



**BET ON SOUTHEAST ASIA:
BENDING BRI TO US ADVANTAGE**

BY KARL FRIEDHOFF

Karl Friedhoff (kfriedhoff@thechicagocouncil.org) is a fellow in public opinion and Asia policy at the Chicago Council on Global Affairs.

China's Belt and Road Initiative (BRI) has created widespread hand-wringing in the United States. Concern over its political and economic goals in target countries has prompted calls for Washington to compete with, or offer an alternative to, BRI. Neither of these approaches are feasible. Instead, the United States, along with its allies and partners, should seek to co-opt the infrastructure funded and built by China to project US strengths throughout the region. Road and rail may get people and goods from place to place, but the longer-term value remains in building services, equipping those services, and training domestic populations in their sustainable operation: build, equip, train (BET).

Much of the coming US-China competition for influence will play out in Southeast Asia. That is not a surprise. The most recent *US National Security Strategy* identified the region as the center of gravity by identifying the Indo-Pacific as a key pillar in US strategy. Militarily, competition and tension is on the rise in the South China Sea. Economically, the region is on the upswing. By 2020, the ASEAN states will collectively be world's fifth largest economy. These factors will bring China and the United States into increasing contact along all dimensions of national power – diplomatic, informational, military, and economic.

An effective US policy response to BRI requires understanding the gaps and opportunities that it presents to the United States and its partners. Current analysis of BRI largely focuses on China's ulterior

motives – seeking increased political and economic influence in target countries while displacing the United States. While it has had some success with governments in the region, Beijing has not won over public opinion. Sentiment across Southeast Asia is negative, with particular ill-will in Laos and Cambodia – two countries often seen as being most ensconced in China's camp. Full accounting requires increased focus on the physical outcomes and resulting consequences of BRI.

China's infrastructure investments in Southeast Asia are best framed as an attempt to create transportation corridors that can then be transformed into trade facilitation corridors. In the language of the corridor development literature, both of these phases of corridor development are "narrow." That is, any benefits derived from BRI are directly tied to the actual infrastructure itself. This remains true even with the potential reforms of the Regional Comprehensive Economic Partnership that will transform transportation corridors into trade facilitation corridors. This focus on narrow corridor development fits with China's investment profile – many of its businesses in Southeast Asia are extractive in nature. Improving transport and lowering trade barriers will allow China to more efficiently and cheaply access the vast natural resources in Southeast Asia.

China's focus on the narrow phases of corridor development provides an opportunity for the United States and its partners to focus on the "broad" phases of corridor development. This would mean a concentrated focus on developing capacity in areas where the United States holds a clear competitive advantage – services. Education, health, and financial services all provide opportunities to transform static transportation corridors into dynamic economic corridors, allowing them to attract their own investment and deliver wider economic benefits to target populations. As US businesses further establish themselves in the fastest growing region in the world, an increased US presence will bring added reach and influence throughout the region.

A focus on services built around new nodes of influence created by BRI means that the United States must recognize that it is not positioned to make major

investments in infrastructure projects in the region. Seeking support for infrastructure projects abroad, when US infrastructure earns failing grades would be politically impossible.

Broad corridor development would still require some infrastructure building – primarily aimed at connecting hinterlands to main nodes – and this is why the United States cannot implement the BET framework alone. For the United States to truly compete in Southeast Asia it will need to enlist the help of its allies and partners. This kind of cooperation is already being discussed between the United States and Japan. But others are highly active in the region – South Korea, in particular. A trilateral partnership could prove helpful in enacting the BET framework.

Of course, getting Japan and South Korea to coordinate will not be an easy task. But both countries have expressed a desire to be more active in Southeast Asia. Japan has long been a major investor in the region, and Moon Jae-in’s “Look South” policy seeks to further upgrade South Korea’s engagement with ASEAN. Both Japan and South Korea have also expressed a desire to take on a greater role within their respective alliances with the United States. Coordination in Southeast Asia may provide the necessary distance from political tensions in Northeast Asia to allow this to happen.

Given the aid patterns and expertise of all three countries, a coordinated effort to build and improve healthcare programs in Laos is one potentially fruitful area for putting the BET framework into practice. There is a real lack of access to healthcare across the country, leading to new outbreaks of polio, the 21st highest maternal mortality rate in the world, and one of the world’s highest infant mortality rates as well.

Laos may seem like an unlikely place to begin such an effort. It is small, poor, landlocked, and not well-connected to the region. But change is on the way. The \$6.7 billion Laos-China Railway, a BRI initiative, will connect Vientiane to Kunming, and eventually to Bangkok and Singapore. Laos may have a population of just 7 million but sits in the middle of 275 million people and \$800 billion in GDP from the countries it borders.

Japan provides roughly \$100 million annually in overseas development assistance (ODA) to Laos, and Korea has invested \$750 million since 1989. That amount is quickly increasing. The United States focus in Laos is in healthcare and nutrition – the Obama administration committed \$4 million to build a nutrition institute in Vientiane to train a new generation of doctors and nurses.

Both Japan and South Korea continue to fund hospitals in the country but have not coordinated those efforts. A scenario where Japan and Korea divide responsibilities for building and equipping a single hospital, with the United States responsible for training the staff, could see vast improvements in health services and efficiency. Such a coordinated effort could bring real benefits to the target populations, as well as make it a more attractive destination for US, Japanese, and Korean businesses.

Of course, there are challenges beyond getting South Korea and Japan on the same page. China may see this kind of coordination as an attempt at encirclement. Beijing’s interest in the region is primarily extractive, but that is beginning to change. The growth in the online economy will see Chinese tech companies like Alibaba begin to stake out positions in the region.

If the United States is serious about remaining committed to Southeast Asia, it must come up with a new strategy. It is not in a position to compete or to offer an alternative to BRI on its own. Instead, BRI should serve as a foundation for the United States and its partners on which to build. If a strategic competitor is willing to expend capital to lay that foundation, the United States should encourage it. Then, when the time is right, it must deploy its full range of national power to co-opt that investment.

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