions of transparency, sustainability, and debt issues, among other things, arose.*

## Workshop on Economic Security in ASEAN and Singapore



From left, Dr Jikon Lai, Dr Suhyun Lee, Dr Kaewkamol Pitakdumrongkit, Dr Tamara Nair, and Dr Alan Chong speaking on the Workshop's first panel.

On 22 April 2019, the Centre for Multilateralism Studies (CMS), RSIS, organised the Workshop on Economic Security in ASEAN and Singapore at the Orchard Hotel. Following the opening remarks by Acting Head of CMS, Associate Professor Alan Chong, two expert panels delivered insights on how states can advance economic security—defined as the reliable production and consumption of wealth—in a global econo-

my facing increasing turbulence.

In the first panel, Assistant Professor Lee Su-Hyun, CMS, began by detailing how ASEAN needs deeper integration to deal with internal and external challenges such as the US-China trade war, thereby maintaining its global relevance. Subsequently, Assistant Professor

Kaewkamol Pitakdumrongkit, CMS, elaborated upon

the conditions under which states in the Mekong sub-region use international cooperation to defend economic security.

Meanwhile, Dr Tamara Nair, Research Fellow, Centre for Non-Traditional Security Studies, highlighted how ASEAN's economic security policies should integrate a gendered perspective, which addresses the different challenges female labour forces face. Associate Professor Chong then raised how the Internet economy is inextricably linked to security; this link will become more prominent with 5G networks, which are pivotal to economic and military power.

The second panel saw Dr Faizal Yahya and Mr Shazly Zain, Research Fellow and Research Assistant, respectively Institute of Policy Studies, analysing Singapore's effectiveness in

enabling the overseas expansion of its small and medium-sized enterprises for national economic security. Subsequently, Assistant Professor Lai Jikon, CMS, detailed how the principles of Islamic finance could offer better financial stability in theory, though its current implementation falls short of doing so.

Dr Henry Chan, RSIS Visiting Senior Research Fellow, then noted that 5G's impact on ASEAN depends on whether the bloc can effectively apply the technology to improve its economy. Lastly, Mr Han Beom-hee, Group Head of the Chiang Mai Initiative Multilateralisation Group, ASEAN+3 Macroeconomic Research Office, expounded upon the challenges in further improving the regional financial safety net, including on the need for greater ASEAN leadership. ■



Acting Head of the Centre for Multilateralism Studies, Assoc Prof Alan Chong, delivers the welcome remarks.

## RSIS Seminar Series on Multilateralism Studies: “Online Political Engagement in Southeast Asia

On 26 April, the Centre for Multilateralism Studies (CMS), RSIS, hosted a seminar on the impact of social media engagement on Southeast Asian elections. Dr Aim Sinpeng, Lecturer in the Department of Government and International Relations, University of Sydney, presented on how politicians and populations in the Philippines, Malaysia, Indonesia, and Thailand interacted with each other during elections on Facebook, which constitutes the largest social media platform in the region.

Focusing on the Philippines and Malaysia in particular, Dr Sinpeng began by noting the increasing importance of social media in election

cycles. Southeast Asians are already extremely active on Facebook. As a greater proportion of society comes online, and apps such as Facebook Lite—which offer basic communication features without consuming data—become more widespread, and online political parties emerge, there are significant implications for election campaign strategies, as well as the wider socio-political landscape.

Firstly, the rampant spread of fake news is exacerbated on social media, since it is seven times more likely to be shared. This trend is more prevalent especially amongst poorer and less educated demographics

who trust Facebook as a source of information. Secondly, while Facebook expands social networks, Dr Sinpeng explained that the most important vote influencers are family and friends rather than new online connections per se.

In a similar fashion, she found that social media in Southeast Asian elections works best as an online amplifier of offline support and engagement. Several of her case studies show that constituents already decide their votes in advance. They use social media not to convert the undecided, but to rally like-minded people by organising online communities and offline movements. The key

question then for election strategies, she highlighted, is not how to gain new supporters online but how to persuade voters in advance.

Lastly, Dr Sinpeng noted that genuine supporters who generate buzz for election candidates are best, compared to cyber-troopers, because it is important for candidates to go viral. Candidates need not necessarily express or do anything in this regard, but merely be talked about online to augment their Internet presence. ■

## RSIS Seminar Series on Multilateralism Studies: “A Stronger Europe for a Safer World”

On 22 May, Mr Pedro Serrano, Deputy Secretary General for Common Security and Defense Policy (CSDP) and Crisis Response at the European External Action Service, spoke at the RSIS Seminar Series on Multilateralism Studies organised by the Centre for Multilateralism Studies at RSIS. Speaking on the topic of the European Union (EU) as a global security provider, Mr Serrano began the session with an overview of the security landscape faced by the EU. Acknowledging some of the changes (e.g. hybrid

threats) and the need for increased resilience among EU member states, he spoke about three main areas in which the EU was working on to improve its collective defense.

The first area relates to the development of defense capability and the need for EU member states to increase cooperation with each other. The second area is that of the EU’s crisis management capacity and the structures in place that allow for the EU to deploy forces rapidly. The

third area is increased cooperation with external partners. For example, looking at how the NATO arrangement may complement EU’s defence mechanisms.

Mr Serrano then turned to the EU’s interest in the Asian region. He remarked that Asia is very much the focal point of the 21<sup>st</sup> century and that the EU saw a need to engage Asia and support Asia in handling security threats and managing great power relations. In more functional terms, the EU is increasing or has in-

creased cooperation with several Asian states in areas such as maritime security, counter-terrorism, cybersecurity, and non-proliferation.

During the lively discussion with the audience, the comparison between the EU and ASEAN was brought up. Mr Serrano recognised ASEAN’s central role in providing peace and stability to this region and reiterated that both regional institutions had much to learn from each other. ■

## RSIS Seminar Series on Multilateralism Studies: “Who Pays for War? Economic Inequality, Financial Strategies and War”

On 6 June, the Centre for Multilateralism Studies (CMS), RSIS, hosted a seminar on war financing models. Dr Chia-Chien Chang, non-resident research fellow, Center for Southeast Asian Studies, National Chengchi University, Taiwan, presented his findings on the different funding structures used by states to extract money for war machines across different socioeconomic landscapes.

In particular, Dr Chang noted that chosen financing strategies—taxation, domestic or foreign borrowing, cuts to non-military spending, and money creation—take into account levels of inequality to maintain political support among both the elite and wider public. Where countries suffer from high inequality, leaders tend towards borrowing and printing money. Higher rates of taxation will be resisted by the rich, on one

hand, while reductions in non-military spending, on the other, would infuriate the public. Conversely, in countries with low inequality, there is a chance to push for “equalities of fiscal sacrifices”, since there is less opposition to taxation and cuts to non-military spending such as welfare programmes.

Japanese wars, Dr Chang then illustrated how these findings have held true across history and regime types. When questioned further on other factors affecting these results, he added that natural resource-rich countries can use oil as a substitute for borrowing. ■

Using case studies of the Korean, Vietnam and Sino-

## 10th RSIS-WTO Parliamentarian Workshop



From left, CEO of Temasek Foundation International Mr Benedict Cheong, Singapore Speaker of Parliament Mr Tan Chuan-Jin, RSIS Executive Deputy Chairman Ambassador Ong Keng Yong, and Director of WTO Information and External Relations Division Mr Keith Rockwell preparing to give the welcome and opening remarks.

The Centre for Multilateralism Studies (CMS) at RSIS held the 10th RSIS-World Trade Organization (WTO) Parliamentarian Workshop from 11 to 13 June 2019. Co-sponsored by the Temasek Foundation and WTO, the capacity-building workshop saw 54 members

of parliament from 22 economies across the Asia-Pacific region participating this year. Following opening remarks by Singapore’s Speaker of Parliament Mr Tan Chuan-Jin, 10 expert panels shared insights on developments within the WTO and the wider multi-

lateral trading system (MTS), as well as on the importance of these institutions. Among the salient topics discussed throughout the workshop were the crisis within the WTO’s Appellate Body for dispute settlements; conflicts on Special

and Differential Treatment; building a more equitable and fairer MTS, including for micro, small and medium enterprises; and progress in new trade rule-making, such as in e-commerce and fisheries subsidies.

Other issues discussed were the insecurity-driven causes of global trade tensions — including those behind the US-China trade war — and their implications for the evolving global trade ecosystem, the prospects for successful WTO reforms, the benefits of trade for sustainable development, and the conflicts and complementarities between multilateral and faster, but smaller, regional trade agreements.

Amidst a global economy rife with headwinds in the trade space and attacks on the MTS undergirding this engine of growth, the RSIS-WTO Workshop presents an ongoing and critical effort to engage with legislators on several overarching themes during this time of crisis— both within the WTO and the rules-based order it governs. These in-

clude how trade can be better utilised for shared prosperity and sustainable growth across all levels, and what these countries can do as WTO members to navigate and improve upon the MTS that has increasingly become a victim of geopolitical strife and growing protectionist sentiments.

As part of the three-day event, field trips to the PSA

Port of Singapore, to share insights into the governance of Singapore's efficient transshipment industry, as well as to the Singapore Parliament, were also included. ■

## SELECTED PUBLICATIONS

### RSIS-WTO Parliamentary Workshop— US-China Trade War: Emerging Dilemmas

Su-hyun Lee  
*RSIS Commentaries*  
11 June 2019

### RSIS-WTO Parliamentary Workshop— The Rising Tide: Trade in Services and Intangibles

Jikon Lai  
*RSIS Commentaries*  
10 June 2019

### US Watch-List for Currency Manipulation: What is It?

Joel Ng  
*RSIS Commentaries*  
30 May 2019

### Japanese Infrastructure Investment in Southeast Asia

Tomoo Kikuchi & Sayaka Unzaki  
*RSIS Policy Report*  
03 May 2019

### RSIS-WTO Parliamentary Workshop— Digital Development and Geopolitical Divides

Amalina Anuar  
*RSIS Commentaries*  
11 June 2019

### RSIS-WTO Parliamentary Workshop— US Blacklist on Huawei: Leverage for the US-China Trade Talks?

Lyu Mengting & Chia-yi Lee  
*RSIS Commentaries*  
07 June 2019

### EU Elections and Democracy: Choosing Leaders over Dinner

Frederick Kliem  
*RSIS Commentaries*  
24 May 2019

### Belt and Road Forum 2019: BRI 2.0 in the Making?

Pradumna Bickram Rana & Xianbai Ji  
*RSIS Commentaries*  
02 May 2019

### RSIS-WTO Parliamentary Workshop— Trade and Sustainable Development: Achieving the UN's 2030 Agenda

Kaewkamol Pitakdumrongkit  
*RSIS Commentaries*  
10 June 2019

### RSIS-WTO Parliamentary Workshop— WTO in a Turbulent World: Need to Change with the Times

Keith Rockwell  
*RSIS Commentaries*  
04 June 2019

### US 'Terrorist' Labelling of IRGC: A Futile Move?

Lyu Mengting & Chia-yi Lee  
*RSIS Commentaries*  
22 May 2019

### Financial Cooperation in East Asia

Tomoo Kikuchi & Masaya Sakuragawa  
*RSIS Monographs*  
09 April 2019

### Managing Volatility with a Smile: How Tumultuous Thailand Puts a Stable Face on ASEAN

Kaewkamol Pitakdumrongkit & Huong Le Thu  
*The Strategist*  
07 May 2019

The **Centre for Multilateralism Studies (CMS)** is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia Pacific. It aspires to be an international knowledge hub for multilateral cooperation and regional integration.

**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.