

# Does China Wants to Contain Singapore through OBOR Initiative?-Take Melaka Gateway as an Example

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**Abstract:** *Melaka Gateway is a joint project promoted by China and Malaysia. As a project followed by OBOR Initiative, it will include a deep-sea port as well as commercial and residential property expansions once completed. Some opponents concerned that it was an aggressive and ambitious plan that used to contain Singapore's further development. But the reason why China develop Melaka Gateway is more like a rational choice after political and economic considerations. The paper will illustrate the point in detail.*

**Keywords:** *China; Singapore; Malaysia; Melaka Gateway; ASEAN; OBOR Initiative*

## 1. Introduction of Melaka Gateway

Melaka gateway is a mixed development project set in Malaysia, within the strategically important Strait of Malacca. It is a joint project promoted by China and Malaysia. The project seeks to develop a consolidated port covering 1,366 acres of land. "Melaka Gateway including a newly constructed port. In Malacca, there will be four artificial islands of reclaimed land, devoted to (1) tourism, entertainment and property development Island, (2) free trade economic zone island (3) Melaka Gateway port island and (4) maritime industrial park."<sup>[1]</sup>

Once complete, it will include a deep-sea port as well as commercial and residential property expansions. The entire project originally targeted for completion by 2025, the port per se is due to be operational by 2019. Until 2022, the whole project paused due to several factors.

## 2. China project to hit Singapore?

The relationship between China and Singapore has become tense over time. Some believed that Chinese government are taking actions to contain Singapore's development. Some even worried that Singapore is facing marginalization when Lee was absented from the Belt and Road Forum while 28 heads of state attended.

Many media believed that it's an aggressive project that used to contain the development of Singapore. By 2019, Melaka Gateway is expected to overtake Singapore as Southeast Asia's main shipping hub. "China's current mega belt-road projects in Malaysia, once completed, will alter trade routes in the region and this may divert hundreds of billions worth of trade from Singapore, according to industry players."<sup>[2]</sup>

## 3. China's rational choice

### 3.1 Energy security

These actions are not just aimed at Singapore. China are gradually avoid relying too heavily on the Straits of Malacca for security concern. It's more like a counter-balance strategy.

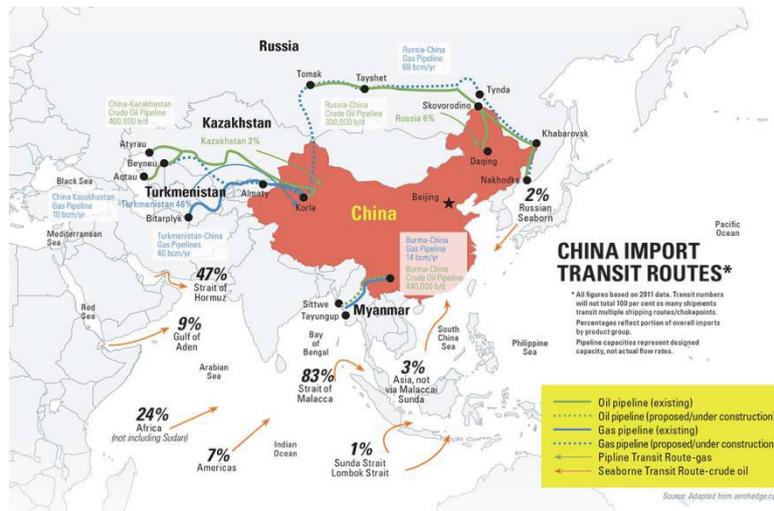


Figure 1: China import transit routes. Source: adopted from zerohedge.com

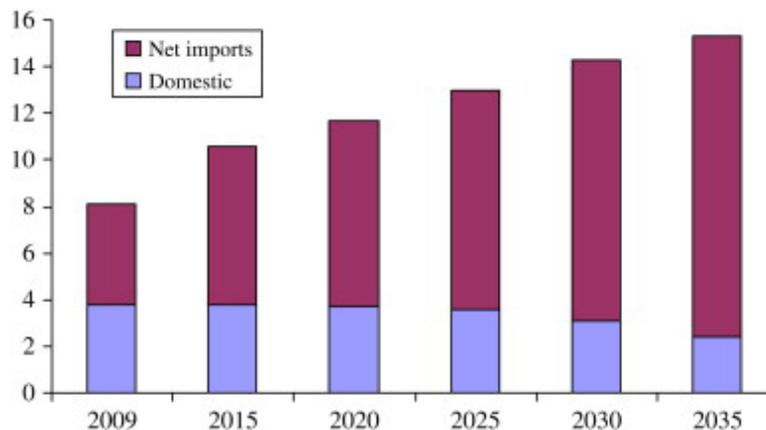


Figure 2: China's future oil supply: domestic versus imported (mb/d). Source: IEA (2010)

Most of China's trade will pass through Malacca Strait. China import transit routes (Fig. 1.) shows that up to 80 percent of China's crude imports are delivered via the narrow and congested waterway. Thus, "the Strait of Malacca is of strategic and economic importance to China's economic and energy security." [3] Also, China's future oil supply: domestic versus imported (Fig. 2.) predicts that China's future oil supply will increasingly rely on import in the foreseeable future. There are many potential threats to China's energy security. "These risks come at least from two perceived threats: one, the threats of increasing piracy and maritime terrorism within this region; two, the residual effects of competition between powerful competitor nations—including the United States, Japan and India—increasingly seeking to control this sea-lane." [4] In recent years, Singapore shows its position in South Sea issues and tried to be allied with the USA. So, it's reasonable for the Chinese government to raise energy security concerns.

China has built lots of projects to secure their energy. "Beijing has also embarked on port-and- rail, and oil-and-gas pipe links in Myanmar, Nepal, Bangladesh and Eastern Europe." [5] With the construction of Melaka Gateway, China can secure and transit part of their oil supply in Malaysia port instead of Singapore's port.

Malaysia has a large untapped oil and natural gas resource, but doesn't have enough infrastructure support for further development. China may help Malaysia's infrastructure construction. Malaysia can be a supplier of energy resources to help China to ease domestic energy shortage problems and develop as an industrial power.

For China, other than security factors, more potential benefits push the project forward. This project will enhance China-Malaysia regional economic cooperation and China's influence in ASEAN. Moreover, it can further promote the implementation of the policy of the Belt and One Road Initiative in China.

### 3.2 Enhance China's influence in the Asia Pacific region

To be specific, the construction of Melaka Gateway can enhance China's Voice in ASEAN.

China invested over 80 billion RMB in Melaka Gateway. It's China's way to tell other Southeast countries that they can provide enormous support in terms of finance and technology.

Obviously, the lack of funding has become Southeast Asian countries' top concern. "Regarding investment in regional connectivity, many Southeast Asian countries face a lack of technological know-how and serious financial difficulty in raising the significant amounts of capital needed to fund required infrastructure projects." [6]

China has strong economic power. And China can use it to bargain with other Southeast countries. "BRI could lead to China becoming the dominant force in determining the future economic landscape of Southeast Asia. China is Asia's economic powerhouse and has become the largest trading partner for almost all Southeast Asian nations since 2009." China's voice has become more and more influential. Since China use OBOR Initiative promised ASEAN countries future economic prosperity, and Melaka Gateway project could be the best example.

### 3.3 Sino-Malaysia relations

The reason why Chinese government choose Malaysia is more than geography factors.

Political relations are inextricably linked with economic relations. Establishing political mutual trust is the foundation for international cooperation. In recent years, the two countries have established several effective dialogue mechanisms. Both sides share similar views and support each other in coping with international crises, energy security, international and regional affairs. For a long time, China and its neighboring countries have been plagued by territorial disputes. One of the more prominent issues is the South China Sea issue. The dispute over the Nansha Islands has long involved mainly three countries: Vietnam, the Philippines and Malaysia. The situation in the South China Sea has also shown a very complex trend over time. Among the three countries, China and Malaysia have relatively good relations. Not only the two countries have the least disputed islands. But also, the Malaysian attitude towards disputes are very positive and steady. Although both countries have a dispute over the South China Sea, both sides can solve it calmly. The situation is manageable and there is no adverse impact on the relations and economic cooperation between the two sides.



Figure 3: China has been Malaysia's biggest trading partner since 2009. Source: Bloomberg

"China is Malaysia's largest trading partner, and Malaysia is China's largest in ASEAN." China has been Malaysia's biggest trading partner since 2009 (Fig. 3.) revealed that China and Malaysia are important economic and trading partner of each other. China has become the largest trading partner of Malaysia for eight consecutive years and has become the largest source of foreign investment in the Malaysian manufacturing industry, the largest investor in real estate in Malaysia, and the most important partner in the Malaysia Engineering General Contract. Apart from ASEAN neighbors Singapore and Indonesia, China is already Malaysia's largest source of foreign tourists. "PRESIDENT XI Jinping this year described relations between China and Malaysia as the 'best ever' in history. Two years earlier, Malaysian Prime Minister Najib Razak had described the bilateral relations as at the 'best level in history'." [7]

Malaysia has a lot of natural resources, so they can export large quantities of raw materials such as palm oil through this port. This project is can also attract enormous tourists, bringing huge economic benefits. “They will thrust Melaka Gateway, and Melaka as a world city. It is hoped that Melaka Gateway will progressively transform Melaka into an even more vibrant tourist destination, a must-visit destination in Asia and help spur the tourism sector in Malaysia.”

The project can further enhance the relations between China and Malaysia and develop the economies of the two countries. Solve the problem of overcapacity in China and solve the problem of Malaysia's lack of funds to build infrastructure.

### 3.4 OBOR Initiative



Source: <http://melakagateway.com>

Figure 4: Melaka Gateway in OBOR Initiative.

The idea of the ‘China dream’, which became the dominant domestic theme of the Xi Jinping administration. OBOR Initiative is an ambitious grand strategy to make the dream come true. OBOR Initiative is the abbreviation of The Silk Road Economic Belt and the 21st-century Maritime Silk Road. “One Belt One Road (OBOR) is fundamentally a strategic project of China to acquire a dominant global status through the implementation of economic, energy and connectivity related projects in 64 countries of Asia, Africa and Europe.”[8]

Melaka Gateway project is important to ensure the implement of OBOR Initiative. Melaka Gateway in OBOR Initiative (Fig. 4.) shows that Melaka Gateway is the west line project of the Maritime Silk Road. So far, the "21st Century Maritime Silk Road" plan has not been fully launched. Because there is a lack of strategic mutual trust among other stakeholders in the South China Sea and on the east coast of the Silk Road on the sea. Thus, the entire plan can only be implemented gradually.

China can prove to other countries in the Belt and Road Initiative through this project, that OBOR Initiative is a win-win strategy that benefits all. If Melaka Gateway project is established successfully, it will be a great opportunity for China to show how they deal with political, legal, technology and moral challenges involved in the implement of the projects. It will form a demonstration effect and produce the effect of gathering and radiation. It will encourage more Southeast Asia countries to participate actively in the OBOR Initiative.

## 4. Melaka Gateway cannot contain Singapore’s development

Melaka Gateway cannot contain Singapore’s development in the short term. It is hard to establish Melaka Gateway as an alternative trade route. “This is largely due to the better facilities and systems in place, and planned for introduction, in Singapore and the strategic geographical position of Singapore.”[9] Singapore has high efficiency of government and stable political environment. Also, after years of accumulation, Singapore are more experienced in providing port operation service. In 2017, “more industry giants were moving their operations to the island state.” Industry giant like Ocean Alliance also move their operations to Singapore, which shows Singapore’s importance in ship

industry.

To establish a port business that can surpass Singapore, Melaka Gateway need to have a stable political environment, a clean and effective government and high levels of efficiency. Undoubtedly, it is time-consuming to accumulate and foster the core competitiveness of a dense sailing route.

What's more, for Southeast Asian countries, regional economic integration plays a very important role in alleviating external uncertainties and global economic vulnerability. With an area of only 700 square kilometers, Singapore is an island nation that has neither natural resources nor economic hinterlands. By becoming a hub for regional trade and services, Singapore has benefited considerably from ASEAN trade, capital and labor mobility. Therefore, the integration of regional economy is of great significance to Singapore. The withdrawal of the United States from TPP (Trans-Pacific Partnership Agreement) has affected Singapore's progress in promoting regional economic integration to some extent. China's Belt and Road Initiative can speed up regional economic cooperation and integration through the establishment of infrastructure, trade and investment ties. Southeast Asian countries therefore largely welcome the Belt and Road Initiative as this policy can promote infrastructure development to further release the potential for economic growth in the region and accelerate industrial and economic development. As what the official website of Melaka Gateway project said: "Melaka Gateway – where a glorious past, presents itself as a world-class city of the future." [10] They consider Melaka Gateway project more like a city construction theme. If Melaka gateway can benefit a lot from tourism. Singapore, as its neighbour will also gain the profit.

It's difficult for Melaka Gateway to replace Singapore's status. But Singapore will benefit a lot from regional economic integration.

## 5. Conclusion

Melaka gateway is a mixed development project that will bring enormous economic benefits for two countries. The Malaysian government can make great efforts to develop local infrastructure through the economic and technological support of this project. In addition, tourism development can also be promoted to promote economic growth and employment growth. Through this project, the Chinese government can prove to other Southeast Asian countries that China can help other countries to develop infrastructure construction, which can further promote the implementation of the policy of the Belt and Road initiative. At the same time, it can also enhance China's voice in ASEAN and help the Chinese government to better resolve the dispute in the South China Sea. It is a win-win project for both China and the Malaysian government.

As for Singapore, Singapore is a very small country in terms of geography. Why would China make such a great effort to contain the development of Singapore? As what we analyze above, Melaka Gateway is just one of the programs of the Belt and Road Initiative in China. The Chinese government knows that the realization of the Belt and Road Initiative depends on the support and participation of other countries. The neighboring Southeast Asian countries are the key to the success of this grand plan. So, Chinese government wants their neighbour countries to support and join the initiative.

The Melaka Gateway project aimed at promoting regional economic integration. Singapore should be the supporter of regional economic integration. To create a port challenging Singapore's position as a leader requires more efficient and politically stable government. It is unlikely that Melaka gateway can replace Singapore port's position in the short term.

Chinese government will probably use Melaka project as a bargaining power to negotiate with Singapore in future issues. So, it's reasonable that the Melaka gateway project make Singapore government annoyed.

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