ASEAN transport links boost economic integration with China

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A summit of foreign ministers from China and the 10-member Association of South East Asian Nations (ASEAN), jointly held in Thailand and China from January 23 to 25, highlighted China's construction of a network of roads, railways and pipelines. Facing mounting diplomatic and strategic rivalry with the US, the transport links are designed both to protect China's access to energy imports and to bring South East Asia further into its economic orbit.

Having begun their meeting in Chiang Rai in northern Thailand, the ministers embarked on a trip to Kunming, the capital of China's Yunnan Province. They took a barge across the Mekong River to Houey Xay in Laos, travelled by bus to the Chinese city of Jinghong, and then boarded a plane to Kunming. Once there, they inspected the 1,750-kilometre Kunming-Bangkok highway (R3A), which is now playing a key role in what is called the "North-South Economic Corridor".

The trip showcased the "Master plan on ASEAN Connectivity" adopted by last October's ASEAN summit. ASEAN Secretary-General Surin Pitsuwan declared: "This road trip is an attempt by ASEAN foreign ministers and their Chinese counterpart H.E. Yang Jiechi to demonstrate to the world that we are effectively connected and this connection will certainly improve by the time ASEAN becomes one community by 2015."

Surin said new transport links would enhance the ASEAN-China Free-Trade Agreement. Since coming into effect just a year ago, the treaty has created a free trade zone of nearly two billion people, with a total trade of $US4.5 trillion. "Our commodities, our tourism industry and our services sector will benefit a great deal from our connectivity with China," he stated.

China-ASEAN trade increased to $292.78 billion last year, up by 37.5 percent from 2009. China has become ASEAN's largest trading partner. Despite a 30.1 percent increase in Chinese exports to ASEAN, its trade deficit with ASEAN rose to $16.34 billion last year, mainly due to growing imports of electrical and mechanical products.

New roads and railways are being constructed as China increasingly becomes the centre of a regional network of production, receiving parts, raw materials and capital goods from a number of countries, including Indonesia's coal and Malaysia's electronics components. Driven by the rapid expansion of the Chinese economy over the past two decades, the free trade pact has accelerated an integration that developed in the wake of the 1997-98 Asian financial crisis.

As the foreign ministers met in Kunming, the adjacent Guangxi province's development and reform commission announced plans to build a $2.36 billion high-speed railway linking the provincial capital Nanning with Hanoi in Vietnam, Vientiane in Laos, Phnom Penh in Cambodia, Bangkok in Thailand, Kuala Lumpur in Malaysia and, ultimately, Singapore.

The high-speed rail is part of a 300 billion yuan ($45 billion) program over the next five years to create a "Nanning-Singapore Economic Corridor". Construction of new tracks from Nanning to the border with Laos is due to commence in the second half of this year.

The designated commercial hub of this railway network is Bangkok. The Thai capital will serve as a gateway to new markets for Chinese exports among South East Asia's 600 million people as the Chinese government seeks to offset declining sales to the US and Europe. Bangkok is the site for a planned Chinese-financed $1.5

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billion wholesale trade centre for Chinese goods. The centre will have a total floor space of 700,000 square metres, the size of 100 football fields.

Yang Fangshu, chairman of the ASEAN-China Economic and Trade Promotion Association, told the media that Chinese-made goods could also be re-exported through the new trade centre, avoiding restraints imposed on China and making use of the new tariff-free links between China and ASEAN countries. That would enable Chinese manufacturers to avoid, for instance, the 43 percent to 216 percent anti-dumping duties applied by the US to wooden Chinese-made bedroom furniture.

There are also broader strategic considerations involved in planning roads, railways and pipelines across the Indochinese peninsula. One central calculation is to provide alternative routes to the Malacca Strait, through which 80 percent of China's imported oil passed in 2008. Beijing is seeking to establish land routes, including pipelines, so that tankers from the Middle East and Africa can unload in Burma or other parts of the peninsula, with the oil then transported overland to southwestern China.

China has started constructing a 1,920 kilometre high-speed railway connecting Kunming and the Burmese commercial hub of Rangoon, with an eye to extending the line to the southern Burmese town of Tavoy, where Thai investors are planning a major port project. China is also considering building a rail line to parallel a 1,100-kilometre pipeline connecting Kunming and the western Burmese deep-sea port at Kyaukpyu.

In addition, Beijing is seeking to rebuild the Stilwell Road, which was constructed by the US army during the World War II to enable Allied Powers to provide aid to China in the war against Japan. The road, which stretched from Burma's Kachin State capital of Myitkyina to Pangsau, a Burmese town near the Indian border, will be rebuilt by Yunnan Construction Engineering Company in a joint venture with the Burmese Yuzana Group, according to a deal signed last November.

These projects are part of growing Chinese economic involvement in Burma (Myanmar). During the first five months of 2010, China invested $8.2 billion in Burma, mostly in infrastructure projects, followed by a $4.5 billion interest-free loan to the military junta last September.

China's growing influence is driving the region deeper into great-power rivalry, as the US will not relinquish its established geopolitical and economic interests to Beijing. Under President Barack Obama, Washington is seeking to tighten its strategic encirclement of China through long-standing allies such as Japan, South Korea, Australia, Philippines and Singapore, as well as new partners like Vietnam.

Over the past 18 months, the US has stepped up its own connections to ASEAN in order to counter China's initiatives. In mid-2009, US Secretary of State Hillary Clinton announced a "back to South East Asia" policy to aggressively contain China's influence. Clinton signed the ASEAN's Treaty of Amity and Cooperation as a stepping stone to join the regional forum, after the US Democrats criticised the former Bush administration's "diplomatic absenteeism" for allowing Beijing to gain a stronghold in South East Asia. The Obama administration has held two summits of its own with ASEAN countries over the past two years.

Last July, Clinton escalated the intervention by declaring at the ASEAN summit in Hanoi that the US had "national interests" in maintaining the "freedom of navigation" in the South China Sea, where China has maritime territorial disputes with ASEAN members such as Vietnam, Philippine, Malaysia and Brunei. China's rise, and Washington's hostile response to it, is thus turning South East Asia into a cockpit of inter-imperialist rivalry, with a numerous potential flashpoints that could lead to confrontation and conflict.

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