

**DEVELOPMENT OF THE
BELT AND ROAD INITIATIVE
IN SOUTHEAST ASIA**

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Executive Summary

1. As the world's second largest economy and largest trading country for most countries, China is exerting a powerful pull on ASEAN (Association of Southeast Asian Nations) economies. It is one of the most important trade, investment and economic partners for all Southeast Asian countries.
2. China was the first foreign country with which ASEAN had established a strategic partnership and the China-ASEAN Free Trade Area (CAFTA) is also the first bilateral free trade area established by ASEAN.
3. ASEAN countries are positive that the Belt and Road Initiative (BRI) will help attract Chinese infrastructure investment and address their infrastructure development needs. ASEAN countries, as a group, were founding members of the China-founded Asian Infrastructure Investment Bank.
4. The China-Laos Railway, Indonesia's Jakarta-Bandung High-Speed Railway, Cambodia's Sihanoukville Port Upgrade and the Phnom Penh-Sihanoukville Expressway Project are some large-scale infrastructure projects financed and built by China under the BRI in the region.
5. Improvements in interregional connectivity infrastructure, reductions in non-tariff barriers due to the January 2022 effective Regional Comprehensive Partnership (RCEP) and trade and investment facilitation measures are pull factors for Chinese companies to expand their investment in Southeast Asia.
6. Under China's push for the Digital Silk Road, China and ASEAN are also exploring ways to expand cooperation in the digital economy, especially e-commerce, artificial intelligence, smart city construction and cloud computing.
7. Although Southeast Asian countries welcome the BRI-induced investment and infrastructure improvements, many countries are mindful of China's strategic considerations behind the initiative. There is concern that Southeast Asia will be

drawn into a China-centric form of regional integration architecture, weakening ASEAN's role in the regional integration process.

8. China's political and economic influence looms large in the region and beyond through the BRI platform. Becoming a privileged sphere of influence for China would be a nightmare scenario for the Southeast Asian countries.
9. Hence, to avoid the emergence of a China-centric regional order, regional countries are keen to maintain a geostrategic balance among major powers, without tilting too far towards either China or the United States.
10. Maintaining close relations with China under the BRI is important for ASEAN. Meanwhile, it is also cognisant of the importance of building relations with other powers including the United States, Europe, Japan, India and Australia.