

# The Implications of the Maritime Silk Road Initiative for China's Geostrategic Advance to South and Southeast Asia

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## **Abstract**

The Belt and Road Initiative carries broad implications for China's further development and the development of her partners. Along the proposed routes, China is pushing to build a number of financing platforms and logistical hubs to support the construction of infrastructure. In addition, China takes advantage of existing regional cooperative mechanisms and many bilateral mechanisms to form a new sustainable mechanism. What is more salient to international politics are China's new efforts to change its geostrategic posture and steadily gain real control of the international system. A new model of non-western oriented international cooperative mechanisms will shape a new paradigm through cooperation with emerging economies.

This paper explores the strategic nature of the Maritime Silk Road Initiative based on China's progressing geo-strategic perspective. It also attempts to examine to what extent the strategy might be able to help improve China's image in the region and how the strategic development of the Kra Canal might affect the strategic landscape

in East Asia.

**Keywords:** Maritime Silk Road, Geostrategic Competition, March West, South China Sea, Kra Canal

## **I. Introduction**

Chinese President Xi Jinping in 2013 announced the concepts of the “Silk Road Economic Belt” in Kazakhstan and the “21<sup>st</sup> Century Maritime Silk Road” in Indonesia respectively. Both concepts later became known as a strategy of “One Belt and One Road” (Belt and Road). This indicates a grand strategy for China for the next decade or so. To pursue persistent development, China would take advantage of the ancient idea of the “Silk Road” to deepen economic relations with relevant countries and attempt to form a pro-Chinese coalition in the international community. Although the plan is initially very much based on the line of assisting projects for development, China’s geo-political ambition is clearly embedded in it.

In March 2015, a full-fledged planning document on the development of the one belt one road, “Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21<sup>st</sup>-Century Maritime Silk Road”, was formally released by China’s State Council. Immediately, the strategy itself became a focus of international attention on to China’s new foreign policy. The initiative carries broad implications for China’s further development and the development of her partners along the lines of connection. To begin implementing the initiative, Xi Jinping called for “*wu tong*” (five forms of communication): “policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds as the five major goals, and strengthening cooperation.”<sup>1</sup> Actually, based upon the Belt and Road strategy, China has started moving further to forge links with many

countries since 2014. The details include: the fields of transportation, infrastructure development, trade and investment, energy and natural resources and in promoting financial security and advancing bilateral and regional cooperation.

Of course, along with the initiative, China is pushing to build a number of financing platforms and logistical hubs to support the construction of infrastructure. In addition, China takes advantage of existing regional cooperative mechanisms, such as ASEAN plus one (China), the Shanghai Cooperation Organization, BRICS, and many bilateral cooperative mechanisms to form a new sustainable mechanism. What is more salient for international politics are China's new efforts to change its geostrategic posture and steadily gain real control of the international system. A new model of non-western oriented international cooperative mechanisms is arising and will shape a new paradigm through cooperation with emerging economies. It has been regarded as the beginning of a structural challenge to the existing western-oriented international systems.

This paper explores the strategic nature of the Maritime Silk Road Initiative based on China's progressing geo-strategic perspective. The new strategy carries a heavy strategic vision to circumvent the strategic encirclement on the eastern front of China by the USA and Japan and endeavor to ease the tension in Southeast Asia over the South China Sea issues. The paper also attempts to examine to what

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1. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup>-Century Maritime Silk Road," *National Development and Reform Commission of the People's Republic of China*, March 28, 2015, <[http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html)>.

extent the strategy might be able to help improve China's image in the region and how the strategic development of the Kra Canal might affect the strategic landscape in East Asia.

## II. The Strategic Background of the “Belt and Road” Strategy

Although the Belt and Road Initiative remains a conceptual policy discourse and is still progressing, the international community has started openly discussing what the Initiative is like and its possible implications. It is by far China's most comprehensive and ambitious economic strategy ever delivered to the world. Unquestionably, it has quickly become a dynamic topic to be elaborated on today. Some even describe it as China's Marshall Plan, designed to link with Asia and beyond.<sup>2</sup>

Why has it been proposed now? What is China's main rationale behind the initiative? What are the exact intentions and purposes of the strategy for China? There are several critical points that can be raised to reply to these questions. First, through such an ambitious effort, China would strategically be able to circumvent the encirclement manipulated by the United States and Japan in East Asia. In 2013, experts in China started to advocate a strategy of “marching west”.<sup>3</sup> As strategic competition in East Asia becomes a sort of zero-sum game, it would be much better for China to move west based on a

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2. Peter Cai, “China's ambitious new Marshall Plan for Asia,” *China Business Spectator*, March 31, 2015, <<http://www.businessspectator.com.au/article/2015/3/31/china/chinas-ambitious-new-marshall-plan-asia>>.

3. Wang Jisi, 〈“西進”，中國地緣戰略的再平衡〉，October 17, 2013, *Haiwai People*, <<http://haiwai.people.com.cn/BIG5/n/2012/1017/c232574-17595658.html>>.

thinking of her common interests with the US. On China's western front, the US and China have a lot more common interests in meeting critical challenges regarding energy supply, counter-terrorism, non-proliferation, and regional stability. The initiative could help reduce possible conflict and increase cooperation across the whole spectrum of policy issues for the US and China. The Belt and Road initiative is most timely and accommodated to the strategic environment China is facing today.

Second, while traditional world markets are shrinking, China is pressed to explore overseas markets to help its over-supplied markets and industries with excessive production capacity. While the global markets do not grow at the speed of China's and China's domestic demand and production is gradually reaching saturation point, increasing pressure from within the market and society pushes for the exploration of new overseas markets. By advocating and implementing the Belt and Road Initiative, China could effectively ease domestic economic pressure, especially in infrastructure-related industries.

Third, by exporting its excessive supply-market momentum, China would connect its economy further with world markets. Along the routes, China would build a new economic alliance based on the Eurasian context differently from existing US-led economic institutions. Fourth, building stronger financial ties with its trading partners, China would be further accelerating the internationalization of its currency and its attempt to become a regional economic hub. Fifth, the US rebalance to Asia strategy tries to define China as a critical regional player in East Asia rather than a global one. To some extent, Chinese understanding of rebalance to Asia is that the US is purposely confining China's role in the region. Therefore, if China does not respond to it with a proactive strategy, its national development will then be continuously restricted and obstructed on the regional level. As such,

pushing for the Belt and Road initiative, China would develop its own strategic sphere of interest and liberate itself from its geo-strategic limitations.

The main rationale of the Belt and Road Initiative as understood is to develop a strong base for China-centered regional integration extending right across the Eurasian continent. This would take China out of the shadow cast by US power and reduce possible confrontation with the US on China's eastern front. The most critical development is that China's new effort intends to facilitate interdependency among related parties within the cooperative network and would thus extend China's strategic depth. Regional financial analysts read between the lines and emphasize that whichever projects on transportation, energy, communication and infrastructure construction are referred to, the most strategic significant plan among others would be adding on the establishment of free trade zones and the internationalization of the RMB.<sup>4</sup> From a structural perspective, the Belt and Road initiative would bring about sufficient momentum for Beijing to push through a critical domestic and external policy. It is definitely a good approach by which China can rise further.

### **III. The Maritime Silk Road and China's Strategic Advance**

For many, the Belt and Road Initiative has been considered as fundamentally another significant effort by China to lift her up further into the international community. Nevertheless, the Belt and Road Initiative represents a new international momentum originated by

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4. 〈亞投行背後的中國權謀大戲〉, *Business Today*, Issue 955, April 9, 2015, *Business Today*, <<http://www.businesstoday.com.tw/article-content-80398-115380>>.

China. It is quite different from accession to the WTO in which China was successful in her negotiations thanks to approval by other members of the WTO. Now, China tries to utilize its competence and capabilities to expand and link with partners. The new effort could transform China from a strong player with a regional focus to a significant player with a global outreach.

According to China's official statement, "the 21<sup>st</sup>-Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other."<sup>5</sup> Along the designated routes of the Maritime Silk Road, there are already some projects being undertaken, such as the Nanning-Singapore Economic Corridor, the Pan Beibu Bay Economic Belt, the Greater Mekong Subregion Program, the China-Myanmar energy pipeline, and the Myanmar-Kunming Railway. By connecting existing development projects, it would immediately link regional partners and make it seem more deliverable. In addition, China has in South Asia helped Sri Lanka develop Colombo Port City, Gwadar Port in Pakistan, Chittagong in Bangladesh, Sittwe in Myanmar, and a new construction project on the development of the Kra Canal in Thailand. These economic corridors, transportation networks and energy supply links are all important foundations for the successful delivery of the Maritime Silk Road in South and Southeast Asia.

As such, the Maritime Silk Road Initiative focuses on utilizing several economic corridors to connect and build close economic de-

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5. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road."

velopment networks in the region. Along the planned routes, several coastal states have been selected to be regional connection hubs for sea lanes of communication and transportation of energy and resources. By exporting its excessive production capacity, China has committed itself to infrastructure building, i.e. ports, highways, railways, etc. to strengthen the ties with these countries. The assumption goes that in order to develop closer ties, China has to help build regional networks for facilitating economic cooperation. Presumably, it will effectively enhance the relationship between China and the countries concerned. At the least, it would greatly help to erase China's negative image of assertiveness.

As the Maritime Silk Road carries China's diplomatic and geo-strategic connotation on maritime expansion, it will definitely attract great attention from the region. How do countries along the routes respond to the Maritime Silk Road Initiative? For China to be able to fulfill its great dream, it is critical that all related countries are supportive. During the recent 2015 ASEAN-China Expo held in Nanning, the Chinese government officially launched the "Belt and Road" Initiative. Although Chinese officials elaborated on the statement by stressing for further economic and trade collaboration, in Southeast Asia a deep "trust deficit" has made most governments quite reluctant to openly show support for China's grand project.<sup>6</sup> Because some ASEAN countries have become entangled with China in the South China Sea disputes, the general feeling in the region is one of suspicion of China's strategic intentions. According to different national responses to China, the position of ASEAN countries can be categorized

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6. Suthichai Yoon, "China Can't Make The 'Silk Road' Work Until China's Neighbors Grow To Trust," *Straits Times*, September 24, 2015, <<http://www.straitstimes.com/asia/se-asia/maritime-silk-road-plan-runs-into-south-china-sea-tension-the-nation>>.

into three groups:

1. "Those ready to offer full support include Thailand, Cambodia and Laos."

2. "Those who are largely supportive while harbouring strategic concerns about a new China-centred order may include Singapore, Malaysia, Indonesia and Brunei."

3. "The least supportive would be the Philippines, Vietnam and Myanmar, who have yet to be convinced of the real benefits of China's latest move."<sup>7</sup>

In practice, there are some countries in Southeast Asia which have shown their open support for China's grand project, like Malaysia, Indonesia, Singapore, and Myanmar. For example, a Singaporean official has positively suggested adapting to the Maritime Silk Road Initiative to take advantage of its benefits. "Singapore could leverage its strengths in transport, finance and trade to tap growth opportunities arising from the One Belt, One Road trade routes, says Senior Minister of State for Transport Josephine Teo."<sup>8</sup> Similarly, Indonesia is unveiling a project of a maritime highway to build ships and upgrad its maritime communications.<sup>9</sup> From the Indonesian perspective, China's develop-

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7. Suthichai Yoon, "China Can't Make The 'Silk Road' Work Until China's Neighbors Grow To Trust."

8. Patrick John Lim, "China's One Belt, One Road initiative could usher in new growth: Josephine Teo," *Channel News Asia*, August 22, 2015, <<http://www.channelnewsasia.com/news/business/singapore/china-s-one-belt-one-road/2010212.html>>.

9. "Indonesia allocating \$295m to build ships for maritime highway," *Marintec China*, March 4, 2015, <<http://www.marintecchina.com/blog/en/2015/03/04/indonesia-allocating-295m-to-build-ships-for-maritime-highway/>>.

ment of the Maritime Silk Road Initiative would be in Indonesia's interest too. An analyst suggests that "The alignment of Indonesia's maritime highway into the Maritime Silk Road would create a super highway in the sea. China's financial strength will ensure the promotion of the Maritime Silk Road Initiative, meanwhile Indonesia's maritime highway program would inevitably favor China's interests."<sup>10</sup> Lately, building on a pro-China atmosphere in Jakarta, the Indonesian government has decided to grant China, not Japan, a high speed rail project.<sup>11</sup> Indonesia is not a sovereign claimant of the South China Sea and will not be confined by traditional wisdom to reject China's offer. As China is promoting its grand project through the region, what Indonesia sees is that China shows a strong desire for economic cooperation with those countries engaged in territorial disputes. By avoiding direct conflict against other claimants, China now delivers the Maritime Silk Road Initiative which is seen as a smart way of fostering cooperation and a common understanding for resolving territorial disputes.<sup>12</sup>

There is also an encouraging view connecting the ASEAN Master Plan for Connectivity (AMPC) with China's Belt and Road Initiative.

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10. An analyst, Cornelis Luhulima was suggesting. See Abu Hanifah, "Roundup: China's Maritime Silk Road initiative to help boost Indonesia's trade, investment — analysts," *GlobalPost*, April 14, 2015, <<http://www.globalpost.com/article/6515316/2015/04/14/roundup-chinas-maritime-silk-road-initiative-help-boost-indonesias-trade>>.

11. "China wins Indonesia high-speed rail project as Japan laments 'extremely regrettable' U-turn," *South China Morning Post*, September 30, 2015, <<http://www.scmp.com/news/asia/southeast-asia/article/1862459/china-wins-indonesia-high-speed-rail-project-japan-laments>>.

12. Ruan Fan, "Indonesian Sinologist on China's 'One Belt, One Road' initiative," *China Daily*, July 13, 2015, <[http://m.chinadaily.com.cn/en/2015-07/13/content\\_21267230.htm](http://m.chinadaily.com.cn/en/2015-07/13/content_21267230.htm)>.

Based on practical reckoning, ASEAN would be in favor of China's grand project working in parallel with ASEAN's.<sup>13</sup> Since the details and action plan of the Maritime Silk Road remains to be worked out, China would have to convince related countries from the outset. China may still have a long way to develop the project, while the AMPC has made much mature progress so far. In general, ASEAN is looking into a possible opportunity to take advantage of China's grand project.

There are others, however, expressing their concern about, and suspicion of, China's grand project, particularly Vietnam and the Philippines which currently are at odds with China in the South China Sea disputes. In Vietnam, the "China threat" theory still prevails after all these years, as the South China Sea disputes have flared up. Vietnamese views describe China's grand initiative with mostly negative comments. This shows that Vietnam has always taken a very cautious attitude to the Belt and Road Initiative. Like many other countries in the region, Vietnam does want to be on board to take advantage of the momentum generated by the Belt and Road Initiative, but remains very suspicious of China's strategic intentions in the region. One public article describes China's initiative as an "infrastructure trap," which will pose a threat to Vietnam.<sup>14</sup> While the initiative would build friendly cooperative networks in the region and could largely promote China's interests, it is inevitable that its success would mean a powerful but dreadful China in the region.

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13. Lucio Blanco Pitlo III, "ASEAN Connectivity and China's 'One Belt, One Road'," *The Diplomat*, March 26, 2015, <<http://thediplomat.com/2015/03/asean-connectivity-and-chinas-one-belt-one-road/>>.

14. Tuoi Tre News, "China's transport infrastructure initiative to have bad impact on Vietnam's plan: expert," *Vietnam Breaking News*, September 29, 2015, <<http://www.vietnambreakingnews.com/tag/maritime-silk-road/>>.

Due to strained relationships over the South China Sea, China and the Philippines lack the mutual trust to promote any direct talks now. One of the critical reasons for China to launch the Maritime Silk Road Initiative is said to be trying to encourage substantial cooperation in trade and economic affairs, which would help eliminate political strife between the two countries.<sup>15</sup> Chinese officials especially emphasize that the Philippines is very much part of the new grand initiative of promoting trade, economic and cultural exchanges. The Maritime Silk Road Initiative is seen by many in China as a way of building confidence between the two countries and beyond to solve disputes by diplomatic means. It is understandable that the official Philippine position is critical to China. The ongoing international arbitration case over China's claims in the South China Sea may play up a negative feeling towards of China. Although in the South China Sea dispute the Philippines may take a much more direct confrontational approach to China and this confrontational attitude seems to dominate the thinking of the current government in Manila, yet the Philippines has already made its way into the Asian Infrastructure and Investment Bank (AIIB). But, so far the main concerns with China's strategic intentions have become an incontestable issue for many ASEAN members and thus there remains a huge task of building mutual trust for China to perform. After the Philippines publicly sided with the US in criticizing China's violation of UNCLOS and tried to appeal to the western community, the relationship with China and its neighboring countries became sour and tense. The appeal neither boosts the public diplomacy of the Philippines, nor will it hamper China's efforts in the South China Sea. It has even made intellectuals in the Philippines hink otherwise.<sup>16</sup>

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15. Christine O. Avendaño, "Silk Road way to solve PH, Sino feud," *Philippine Daily Inquirer*, August 15, 2015, <<http://business.inquirer.net/197190/silk-road-way-to-solve-ph-sino-feud>>.

The direct impact of the Maritime Silk Road Initiative is raising the second dimension of the choice of foreign policy China could have offered to the region.

In South Asia, the Maritime Silk Road Initiative plans to reach Kolkata, Colombo and continue to connect with Gwadar. This shows that from China's strategic perspective, it has to connect all important regional players and energy suppliers. Along the route, three economic corridors connecting China and neighboring countries are planned: the China-Indochina Peninsula Economic Corridor, the China-Pakistan Economic Corridor, and the Bangladesh-India-China-Myanmar Economic Corridor. The main purpose of establishing economic corridors is to encourage economic development into underdeveloped territories along China's border. The most greatest significance of these corridors is to link countries along the Indian Ocean where China's main energy-shipping route lies. China and her collaborative partners have agreed to work on the construction of railways, highways, oil and natural gas pipelines and optic fiber networks stretching from the designated ports to cities in China, e.g. from Gwadar to Kashgar, Xingjiang, from Kolkata via Dhaka and Manadalay to Kunming.

From a strategic point of view, what China is planning along the Maritime Silk Road in Southeast Asia and South Asia puts the focus on well-connected channels with Pakistan, Bangladesh, India and Myanmar for energy and strategic considerations. The grand initiative presents a comprehensive strategy tying the relationships with neighboring countries, linking neighboring economies together, and mobilizing a new market momentum. It is all the more critical to the

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16. Robert Joseph P. Medillo, "PH and China's 21<sup>st</sup> century maritime silk road," *Rappler*, May 22, 2015, <<http://www.rappler.com/move-ph/ispeak/93829-philippines-china-maritime-silk-road>>.

regional balance of power. For instance, the China-Pakistan Economic Corridor has great strategic implications for the region and China. Since Pakistan has long been troubled by internal governance, radicalism, and a bad relationship with India, any occurrence of disruption would easily sabotage the positive effect of the new effort. China is thus trying to reshape regional politics and through economic interdependence hopes to gain further access to energy, balance US influence in the region, weigh in on the duel between India and Pakistan, and boost the stability of Pakistan.<sup>17</sup> Moreover, China would be able to strengthen its national security on the border and thus prevent the spread of radicalism in the western part of the nation.

Of course, in terms of energy and maritime strategy, for long the “Malacca dilemma” continues to haunt China’s security planners. In order to make use of the current opportunity to develop the Maritime Silk Road, China has worked with Thailand in planning the digging of the Kra Canal in the Southern Thailand. The Kra Canal idea was nothing new. Propositions offered really date back three centuries ago. Although it was not shown on China’s official statement of the Maritime Silk Road Initiative, the idea of digging the Kra Canal does fit in well with the grand initiative. As the world number one energy consumer, China does intend to secure the transportation of energy and protect its maritime interests.

The proposed new shipping route through the Kra Canal carries profound strategic implications. It would cut the shipping distance by 1,200 km and run from the Andaman Islands in the Indian Ocean

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17. Sajjad Ashraf, “China Reinforces the Bridge to Pakistan,” *ISAS Brief*, No. 283, June 6, 2013, p. 2. *Institute of South Asian Studies*, <[http://www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS\\_Brief\\_No\\_\\_283\\_-\\_China\\_Reinforces\\_the\\_Bridge\\_to\\_Pakistan\\_06062013153700.pdf](http://www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_No__283_-_China_Reinforces_the_Bridge_to_Pakistan_06062013153700.pdf)>.

to the South China Sea in the Pacific Ocean and would change the existing balance of power in the region.<sup>18</sup> Over the last few years, the concept of the “Indo-Pacific” has been emphasized in the region. The Kra Canal signifies the core value of this concept. Now, on 19 May 2015, the news came out that China and Thailand have made a practical move by sealing a joint venture. It is clear that the China-Thailand Kra Infrastructure Investment & Development Co. Ltd. and the Asia Union Group Co. Ltd. signed an MOU to develop the Canal project, though both the Chinese and Thai governments denied the involvement later.<sup>19</sup> This is quite confusing and ambiguous for the outside world. Whatever the governments have been saying about the project, it seems that the Kra Canal project will be led by business groups and is going ahead anyway. The discussion on its broader implications is just now becoming a real strategic issue in the region.

#### **IV. The Relevance of the Maritime Silk Road Initiative to the South China Sea Disputes**

The basic concept of the Maritime Silk Road focuses on promoting trade and facilitating cooperation in economic development. Given that regional tension is high in the uncertain context of the South China Sea, how much might the initiative work to encourage cooperation between China and other claimants? From a geostrategic

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18. Nophakhun Limsamarnphun, “Kra Canal to have huge security and social implications,” *The Nation*, June 8, 2015, <<http://www.nationmultimedia.com/business/Kra-Canal-to-have-huge-security-and-social-implica-30261841.html>>.

19. Chris Husted, “Kra Canal MOU ‘does not involve governments’,” *The Phuket News*, May 20, 2015, <<http://www.thephuketnews.com/kra-canal-mou-does-not-involve-governments-52401.php>>; Fergus Ryan & AFP, “China denies official involvement in Thailand canal,” *China Business Spectator*, May 19, 2015. <<http://www.businessspectator.com.au/news/2015/5/19/china/china-denies-official-involvement-thailand-canal>>.

perspective, the initiative as planned by the Chinese government carries significant strategic implications for the region. Even if swirling tensions in the South China Sea do not lead to a solution of the disputes for the time being, it may not stop countries in the region from continuously deepening their economic engagement with China. In fact, over the last few years, while the tension has risen further between China and other claimants in the South China Sea, the degree of their dependence on Chinese markets does not see a trend of slowing down. By putting territorial disputes to one side and working on joint cooperative development, China may be able to make a convincing case for the Maritime Silk Road.

During the 2015 ASEAN-China Expo, Zhang Gaoli, China's Senior Vice Premier said "China is willing to work with ASEAN countries to comprehensively and effectively implement the Declaration on the Conduct of Parties in the South China Sea, and accelerate consultations on formulating a Code of Conduct (COC) for the South China Sea, in order to jointly maintain peace and stability."<sup>20</sup> Obviously, the South China Sea dispute is the most difficult obstacle to China's implementation of the Maritime Silk Road Initiative. With tension around in the region over China's land reclamation in the South China Sea, members of ASEAN have increased concern over China's strategic advance. While the Philippines' arbitration case is ongoing, suspicion of China's grand project in the region is high. Under the overarching structure of the Belt and Road Initiative, China is encouraging cooperation on trade, economic and cultural exchanges, but does not directly refer to the solution of disputes in the South China Sea. That is the reason why many countries in Southeast Asia do not want to be differentiated from the development China is now

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<sup>20</sup> "China vows more ASEAN maritime cooperation," *Xinhua Finance*, September 18, 2015, <<http://en.xinfinance.com/html/OBAOR/Policy/2015/143799.shtml>>.

advocating, but at the same time they do try to keep a certain distance from China's security and diplomatic advances. Along the route, so far except for the Kra Canal construction project, there are almost no other big projects confirmed between China and any ASEAN country.

From a Chinese perspective, the Maritime Silk Road could serve as a fine diplomatic tool to help cultivate a friendly ground for finding a solution to territorial disputes in the South China Sea. As of now, only regional players could successfully negotiate Codes of Conducts. Over the last decade or so, many difficult hurdles that claimants have been confronted with, like internal legal restrictions, an insistence on sovereignty, nationalist sentiments, international law and UNCLOS, and power politics, have blocked any chances of claimants showing flexibility with a view to compromise. Keeping to the existing agenda for the COC process may lead many countries to soon discover that there may not be any way out of the dispute other than talks and more talks. What China has done over the last three years in the South China Sea may be regarded as creating a negative image rather than a positive one, e.g. in the Huangyan Island (Scarborough Shoal) and Jen Ai Reef (Second Thomas Shoal) incidents against the Philippines in 2012, in the HD-981 oil-rig incident against Vietnam in 2014, and in land reclamation in the Spratly Islands in 2015. China's pushing for more strategic room in the South China Sea adds to the security concerns of ASEAN members, and is definitely unhelpful to China-ASEAN relations.

To implement the Maritime Silk Road Initiative, China would have to avoid pushing too hard or too aggressively in the region, as any assertive presence in the region would only dampen China's hope for the successful implementation of the Maritime Silk Road Initiative.<sup>21</sup> Therefore, China would have to identify a fine balance

between protection of its rights in the South China Sea and the implementation of the Initiative. What can the Maritime Silk Road Initiative offer as a practical solution? Would the initiative be helpful to improving mutual trust between China and ASEAN in the South China Sea? How relevant is the initiative to the future of the South China Sea?

China has not yielded on what it has already undertaken in the South China Sea. In August 2015 the Minister of Foreign Affairs, Wang Yi, announced at the occasion of the meeting of foreign ministers at the East Asian Summit and ASEAN Regional Forum that China had completed land reclamation work and moved on to the second phase, that of building facilities for the public good, at the end of June.<sup>22</sup> Wang's announcement was positive and may have softened regional concern over with China's action. No regional countries have opened their arms to hug China, while China's strategic intentions and practical actions remain tough against some of. The Belt and Road Initiative has been defined by the Chinese government as on the grand strategic level. As long as it is on the policy agenda, China would not want to be disturbed by sporadic incidents in the South China Sea. At least, one can expect that China will accommodate more to the international situation and try to reduce differences with her neighbors. With an ambitious grand strategy in place, China will definitely look beyond East Asia and the South China Sea. But, much of policy rationale today is based on responding to external stimuli.

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21. Feng Zhang, "Beijing's Master Plan for the South China Sea," *Foreign Policy*, June 23, 2015, <[http://foreignpolicy.com/2015/06/23/south\\_china\\_sea\\_beijing\\_retreat\\_new\\_strategy/](http://foreignpolicy.com/2015/06/23/south_china_sea_beijing_retreat_new_strategy/)>.

22. "Wang Yi on the South China Sea Issue At the ASEAN Regional Forum," *Ministry of Foreign Affairs of the People's Republic of China*, August 6, 2015, <[http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1287277.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1287277.shtml)>.

Currently, some of the expected variables in the South China Sea are the Philippine arbitration case and the US military advance which both challenge China's dignity.

## **V. The Development of the Kra Canal and its Strategic Implications**

How much would the Kra Canal shift the regional strategic landscape? Under current US-China strategic competition, would development of the Kra Canal imply a search for strategic dominance? The idea of building a canal across Thailand has existed for two centuries. For complex internal and external reasons, the concept has never been materialized. In May 2015, China-Thailand Kra Infrastructure Investment & Development Co. Ltd. and the Asia Union Group Co. Ltd. signed an MOU in Guangzhou. The significance of the joint venture in developing the Kra Canal is believed to be driven by Chinese momentum. Its development has been linked to the Maritime Silk Road. This has profound strategic implications.

There are at least five points for strategic elaboration. First, the canal will be included as part of the Maritime Silk Road Initiative. For China, the Kra Canal project will become the key of the initiative, as it will bring forth a lively transportation channel from the Indian Ocean to the Pacific Ocean.<sup>23</sup> Once the construction begins, it will lead to shift of strategic structure in the region, which has for long been anchored in the Straits of Malacca. Of course, it will impact the US strategic posture and the importance of Singapore.

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<sup>23</sup>“Thailand, China to team up on long-proposed Kra Isthmus canal,” *Want China Times*, May 18, 2015, <<http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20150518000069&cid=1101>>.

Second, the Kra Canal will send a strong wave shaking the status of the Straits of Malacca. Since most industrial states in East Asia and North America will probably prefer to shorten their shipping distance by 1,200 km via the Kra Canal and avoid the notorious risk of piracy inside the Straits, much shipping will go through the Kra Canal.

Third, currently 80 percent of China's oil imports pass through the Straits of Malacca. Geographic characteristics in the Strait lead to high risks for the shipping of oil. As China is increasing its imports from the Middle East and African countries via the Straits of Malacca, the high risks of shipping are a growing threat to its energy security and national security. China has longed for a secure channel outside the Straits of Malacca. It is quite understandable that China will definitely go for the project. In addition, through the management of the Kra Canal, China would seal a close partnership with Thailand and thus be able to connect well with Southeast Asia and control the flow of traffic. The current US-dominated strategic landscape will be shifted in China's favor.

Fourth, US-China strategic competition is accelerating. The South China Sea is at the center of the competition and of the US rebalance to Asia. As the Indo-Pacific connection becomes clearer, US influence goes beyond the Pacific Ocean and connects to the Indian Ocean. Now, the US together with regional players dominate the choking point – the Straits of Malacca. Once the Kra Canal is in place, it will divert much transport away from the Straits. The South China Sea will be linked to the Kra Canal. As a Chinese expert noted, China will be the main driver behind the opening of the Canal, which will carry profound strategic and political implications.<sup>24</sup> Ob-

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<sup>24</sup>“Thailand, China to team up on long-proposed Kra Isthmus canal.”

viously, Thai domestic politics, consideration of Thailand's national security and the US-Thailand alliance would be potential challenging factors in the way of China to fulfilling her ambitious goal.

Fifth, since early 2014, China has started to work on land reclamation in seven occupied reefs in the Spratly Islands. Given her massive capability to reclaim land, China managed to complete the first phase of the work in 18 months or so. The main criticism of this work lately focuses on China's assertive move to expand its control over territories in the Spratlys. The US military took the risky action monitoring the airspace over the Chinese "islands". Since the Kra Canal project will be part of the Maritime Silk Road, the significance of the Canal and the South China Sea will be closely connected together. Once the Kra Canal is in operation, China will be tied more closely to the ASEAN free trade zone. As a result, the Canal will boost the development of Hong Kong and other Chinese ports. Now, looking from a broader perspective, the Maritime Silk Road Initiative may include the Kra Canal project and even land reclamation in the South China Sea. Those semi-artificial islands in the Spratlys could serve as China's strategic outpost guarding its sea lanes as they come out of the Canal.

Although Thailand may see itself tied in a dilemma between two superpowers, it can take this historical opportunity to develop the Canal and make it a regional transportation hub. Once Thailand could sort out its domestic differences and difficulties, it will choose what is best following a judgment of its best national interests.

## **VI. Conclusion**

Since 2013, when Chinese President Xi Jinping advocated it, the Belt and Road Initiative has already attracted global attention.

For China, it is another revolutionary attempt to jump up to the global arena and show that China is ready to assume big power status and shoulder global responsibility. The Maritime Silk Road Initiative has its own mission routes to reach Southeast Asia, South Asia, the South Pacific, East Africa, and Europe. Along the routes, the fundamental concept for the initiative is very much based on mutual benefit. While China would be able to find new markets along the Maritime Silk Road to export the excessive production of its domestic market, it can help other developing countries to be benefited from its economic growth. One of the purposes of the Maritime Silk Road Initiative is to help circumvent regional tension and cultivate possible new ground for settling territorial disputes.

Along the Maritime Silk Road, there are a number of important projects, which carry strategic significance. The China-Pakistan Economic Corridor, the Bangladesh-India- China-Myanmar Economic Corridor, and the Kra Canal project are part of China's planned strategic transformation. In Southeast Asia, the Kra Canal project and the land reclamation in the South China Sea may well reflect the focus of the Maritime Silk Road to control the channel of connecting the South China Sea and the Indian Ocean. Although the Belt and Road Initiative is still in progress and a lot of details will be added, the grand strategy has successfully brought about tremendous momentum for economic development and strategic calculation/competition. Its development will be of course be affected by many variables. But, it will definitely stimulate a structural change of economic and strategic cooperation in the region.

When China pushes for a change, everyone in the region follows with caution. By transforming a regional strategic structure, China's grand initiative will definitely have profound implications for Taiwan and the cross-strait relation. It is a critical moment for Taiwan. In-

creasing political sentiment against China in Taiwan's public opinion may take a toll on Taiwan's its further development and on a vigorous cross-strait relation, as prejudice will keep Taiwan further away from the China-driven momentum of regional development. The Maritime Silk Road will bring about a structural change in regional cooperation. It is important for Taiwan to take advantage of China's grand initiative. Thus, the immediate challenge for to Taiwan is whether a favorable policy of involvement in the process should be taken.

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