



# Rising Asia

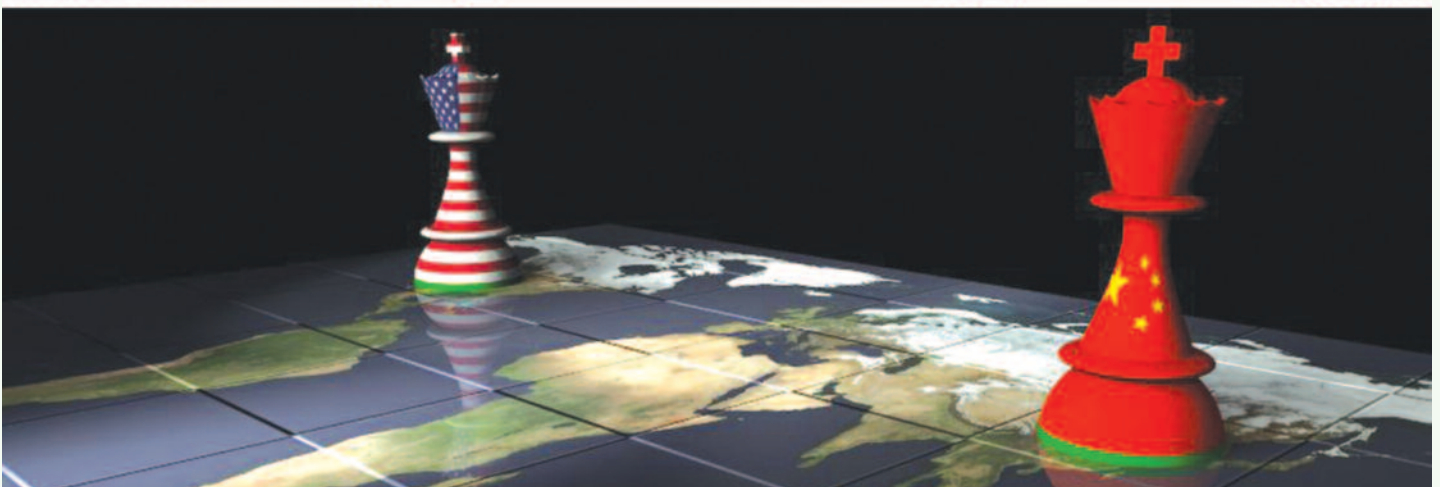
October-December 2018 Issue 15

"The US must stop arming terrorists in Syria"



Turkish Foreign Minister Mevlüt Çavuşoğlu

## US-China Trade War Escalates



In foreign affairs, China has been able to use its experience of economic development to position itself as an alternative power to the United States. Photo: iStock



## In pictures: Global Demonstration Against Climate Change





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# Rising Asia

## A Quarterly Magazine of CEAF

Issue-15  
October-December 2018

### *Striving for Asian Solidarity*

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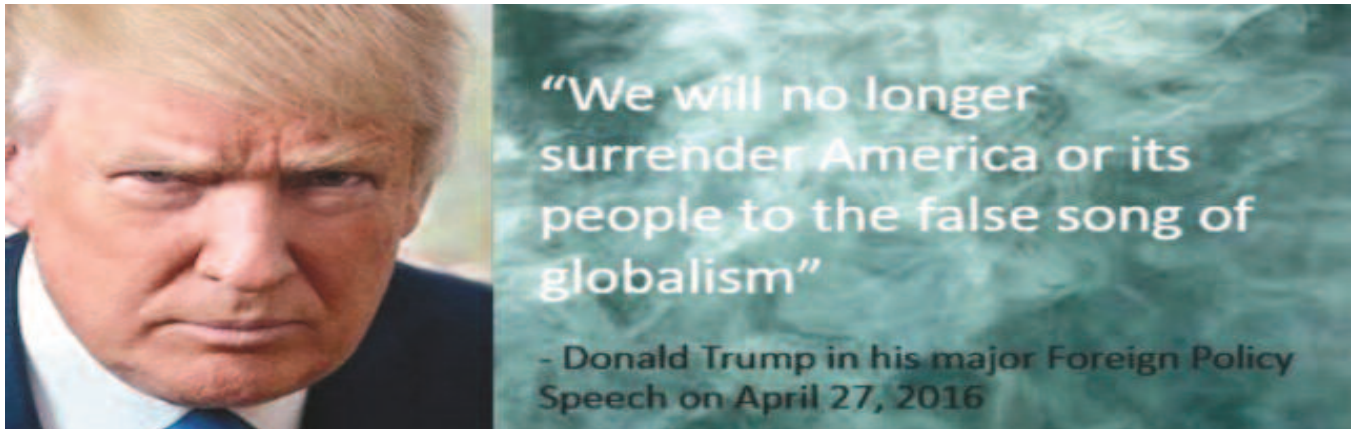




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## Editor's Note



A child born today in Bangladesh will be more productive than his/her peers in India and Pakistan, as the country fares better than its larger regional competitors in a new World Bank (WB) ranking. Bangladesh has outpaced both the South Asian average and the lower middle-income average in all criteria, except for stunting, in the first Human Capital Index (HCI) prepared by the World Bank. Students of Bangladesh scored 368 on the scale of 625, with the highest representing advanced attainment and 300 representing the minimum attainment.

Additionally, Bangladesh ranked 106th among 157 countries that were used by the WB for the list. Sri Lanka topped the list among South Asian Countries with a ranking of 72. Nepal was placed at 102, India at 115, Afghanistan at 133 and Pakistan at 134. The HCI reflects the productivity as a future worker, of a child born today, compared with

what it could be if he or she had full healthcare access and complete high-quality education, on a scale from zero to one, with one as the best possible score.

Bangladesh performed better than both India and Pakistan due to rapid growth and improvement of the healthcare and education sector in the past few years. This outstanding performance also results from the contribution of the female workforce as female involvement is increasing in income generating activities, leading to women empowerment. Human Capital – The knowledge, skill and health that people accumulate over their lives have become key factors behind the sustained economic growth and poverty reduction rates of many countries in the 20th century, especially East Asia. Human Capital is a key driver of sustainable, inclusive economic growth, but investments in healthcare and education have not gotten the attention they deserve. This index creates a direct line between improving outcomes of healthcare and education, productivity and economic growth. I hope that it drives countries to take urgent action to invest more and more effectively in their people.

Bangladesh's track record of poverty reduction and development shows that with the right policies and actions, further significant progress is possible.

The 12th Asia-Europe Meeting (ASEM) summit was held on 18-19 October'2018 in Brussels, Belgium. The summit brought together leaders of 51 European and Asian countries, EU representatives and the Secretary General of the Association of Southeast Asian Nations (ASEAN). Leaders agreed to further connect both continents to boost trade, improve security, preserve the environment and bring societies closer. The leaders called for the complete denuclearization of the Korean peninsula and they reaffirmed their support to the Iran nuclear deal. Leaders also recognized the serious challenge posed by climate change whose impact is felt worldwide. They reaffirmed their strong commitment to the Paris agreement and called for urgent action by all countries. Mitigation of and adaptation to climate change represent immediate and urgent priorities.

Best Regards

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## “The U.S. must stop arming terrorists in Syria”

H.E. Mevlüt Çavuşoğlu



As world leaders gathered in October for the U.N. General Assembly, President Trump has an opportunity to reverse a failed policy in the Middle East and deliver a blow to a terrorist organization by stopping the shipment of arms to the People's Protection Units, or YPG, the Syrian arm of an organization designated as terrorists by authorities in the

United States and Europe.

The U.S. intelligence community has labelled the YPG the “Syrian militia” of the Kurdistan Workers’ Party (PKK), which has waged a violent campaign of terrorism inside Turkey, killing thousands of innocent people. As we repeatedly warned would happen, U.S. support for the group has already backfired. An American Marine was reportedly shot this year by a member of the largest Syrian militia, spearheaded by the YPG. Human Rights Watch has called on the YPG to stop its recruitment of child soldiers. Recent reports suggest that YPG forces have recently forged an alliance with Syrian President Bashar al-Assad to help him recapture the last rebel strong hold in Syria. An attack by the regime in Damascus would have triggered the worst humanitarian disaster in the violent history of the Syrian war. To head off the conflict, last week Turkey succeeded in negotiating with Russia to establish a buffer zone.

The YPG has been amassing power and territory in Syria just miles from Turkey’s border. Washington has used 5,000 trucks and 2,000 cargo planes to deliver weapons to the YPG in recent years, according to estimates by Turkish authorities. A similar deployment on the borders of any NATO member state would be cause for outrage. This is a fundamental breach of everything for which NATO stands.

Alarmingly, the group has applied to establish a lobbying office in Washington. Its political arm, known as the U.S. Mission of the Syrian Democratic Council, has stepped up its lobbying for more arms and aid, which will be paid for by U.S. taxpayer dollars. The political arm of a terrorist group seeking to peddle influence in Washington is a shocking state of affairs, and President Trump should

block its activity.

I’m an ally of the Kurdish people. In fact, my party has been honored to receive notable electoral support among Turkish Kurds. I am, however, a sworn enemy of terrorists of all stripes. I don’t make exceptions. I’m also a student of history. As with the arming of the mujahideen in Afghanistan, once weapons and training are supplied, the trigger is no longer in American hands.

The U.S. administration has presented guarantees that these weapons will not be turned against Turkey. But Syria is in the middle of a war. Realistically, the decision-makers in Washington are in no position to make such promises. Arming the YPG directly endangers Turkey and its people, who have already faced decades of fear and violence at the hands of a ruthless and radical terrorist movement. And now, with the help of our NATO ally, the PKK is being armed to the teeth. Turkey sounds the alarm because unless drastic, immediate steps are taken to reverse course, our citizens will suffer as a result of this reckless policy.

Every day, Turkish security forces work hard to prevent DEASH fighters from fleeing Syria and travel through Turkey to Western capitals. Our military and intelligence forces work closely with the United States and other allies to track and arrest terrorists, avert attacks and gather critical information.

This work has put a bullseye on Turkey’s back – and my own – from DEASH and other extremist groups. They know our resolve and commitment will not waver, which is why they’ve attacked our shopping malls, airports and other major civilian targets. But we have kept up the fight with raids, locking them up, foiling their plots and preventing their passage.

Our ultimate mission – protecting our people from harm – is sacrosanct. Turkey is proud that our actions save not only Turkish but American lives. And it’s because of those lives saved, because of the burden we’ve shouldered in the interest of our collective global security, that Turkey is right to insist that the United States not arm terrorists who are dedicated to our destruction.

It’s time to choose a side.

**H.E. Mr. Mevlüt Çavuşoğlu** is Foreign Minister of the Republic of Turkey.





## Three Fronts of Russian Foreign Policy

Andrey Sushentsov

The past month in foreign policy was an eventful one and highlighted three crises that are emerging as constants or main fronts in Russian foreign policy, namely, the American, the Syrian and the Ukrainian.

The frenzy surrounding the latest round of sanctions somewhat subsided in the United States when it became clear that Congress will not have enough time to enact them before the congressional election due in November. The Russia-Israel crisis caused by a dangerous maneuver of Israeli forces near the fated Russian Il-20 aircraft underscored the fragility of the international framework for ending the conflict in Syria and forced Russia to close Syrian airspace to the Israeli Air Force. Finally, the presidential election in Ukraine is fast approaching, and the campaign is entering a critical phase, which means even more instability lies ahead.

That the encouraging agreements reached during the Helsinki summit did not lead to sustainable momentum is a failure for Russia-US relations. By all accounts, Presi-

dent Trump's healthy instincts have been sabotaged by the US establishment of mid-level officials and even some members of the administration. In fact, we are dealing with the most massively disorganized period in the foreign policy process in Washington. The United States has ceased to speak in a coherent voice. The fact that an agreement has been reached with Trump does not mean that it will be accepted by the establishment. Meanwhile, individual members of the administration are exhibiting a kind of teenage maximalism. The most recent symptom includes US Interior Secretary Ryan Zinke's comments about blocking the Russian fleet in the Black Sea. However, the Americans are not seeking a protracted crisis, let alone a military conflict. The US has no strategy for Russia. It has only sanctions. And yet many are saying that in the future the United States will need Russia to confront China, even though no one knows how to talk Russia into doing so. But overall, by becoming an issue in the US domestic political debate, Russia is sure to have a harder time



normalizing bilateral relations. Disputes of a strategic nature between Russia and the United States, even outside the context of the current political crisis, remain insurmountable. However, rule-based competition between them is quite possible.

Compounding the difficulties are the countries' asymmetrical perceptions of each other. Russia underestimates the extent to which United States is still reeling from the shock of Russia's alleged election "meddling." Many believe it constitutes an act of war. For its part, the United States underestimates the ramifications of the sanctions. Moscow increasingly believes that sanctions are not just an impulsive attempt to send a message to knock off the interference, but the continuation of the classical American policy of seeking to contain and crush Russia.

What is happening in Russia-US relations is not a new Cold War. Nonetheless, the exchange of political and mil-

itary signals between the parties is heating up. Provocations, sabotage and compromising information campaigns are gaining momentum, as demonstrated by the developments around Aleppo and Idlib, the chemical attacks in Syria, the Skripal provocation, sabotage of the Nord Stream-2 pipeline and the situation in Ukraine.

The presidential campaign in Ukraine could once again become an international problem. Key international actors in the Ukraine crisis cannot come up with a common plan, though there is no threat of a full-scale clash between them, either. The main dynamics and potential surprises in the Ukraine crisis are going to be determined by domestic politics in Ukraine. The local elites have learned to manipulate the American factor and encourage the US to take symbolic steps for their own benefit even as they try to curry favor with US and seek its approval. However, the US is not ready to underwrite Ukraine's security, limiting itself to the bare minimum of politically required steps, such as transferring two decommissioned Coast





Guard boats or limited supplies of anti-tank guided missiles already available in Ukraine.

The situation in Ukraine is deteriorating. President Poroshenko is gradually losing power. He has turned several groups of oligarchs against him and is fanning ethnic and religious tensions, all of which is aggravated by the turbulent economy and increasing social pessimism. A win by Yulia Tymoshenko in the upcoming presidential election is possible but not guaranteed, even though current presidents in some CIS countries have managed to win with even lower ratings. At the same time, should elections produce radical change, tensions in Russia-Ukraine relations may subside.

The civil war in Syria is gradually drawing to an end and the search for political and international balance is underway. Unlike Ukraine, where consensus among external powers is non-existent, here the external framework is close to completion. This international construct is based on cooperation between Russia, Turkey and Iran; Russia and Israel; and Russia, Saudi Arabia and Jordan. The agenda includes a program for rebuilding Syria with the participation of the West and the Gulf monarchies.

Clearly, Germany has reconciled itself to the prospect of Bashar al-Assad staying in power and is willing to discuss its role in the reconstruction of Syria to prevent a new wave of migration. Berlin is relying here on its experience of migration cooperation with Turkey which makes it possible to put ideology aside. The Arab front remains the most complicated. Saudi Arabia continues to sabotage the Syrian peace process and, in conjunction with the United States, is trying to strengthen its bargaining positions by continuing to supply weapons to the Syrian opposition.

In the face of these three fronts, Russia still needs to stay the course on strategic autonomy and retain its freedom of maneuver in foreign policy. However, Russia has managed to dodge the most damaging blows of the powerful information campaigns it confronts. Clearly, information has become a key theater of the international confrontation given that kinetic means are not available. The fight for the hearts and minds of the skeptical international public requires a special skill set, including finely honed communication skills. This is quite possibly the most difficult challenge facing Russia today.

**Andrey Sushentsov**, *Valdai International Discussion Club*.

## Asian countries denounce global trade war

Prof. Sarwar Md. Saifullah Khaled



The Asian countries have called for the acceleration of talks for a gigantic Beijing-backed free-trade deal that excludes the United States (US). They have voiced concern about the potentially devastating impact of a US-China trade war that goes on. With painful consequences for China's neighbours the fear that a sim-

mering trade spat between the world's top two economies could spiral into a full-blown trade war was among the topics dominating discussion at a regional summit in Singapore recently. Tit-for-tat tariffs have fuelled months of tensions that were notched up recently as Beijing threatened to impose levies on US \$60 billion of American goods ranging from beef to condoms. These measures the White House ridiculed as "weak". But China said these were "fully justified". The levies came after Washington said it would increase the rate of additional tariffs on Chinese goods worth US \$200 billion.

The prospect of a trade war is a "real threat" to Asian countries. The threat is making many countries very concerned and is becoming more complex. The top Asian diplomats of the Association of Southeast Asian Nations (ASEAN) are against protectionism, warning that it places the region's development in jeopardy. The rising anti-globalisation and trade protectionism among major countries is fuelling tensions and threatening the region's aspirations for sustained economic growth. In these circumstances, the countries in the region think that they must explore creative ways to further deepen and broaden their cooperation in the face of such challenges. It is necessary now for the early conclusion of talks for the Regional Comprehensive Economic Partnership (RCEP), a 16-nation pact poised to become the world's largest free-trade agreement. RCEP is covering about half of the global population.

The planned RCEP deal would group the 10 members of the Association of Southeast Asian Nations (ASEAN) plus

China, India, Japan, South Korea, Australia and New Zealand. But it would not include the United States. The US had been leading another regional trade pact – the Trans-Pacific Partnership (TPP) – until US President Donald Trump abruptly abandoned it last year 2017. Even with the lure to access to the world's largest economy withdrawn, in March 2018 the eleven remaining TPP countries, who make up 13.5 percent of the global economy, signed a slimmed-down version of the pact. It cuts tariffs and requires members to comply with a high level of regulatory standards in areas like labour law and environmental protection. RCEP also aims to cut tariffs but has far less regulatory standards attached than TPP.

The US imposed 25 percent tariffs on US \$34 billion of Chinese goods in early July 2018 sparking retaliatory measures from China. Days later, Washington unveiled a list of another US \$200 billion in Chinese goods from electrical machinery to seafood that would be hit with 10 percent import duties. Trump upped the ante by threatening to lift the tariff rate to 25 percent. US Secretary of State Mike Pompeo defended the US position and hit back at China. He said that "President Trump inherited an unfair trade regime where American workers and American companies were not treated reciprocally by the Chinese. Efforts of the Trump administration are to right that, to correct it, to adjust that".

However, Washington's abandonment of TPP has given the RCEP negotiations a fresh shot in the arm. Given the current global situation where protectionism is on the rise, economies like Japan would like to achieve a swift conclusion of their RCEP negotiations. The RCEP pact would be complete by the end of the year 2018, while some belonging to the region urged countries facing "headwinds against free trade" to rally together. Bangladesh may take a chance in the face of GSP withdrawn by the US.

**Prof. Sarwar Md. Saifullah Khaled** is a retired Professor of Economics, BCS General Education Cadre, Bangladesh.



# EU Connectivity Document Conveys Multiple Messages

Feng Zhongping



On September 19, the European Union Commission and High Representative of the Union for Foreign Affairs and Security Policy jointly released a policy document titled “Connecting Europe and Asia: Building Blocks for An EU Strategy”. The 13-page document has

attracted attention from many countries, including China.

This is mainly because the document sends important signals. It has four aspects worth serious attention.

**First**, though the EU has long aspired for high-level connectivity with Asia, and has made many preparations for this in the document, the timing of its release is significant. One day before its publication, the United States announced it would levy tariffs on \$200 billion of Chinese exports.

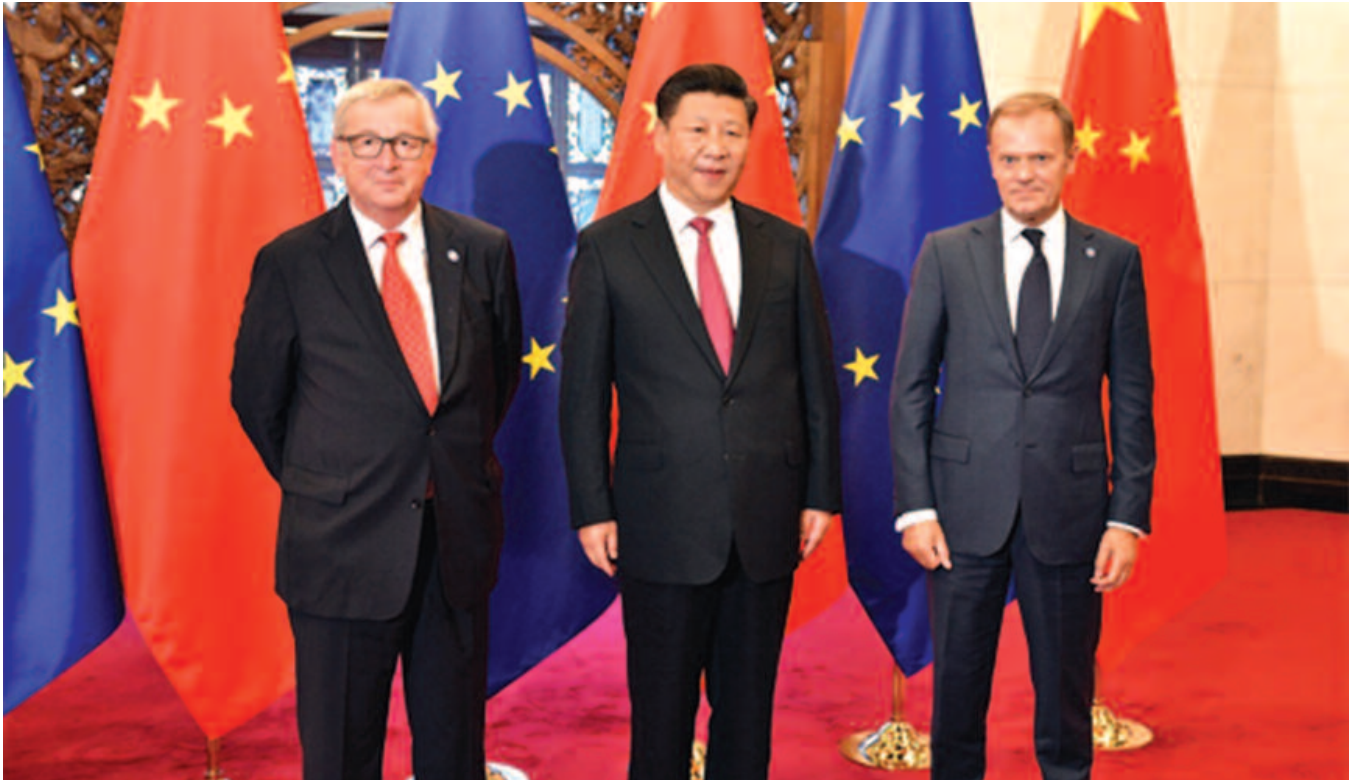
The document shows a wide gap in world views between the US and the EU. The document notes: exports to Asia account for 35% of overall EU exports (€618 billion), imports from Asia account for 45% of overall EU imports (€774 billion). For Europe and Asia, increasing reliance on each other presents opportunities for more cooperation, including peaceful political cooperation, fair and deeper economic relations, social dialogue, and cooperation in global and regional affairs. EU decision-makers have demonstrated dramatic differences from the Trump administration on international development.

**Second**, that the EU has worked out a special document on connectivity with Asia indicates Asia’s importance in the EU’s foreign affairs. Soon after the Cold War ended, the EU saw Asia’s economic significance. The EU then made two major decisions. First, it came up with its first

strategic document on Asia policy in 1994. One year later, the EU issued its first China policy document. Second, the EU was interested in joining APEC. After being refused, then French president Jacques Chirac and Singapore prime minister Goh Chok Tong proposed and established the Asia-Europe Meeting mechanism in 1996. This year’s meeting of Asia-Europe leaders was held in Brussels in October, and the Asia Strategy is on the agenda for that meeting. Compared with the first document, the new EU policy document further emphasizes Asia’s importance, believing Europe and Asia can together become a more cooperative engine propelling global stability and prosperity. The new document is also more focused, concentrating on promoting EU-Asia connectivity in the transportation, energy, digital, and personnel fields.

**Third**, the EU document also conveys the message that the EU will apply its experience with regional cooperation to connectivity construction with Asia. The document calls European experience the “European way”, pointing out the EU hopes Europe-Asia connectivity will be sustainable, comprehensive, and based on rules. Sustainability means to become economically, environmentally and socially sustainable. Being comprehensive means it includes the flow of goods, services, capital, and personnel. Being rules-based means in order to secure business efficiency and fair competition, Europe-Asia connectivity should follow internationally accepted practices, rules, protocols, and technological standards. That the EU has placed particular emphasis on the “European way” is because it believes such ideas are rooted in its own experience with European cooperation over the past decades.

**Fourth**, this document also expresses willingness to cooperate with other countries, including China. As soon as it was published, some Western media deemed it a response to China’s “Road and Belt” initiative. Yet this was denied by EU High Representative for Foreign Affairs and



*[From the left, Jean-Claude Juncker, President of the European Commission, Xi Jinping, President of the People's Republic of China and Donald Tusk, President of the European Council at Diaoyutai State Guest House for the 18th EU-China Summit in Beijing in July 12, 2016 Picture Credit: European External Action]*

Security Policy Federica Mogherini. What this means is very important for China-EU cooperation in the future. For five years, European countries and the EU have shown increasing interest in the China-proposed “Road and Belt”. Many European firms are willing to join the program, and Central and Eastern European nations in particular see the Chinese proposal as an opportunity for local development, actively seeking to dovetail their own development programs with the “Belt and Road” within the 16+1 framework for cooperation. Of course European media has some dissenting voices, for instance, believing Chinese construction projects lack transparency, or worrying that China may expand geo-political influence via the “Belt and Road”.

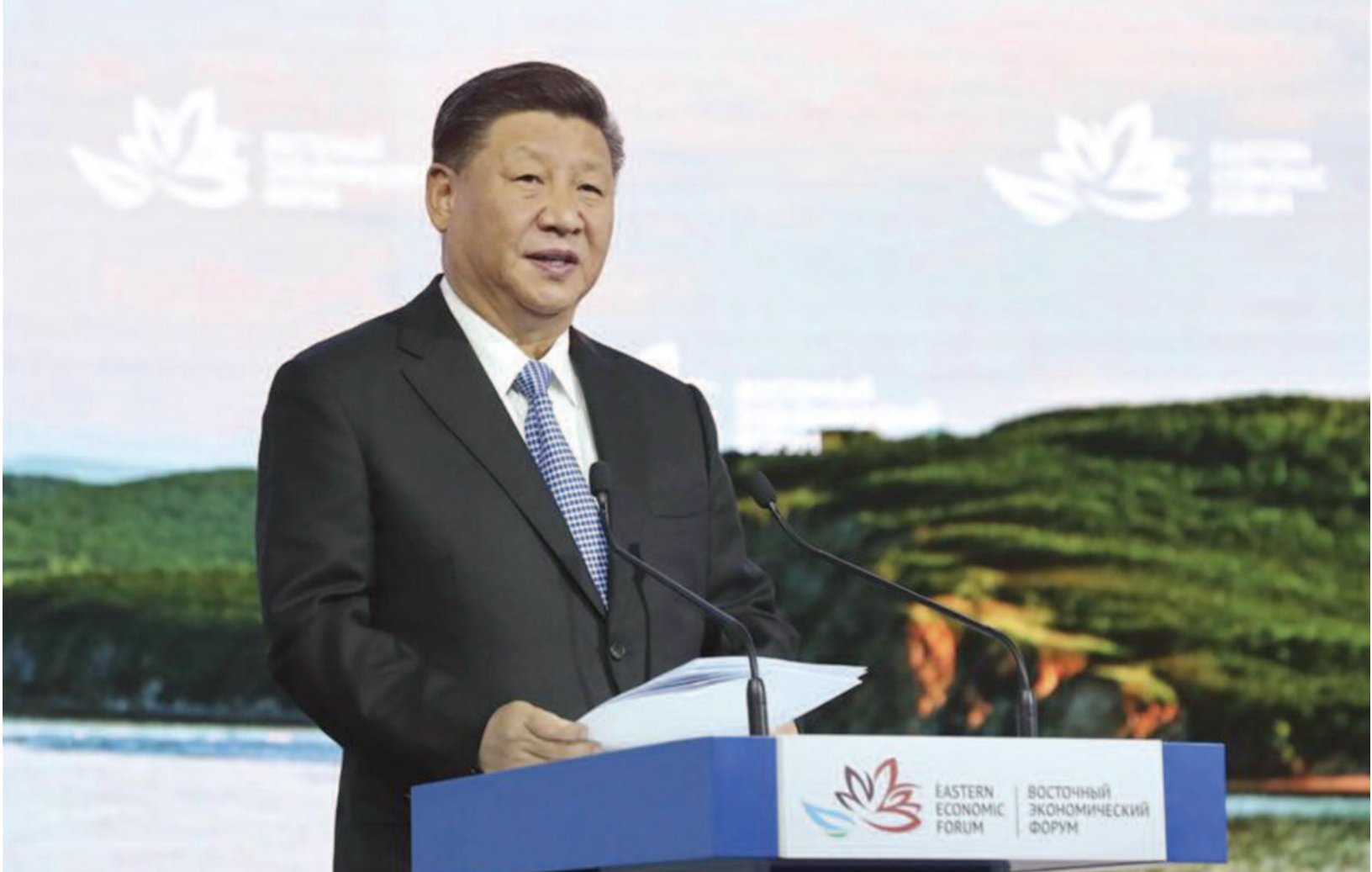
Generally the EU document conveys the message of enhancing EU-Asia connectivity via cooperation. For example, part four of the document expounds building

international partnerships. The document states the EU should take advantage of the platform for China-EU connectivity, strengthen cooperation with China in infrastructure and development cooperation, upgrade market access and fair competition, as well as follow international standards in connectivity proposals. Regarding investments, the EU Commission will consolidate collaboration with the ADB and AIIB. In general, the “European way” for Europe-Asia connectivity may constitute a certain degree of competition with the “Belt and Road”, but overall there is tremendous room for China-Europe cooperation. China-EU cooperation on connectivity is in both parties’ interests, and conducive to regional stability and development.

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**Feng Zhongping** is Vice president of China Institutes for Contemporary International Relations.





*Chinese President Xi Jinping addresses the plenary session of the fourth Eastern Economic Forum (EEF) held in Vladivostok in Russia's Far East, on September 12, 2018. (Xinhua/Ju Peng)*

## **Xi calls for strengthening cooperation in Northeast Asia for regional peace, prosperity**

Chinese President Xi Jinping on September 12, 2018 called on countries in Northeast Asia to seize the historical opportunity and conform to the trend of the times to strengthen cooperation in the Russian Far East and Northeast Asia for a better future of the region.

He made the remarks while addressing the plenary session of the fourth Eastern Economic Forum (EEF) in Vladivostok in Russia's Far East.

"Under new circumstances, we should join hands and strengthen cooperation to promote peace, stability, development and prosperity in the region," Xi told the forum, which was also attended by Russian President Vladimir Putin, Mongolian President Khaltmaa Battulga, Japanese Prime Minister Shinzo Abe and South Korean Prime Minister Lee Nak-yeon.

Xi proposed that countries in Northeast Asia should build up mutual trust to safeguard regional peace and tranquility; deepen cooperation to achieve mutually-beneficial and win-win outcomes; learn from each other to consolidate their traditional friendship; and take a long-term perspective to realize integrated and coordinated development.

"A harmonious, united and stable Northeast Asia with mutual trust conforms to the interests of all countries and the expectations of the international community, and is also significant for safeguarding multilateralism and promoting a more just and equitable international order," Xi said, noting that the international situation is now undergoing profound and complicated changes with rising power politics, unilateralism and protectionism.



The Chinese president said that the six Northeast Asian countries account for 23 percent of the global population, and their gross domestic product make up 19 percent of the global economy.

As a member of Northeast Asia, China has always upheld the concept of peaceful development to create a harmonious and friendly neighboring environment; participated in regional cooperation in the spirit of mutual respect and in a constructive manner; and endeavored to promote exchanges and dialogues while taking into consideration the concerns of all parties, Xi said.

"The Chinese side is willing to continue to work with all other sides to constantly consolidate unity, build up mutual trust, explore effective ways to maintain lasting peace and stability in Northeast Asia, and make unremitting efforts to achieve peace, stability and development in the region," he said.

Xi said the regional countries should actively align their development strategies, strengthen policy communication and coordination, improve cross-border infrastructure connectivity, promote trade and investment liberalization and facilitation, jointly build an open regional economy, and boost sub-regional cooperation to benefit the people in the region.

"In this regard, the Chinese side supports the Asian Infrastructure Investment Bank and the Silk Road Fund in playing a greater role by guaranteeing the project fund," he said.

Xi expressed the hope that the regional countries can expand ways of communication, innovate forms of cooperation, and facilitate the exchanges among the people of all age groups.

The president also called on the regional countries to explore new models for coordinated development in Northeast Asia, speed up scientific and technological innovation, foster a resource-saving and environment-friendly industrial pattern and way of life, and jointly tackle the regional environment issues that all countries are facing.

Xi said that China stands ready to work with all the other regional countries to strengthen cooperation in the



Russian Far East and Northeast Asia to push for the diversified and sustainable development of the region, and make the pie of common interests ever bigger, thus allowing the people in the region to share cooperation opportunities and development achievements and jointly creating a better tomorrow for the Far East and Northeast Asia.

In his address, Xi also elaborated on the achievements China and Russia have made in their Far East cooperation over the past years.

During the question and answer session, Xi talked about the Belt and Road Initiative and the Korean Peninsula situation.

In his speech, Putin extended his welcome to businesses of all regional countries to invest in Russia and share the development opportunities of the Far East, saying the region is now a priority in the country's development.

The leaders of the other countries also expressed their willingness to participate in the development of the Russian Far East and promote cooperation in Northeast Asia.

After the plenary session, the leaders attended an award ceremony for the first race of the SCF Far East Tall Ships Regatta 2018.

The EEF was launched in 2015 on the personal initiative of Putin. Xi's attendance is the first by a Chinese head of state at the forum.

This year's forum, with the theme of "The Russian Far East: Expanding the Range of Possibilities," kicked off on 11 September and lasted till on 13 September, 2018.

**Source:** *Xinhua*.



# ISIS Threatens China-Pakistan Economic Corridor

Adnan Aamir



On July 13, the Balochistan province of Pakistan witnessed its worst ever terrorist attack, when a suicide bomber blew himself up at a local election rally in Mastung district. The explosion killed 149 people and wounded 186 people. It was the biggest terrorist attack in the history of the south-western province of Balochistan in terms of its death toll. Balochistan has been wracked by a separatist insurgency since 2005 and terrorist attacks are fairly common, but the Mastung attack was terrifying even for the people of Balochistan.

The attack in Mastung shook the entire country, brought the election campaign in Pakistan to the brink of suspension and raised serious questions about the security and stability of the country at large. The attack was claimed by the Islamic State of Iraq and Syria (ISIS) (a connection which has been confirmed by the local police) and carried out by a teenage boy from Sindh, whose four siblings are in Afghanistan fighting on behalf of ISIS. Such trends towards radicalism among youth in the region not only threaten the stability of Pakistan, but also the future of Pakistan's proclaimed economic savior – the China-Pakistan Economic Corridor (CPEC).

ISIS continues to pose a threat to Chinese interests in Pakistan, and has in the past specifically targeted Chinese citizens living in Balochistan in retaliation for what it perceives as China's infringements of the rights of its Muslim population. In May 2017, a Chinese couple were kidnapped by ISIS from the center of Quetta, the capital of Balochistan. In order to recover the Chinese couple, Pakistani army commandos conducted a surprise military raid

on an ISIS hideout in Mastung in June 2017. This raid resulted in the death of 12 ISIS terrorists, including the chief of their Balochistan chapter, but sadly failed to recover the Chinese couple, who were executed in retaliation. That incident effectively ended the free movement of Chinese citizens in Balochistan province. Now, as I have observed, they only travel with strict government security.

Why did ISIS target an election rally in Balochistan? ISIS was established in June 2014 in Iraq, and aims to establish an Islamic caliphate made up of every territory which was once ruled by Muslims. An Islamic caliphate is a 7th century political government formed by the successors of the prophet of Islam. ISIS' imagined caliphate includes many sub-states, the largest of which is called Khorasan, which is made up of Pakistan, India and Afghanistan. As analysts have argued, all ISIS terrorist activities in Pakistan are ultimately meant to pave the way for the establishment of ISIS-controlled Khorasan.

ISIS is rapidly growing within Pakistan. According to reports, more than 30 well-trained and lethal al-Qaeda and Taliban fighters defected to ISIS in 2015. A report published by the Pakistan Institute for Peace Studies (PIPS) in





January this year claimed that ISIS's influence is on the rise in Balochistan. It has also been reported that ISIS is establishing its network in the Makran division so that it can focus on Gwadar, a port city and the starting point of the CPEC in Pakistan. Presently, Gwadar is the only city in Balochistan where Chinese citizens are working, under strict security. ISIS's plans to focus its terrorist activities on Gwadar speaks volumes about its intention to target Chinese citizens and interests in Pakistan.

Moreover, ISIS is making overtures to Uyghur Muslims who face persecution by the Chinese state. Uyghurs are a Muslim minority living in the Xinjiang Uyghur Autonomous Region, who are both a minority in terms of religion and in terms of ethnicity (in Han-dominated China.) Due to the proximity of Xinjiang to central Asia, the Chinese government is wary of separatist movements, such as the East Turkestan Islamic Movement (ETIM), which is a Muslim separatist group founded by militant Uyghurs. In 2011, Chinese authorities alleged that ETIM militants had been trained in Pakistan's lawless FATA region. ISIS is also reported to have tried to recruit Uyghurs for its activities in China. Why is ISIS targeting the Uyghur-dominated Xinjiang region? It is the starting point of the CPEC in China.

China has become an ISIS target because its followers believe that China has "forcibly seized Muslims' rights" in Xinjiang by not allowing Uyghurs to practice Islam. Additionally, China is an atheist state, which is a crime according to ISIS ideology and has provided ISIS with the perfect propaganda to motivate its soldiers to turn against Chinese interests in Pakistan.

The looming threat posed by ISIS to CPEC has not gone unnoticed in Pakistan, which considers the CPEC a life-line for its economy. The country has attempted to protect CPEC from ISIS and other terrorist organizations, including by establishing the Special Security Division (SSD) in January 2017. The SSD consists of nine army battalions and six civil wings, manned by 13,700 personnel. Its objective is to protect CPEC projects and the Chinese nationals working on them. However, the government is already facing difficulties in raising funds for the SSD due



*Map of territories ISIS claims (Picture Credit: Daily Mail)*

to the country's ailing economy and high debt levels. The government is contemplating levying a 71 Paisa (1 cent) tariff on consumers per unit of power consumption to pay for the security of CPEC projects.

Despite the support of the SSD, Pakistan may struggle to protect CPEC projects from terrorist threats. Compared to other terrorist groups operating in Pakistan, which seek to enforce Islamic rule in Pakistan, ISIS has a much broader goal: for Pakistan to be part of its global Islamic caliphate. Like other terrorist organizations, its modus operandi is to create chaos by carrying out terrorist acts. However, unlike other terrorist organizations, ISIS has huge global recruitment potential based on its caliphate propaganda, which increases its strength. ISIS virtually has an unlimited supply of suicide bombers which is the main weapon in its arsenal. With all its military might and technological superiority, even U.S. armed forces could not prevent suicide attacks in Afghanistan and Iraq. Although Pakistan has the sixth largest army in the world, which has been fighting terrorism since 2004, it would be very difficult for Pakistan to completely remove the threat of terrorist attacks against the CPEC.

ISIS is, and will remain, a primary threat for the CPEC. The Pakistani government is fully capable of fighting it, but this fight will be a burden on the country's resources and will reduce the foreign investment that was predicted as a result of the successful completion of the CPEC.

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## Fact Sheet on Islamic Law and International Humanitarian Law

Islamic law is the bedrock of Islam and one of the three major legal systems in the world today. Owing to its unique characteristics, some parties to armed conflict continue to refer to Islamic law as a primary source of rules governing their conduct during armed conflict. The similarities in the principles underpinning international humanitarian law (IHL) and Islamic laws of war suggest that these two legal traditions have the same objectives. Promoting the universality of these principles, which transcend legal traditions, cultures and civilizations, is essential for ensuring compliance with IHL.

### What is Islamic law?

Due to its unique sources, nature and methods, “Islamic law” is not easily defined. Much of the confusion surrounding Islamic law derives from the complex and highly technical nature of this legal system, coupled with the fact that, historically, Muslims did not use the exact equivalent of the word ‘law’ in their languages.

### Islamic law is comprised of two legal genres:

- Sharīʿah (literally, ‘path’ or ‘way’) is the set of divine rules given by God in the Qur’ān or ascribed to the Prophet Muhammad (pbuh).
- Fiqh (literally, ‘understanding’) is defined as the practical rules derived or developed by the jurists from specific sources or proofs.

The set of sources and methods used by the jurists to derive these rules of law is the subject of the academic discipline of Uṣūl al-Fiqh (legal theory/methodology).

### What does it govern?

Islamic law therefore includes both secular and religious dimensions. In general, the areas regulated by Islamic law include acts of worship, family law, commercial law, international law, constitutional law and criminal law.

Based on, and in addition to, the legal injunctions included in the Qur’ān and the tradition of the Prophet Muhammad (pbuh), Islamic law largely consists of:

- legal rulings, • legal maxims, • fatwas (non-binding

legal opinions) developed by jurists, • court judgments.

In most areas, Islamic law was never codified. Therefore, the main issues are distinguishing between: divine rules (sharīʿah) and human interpretation of rules; rules that are changeable and those that are unchangeable; and rules that apply in all circumstances and those that are contextual.

Even the divine component sharīʿah – which makes up a very small portion of Islamic law – is sometimes interpreted differently and its objectives and application are differently understood. As a consequence, different and sometimes conflicting rules are developed by the jurists of different schools of Islamic law.

### The schools of Islamic law

Within the three sects of Islam – the Sunnīs, Shīʿīs and Ibādīs – different extant schools of law (madhhab) are predominant in different countries.

- For Sunnīs: (1) the Ḥanafī school in Syria, Egypt, parts of Iraq, Turkey, the Balkans, Pakistan, Afghanistan, Bangladesh and India; (2) the Mālikī school in Mauritania, Morocco, Tunisia, Algeria, Libya, Sudan, the United Arab Emirates and West Africa; (3) the Shāfiʿī school in Yemen, Jordan, Palestine, Lebanon, Somalia, Djibouti, the Maldives, Indonesia, Malaysia, Brunei, Singapore, the Philippines and Thailand; and (4) the Ḥanbalī school in Saudi Arabia and Qatar and to a lesser extent in the rest of the Gulf countries.

- For Shīʿīs: (1) the Jaʿfarī (Twelver) school in Iran, Azerbaijan, Iraq, Lebanon, Bahrain and Afghanistan; (2) the Zaydi school in Yemen; and (3) the Ismāʿīlī school in India, Pakistan and Afghanistan.

- For Ibādīs: the Ibādī school of law in Oman.

Apart from Afghanistan, the Maldives and Saudi Arabia – which only apply Islamic law – most Muslim countries apply an amalgamation of Islamic law and civil law or common law and, in some cases, customary law. Turkey applies civil law only.

The term ‘jurist’ (faqīh, plural fuqahāʾ) refers to those qualified to apply general legal principles to specific



situations. Only a subset of jurists, mujtahids, are qualified to exercise independent reasoning to derive rules of Islamic law. Jurists are usually associated with a specific school of law whose methodology and principles they apply.

## Sources of Islamic law

### Sunnī schools

In the Islamic law-making process, Sunnī jurists use two categories of sources.

The main sources (also known as “agreed-upon” sources) are, in order of authority:

1. the Qur’ān. 2. the Sunnah (tradition) of the Prophet, comprised of his sayings, deeds and tacit approvals. 3. *ijmā’* (consensus of legal opinions). 4. *qiyās* (legal analogical or deductive reasoning).

If no rulings can be found in these primary sources, then the mujtahids exercise legal reasoning (*ijtihād*) through a number of supplementary sources or jurisprudential methods to develop Islamic laws. These supplementary sources (also known as “disputed” sources) are:

5. *istiḥsān* (juristic or public preference). 6. *maṣāliḥ* (public interest). 7. *sadd al-dharā’i’* (‘blocking the means’, i.e. prohibiting an otherwise lawful act that would lead to unlawful results, or permitting an act that will lead to a result consistent with Islamic principles). 8. *shar’ man qablanā* (divine laws preceding Islam). 9. *qawl al-ṣaḥābi* (legal opinions of the Companions of the Prophet). 10. *‘urf* (custom). 11. *istiṣḥāb* (the presumption of continuity of an existing rule).

The various Sunnī schools of law differ in their interpretation and application of these supplementary sources. Whereas jurists are bound by the Qur’ān, the Sunnah and *ijmā’*, their legal opinions derived from supplementary sources may diverge from those of other jurists.

### Shi’ī schools

Shi’ī jurists only accept the following as binding sources of law:

1. the Qur’ān  
2. the Sunnah (understood by some schools to include the tradition of certain imams from the household of the Prophet)  
3. *ijmā’*  
4. *‘aql* (reason).

The remaining jurisprudential methods used by Sunnī jurists are not recognized as sources in the Islamic law-making process by Shi’ī jurists.

## Islamic laws of war

### Origins

At the time of its emergence in 610 CE, followers of Islam encountered hostility that resulted in two mass movements and a number of violent encounters, including battles, between Muslims and other communities. This aspect of Islamic history is dealt with in religious, historical and juridical texts that provide a basis for Islamic laws of war.

Islamic laws of war are derived predominantly from the Qur’ān, hadith literature, *sīrah* literature (early Islamic history, including the biography of the Prophet) and *tafsīr* (exegeses of the Qur’ān). These rules are compiled in *fiqh* literature under headings such as: *al-jihād* (here, ‘law of war’); *al-siyar* (international law); *al-maghāzī* (campaigns); *akhlāq al-ḥarb* (the ethics of war); and *al-qanūn al-dawli al-insānī fī al-Islām* (Islamic international humanitarian law).

### Characteristics

Islamic laws of war have a number of unique characteristics, which is why they continue to be the frame of reference for some parties to armed conflict. These characteristics should thus be taken into consideration when Islamic law is applied to armed conflict.

As Islamic regulations on the conduct of hostilities are derived from the Islamic scriptures, Muslims are motivated to comply with them by the prospect of divine reward (or punishment), in addition to a State’s enforcement measures.

It follows that compliance is not subject to reciprocity; Muslims are expected to comply regardless of the conduct of their adversaries. However, jurists sometimes use the notion of reciprocity as a basis to loosen restrictions on certain weapons or tactics.

Over time, contradictory regulations have developed from the diverging interpretations of jurists. This is a result of both the contextual and textual foundations of Islamic law and the need for jurists to balance Islamic principles



with the military necessity of winning a war.

Conflicting rulings create major difficulties when Islamic law is applied in contemporary armed conflicts, because they can be used selectively to justify attacks against protected civilians and objects. They are especially problematic when employed by those lacking the necessary expertise in Islamic law. This explains the gap sometimes observed between the theory and practice of Islamic laws of war.

### Principles

The vast and detailed Islamic legal literature concerned with regulating armed conflict shows that many of the issues covered by IHL were addressed by Muslim jurists to achieve some of the same objectives as those of IHL, namely alleviating the suffering of the victims of armed conflict and protecting certain persons and objects.

As with IHL, classical Islamic legal literature distinguished between international and non-international armed conflicts. The Islamic rules on the use of force in non-international armed conflicts are much stricter and more humane than those for international armed conflicts. Due to early Islamic history, Islamic law identifies four different categories of non-international armed conflicts, each of which has different regulations on the use of force.

Islamic laws of war sought to humanize armed conflict by protecting the lives of non-combatants, respecting the dignity of enemy combatants, and forbidding deliberate damage to an adversary's property except when absolutely required by military necessity. The following are the core principles of Islamic laws of war:

#### Protection of civilians and non-combatants

Islamic law makes it abundantly clear that all fighting on the battlefield must be directed solely against enemy combatants. Civilians and other non-combatants must not be deliberately harmed during the course of hostilities. This broad principle is aligned with IHL, which requires belligerents to distinguish between combatants and civilians and prohibits attacks against civilians or civilian objects (Additional Protocol I of 1977 (AP I), Arts 48 and 51(2); Customary IHL Study (CIHL), Rule 1).

Five categories of people are specifically protected from attack under Islamic law: women; children, the elderly; the clergy; and, significantly, the 'usafā' (slaves or people hired to perform certain services for the enemy on the battlefield, but who take no part in actual hostilities). The duties of the 'usafā' on the battlefield at the time included such things as taking care of the animals and of combatants' personal belongings. Their equivalent in the context of modern warfare would be civilians accompanying the armed forces who do not take part in actual hostilities and, accordingly, cannot be targeted (Third Geneva Convention of 1949 (GC III), Art. 4A(4)).

Based on the logic guiding these categories, the Companions of the Prophet and succeeding generations of jurists have extended protection from attack to additional categories of people, such as the sick, the blind, the incapacitated, the mentally ill, farmers, traders and craftspeople.

As is the case for civilians under IHL, members of these categories will lose their protection from attack if they take part in hostilities (Article 3 common to the four Geneva Conventions of 1949 (GC I-IV); AP I, Art. 51(3); Additional Protocol II of 1977 (AP II), Art. 13(3); CIHL, Rule 6).<sup>4</sup> The mere fact that jurists investigated cases of individual participation shows that the principle of distinction and the prohibition of attacks against those not participating in hostilities were major concerns for many classical Muslim jurists.

#### Prohibition against indiscriminate weapons

From the Qur'ānic prohibition against killing another human being come rulings prohibiting means or methods of warfare that may cause incidental harm to protected people and objects which would be excessive in relation to the anticipated military advantage.

In order to preserve the lives and dignity of protected civilians and non-combatants, classical Muslim jurists discussed the permissibility of using indiscriminate weapons of various kinds, such as catapults and poison- or fire-tipped arrows.

In the interpretation of this prohibition, jurists arrived at varying conclusions depending on the circumstances. Military necessity is one of the circumstances in which the



use of indiscriminate weapons may be permitted.

The notion that belligerents must minimize incidental harm to civilians and civilian objects, and that this limits the means and methods that they can use, is common to both Islamic law and IHL (AP I, Art. 51(4); CIHL, Rule 17). However, the two legal traditions may differ as to whether or in what circumstances specific means or methods are lawful.

### **Prohibition against indiscriminate methods of warfare**

Motivated by the same concerns that led them to investigate the lawfulness of using certain means of warfare, classical Muslim jurists discussed the permissibility of two potentially indiscriminate methods of warfare that could result in the killing of protected persons and damage to protected objects:

- al-bay'āt (attacks at night): increased the risk of protected persons and objects being harmed
- al-tatarrus (human shields): jurists deliberated the permissibility of shooting at human shields because of the risk of inflicting incidental harm on protected persons.

While some jurists made some contradictory rulings, there was consensus on the fundamental point that protected persons and objects were not to be deliberately harmed.

In IHL, the prohibition of indiscriminate attacks includes attacks employing a method of combat which cannot be directed at a specific military objective (AP I, Art. 51(4); CIHL, Rule 11). The use of human shields is specifically prohibited (GC I, Art. 23; GC IV, Art. 28; AP I, Art. 51(7); CIHL, Rule 97). Whether an attack at night is permissible under IHL depends on the circumstances, taking into account the attacker's obligation to comply with the principles of distinction, proportionality and precaution in particular.

IHL rules already reflect the balance between considerations of humanity and military necessity. Therefore, military necessity cannot justify a departure from belligerents' obligations under IHL.

### **Protection of property**

In Islam, everything in this world belongs to God, and human beings are entrusted with the responsibility of protecting His property and contributing to human civilization. Hence, even during the course of hostilities,

wanton destruction of enemy property is strictly prohibited. Such destruction constitutes the criminal act described metaphorically in the Qur'ān as fasād fī al-arḍ (literally, 'destruction in the land').

As a rule, except when required by military necessity, attacks against enemy property may only be carried out with one of two aims in mind: to force the enemy to surrender or to put an end to the fighting. Belligerents must not deliberately cause the destruction of property for the sake of it. This rule generally applies to animate and inanimate property alike.

Classical Islamic legal literature reflects the sanctity of an adversary's private and public property. For example, consuming an enemy's food supplies or using his fodder to feed one's own animals was regarded as permissible only in the quantities absolutely necessary for military purposes. Targeting horses and similar animals during the course of hostilities was permitted only if enemy soldiers were mounted on them while fighting. Such targeting also formed part of the prohibitions against indiscriminate means or methods of warfare (see above).

IHL rules on the protection of property in the conduct of hostilities are complex and wide-ranging. The general rule is that attacks must not be directed against civilian objects (AP I, Art. 52; CIHL, Rule 7). Additionally, certain objects benefit from specific protections, e.g. medical facilities, the natural environment, objects indispensable to the survival of the civilian population, and cultural property.

### **Prohibition against mutilation and management of the dead**

Islamic law strictly prohibits mutilation, and instructs Muslims to avoid deliberately attacking an enemy's face.

Regard for human dignity requires that dead enemy soldiers be buried or their bodies handed over to the adversary after the cessation of hostilities. Failure to discharge this obligation is, according to the jurist Ibn Ḥazm (d. 1064 CE), tantamount to mutilation.

Similar rules apply under IHL. Parties to armed conflict must take all possible measures to search for, collect and evacuate the dead without adverse distinction (GC I, Art. 15; GC II, Art. 18; GC IV, Art. 16; AP II, Art. 8; CIHL, Rule 112). They must take all possible measures to prevent



the dead from being despoiled; the mutilation of dead bodies is prohibited (GC I, Art. 15; GC II, Art. 18; GC IV, Art. 16; AP I, Art. 34(1); AP II, Art. 8; CIHL, Rule 113). They must endeavour to either facilitate the return of the remains of the deceased or dispose of them in a respectful manner (GC I, Art. 17; AP I, Art. 34; CIHL, Rules 114–115).

### Treatment of prisoners of war

Some of the above-mentioned characteristics of Islamic law also come to the fore in the matter of prisoners of war. There are two main issues here: how prisoners of war should be treated; and what to do with them.

As to the treatment of prisoners of war, Islamic law requires that they be treated humanely and with respect. They must be fed and given water to drink, clothed if necessary, and protected from the heat and the cold and from cruel treatment. Their families would remain with them, so as to protect family unity. Torturing prisoners of war to obtain military information is prohibited. These rules broadly reflect the principles articulated in IHL.

In the matter of what should be done with prisoners of war, classical Muslim jurists fell into three groups. The first found that prisoners of war must be released unilaterally or in exchange for captured Muslim soldiers. The second group, made up of some Ḥanafī jurists, argued that the State should decide, based on its best interests, whether to execute or enslave prisoners of war.<sup>5</sup> Others from the Ḥanafī school said that the prisoners of war may be freed, but must remain in the Muslim State because permitting them to return to their country would strengthen the enemy's forces. The third group, representing the majority of jurists, found that the State should decide, based on its best interests, between all of the above options (execution, enslavement, unilateral release, exchange for captured Muslim soldiers, or release within the Muslim State).

IHL provides detailed rules for the treatment of prisoners of war. They must be released and repatriated without delay after the cessation of active hostilities (GC III, Art. 118; CIHL, Rule 128), although some categories of prisoners of war may be repatriated or interned in a neutral country sooner, or otherwise released on parole

or promise (GC III, Arts 21, 109 and 111).

Islamic regulations have the same underlying principles as IHL as concerns prisoners of war: they are interned not to punish them but to prevent them from further participating in hostilities; and they are to be treated humanely at all times. However, IHL specifically prohibits enslavement or execution of prisoners of war (GC I–IV, Common Art. 3; GC III, Art. 130; AP II, Art. 4(2)(f); CIHL, Rules 89 and 94).

Note that “prisoner of war” has a specific meaning in IHL (GC III, Art. 4 and AP I, Art. 44); separate rules govern the treatment of others deprived of their liberty in relation to armed conflict (GC IV, Arts 79–135; AP I, Arts 72–79; AP II, Arts 4–5; CIHL, Rules 118–128).

### Safe conduct and quarter

The term *amān* encompasses both safe conduct and quarter.

*Amān*, in the sense of safe conduct, refers to the protection and specific rights granted to non-Muslim nationals of an enemy State who are temporarily living in or making a brief visit to the Muslim State in question for peaceful purposes. Because of the nature of their profession, diplomats have enjoyed the privileges of *amān* since the pre-Islamic era.

*Amān*, in the sense of quarter, is “a contract of protection, granted during the actual acts of war, to cover the person and property of an enemy belligerent, all of a regiment, everyone inside a fortification, the entire enemy army or city”.

Similar to IHL, the underlying principle of *amān* is *ḥaqq al-dam* (prevention of the shedding of blood, protection of life). Therefore, if enemy combatants request *amān* on the battlefield during the course of hostilities – whether verbally or in writing, or through a gesture or by some other indication that they are laying down their arms – they must be granted it. The duty to grant quarter is also a rule of IHL (CIHL, Rule 46).

Those granted *amān* must be protected and granted the same rights as civilian temporary residents of the Muslim

State in question. They must not be treated as prisoners of war, nor must their lives be restricted in any other way during their stay in the Muslim State. This protection remains in effect until their safe return to their home country.

In brief, the amān system makes it unambiguously clear that enemy combatants must not be targeted if they are no longer fighting.

It goes without saying that perfidy is strictly prohibited under the Islamic law of war, as it is in IHL (AP I, Art. 37; CIHL, Rule 65).

### Conclusion

The uniqueness of Islamic law – its origins and sources, and its methods of creating and applying laws – is clear. Nevertheless, the similarities between IHL and Islamic laws of war suggest that these two legal traditions have the same objectives. The above-mentioned principles of Islamic law regulating the use of force in armed conflict demonstrate that the legal literature produced by classical Muslim jurists was intended to humanize armed conflicts.

**Source:** *International Committee of the Red Cross (ICRC) Headquarters, Switzerland.*

### Quotable Quote







Vietnam is angling to strike a delicate trade balance between the US and China. Photo: Reuters

## Trade war upsides abound for Vietnam

*Trade-geared nation is poised to benefit more than most from coming shifts to global supply chains away from China-based production*

**Nate Fischler**

As Asian nations brace for US-China trade war impacts on their economies, Vietnam is positioning itself as a possible two-way winner of the conflict.

Vietnamese Prime Minister Nguyen Xuan Phuc made clear in last September that his country will not take sides in the tiff and intends to maintain good trade relations with both partners – a balancing act many in Southeast Asia are now aiming to strike.

That balance is especially crucial for Vietnam, one of the region's most trade-reliant countries. According to World Bank data, trade amounts to twice Vietnam's gross domestic product (GDP) – more than any other country in Asia apart from Singapore – while overseas sales as a percentage of GDP is slightly over 100%.

With China facing a potential permanent loss of .2% to

.4% of GDP over the long term due to higher US tariffs on its goods and services, China-based exporters are believed to be looking for possible workarounds, including in logistically conducive neighboring Southeast Asia, to mitigate the trade war's impact.

China-based manufacturers, including foreign multinational producers, have already begun to move certain high margin industrial operations to Vietnam. That's been seen in the electronics sector, with big name producers like Intel, Foxconn, LG, and Samsung recently relocating to Vietnam. It's not clear yet how many, if any, of the relocations have been made to elude US tariffs.

Indeed, the China-to-Vietnam relocation trend was well in train for low value-added manufacturing well before the onset of the trade war, as many Chinese producers have



recently moved their factories across the border to tap Vietnam's lower wages.

But Vietnam is expected to boost leather, footwear and handbag exports as a result of the trade war, with some analysts predicting shipments could grow by as much as 10% from 2017. Finished Vietnamese products such as toys are also set to see short term trade war gains, the analysts say.

Advantageous trade deals, regional connectivity with Association of Southeast Asian Nations (ASEAN) economies, and a strategic position on China's southern border with existing transportation links will all add to Vietnam's appeal as companies adapt their supply chains to new economic realities.

A trade war-driven influx of new manufacturing from China is expected to create jobs, increase exports and further fuel export-oriented economic growth. However, some already fear that too much relocation from China could quickly lead to skilled labor shortages.

Vietnam also enjoys competitive trade advantages as a party to 12 free trade agreements (FTAs) and 17 total trade deals, among the highest total for any nation worldwide. Several other trade-promoting deals are in the negotiation pipeline.

Once the European Union-Vietnam FTA and Comprehensive Agreement for Trans-Pacific Partnership (CPTPP) go into effect, Vietnam will arguably become an even more attractive manufacturing destination due to its increased global connectivity.

At the same time, China's status as the world's factory floor was already eroding before US President Donald Trump launched his trade war. While supply is strong, de-

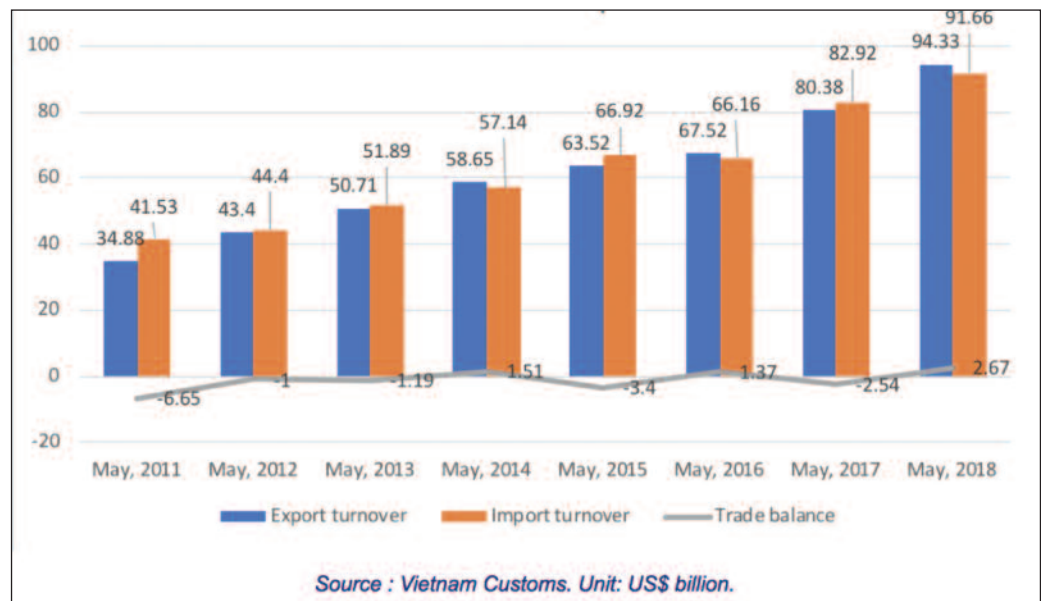
mand for Chinese manufacturers is dropping, exemplified by a decline in new export orders from 51.2% in May to 48% in September, according to the Chinese National Bureau of Statistics.

Wracked by anxieties of escalating US tariffs and with fast rising manufacturing costs (wages have risen by nearly 50% over the last five years), China-based manufacturers are opting to reduce their domestic payrolls and could soon move even more of their production operations to Vietnam, analysts say.

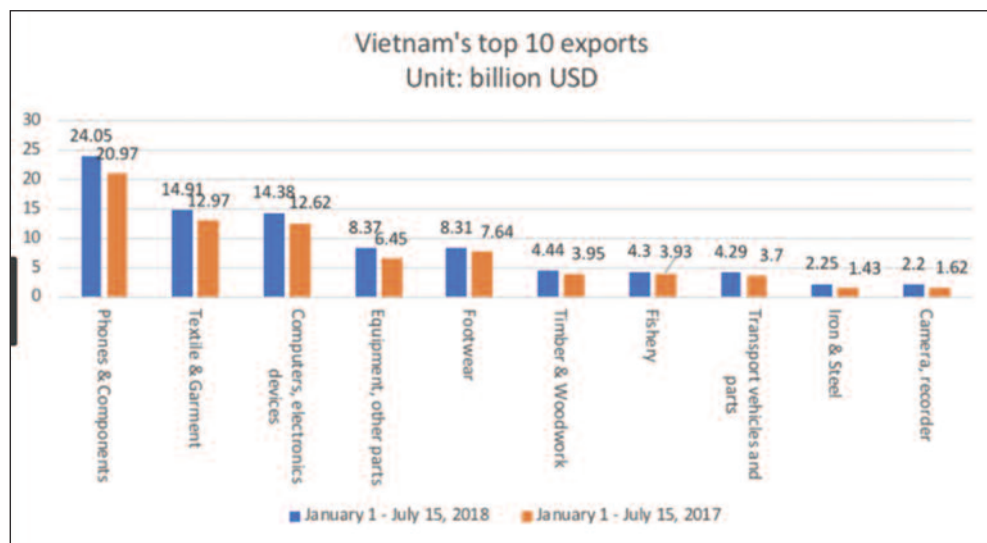
Chinese-owned factories in Vietnam could try to mask their Chinese-made content to elude US tariffs, tactics that may or may not work as US trade regulators will be on rising guard against such country-of-origin accounting tricks. Moreover, Vietnam already has a US\$40 billion trade surplus with the US.

To be sure, trade war-disrupted global supply chains will hit Vietnam in certain sectors, including its electronic component and auto part industries, both of which ship large amounts to China for assembly into products that are then exported to the US.

Some China-based auto part manufacturers are reportedly looking to move to Vietnam as quickly as possible.



Vietnam's trade volumes rise and rise. Source: Vietnam Customs



Source: Vietnam Customs

While the US and Vietnam have maintained cordial trade relations under the Trump administration despite Vietnam's hefty surplus, that could change if the imbalance rises substantially due to China using Vietnam as a manufacturing and shipment base to elude US tariffs.

China has already invested heavily in Vietnamese infrastructure, creating a tight transport network between the manufacturing centers of southern China and northern Vietnam. Last year, Vietnam imported US\$57 billion in goods from China, and Chinese investment in Vietnam continues to grow rapidly.

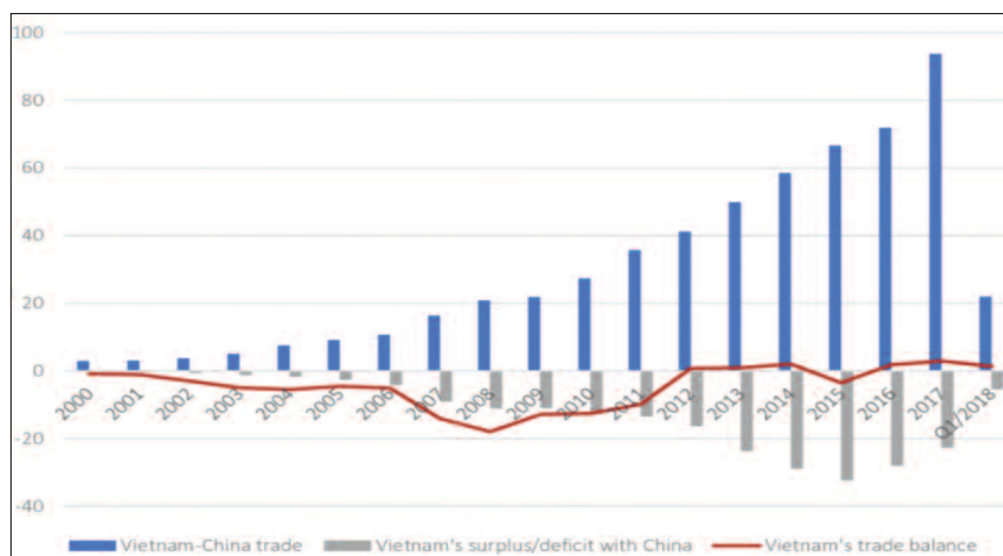
The two countries had long-discussed establishing looser trade terms in their shared border region, which came to fruition in part in August when the State Bank of Vietnam (SBV) issued Circular 18 to formally allow payment in

Chinese yuan for certain entities and individuals in the Chinese border region.

The Vietnamese government also issued two laws which may encourage rerouting Chinese-made products through Vietnam. These laws and formalization of yuan-based trade will facilitate already booming Vietnamese border trade, notably at a time avenues for Chinese exports to the US tighten.

This arrangement may lead to the assembly of more Chinese exports on the Vietnamese side of the border, potentially allowing for Chinese products to be labeled as "made in Vietnam" to elude US tariffs.

This approach is not without risk, however, as the US slapped heavy duties on steel products from Vietnam that were originally imported from China in a 2016 trade dispute. Some experts believe country-of-origin standards will



Vietnam-China trade balances over time. Source: Vietnam Customs





*Vietnamese protesters shout slogans against a proposal to grant companies lengthy land leases during a demonstration in Ho Chi Minh City on June 10, 2018. Photo: AFP/Kao Nguyen*

be enforced even more rigorously by the US as the trade war intensifies.

China and Vietnam are also expected to cooperate in new Vietnamese special economic zones (SEZ), though likewise with attendant risks. A draft SEZ law was set for adoption on June 15 but was delayed due to massive nationwide public protests earlier that month.

While no specific country is mentioned in the law's text, the draft was controversial because it allows foreign investors to lease land for up to 99 years in designated zones, an arrangement nationalistic protestors saw as selling national sovereignty to Chinese investors in particular.

While the anti-China protests temporarily delayed the law's passage, incentives for its eventual enactment are growing on both sides of the border as the US-China trade war opens substantial new trade and investment opportunities for Vietnam as a middleman between the two, at least in the short term.

Other players are taking a wait-and-see approach as the recalibration of supply chains is expected to take time and no one is sure how long the trade war will persist, making any immediate gains potentially temporary and easily reversed.

**Nate Fischler** is columnist based in Ho Chi Minh City, Viet Nam.

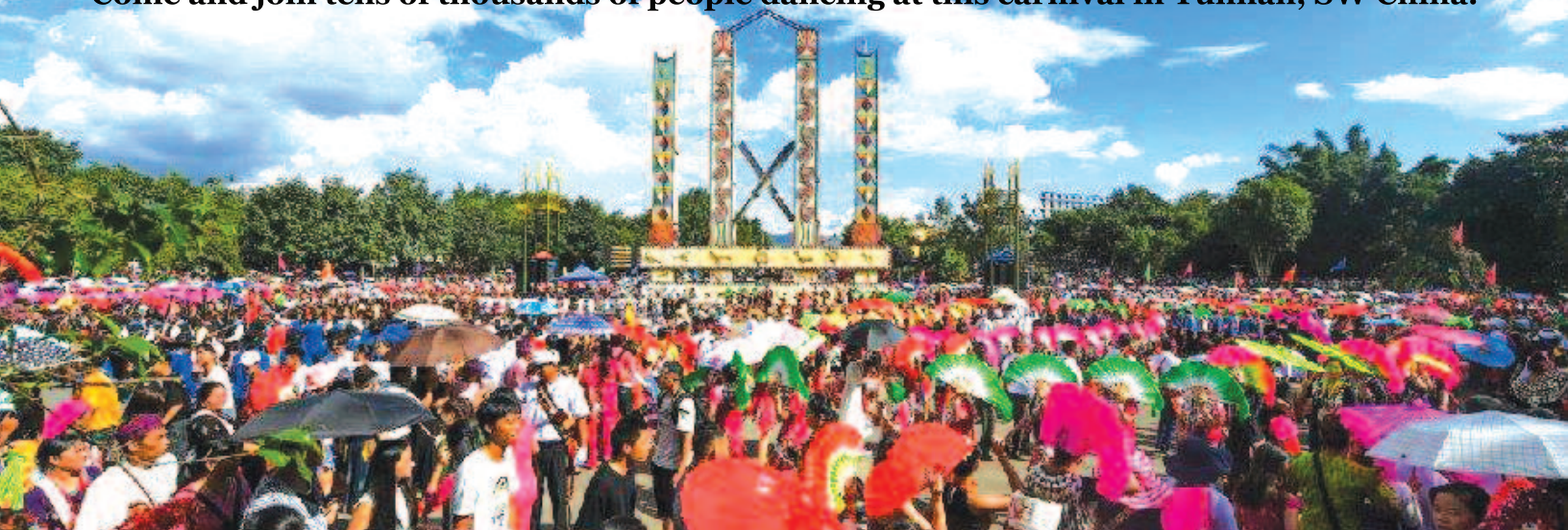


## In Pictures: ICRC Activities in Bangladesh





**Come and join tens of thousands of people dancing at this carnival in Yunnan, SW China.**



## **Rising Asia**

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