

# China's Belt and Road Transforming Southeast Asia

by Mike Billington

Oct. 19—The vast infrastructure projects launched across Asia, Africa, and South America under the impetus of China's Belt and Road Initiative are breathtaking in scope and historically unprecedented. This is certainly the case in Southeast Asia, with new high-speed rail lines, ports and power projects, as well as soft infrastructure such as schools and hospitals, transforming the economies across the region. Xi Jinping announced his plan for a New Silk Road Economic Belt in 2013 in Kazakhstan, for overland development corridors across Eurasia. In the same year, in a speech in the Indonesian Parliament, he announced the 21st Century Maritime Silk Road, to address the island nations and coastal nations of Southeast Asia, South Asia, Africa and the Middle East.

The ten Southeast Asia nations which form the Association of South-east Asian Nations (ASEAN) are very diverse, with vastly different languages, cultures, religions, standards of living and ethnic makeup. In 2000, following the Asian financial crisis of 1998, ASEAN joined with China, Japan and South Korea, forming the Chiang Mai Initiative to pool currency reserves as mutual protection against any recurrence of the speculate attacks which had devastated the real economies of Thailand, Malaysia, Indonesia and the Philippines in the 1998 so-called "Asian crisis"—which Lyndon LaRouche had then identified as the first ramification of a global financial melt down.

But investments in the desperately needed infrastructure deficit precipitated by the 1998 crisis were at best piecemeal, coming primarily from Japan and South



Xinhua/Li Xueren

*Chinese President Xi Jinping (center left) and Indonesian President Joko Widodo. Xi announced the 21st Century Maritime Silk Road before the Indonesian Parliament in 2013. Widodo has promoted Indonesia as the Global Maritime Axis.*

Korea, with some funding from the Asian Development Bank (ADB) and the World Bank.

By 2014, the ADB estimated infrastructure needs in the region to be at least \$800 billion annually, compared to total World Bank lending internationally of \$50 billion annually and the ADB of about \$10 billion. Thus, when China announced the formation of the Asian Infrastructure Investment Bank (AIIB), only the degenerate Obama administration in Washington (and Japan, tailing after the United States) put up opposition. In addition, China facilitated the New Development Bank established by the five BRICS nations, and set up special funds within China (the New Silk Road Fund and others) intended to spark an infrastructure boom across

the region and across the developing sector. Altogether, China intends to invest well more than \$1 trillion in the New Silk Road projects.

We present here a survey of the projects across Southeast Asia which are underway or planned for implementation in the near future. It should be noted that the burst in productive activity across the region is also spurring other nations to expand their investments into the booming economic environment, especially since this development of infrastructure lifts the entire productive platform of the region.

### High-Speed Rail

Until now, there has been no high-speed rail in all of Southeast Asia. Now, China is building high-speed rail lines in Indonesia, Laos, and Thailand, with projects in the planning stages in several other ASEAN countries. The aim is to connect all of mainland ASEAN via rail, with both north-south and east-west lines, going north to China and west to India and Europe. Eventually there will be bridges to Indonesia as well.

The first approved project was in Indonesia, with a contract to connect Jakarta to Bandung, the third largest city, through a 150 km high-speed rail line. There was fierce competition between China and Japan for the contract, and the bid by the Japanese was better in terms of overall costs. The difference was that Japan, like all investments from the West, demanded government guarantees on the loans, whereas China did not. Indonesia had learned from the massive 1998 speculative attack on its currency by George Soros and his fellow speculators, that providing government guarantees to powers that control international finance can be a death sentence for the economy as a whole. The Indonesian currency was devalued three-fold by speculators: Loans denominated in U.S. dollars, guaranteed by the government in dollars, tripled overnight in terms of their own currency, through no fault of their own. While Indonesia has achieved significant progress since that time, it is still paying the price for those unequal contracts.

China thus won the bid. Construction on the \$5.5 billion project began in February 2016, although it has been stalled over land acquisition issues. The Jakarta-Bandung line will cut travel time from three hours to 40 minutes. China Railway Corp’s chief engineer said: “This is the first international cooperative project in which China has brought its entire industrial chain



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*Long-term proposal for rail network to connect Southeast Asia and China.*

model to another country. The complete high-speed railway operation system includes technology, operations, equipment and construction that will be used as a reference for other international projects in the future.” The Chinese Ambassador to Indonesia described it as a landmark in the implementation of the Belt and Road Initiative.

The next project to be launched was a north-south line through land-locked Laos. This is the first stage of a high-speed rail connection along the Pan-Asian Highway, from Kunming, through Laos, then to the ports in Thailand, and on to Kuala Lumpur and Singapore. Two branches of this route, in Laos and Thailand, are underway, and a third, in Malaysia, is expected to be launched soon. Japan is also bidding on the Kuala Lumpur to Singapore line.

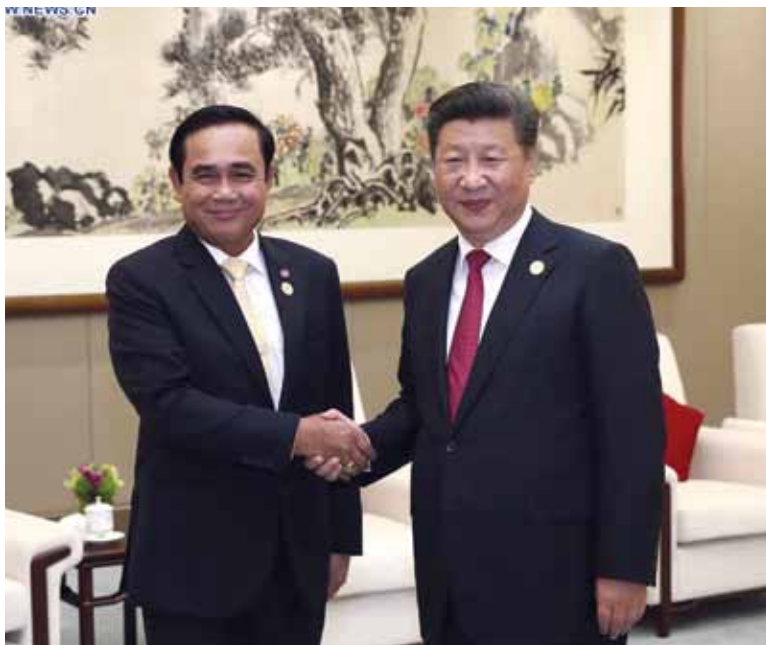
The Laos line, a 420 km route costing about \$6 billion, began construction at the beginning of 2017. An amazing 60% of the route will be bridges and tunnels, with a designed speed of 160 km/h. The project in-

cludes the construction of many new roads through the forested rural areas in the north, as well as new power lines—connecting regions that have never had electricity, to the nation's power grid.

There was some concern in Laos about the large number of Chinese workers involved in this rail project, and other Chinese projects in Laos, totaling over 100,000. Laos, however, has only 6.5 million people, with an education system largely oriented to agriculture. While it is true that much of the work on the railroad will be done by Chinese, the many Laotians who will participate will be acquiring skills which will be valuable for future projects. The two governments also agreed that no more than 10% of the unskilled labor, and 20% of the skilled labor, with some exceptions, will be Chinese, and that the permits for Chinese workers will be for two years, or four years at most.

The rail line terminates in Vientiane, near the Thai border, where traditional rail lines connect over the Friendship Bridge to Thailand's Nong Khai and then continue to Bangkok. But this traditional line will eventually be replaced with high-speed rail, both to Bangkok and then to the southeast to connect to the Eastern Economic Corridor ports and industrial zones at Map Ta Phut in Rayong Province, near Cambodia.

The first branch of the Thailand route is beginning construction in October 2017. Prime Minister Prayuth Chan-ocha signed a contract with China while attending the BRICS Summit in Xiamen in September, as one of five invited guests to the Summit. The \$5 billion agreement will see a 252 km line constructed from Bangkok to Korat (Nakhon Ratchasima) in the Northeast of Thailand, about half way to the Laos border. Prime Minister Prayuth would like to make Korat the economic hub of the Mekong region, with rail lines extending north through Laos to China, but also east-west connecting to Vietnam, Cambodia and Myanmar. This visionary plan involves integrated water management, upgrading agriculture and industry, upgrading airports and river ports, and tourism. The Northeast (called Isan) is the most populated but poorest region of the country, subject to floods and droughts every year.



*Chinese President Xi Jinping and Thai Prime Minister Prayuth Chan-ocha. China is building the first two legs of the Pan-Asian Railroad through Laos and Thailand.*

There is a beautiful irony in Prime Minister Prayuth's vision for Korat. The city was once a major hub for the U.S. war on Indochina in the 1960s and 1970s, with a massive U.S. airbase which sent Phantom jets to bomb and napalm Vietnam, Cambodia and Laos, in a war which saw more bombs dropped in that region than all bombs dropped throughout the world in all wars in history. Under this new vision, the city of Korat will instead be the hub for the industrial and agricultural transformation of the region into modern industrial nations. This is the character of the New Silk Road.

The next phase of the Pan Asian Railway, which is expected to be launched relatively soon, is the high-speed rail connection between Kuala Lumpur and Singapore. The plan was agreed to by Malaysia and Singapore in July 2016, with an intention to begin construction in 2017, completing construction in 2026. However, the bidding for the construction is still open, with China, Japan, South Korea, and France all showing interest. China is deeply involved in Malaysian development and is the leading bidder, but it is not certain. China's Ambassador to Malaysia, Dr. Huang Huikang, told *The Star* in July 2017 that China would give the best terms, and would complete the project in five years rather than ten, as proposed by the other bidders.



The 350 km line will be built to have a speed of 300 km/h, running four times per hour, at a cost of \$11 billion.

China is now building another rail line in Malaysia, called the East Coast Rail Link. The east coast is far less developed than the west coast, so this line will facilitate a major transformation of the region. The route will connect Port Klang on the Malacca Strait, Malaysia's largest port, through Kuala Lumpur to the east coast, then turn north along the coast to Kota Bharu in Kelantan Province, close to the Thai border.

Prime Minister Najib Razak broke ground for the project in August 2017. The total length of the project is 688 km, with 50 km of tunneling and several underground sections, at an operating speed of 160 km/h and a cost of \$13 billion.



*The Lancang/Mekong River through China, Myanmar, Laos, Thailand, Cambodia and Vietnam.*

### Lancang-Mekong Cooperation

Another inter-regional development project under the Belt and Road Initiative is the Lancang-Mekong Cooperation (Lancang is the name of the Chinese portion of the Mekong). The Mekong is the last major river in the world to remain undeveloped, due to colonial divisions and then decades of colonial wars. It was not until 1995 that there was enough agreement among the Mekong nations (Thailand, Vietnam, Cambodia, Laos) that a Mekong River Commission was established. That Commission, however, was heavily influenced by anti-development environmentalist ideology. Earlier efforts to design a model based on FDR's Tennessee Valley Authority (TVA), with hydropower projects, industrialization, and city building, were replaced with conservation measures, efforts to prevent dam construction, and typical IMF/World Bank measures providing minimal help to poor peasants and fishermen while keeping them in a state of backwardness, with no infrastructure development.

A parallel organization launched by the Asian Development Bank (ADB) in 1992, the Greater Mekong Subregion (GMS), bringing in Myanmar and China's Yunnan Province as participants, was far more development oriented. Three main economic corridors were developed, building roads connecting the member nations and providing credit for development along the corridors. Over \$18 billion has been invested by the GMS,

and nearly double that amount is planned for 107 projects in the pipeline.

With the emergence of the Belt and Road, China has taken measures to expand the vision and the planning for the region. The Lancang-Mekong Cooperation organization was founded in 2015, comprising all six countries along the river. On March 10, 2017, the Chinese secretariat of the Lancang-Mekong Cooperation was opened in Beijing. Foreign Minister Wang Yi said at the ceremony that 45 projects had already been approved and will be completed by the end of 2017, in the areas of connectivity, energy, cross-border economy, water resources and agriculture. Water control is a primary concern, to counter floods and droughts—in March 2016, China opened the floodgates on the Lancang River dams for a period of two weeks, releasing massive amounts of freshwater into the Mekong basin, to help alleviate a drought in Southeast Asia brought on by the El Niño.

China is now carrying out the second phase renovation of the Lancang-Mekong channel, through dredging and rock removal, to facilitate more boat traffic along the river. Plans include building cross-border industrial clusters along the river: China has already developed several industrial parks in the Mekong countries, including the Long Jiang Industrial



China Radio International online

*Cambodian Prime Minister Hun Sen attended the September ceremony to open the 400-megawatt Lower Sesan II Hydropower Plant, at Cambodia's biggest hydropower dam.*

Park in Viet Nam, Saysettha Comprehensive Development Zone in Laos, Cambodia's Sihanoukville Special Economic Zone and the Thai-Chinese Rayong Industrial Zone. They are establishing agricultural cooperation platforms and programs of poverty reduction across the region.

China is also the leading builder of dams in the world, with the majority of its hydropower projects in Southeast Asia (and many in Africa). The government will start work this year on the \$2.3 billion Pak Beng hydropower scheme on the Mekong River in Laos, being built by China's Datong Overseas Investment Company. It is the third of up to 11 dams that Laos is considering for the Mekong. Work has begun on two other large projects being built by the Thais and the Malaysians in Laos. The export of electricity to its neighbors is a major source of income for Laos. Opposition to the dams from Cambodia and Vietnam has been largely mitigated, but the international anti-development NGOs are frantically trying to stop their development.

In Myanmar, a major large scale hydropower project undertaken by China, the Myitson Dam in the far north of the country, was scheduled to be completed by 2017, and would have been the fifteenth largest hydro project in the world. It was suspended in 2011 due primarily to the instigation of opposition from the regional population, and China has reluctantly concurred, but Chinese companies are nonetheless building other dams around the country, including a

7,100 MW dam in the Shan State, built by China's Three Gorges and Sinohydro, together with Thailand's national power company EGAT. A smaller project is being built in the Karen State by the same partnership. These are both areas of separatist insurgencies over the history of Burma/Myanmar independence from the British, so providing electricity for development will be crucial to the success of the government's efforts to bring peace to the country.

### **Bilateral Projects— Philippines**

The Philippines was largely left behind in the New Silk Road process under the former government of Noynoy Aquino. Following directions from the Obama Administration, Aquino allowed the country to be a pawn in Obama's confrontation with Russia and China, going so far as to



*Philippines: High-speed rail connecting Manila with Clark Airbase, and bridges connecting three islands in the Visayas, among the Chinese plans for Philippine development.*

file for arbitration under UNCLOS against China over contested sovereignty claims in the South China Sea. Despite winning the toothless arbitration, in which China refused to participate, the victory for Aquino (and Obama) simply encouraged Philippine voters to back the current President Rodrigo Duterte in the following election, in May 2016. Duterte had denounced Obama for trying to provoke a war, and called for cooperation with China's New Silk Road development program—development which was sorely lacking under U.S. tutelage.

Duterte and his Cabinet secretaries immediately began negotiations with both China and Russia on economic and military cooperation. Duterte declared his administration to be “The golden age of Philippine infrastructure,” calling his program “Build, Build, Build,” with a target of \$38 billion to be raised through taxes, foreign and local loans, and official development assistance (ODA) from bilateral partners. China has indicated an intention to provide \$9 billion in loans and grants for government-to-government projects, and the possibility of \$15.3 billion more in joint ventures and investments by private companies over a six-year period.

In September 2017, a delegation under Finance Secretary Carlos Dominguez visited Beijing, where they arranged a set of infrastructure projects in two phases. The first phase, to be finalized before the ASEAN Summit to be held in Manila in November 2017, includes two major bridges in Manila which are scheduled for construction to begin immediately. Other priorities are a major water control and dam project to supply water to Manila; a Chico River irrigation scheme in the north of Luzon; an elevated expressway in Davao City in Mindanao (Duterte's home town); an industrial park; two drug rehab centers; bridges connecting several islands in the Visayas; an agriculture technical center; and reconstruction of Marawi, the city in Mindanao which was seized by ISIS-linked terrorists in May of this year, and where fighting continued until Oct. 17, when the government forces eliminated the last of the terrorists. The fighting left over 1,000 dead and the displacement of over 300,000.

Many of these proposed projects have been on the books for decades, with promises from the World Bank



cc/Jiur27

*The Bataan Nuclear Power Plant in the Philippines—fully completed but never turned on, subverted by the greens and the Washington coup against Ferdinand Marcos in 1986. It can still be restored for operation today.*

and others that never materialized. These new projects will likely be funded by the AIIB, China's Exim Bank, or China's Silk Road Fund, perhaps with support from the ADB. The AIIB has also recently agreed to co-finance a flood control project in Manila, together with the World Bank and the government.

The Philippine government has also begun to “test the debt market” in China by issuing yuan-denominated Panda bonds, beginning in November 2017.

With the new momentum in the Philippines, Chinese private sector companies are opening up new investments in the country, both in infrastructure projects and in manufacturing, including aviation, energy, iron and steel, and shipbuilding. China's Huili Investment is planning a \$2 billion, world-class integrated steel mill, while Liaoning Bora is launching a joint venture in oil refineries and an oil storage terminal, worth \$3 billion. The Duterte government is open to renewing joint oil and gas exploration in the South China Sea, now that both sides have returned to the earlier policy of Deng Xiaoping, that sovereignty issues should be put aside while the two nations cooperate in joint development.

The Chinese investment has also spurred Japanese business to show increased interest in both infrastructure and industrial investment in the Philippines.

Although no agreements have been reached as yet, there is intense discussion with China on two major rail projects in the Philippines. The first is a high-speed





Skyscrapercity Davao Region Facebook

*Ring Rail plan for Mindanao in the Southern Philippines.*

rail connection between Manila and the Clark Airbase, formerly a U.S. military facility, now an international airport. China had been contracted to rebuild that rail line in 2003, but the contract was terminated by the Aquino Administration in 2012 under pressure from Obama.

Clark Airbase is only 58 miles from Manila, so a high-speed rail connection would make it a viable alternative international airport for the capital city, whose only international airport is horribly overcrowded.

Also, Chinese Vice Premier Wang Yang led a forty person delegation to a forum in March 2017 on a proposed Mindanao railway, an 830 kilometer project estimated to cost \$4.2 billion, creating a ring rail and connecting the major cities of the largest, and poorest, Philippine island. Wang said China would conduct a feasibility study on the project.

Lyndon LaRouche has always considered the Philippines to be the critical nation in Asia in bridging the divisions of East and West, having a tradition in both Eastern and Western cultures. He has long promoted the ring rail and the industrialization of Mindanao as a

central issue in unleashing the Philippines' potential for development.

Mindanao has been the site of independence movements from factions of the Muslim (Moro) community, as well as terrorist movements instigated by Saudi backed Wahhabis connected to al Qaeda and ISIS. China's intention under the Belt and Road is not to avoid areas of instability, but rather to consider such conditions to be a motivation to invest, as a means of achieving peace through development. Other port and airport development projects in Mindanao are also under consideration.

Most important, the future of the Bataan nuclear plant is under discussion with China, Russia and others. The nuclear plant stands unused as a symbol of the regime change carried out against nationalist President Ferdinand Marcos in 1986 by George Shultz and the emerging neoconservative movement in the United States. The nuclear plant, the first in Southeast Asia, was fully completed and ready to turn on, when foreign-funded green NGOs repeatedly stalled the project, until the Washington-orchestrated coup shut it down

completely. The next government nonetheless paid for the entire project, leaving the nation energy deficient and paying exorbitant energy rates up to today. The Philippine LaRouche Society has led a lonely campaign to restore the plant, and to use small modular nuclear reactors to furnish energy to the many islands making up the Philippines. Now, finally, the issue is on the table. Here too, China can play a leading role.

### **Bilateral projects—Indonesia**

In addition to the high-speed rail China is building to connect Jakarta and Bandung, referenced above, China is engaged in infrastructure development projects across the huge Indonesian archipelago of over 18,000 islands, which are home to the fourth largest population in the world. A former head of the Indonesian Chamber of Commerce told a Washington, D.C. audience in 2016 that nearly every infrastructure construction project in the country had a Chinese name.

The former President of Indonesia, Susilo Bambang Yudhoyono, who served from 2004 to 2014, hosted two large infrastructure conferences in Washington during his term, presenting a master list of projects which were essentially shovel-ready, if foreign funding and construction capacity could be arranged. He estimated the country needed about \$450 billion per year in infrastructure funds to restore the nation's economy. He came up essentially empty handed on both trips. The United States has invested in mining and oil exploration, but for any infrastructure, it demanded government guarantees, of the sort that had killed Indonesia when the speculators drove its currency down in 1998. As reported above, this is what killed the Japanese bid for the Jakarta-Bandung rail contract. It is to Yudhoyono's credit that he refused to accept the unequal terms, but in the process, he ended up with virtually no new infrastructure.

The U.S. share of foreign direct investment (FDI) in Indonesia has collapsed from 8.3% in 2013 to under 2% in 2016, despite Obama's pledge of greater support to Asia, and especially to Indonesia, where he spent part of his childhood.

Xi Jinping's 2013 announcement in Indonesia of the 21st Century Maritime Silk Road recalls the historic Chinese Treasure Ships of the 14th and 15th century. The world's largest ships of that time, and the largest armadas, sailed to Indonesia as part of their exploration, which also took them to India, Africa,

and through the Red Sea to Egypt, and perhaps even to Italy, it has recently been learned.

In 2014 the current Indonesian President Joko Widodo "Jokowi" was elected, and quickly arranged a meeting with Xi Jinping. Speaking at the East Asia Summit in Myanmar in November 2014, Jokowi announced his vision of Indonesia as the "Global Maritime Axis" of the new paradigm emerging in the world. "Indonesia realizes that a substantial transformation is taking place in the 21st century," he said. "The center of gravity of the geo-economic and geo-political world is shifting from West to East. Asian countries are on the rise. As the world's largest archipelagic state with its strategic location at the cross roads of the Indian and the Pacific Oceans," Jokowi said, "Indonesia must assert itself as the Global Maritime Axis." Clearly, this coincides with Xi's vision of the 21st Century Maritime Silk Road.

China has built a number of bridges and ports across the nation. The Suramadu Bridge, which connects Surabaya in East Java with the island of Madura, spanning 5.4 km, was completed in 2009, long before the New Silk Road. It is the longest trans-oceanic bridge in Southeast Asia. Since the launching of the Maritime Silk Road, China has rapidly expanded investment, increasing it five-fold over the span of 2016, becoming the second biggest investor after Singapore by the beginning of 2017, including investment in over 1,200 industrial, mining and infrastructure projects. Indonesia's Investment Coordinating Board chief, Thomas Lembong, said that "China's rate of investment growth means it is only a matter of time before it takes over first place." Projects under discussion include integrated infrastructure development in North Sumatra, and a new harbor and nuclear industry construction in North Kalimantan.

### **ASEAN-China**

To detail the extensive transformation of the Southeast Asian economies under the Belt and Road Initiative is beyond the purpose of this report. A few general points of conclusion will suffice.

China has become the leading trade partner of all ten of the ASEAN nations, by a wide margin in most. Even the wealthy states of Singapore and Brunei are rapidly expanding their economic cooperation with China. In Brunei (the fifth wealthiest nation in the world), China is building a \$3.5 billion oil refinery,



while China Telecom is expanding the Sultanate's cell phone networks, and a Chinese electric car factory is being constructed.

Singapore, which for several years now has been the largest foreign investor in China, is now also the largest Chinese investment destination in Asia, and Singapore's largest trading partner.

China has built new ports across the region. In Myanmar, China is building a deep sea port in Kyauk Pyu in western Rakhine state, near the Bangladesh border, which is the terminus of the oil and gas pipeline constructed through Myanmar to Kunming, completed in 2015. Both the port and a connected industrial zone will transform the region economically. In Malaysia, one of the leading recipients of Chinese Belt and Road investments, a new port facility, called Malacca Gateway, is being built south of Klang, the current port on the Malacca Strait. A new bridge to Penang from the Malay mainland is under construction by the Chinese. A Chinese industrial zone with over 100 industries is in operation at Cambodia's only deep water port at Sihanoukville, while over 30 Chinese agricultural and agro-industry projects are in place in Cambodia, including rubber and rice facilities. Northern Laos is now supporting extensive banana production facilities built by the Chinese.

In Thailand, the historic effort to build a canal across the Kra Isthmus in southern Thailand, connecting the Pacific and the Indian Oceans, has recently been given new life due to China's Belt and Road Initiative. Friends of the LaRouche movement in Thailand, who have fought for this great project for over 30 years, have recently won support from leading figures in the Thai military, the Privy Council, and business layers, who joined together in a forum in Bangkok on September 11, 2017, with representatives from China, Japan and others to encourage the government to adopt the program, with support from China's Belt and Road institutions as well as Japan's Global Infrastructure Fund.

In Vietnam, which has had political and military



*The Cat Linh-Ha Dong urban railway project in Hanoi, Vietnam, seen on March 28, 2017, is being constructed by China Railway Engineering Corporation.*

Xinhua

conflicts with China over centuries, China is nonetheless the largest foreign investor, with over \$56 billion in nearly 5,000 projects, mostly in manufacturing.

The new middle class in China is also the source of nearly half the tourism in the region, which is a significant source of income in the beautiful Southeast Asian countries.

The picture is clear. The U.S. effort, heightened under the Obama Administration, to divide Asia along the old Cold War lines—either support the United States or support China—has collapsed. Obama's attempt to isolate China economically with the Trans-Pacific Partnership (TTP) was already failing, but has been finished off by President Trump. The ASEAN proposal for a Regional Comprehensive Economic Partnership (RCEP), based on fair trade and equality among all the Asian nations, has been fully supported by China and is now close to implementation.

Geopolitics, based on the idea that one nation can gain only at the expense of others, is being dumped into the garbage pail of British imperial ideology, as Xi Jinping's win-win approach to achieve a common destiny based on shared interests is bringing the world together for the common good. As President Trump prepares to visit Asia and meet with Xi Jinping in November 2017, it is to be wished that the result will see the United States fully join the New Silk Road process, marking a dramatic step towards the end of empire forever.