

BRI Pulse

Wang Yi's New Year ASEAN Visits BRI is alive and well!

Our third BRI Pulse of this triptych focuses on Wang Yi's January visits to 4 ASEAN countries which this year included updates on Chinese vaccines. This Pulse follows our other two recent pulses on updating MENA landmark BRI projects and Wang Yi's visit to 5 African countries earlier in January.

We argue that these 3 documents clearly demonstrate that prior BRI infrastructure landmark projects across MENA, Africa and ASEAN are completing, with little or no delay and new infrastructure contracts are being awarded however, more within the Digital and Health Silk Roads than infrastructure.

Key Highlights

- Myanmar – MoU signed to extend Yunnan to Mandalay railway to Kyaukphyu on the Indian Ocean; securing of 300,000 doses of Chinese vaccines; accelerate construction of CMEC (see below)
- Indonesia – secured Chinese vaccines; signed new MoU's on cyberspace and crypto and on Twin Industrial Parks cooperation; an update on Jakarta-Bandung HSR, which is scheduled to be functional during H2 2021; and CATL's December announcement to invest \$5 billion for EV manufacturing in Indonesia
- Brunei – China's largest investment into Brunei and Brunei's largest FDI, recently announced a \$13.65 billion Phase Two expansion. Both countries keen to develop ICT component of economy to drive future GDP growth
- Philippines – China agreed to donate 500,000 vaccines as well as make a \$77 million grant. Two new road building contracts were signed totalling \$1.34 billion. One of the 12 projects in process, the Estrella-Pantaleon Bridge, funded by a Chinese grant, is expected to open during H1 2021 – on schedule

Myanmar

On 11 January, Wang Yi met with Aung San Suu Kyi, Myanmar's State Counselor and the functional head of state. During their meeting, Wang Yi promised to provide Myanmar with 300,000 doses of Chinese vaccine, positioning China ahead of India, which also wants to provide vaccines to Myanmar. Myanmar's embassy in Beijing had previously released a statement December 31 saying Chinese vaccines would arrive in early 2021.

Relative to new projects, on 10 January, Myanmar and China signed a MoU to conduct a feasibility study on a 650 km railway project to link Mandalay with Kyaukphyu, a major city in Rakhine state. Previously, the China Railway Eryuan Railway Engineering Group had presented a feasibility study report for the Muse-Mandalay section during President Xi's initial visit to Myanmar during January 2020. This new project provides Chinese direct access to the Bay of Bengal in the Indian Ocean, including a deep-sea port, the Kyaukpyu SEZ, one of Myanmar's three national SEZs and the start of two energy JVs; a 770 km oil (22 billion tonnes) pipeline and the 793 km natural gas (12 bcm) pipeline running from Myanmar to Yunnan Province.

Wang Yi and Myanmar's Commander-in-Chief of Defense Services Min Aung Hlaing also agreed on to accelerate the construction of the China-Myanmar Economic Corridor (CMEC) to boost bilateral ties.

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Indonesia

On 12 January, Wang Yi met with Indonesia's Coordinator for Cooperation with China and Coordinating Minister Luhut Binsar Pandjaitan in North Sumatra.

On 11 January, Indonesia provided Sinovac Biotech's COVID-19 vaccine its first emergency use approval outside China. To start, only three million doses of CoronaVac will be available in Indonesia: Some 1.2 million doses have been dispatched to 34 provinces. Indonesian authorities confirmed that they have secured a total of nearly 330 million doses of vaccine from Sinovac and other companies for a campaign expected to take 15 months to reach herd immunity once two-thirds of Indonesians are vaccinated.

Prior to the meeting, the two countries witnessed the signing of the MoU on Developing Cybersecurity Capacity Building and Technical, focussed on developing capacity building of internet security and tech cooperation, marking the first-of-its-kind internet security agreement China signed with a foreign country. According to the MoU between the National Cyber and Crypto Agency of Indonesia and the Cyberspace Administration of China is to form a platform to include an Internet governance system, data security, and the building of a, secure, open, cooperative, responsible, and orderly cyberspace as well as ICT development. Huawei will work on advancing the 5G infrastructure.

Both countries also signed a MoU on China-Indonesia Cooperation on the "Two Countries, Twin (Industrial) Parks", which is comprised of the Malaysia-China Kuantan Industrial Park (MCKIP) and the China-Malaysia Qinzhou Industrial Park (CMQIP). Both are working towards closer cooperation through the CMQIP and MCKIP Joint Cooperation Council (JCC) to attract more investments into the parks which are interconnected business sectors which are sustainable.

During the meeting, both countries agreed to actively press forward several landmark projects, including the 142 km, \$6 billion Jakarta-Bandung HSR, which connects Jakarta to the textile hub of Bandung. With a speed of 350 km per hour, the HSR built with Chinese technology will reduce the journey time from more than three hours to around 40 minutes. Despite COVID, this project, 60% owned by an Indonesian JV partner, was 64% complete on 23 December and on schedule to become operational during H2 2021.

In December 2020, Contemporary Amperex Technology (CATL), China's largest producer of automobile battery packs, announced plans to build a \$5 billion plant in Indonesia to establish a beachhead in Indonesia as EVs gain popularity. Indonesia stated that it welcomes increased investment from China and is also looking forward to hosting China's EV manufacturers.

The lithium-ion battery assembly in Indonesia will be the second offshore production line for CATL, following its \$2 billion plant in Germany that will supply BMW when it begins production in 2021. The new plant will start production in 2024.

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Brunei

On 14 January, Wang Yi met with Brunei's Sultan Haji Hassanal Bolkiah. Longer term, the two agreed to implement the consensus of aligning China's Long-Range Objectives through the Year 2035 with Brunei's national vision, the Wawasan 2035. Both sides agreed to further deepen the cooperation of Brunei-Guangxi Economic Corridor as a linking hub between the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) and the New Land-Sea Corridor, and agreed to support the development of the second phase of Hengyi Industries Sdn. Bhd, as described below.

Specific projects discussed included Hengyi Industries Sdn Bhd's oil refinery and petrochemical JV involving Zhejiang Hengyi Group (70%) and Damai Holdings (30%), (8 mt/year integrated refining and petrochemical complex), Brunei-Guangxi Economic Corridor, cooperation across a number of sectors including agriculture and fishery, and importantly, an ICT component to include 5G, big data and cloud computing.. to help drive future economic growth.

In September 2020, Hengyi Petrochemical announced it is preparing for the \$13.65 billion second phase of its refining and petrochemicals JV in Brunei. The \$3.45 billion Phase 1 is already operational, making Hengyi Industries Sdn Bhd the largest overseas investment by a private Chinese company and the largest foreign direct investment in Brunei.

Relative to Chinese vaccines, Brunei has joined the global Covax scheme and is expecting to have the COVID-19 vaccine in Q1 2021, having sourced sufficient supplies to cover 50% of the population. Discussions are on-going with other suppliers.

Wang said China supports Brunei in taking over as the rotating chair of the ASEAN, build blue economy partnership consensus and put into effect the Regional Comprehensive Economic Partnership (RCEP) at an early date.

Philippines

On 16 January Wang Yi met with Philippine President Rodrigo Duterte. After this meeting Wang held talks with Philippine Foreign Secretary Teodoro Locsin. According to the South China Morning Post Wang Yi signed agreements involving donating 500,000 doses of COVID-19 vaccines (most likely CoronaVac), \$1.34 billion in loan pledges for infrastructure projects and \$77 million (500 million yuan) in grants during the visit.

Wang also noted that the two countries have completed 11 projects while 12 others are in progress or in the pipeline, and 12 more are under negotiation. One of the projects in progress is the construction of the Estrella-Pantaleon Bridge (Chinese grant) by CBRC which is expected to be completed in the "early half of 2021" – on schedule despite the COVID-19 pandemic. Once completed, the 506-meter bridge will have four lanes connecting Estrella, Makati City to Barangka Drive in Mandaluyong City and is seen to accommodate an average of 50,000 vehicles day. Public Works and Highways chief added that only 25% of the project's workers are Chinese nationals, while 75% are Filipinos.

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Even before Wang Yi's visit, Beijing pledged its largest ever infrastructure project loan to the Philippines, totalling \$940 million for the Subic-Clark Railway Project, linking two former U.S. military bases on the main island of Luzon, home to just over 50% of the Philippines' population of 110 million and about 70% of the Philippines economic output. The commercial contract for the 71-kilometer (44-mile) cargo railway is valued at \$940 million, the highest funded G2G project between the two countries according to the Embassy. The railway will connect Subic Bay Freeport Zone and Clark International Airport, former U.S. naval and air bases that have since been converted to civilian use and commercially developed.

On 14 January, China and the Philippines signed the commercial contract for the China-financed \$402 million Samal Island-Davao City Connector Project, one of the key G2G projects between China and the Philippines and a flagship project under its "Build, build, build" program. The project is a two-way four-lane 3.86-km bridge in southern corridor to connect the Island Garden City of (the adjacent island of) Samal to Davao City (Duterte's home city) across the Pakiputan Strait. The main bridge is 1.62-km long and will be designed in a cable-stayed structure with the twin towers and double cable planes. The construction duration is estimated to last 60 months.

There was also a signing of a technical cooperation agreement worth 3.72 billion pesos (\$77 million) that would go to livelihood projects, infrastructure facilities and other items to be agreed upon by both parties in the future. China has now made seven such grants to the Philippines since Duterte assumed office in 2016, and their total value is 24.16 billion pesos (\$503 million).

After the meeting, Wang and Locsin witnessed the ceremonial unveiling of a plaque to mark the establishment of Bank of China Manila as the Chinese RMB Clearing Bank of the Philippines.

Finally, China hopes to forge a blue economy partnership and put into force the RCEP agreement at an early date.