

THE RISE OF CHINA AND HIGH-SPEED POLITICS IN SOUTHEAST
ASIA: THAILAND'S RAILWAY DEVELOPMENT IN
COMPARATIVE PERSPECTIVE

A Dissertation

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Abstract

The primary aim of this thesis is to examine characteristics of the high-speed railway projects in Southeast Asian countries between 2010 and 2018 and China's involvement in the projects. The thesis argues that trajectories of railway development in the host countries (Thailand, Indonesia, Malaysia, and Laos) were shaped by not only negotiations between China and host governments but also contestation among interest groups, both domestic and foreign, over potential economic rents in the projects.

Based on data from various sources, including in-depth interviews, primary documents, and secondary studies, the thesis reveals that China's initiative regarding the export of high-speed railway technologies has become part of the domestic politics of Southeast Asian states. These states attempted to reshape the initiative of China to create new sources of rent and to prolong some existing rent-seeking activities.

The main arguments presented in this thesis broaden the horizon of contemporary studies on Southeast Asia's relations with China, and the disciplines of political economy and international relations, in two ways, namely, political regimes and the rise of China. First, ruling governments, whose legitimacy is based on an election result, have to encourage China to maintain or assist policies that distribute economic rents to a broad base of supporters. Second, authoritarian governments, whose stability relies on the support of the elite, usually utilize China's resources to enrich their elitist supporting coalition and Chinese agencies, which provide additional resources via the generation of potential rents, since the governments do not have to accommodate the demands of a broad base of voters.

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I certify that this dissertation and all its content is my original work. No parts of it have been illegitimately copied and all sources, primary and secondary, are duly referenced. This work is the sole property of the author, with the following qualifications: Selected parts of chapter 4 (Thailand's Railway Development in Historical Perspective), 5 (High-Speed Politics of the Yingluck Government) and 6 (High-Speed Politic of the Prayut Government) were published as book chapter in *China and Southeast Asia in the Xi Jinping Era*, edited by Alvin Cheng-hin Lim and Frank Cibulka, and are under the copyright of the Rowman & Littlefield Publishing Group.¹ The parts are reproduced in this dissertation with their kind permission. Additionally, some contents of chapter 1 (Introduction), 4, 5, and 6, were also published in *Chinese Political Science Review* and under the copyright of Springer Nature and Fudan University.²

¹ Trin Aiyara. 2019a. "Beijing, Bangkok, and Provinces: Continuity and Change in Thailand's Policies of the China-Initiated High-Speed Railway Development." In *China and Southeast Asia in the Xi Jinping Era*, edited by Alvin Cheng-Hin Lim and Frank Cibulka, 33-50. Lanham: M.L.: Lexington.

² Trin Aiyara. 2019b. "The Long and Winding Railway: Domestic Politics and the Realization of China-Initiated High-Speed Railway Projects in Thailand." *Chinese Political Science Review*. 4 (3): 327-348. DOI: 10.1007/s41111-019-00124-2.

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1. Introduction – The Rise of China and High-speed Politics in Southeast Asia

The primary aim of this thesis is to examine the characteristics of high-speed railway projects in Southeast Asian countries between 2010 and 2018 and China's involvement in these projects. The thesis argues that the trajectory of railway development in the host countries (Thailand, Indonesia, Malaysia, and Laos) were shaped not only by negotiations between China and the host governments but also contestation among interest groups, both domestic and foreign, over potential material benefits in the projects. This argument challenges existing studies that generally view China and the Southeast Asian states as unitary actors.

Based on data from in-depth interviews, primary documents, and secondary studies, the thesis reveals that China's initiative regarding the export of high-speed railway technologies has become part of the domestic politics of Southeast Asian states. These states have attempted to reshape China's initiative to create new sources of rent and to prolong some existing rent-seeking activities. This is the case in Thailand, the primary case study of this thesis, as well as Indonesia, Malaysia, and Laos.

The main arguments broaden the horizon of contemporary studies on Southeast Asia's relations with China, and the disciplines of political economy and international relations. First, ruling governments, which legitimacy are based on election results, have to encourage China to adjust project plans to distribute economic rents to cover a broad base of supporters. Second, authoritarian governments, which stability depends on the support of the elite, usually utilize China's resources to enrich their elitist supporting coalition and Chinese

agencies by providing additional resources via the generation of potential rents, since the governments accommodate the demands of a broad base of voters by other means.

1.1 Background of the Study: The Rise of China and Southeast Asian Countries

Since the late 2000s, the rise of China has become one of the formidable issues of our time for journalists and scholars interested in international politics or economic development. Martin Jacques commented in *The Economist* that “China will likely transform the world, but probably on [a] much larger scale than either Europe or America, mainly because it is that much larger” (Jacques, 2018). Although the rise of China is a global phenomenon, its impact is felt disproportionately in Southeast Asia, which is perceived as one of the backyards of China.

The rise, or rather resurgence, of China is by no means a new circumstance for Southeast Asian nations because they have had to deal with the Middle Kingdom throughout their histories. In the cold-war era, China was one of the “paramount powers” in the region (Pauker 1959, 334). China supported communist insurgencies in several countries, including Thailand, Malaysia, Indonesia, the Philippines, and Indochina (Heaton 1982, 789). China eventually abandoned its radical policies when Deng Xiaoping became the supreme leader of the Communist Party. Along with reforms under the banner of “four modernizations,” Deng started to improve relations with non-communist Southeast Asian countries, such as Thailand, Malaysia, and Singapore (Heaton 1982, 780–781). Deng’s actions signaled that the

focal point of the relationship between China and Southeast Asian states would change from security issues to economic and trading partnerships (Lee 1981).

In addition to reforms initiated by Deng, Southeast Asian states confronted two events that represented the emergence of China as an economic powerhouse. The first was China's accession to the World Trade Organization (WTO) in 2001, which affected the status of Southeast Asian nations in the international economy. According to Coxhead (2007, 1112), the accession of China to the WTO improved the natural resources and high-tech industries sectors that provided raw materials and intermediate parts to Chinese manufacturers. The accession, however, harmed the labor-intensive manufacturing sectors since it helped China to outcompete Southeast Asia's exports of apparel and final-component products. As a result, countries in Southeast Asia have transformed from being producers of labor-intensive manufacturing goods to suppliers of raw materials and intermediate parts to China.

The second event was the implementation of the "One Belt One Road (OBOR)" initiative, which was later renamed "Belt and Road (*BRI*)" in 2013. The BRI represents China's ambition to create a vast network of land and maritime infrastructure to connect China with Southeast and South Asia, Central Asia, Pacific Oceania, Africa, and Europe (Yu 2017a, 117). China would be a hub of the initiative of trans-continental infrastructure networks. Although it is premature to evaluate the impact of the BRI on the politics and economy of Southeast Asia, the initiative has simultaneously projected a hopeful offer as well as a manifestation of China's growing influence on smaller countries in the region.

1.2 Ambitions of High-speed Railway Development in Southeast Asia

Since 2010, the high-speed railway project, which will operate on a 1.4-meter standard-gauge track, has been one of the highlights of economic and political changes in Southeast Asia. Construction of the enhanced railway system has created the opportunity for China to engage with the region to a higher degree. The networks of high-speed railways are part of the BRI and would allow China to enhance its connectivity with Southeast Asian countries (Pavličević and Kratz 2018a, 152). The plan to construct the transnational railways in Southeast Asia is by no means a groundbreaking idea because imperial powers, such as Britain or France, as well as Siam and Malaysia, have proposed the idea of constructing a cross-border railway in mainland Southeast Asia. This thesis, however, focuses on China-involved high-speed railway projects in Southeast Asia because its primary concern is the investigation of contemporary politics and economy in the region, not a history of railway development.

The high-speed railway networks would also improve the economic development of Southeast Asian countries that have suffered from scarcity and degradation of infrastructure. These problems have inhibited the investment and development of the private sectors in mainland Southeast Asia (C.W. Nam and K.Y. Nam 2008, 331–332). Similarly, maritime countries, such as Indonesia, have faced difficulties from inadequate infrastructures that have undermined the manufacturing sectors and worsened inter-regional connectivity (Setiawan 2017, 44). In brief, the problems of infrastructure scarcity and degradation have obstructed the economic progress of Southeast Asia.

Although Southeast Asian governments have realized the importance of infrastructure, they have invested little in the improvement of infrastructure because they have had limited capital. According to statistics from McKinsey and Goldman Sachs in 2013, spending on infrastructure development in terms of proportion to GDP of Southeast Asian countries, such as Thailand, Malaysia, Indonesia, and the Philippines, was lower than China's spending around five to seven percent (Inderst 2016, 4).

Thus, Southeast Asian states have necessarily sought the involvement of the private sector in infrastructure investment to overcome resource constraints (Nam and Nam 2008, 340). However, the role of the private sectors in financing infrastructure investment has remained limited, even in such countries as Thailand and Vietnam which have promoted public-private partnership (PPP) as a means of financing (Zen 2018, 3). Between 2005 and 2015, a significant portion of infrastructure finance, which varied from two to ten percent of a country's GDP, in Southeast Asia came from public funds, while PPP contributed only a minor portion (less than one percent of a country's GDP).

The BRI can help Southeast Asian states solve their problem of resource scarcity. These states unsurprisingly welcomed China's proposal to create a multilateral financial institution, such as the Asian Infrastructure Investment Bank (AIIB), for financing infrastructure development in Asia (Callaghan and Hubbard 2016, 121). Moreover, China itself can provide additional sources of funds for the high-speed railway development via its policy banks, including the China Development Bank (CDB) and the Export-Import Bank of China (Exim Bank of China).

Unlike previous studies which portrayed potential high-speed railway projects in Southeast Asia as a strategy to solve economic limitations, this thesis will examine and analyze the understudied aspects of the political economy of high-speed railway development.

1.3 Literature Review: High-speed Railway as a Tool of a State and its Situation³

The literature on China's engagement in high-speed railway development projects of Southeast Asian states can be divided into three groups, based on their different focal points. The first group focuses on utilization of the high-speed railway diplomacy of China. The second group chiefly examines Southeast Asian countries' policies regarding the high-speed railway ambitions of China. The third group includes reviews or reports of situations of high-speed railway development in particular Southeast Asian countries.

Exports and Influence: China's High-speed Railway Diplomacy

This group of these studies revolve around two issues: the export of China's high-speed railway technology and China's strategy to use the railway as a tool to expand its influence. The literature posits that the export of high-speed railway technology is part of China's grand strategy to enhance its status and rebalance power relations in international politics (Trin 2019b, 329). In particular, China aims using the BRI to change its role from a "passive" actor

³ Some contents of the analysis in this section are adapted from Trin (2019b).

in the US-dominated global order to become an active agent because the initiative can give China “more strategic maneuvering space” (Wang 2016, 458). China can also employ the BRI, as a form of soft power, to recruit “willing partners” who can then help China “nurture” a new world order (Chan 2016, 4–5).

Politically, the primary aim of the high-speed railway initiative is to create a different geopolitical sphere where China is at the center, becoming either a dominating superpower or a benevolent big brother. On one hand, the BRI would provide China with the basic infrastructures of the “Community of Shared Destiny,” which would maximize “China’s leverage” but leave smaller countries with minimized “procedural and substantive normative constraints” (Arase 2015, 30, 35). On the other, China can employ the BRI to create win–win situations for members of the international community (Chan 2018, 96–97). With its infrastructure networks, the BRI can enhance connectivity across borders and facilitate the exchange of goods, services, people, and ideas rather than colonizing smaller countries.

Economically, the Chinese government has regards high-speed railway exports as means to solve its economic challenge, as explained by Yu (2014), and Kratz and Pavličević (2016). The exports can “safeguard its national economic interests” because they can improve the high-value-added manufacturing sectors and deal with the challenge of the industrial overcapacity of China. More broadly, the BRI would enable China to reproduce a process of capital accumulation by building infrastructures that can seamlessly connect urban nodes across the Eurasian continent (Summers 2016, 1637–1638).

Influence, Propensity, and Selectivity: Southeast Asian Countries and China's Initiative of High-speed Railway Exports

The second group of studies primarily examines the politics of high-speed railway development in Southeast Asia states. Initially, the high-speed railway projects were considered to be serving the general interests of both China and Southeast Asian states. In particular, the China-initiated railway projects would allow the ASEAN countries to access an improved railway system (Yu 2014, 19–20). China's initiative can also provide scarce resources, namely, financial capital, for the ASEAN countries which lacked funds for their infrastructure projects.

Additionally, some studies, notably those of Yu (2017c), Pavličević and Kratz (2017), Yoshimatsu (2018), and Zhao (2019), portray Southeast Asia as the arena of China-Japan contestation over high-speed railway projects. The primary aims of the infrastructure exports of Japan and China are to enhance both countries' political leverage in the region and sustain their economic growth (Yoshimatsu 2018, 720). As a consequence of the contestation, China and Japan have employed their financial and diplomatic resources to secure railway contracts (Yu 2017c, 54). The trajectories of high-speed railway development are shaped not only by competition among powerhouses, which provide technical and financial assistance, but also the host countries which can request that such powerhouses respond to their demands. In particular, Japan and China have needed to accommodate the host countries' demands to win contracts (Yu 2017c).

Some studies, for example, Pavličević and Kratz (2018), and Gong (2018a), argue that China-initiated railway projects will not lead to the establishment of a Sino-centric order in Southeast Asia since the host countries have some negotiating power. Negotiations can help Southeast Asian states, in particular, to reduce their “increased vulnerability” to China. Besides the negotiations, the effectiveness of the railway projects, as means to expand influence of China, can be limited by other factors, namely, competition from other nations, especially Japan, and the inability of China to fulfill its commitments (Gong 2019).

Apart from the literature examining the broader picture of the region, the works of Schaffar (2018) and Lauridsen (2019) use Thailand as a case study to analyze how high-speed railway projects reflect changes in the relationship between a host country and China. Whereas Schaffar (2018) and Lauridsen (2019) argue that the railway projects represent the Thai elite’s perception of China as the new center of the regional order, Schaffar and Lauridsen have different focal points. Schaffar (2018, 39–40) focuses on conflicts among the different factions of the Thai elites over “access to and decision-making competence in the Chinese large-scale project,” while Lauridsen (2019, 239–240) emphasizes the competition between Japan and China in the construction of high-speed railway projects.

Some studies, particularly recent ones such as Oh (2018) and Wu and Chong (2018), have compared China-initiated high-speed railway projects in Southeast Asian countries. Wu and Chong (2018, 519) explain that geographical and geopolitical conditions fundamentally determine the host countries’ bargaining power vis-a-vis China. Likewise, Oh (2018, 535–536) argues that the outcomes of negotiations between China and host countries depend on

China's project terms and three factors determining "threat points" or fallback positions. Specifically, these factors consist of the impatience of the host countries and China, the available options for the host countries, and domestic constraints on the host countries that prevent granting massive concessions to China.

Periodic Reviews or Reports

The third group consists of periodic reviews or reports of the situation of high-speed railway projects in particular countries. This literature provides updated information and comments on the politics of railway policies. For instance, Garcia and Pitlo III (2017, 170–171) illustrate how the mass media, especially Western media, has portrayed the Jakarta-Bandung railway as a field of rivalry between regional powerhouses, namely, China and Japan. Salim and Negara (2016) narrate the incidents of the bidding process of the Jakarta-Bandung high-speed railway networks, while Negara and Suryadinata (2018) describe the progress and complications surrounding the Indonesian railway project. Hutchinson (2016) comments on the evolution, obstacles, and prospective actors of the Kuala Lumpur-Singapore line, which will be the first high-speed railway project in Malaysia. Li (2016) and Pongphisoot (2017b) summarize the situation of China's high-speed railway project in Thailand.

Limitations of the Existing Literature

The above groups of literature contribute to the accumulated knowledge of China's high-speed railway projects, as part of the rise of China, in Southeast Asian countries. However, there are certain limitations that need to be addressed. Although the reviews and reports describe comprehensively the details of the railway projects in particular countries, they are limited because they lack an analytical framework that allows them to present a clear-cut argument and put this argument in a long-term perspective.

Second, several works, such as Yu (2014), Arase (2015), and Chan (2018), assume a state to be a *unitary actor* that pursues its own interests autonomously. As a result of this assumption, these works analyze the high-speed railway simply as a tool of the state. Despite the fact that these works shed some light on the overseas railway projects of China and Japan, they cannot explain the variations in outcomes of high-speed railway policies in Southeast Asian states. These works consequently fail to show the role of agency of the smaller states in Southeast Asia since they downplay the role of negotiation between the host countries and China that more or less determines the actual outcomes.

Third, some literature, for instance, Pavličević and Kratz (2018), Gong (2018a), Wu and Chong (2018), and Lauriden (2019), reveal that there are actually negotiations between the host countries and China regarding the high-speed railway projects. They, nevertheless, still portray a state as a unitary actor. Hence, these works, based on the assumption of a unitary state, cannot illustrate how domestic political conditions, namely, interest groups, both local and external, formulate policy choices. Such literature implicitly understates the

impact of distributive conflicts over economic benefits from the railway projects, as well as institutional constraints on the formulation and realization of the high-speed railway policies.

Fourth, particular works, for example, Schaffar (2018) and Oh (2018), explain how domestic interest groups and institutions affect the trajectories of high-speed railway development. Schaffar (2018) argues that the politics of high-speed railway development in Thailand embodies not only an inter-state bargain but also contestation between different elitist factions. Schaffar, however, overlooks how specific political institutions demarcate the possibility of the elites' actions and the concentration of benefits, which will be generated by the project. Likewise, although Oh (2018) articulates variations in the negotiation outcomes, resulting from interactions between host countries' conditions and China's terms of offers, Oh does not illustrate the chain of the causal logic of the results of the negotiation of the high-speed railway project between China and host nations.

1.4 Research Questions and Arguments

Main Inquiries and Questions

The primary aim of this thesis is to tackle two inquiries, which seek to enrich studies of the interactions between superpowers and smaller states. The first addresses how the rise of China has affected the political economy in Southeast Asia, while the second addresses how states in the region have dealt with China as the emerging power. The thesis examines high-speed railway projects as representations of the relationships between China and Southeast

Asian countries, namely, Thailand, Indonesia, Malaysia, and Laos, in order to answer these inquiries.

The thesis answers four research questions. The first addresses how Thailand has pursued the development of railway systems, particularly the high-speed model. The second asks how Chinese agencies have participated in Thailand's high-speed railway projects. The third addresses how the formulation and realization of the railway projects in Thailand have differed from those in other Southeast Asian nation-states, namely, Indonesia, Malaysia, and Laos. The fourth question examines the extent to which domestic political conditions, notably regimes embodying contestation of different political groups, can explain variations in high-speed railway development in the selected Southeast Asia countries.

The Argument

This thesis primarily argues that Southeast Asian countries, where the status of the ruling governments depends on electoral results, can subsume China's resources into policy proposals, which seek to redistribute potential rent and economic opportunities to broad-based political groups, both elite and non-elite. In contrast, the authoritarian regimes, either military or single-party, can exploit the power and prosperity of China to develop proposals that strengthen and enrich their ruling elite and Chinese agencies, via the creation of new rents, but which barely incorporate China's resources into part of the redistributive schemes. In summary, this argument seeks to illustrate how the regime of a host country in Southeast

Asia can impact the rise of China differently because each regime has its own way of mediating and internalizing China's intervention in domestic politics and the economy.

More specifically, the argument is threefold, consisting of three sub-arguments. First, a political regime determines the degree of negotiating power it has with Chinese agencies with regard to high-speed railway development. Notably, electoral governments usually have greater negotiating power with China than their authoritarian counterparts because of their different methods of negotiation. On the one hand, electoral governments tend to negotiate with China by organizing an international tender, which allows bidders from other nations to compete with Chinese agencies. The tender enables the governments to incentivize bidders to propose conditions that serve the interests of their broad base of supporters. On the other hand, authoritarian governments tend to conduct bilateral negotiations with China, giving them comparatively less bargaining power. Bilateral negotiations allow the host governments to alter the proposal so that it is readily compatible with their supporters' interests, but subject to inconsistency created by conflicts in rent distribution among the elites.

Second, the presence or absence of an electoral system shapes and demarcates the roles of Chinese agencies in the contestation over potential economic rents generated by the high-speed railway projects. The elected governments have to limit the predatory practices of Chinese agencies in pursuing rent because the governments must preserve their popularity among the broad base of supporters, whose interests can be damaged by the agencies' demands. The elected governments also attempt to utilize China's resources to prolong or expand rent distribution or other development projects. By contrast, their authoritarian

cohorts, to some degree, tolerate the predatory practices of the Chinese agencies because the ruling government can share rents, potentially generated by the high-speed railway project, with the elite and the agencies exclusively. Meanwhile, the governments can permit the Chinese agencies to obtain rent, based on monopolistic activities or the transfer of state assets, as long as they can reach an agreement about rent distribution with the ruling elite, since the authoritarian governments can accommodate the demands of a broad base of voters by other means.

Third, apart from a political regime, the availability of state resources determines the ability of the ruling governments to constrain the rent-seeking behaviors of the Chinese agencies. Host governments with scarce resources tend to present a proposal that imposes financially risky conditions on the agencies. To offset potential risks, the Chinese agencies request additional conditions, such as sovereign guarantees or rights to invest in assets or lands (Oh 2018, 539). In other words, the scarcity of state resources reduces the ability of host governments to prevent the agencies from demanding conditions because of their reliance on the agencies' resources. Differently, host governments with sufficient resources can deal with the rent-seeking actions of the Chinese agencies because they can present low-risk proposals, for example, financing the projects with their own resources instead of Chinese capital. Instead, low-risk proposals enable host governments to encourage the agencies to preserve some rent for specific domestic political groups or to maintain particular policies.

1.5 Scope of the Study

Case Studies and a Period of Study

This thesis uses Thailand as the main case study for several reasons. First, Thailand is located in the center of mainland Southeast Asia, making it attractive for China to regularly provide assistance and capitals for the construction of high-speed railway networks. Second, the Thai government has continually attempted to start construction of high-speed railway since 2010, regardless of a series of political turmoil. Third, Thailand confronted a change in a political regime from parliamentary democracy to military authoritarian in 2014, but the junta has chosen to preserve the high-speed railway project rather than eradicating it. Nevertheless, details of the policies of the railway development of democratic and military governments are different.

Accordingly, the case of Thailand can help us understand how political regimes shape the trajectory of the strategy dealing with emerging China and high-speed railway development. In particular, the case of Thailand can clearly illustrate how the difference in political regimes leads to the variety of a subsumption of China's ambitious railway diplomacy into the contestation among domestic political groups over potential economic rents generated by the high-speed railway projects.

The thesis uses other Southeast Asian states, namely, Indonesia, Malaysia, and Laos, as secondary case studies. Similar to Thailand, these three states have all planned to build high-speed railway networks in the same period. Comparison between high-speed railway development in Thailand and the other countries will show how regimes, which embody a constellation of institutions and power relations among political forces, shape the policy

proposal. Likewise, the cross-national comparison will reveal that different amounts of available fiscal resources of the states can lead to the different behaviors of Chinese railway agencies and different scales and scopes of distributive aspects of the proposal.

The main period that this thesis covers is from 2010 to 2018, when China promoted the export and development of the high-speed railway in foreign markets, including Southeast Asia. In this period, the Southeast Asian states studied in this thesis simultaneously began formulating and implementing the policies of high-speed railway development. Based on this timeframe, the thesis can provide common ground for the cross-country comparison. Although this thesis acknowledges the ambitious plan to build the Singapore-Kunming railway proposed by several countries, including Britain, France, Siam, and Malaysia in the twentieth century, it does not analyze this plan as a regional project. The main objective of this thesis is to examine high-speed railway development as a project pursued by the host states, domestic interest groups, and foreign agencies in particular countries in order to understand the rise of China in the contemporary period, especially the second decade of the twenty-first century.

The Focal Point of the Thesis

The thesis focuses on the process of formulation of the policy proposal, since doing so can reveal how different groups cooperate and contest with one another in maintaining and capturing their share of the benefits supposed to be generated by the high-speed railway projects. The thesis does not analyze whether the railway policies produced the outcomes

projected in the proposal since, as of December 2018, the projects are still being negotiated, formulated, and implemented.

Figure 1.1 shows the model used to analyze the political economy of high-speed railway development in Southeast Asia. The model treats the interaction between domestic and foreign political forces, under specific institutional settings, as the starting point, shown by Box A. The interaction will formulate the proposal of the railway policies, illustrated by Box B. The realization process will transform the proposal into the actual outcomes of the policy of high-speed railway development, shown by Box C. As stated earlier, the thesis will emphasize the process of the formulation of the proposal.

Dependent Variables

Table 1.1 illustrates the dependent variables of this thesis. The variables are the proposals of the high-speed railway policies, the thesis emphasizes the proposals in relation to three aspects, including a construction plan, a method of negotiation with China, and a financing method.

During the elected Yingluck government (2011–14), Thailand proposed to build a nationwide railway network under the unified signaling and operation system. The value of the first phase of the project on all routes, consisting of the northern, northeastern, eastern, and southern, was around USD 25 billion. The Yingluck government would fund the project by issuing the loan bill, valued at approximately USD 62 billion, and negotiate with China by opening international bidding.

During the military Prayut government (2011–18), Thailand proposed to construct a nationwide railway network but with the customized operating system, a financing method, and contractors on each route. In particular, the junta has agreed with the Chinese agencies to build a high-speed railway on the northeastern route. The cost of the first phase of this project, covering Bangkok and Nakhon Ratchasima, is around USD 5.2 billion. The government has negotiated with China on a bilateral basis and relied on the government budget to fund the project.

The Indonesian government of Joko Widodo (Jokowi) has presented a proposal to construct the 142-kilometer high-speed railway connecting Jakarta and Bandung. The cost of the project is around USD 5.9 billion. The Jokowi government negotiated with the Chinese agencies by organizing a tender, which Japanese companies also joined. The government has financed the project by establishing a joint venture between Chinese and Indonesian state-owned enterprises. The joint venture is partially funded by loans from the China Development Bank (CBD).

The Malaysian government under Najib Razak sought to implement the proposal for the 350-kilometer high-speed railway project, linking Kuala Lumpur with Singapore. The expected value of the project was approximately USD 17 billion. The Najib government dealt with China by announcing that it would organize an international tender and Japanese, Korean, and European corporations would be invited to tender. The government planned to finance construction works by using government budgets and funded other tasks, such as operating systems or the management of assets, by inviting companies to join tenders for the public-private partnership (PPPs) contracts.

The Lao government has proposed to construct the 417-kilometer high-speed railway to connect Vientiane, the capital city, with Kunming in Southwest China; the cost of the project is approximately USD 6 billion. The cost for Laos will be cheaper than for other countries because it is applying a *single track* of the *standard-gauge railway*, while Thailand, Malaysia, and Indonesia have planned to build *dual-track* railroads. Likewise, the Lao government has bilaterally negotiated with the Chinese agencies. The Lao government has financed the project by forming a joint venture with Chinese agencies and taking out loans, underwritten by five potash mines, from the China Exim Bank (The Export-Import Bank of China).

Data

The data for this thesis has been obtained from several sources, including personal interviews, secondary studies, newspaper articles, published reports, and the websites of state and private organizations in both the English and Thai languages. The use of these sources means that the thesis can address the situations from various perspectives. In particular, the interviews were conducted between February 2017 and November 2017 in Thailand, Laos, Malaysia, and Indonesia. In Thailand, the primary case study, 12 interviews, covering scholars, politicians, businesspersons, and journalists, were conducted. Furthermore, the author of this thesis interviewed three specialists, currently working in Thailand, to gain insight into Laos' politics and economy. Moreover, the author of the thesis had discussions with an economist in Indonesia and conducted an email interview with MyHSR, the firm that is responsible for Kuala Lumpur-Singapore high-speed railway. The interviews focused on four topics:

negotiation with China, political involvement during the formulation processes, relations between agencies in the projects, and the progress of the railway projects. Most of the interviewees were guaranteed anonymity, if they requested it, because of the sensitive nature of the issues.

1.6 Structure of the Thesis

The thesis consists of eight chapters. Chapter 1 is the introduction to the thesis. Chapter 2 reviews and problematizes previous literature on the rise of China and Southeast Asian countries. This chapter also presents the framework of the thesis by combining three different theories of critical political economy, rents, and state-owned multinational enterprises. Chapter 3 first offers a brief account of the rise of China, which has been transformed from an autarkic economy into one of the centers of the global capitalist economy, and its foreign policies. This chapter then discusses the role of the Chinese state and its subordinated organizations, and their interaction in the pursuit of high-speed railway diplomacy.

Chapters 4, 5 and 6 explore the case of Thailand. Chapter 4 narrates the railway development of Thailand in historical perspective; the time frame of this chapter covers from the middle of the nineteenth century to the first decade of the twentieth-first century. Chapter 5 describes the high-speed railway development of the elected government of Yingluck Shinawatra (2011–14). Chapter 6 discusses the high-speed railway policies of the military regime of Prayut Chan-O-cha (2014-18). Chapters 5 and 6 analyze railway policies from four main aspects: negotiation with foreign agencies, a construction plan, a financing method, and a realization process.

Chapter 7 provides an account of the political economy of high-speed railway initiatives in the following countries: Indonesia, Malaysia, and Laos. Chapter 8 presents a comparison of the case studies examined in the thesis, and its conclusion. It also discusses how future studies of the rise of China and Southeast Asian states can be further conducted to improve our understanding of the impact of China as the emerging powerhouse on smaller states.

2. Framework for Studying the Rise of China and High-speed Politics

In recent years, scholars have attempted to answer the following questions. What are the characteristics of the rise of China in Southeast Asia? How has the rise of China affected Southeast Asian politics and economy? How have Southeast Asian states coped with China's growing influence? Why have some countries in Southeast Asia welcomed the rise of China and others resisted this phenomenon? While these questions address the issue of China as an emerging powerhouse and its influence on the region, they make arguments based on different assumptions and frameworks.

The central objectives of this chapter are to: (1) explore the literature on the emergence of China and the political and economic situations in Southeast Asia; (2) and propose the analytical framework used in this thesis. The main argument of the chapter is that the high-speed railway proposals are not only strategic plans for capital accumulation by the state but also arenas in which various political forces contest over the rents potentially generated by these projects.

The chapter has seven sections. The first two categorize and examine existing studies and their limitations. This locates the thesis within the existing literature on the rise of China and its impact on smaller states. These two parts also provide a background for the theoretical discussions of the thesis.

For the next three sections, the chapter then describes the main framework of the thesis, built upon three approaches with a focus on the role of material interests in determining political and economic actions. The first approach is the theory of critical

political economy, analyzing how contestation over resources of domestic and foreign political forces shapes the proposal of policy outcomes. The second approach deals with the concepts of rents and rent-seeking that could provide a missing link between political contestations among various interests and variations in policy outcomes. The third approach entails the idea of *state-owned multinational corporations* (SOMNCs), which merges profit maximization of transnational companies with significant state control of business enterprises.

The sixth section illustrates the hypotheses of the thesis, which tries to explain how political conditions, including distributive conflicts and structural constraints, determine the characteristics of high-speed railway proposals. My hypothesis will treat a political regime as an explanatory variable, the availability of the state's resource as an intervening variable, and the policy proposal as a dependent variable, respectively. The seventh section summarizes the main ideas of the chapter.

2.1 Existing Literature

This section categorizes studies that examine the relationship between China as an emerging powerhouse and Southeast Asian states with the following international relation theories: structural realism, neo-classical realism, international political economy, neo-liberalism, and constructivism. It is worthwhile noting that the review here is limited to only the literature on China and Southeast Asia.

A Branch of Realism: Structural Realism

Several studies, such as Ross (2006), Kuik (2012), and Chen and Yang (2013), apply theories under the umbrella of realism to analyze the strategies of Southeast Asian states regarding China. The term “umbrella” suggests that realism has various sub-schools, for example, structural realism and neoclassical realism. These sub-schools share a common emphasis: the relationship between states, which are rational actors pursuing national interests and survival, and the anarchic international system that has no governing bodies to control states’ behavior (Donnelly 2005, 30).

Structural realism proposes that external “systemic circumstances,” not internal factors, shape states’ choices of policies to guarantee long-term survival. The structural school then addresses the “question [that] concerns the strategies states use to secure themselves” (Ripsman, Taliaferro, and Lobell 2016, 17–19). Waltz (1979, 96), nevertheless, assumes that if states face the same external challenges, particularly a change in the balance of power, they will duplicate the policies of other states, despite their differences in abilities. Several studies applies structural realist theory and the Waltzian argument to analyze how “secondary” states in Southeast Asia, which deal with the rise of China, readjusted the balance of power in the region. The studies, including Ciorciari’s (2008) and Beeson’s (2010), explain that smaller states in Southeast Asia used a similar strategy to deal with the rise of China. By using a regional forum to contain the influence of China, the Southeast Asian states has had limited success (Beeson 2010, 336). Southeast Asian states also employ the forum to promote peace and security in the region, since the forum helps the countries to avoid

confrontation between Beijing and Washington (Ciorciari 2008, 175–176). Unlike the liberalism school which argues that the cooperation aims to achieve collective benefits for the participating countries, these realism-based works regard such cooperation as a means by Southeast Asian states to retain their relative shares of power rather than to enhance absolute gains.

These studies are limited in their ability to explain the variations in policies of each Southeast Asia state, since they focus on how China has changed international politics, especially inter-state cooperation, in Southeast Asia. This limited ability is par for the course for structural realism, as this school primarily analyzes the outcomes of international politics, while the domestic policies of each state are assumed to be irrelevant (Taliaferro, Lobell, and Ripsman 2009, 20).

Another Branch of Realism: Neoclassical Realism

Neoclassical realist theorists have attempted to combine “systemic stimuli” with domestic factors, such as leaders’ perceptions, political culture, state–society relations, and national institutions in their analytical framework (Ripsman, Taliaferro, and Lobell, 2016). This school of thought specifically treat external circumstances and internal conditions respectively as explanatory and intermediate variables. Foreign policies are, therefore, viewed not as direct responses to systemic stimuli in international politics but as the results of interpretations of external challenges or opportunities via “the prism of the state” (Ripsman, Taliaferro, and Lobell 2016, 31). The theory, however, assumes that a “relative share of

material capabilities” in the international politics of the states primarily shapes their eventual foreign policies (Ripsman, Taliaferro, and Lobell 2016, 56).

The studies influenced by neoclassical realism theory which emphasizes inter-state structural imperative cannot provide an accurate picture of the choices of small countries in Southeast Asia regarding policies on the rise of China (Kuik, 2012). The analysis, thus, needs to take domestic factors into account. For instance, Kuik (2012, 31–32) argues that the hedging strategy of Malaysia on China and the US is a consequence of the desperation to achieve political legitimacy via maintaining economic growth and preserving the nation’s autonomy in international politics. He (2008, 60–62) similarly argues that Habibie’s government did not respond when China criticized the anti-Indonesian-Chinese riots in Indonesia during the 1997–8 Asian financial crisis because the low legitimacy of the Habibie government meant that the elites had no confidence to confront Beijing aggressively. However, Kuik (2012) and He (2008) conduct a limited analysis of the domestic political factors; they just consider the actions of ruling elites when maintaining the legitimacy of the governments.

Scholars utilize the framework of neoclassical realism to analyze not only specific countries but also to conduct cross-national comparisons. The comparative studies construct a typology of policy choices, including balancing, band wagoning, and hedging. Balancing is the action of states forming allegiances with other superpowers to balance against China. Bandwagoning occurs when states join forces with China. Hedging is somewhat more

complicated than balancing and bandwagoning since it is the choice made by states to maintain their relationship with China and other powerhouses.

The studies applying the neoclassical framework attempt to figure out whether or not domestic factors determine the states' choice of foreign policy. On the one hand, Ross (2006) argues that a domestic or cultural factor plays no role in determining the strategic actions of secondary states in East and Southeast Asia. Instead, China's military capabilities and geographical proximity with China are the key factors in the states' policy choices (Ross 2006, 392). On the other hand, Chen and Yang (2013) demonstrate that a policy decision of secondary states in Southeast Asia depends on the domestic actors' perception of the threat of China and the expectation of benefits from economic cooperation with China. Although the elites shape the states' perceptions and expectations, they must also satisfy domestic social groups, especially the middle class (Chen and Yang 2013, 272).

International Political Economy: A Combination of Realism and Political Economy

A theory of international political economy, which combines the realist school of international relations and political economy (Guzzini, 1998), has been used to examine the rise of China and Southeast Asian states. This theory primarily studies the interactions between markets, international organizations, and particular actors, for instance, multinational firms and states (Gilpin 2001, 17–19). It perceives states, which are rational actors, as the agents that make important economic decisions, set the rules of the international economy, and influence economic outcomes. Some studies insist that particular states,

especially powerful ones, have more influence than others in pursuing policies that employ the power of multinational companies to serve the goals of economic development (Strange 1990, 32).

Studies based on international political economy theory examine how the Chinese state projects powers in the political and economic spheres of Southeast Asia. In the post-cold-war era, the Chinese government has used development assistance to improve diplomatic relations, expand trade and economic collaborations, and contain US and Indian influence in Southeast Asia (Copper 2016, 40–47). As Jones argued (2016, 23–25), China constructs networks of infrastructure to not only strengthen Sino-ASEAN interdependence but also raise the cost of confrontation with China.

Another group inside this school highlights how China, Southeast Asian countries, and multinational corporations construct Sino-centric regionalization (Breslin, 2003; Ravenhill, 2014). Chinese and Southeast Asian states, however, have less negotiating power than multinational corporations (MNCs) because the states have to compete to attract direct investment from the MNCs by creating soft and hard infrastructures (Breslin 2003, 312–313). The Sino-centric production network is, in fact, the locational management of multinational corporations, which position China and Southeast Asian nations as an assembly center and producers of intermediate goods, respectively (Ravenhill 2014).

Neo-liberalism

Neo-liberalism focuses on how institutions in international politics shape interaction and cooperation among states. Although neo-liberalism assumes that states are self-interested actors that would struggle in an anarchic environment, they do cooperate to achieve common interests (Sterling-Folker 2013, 118–120). International institutions can improve cooperation since they allow states to exchange information, learn each other's preferences and constraints, and reduce cheating and free-riding. Neo-liberal works, such as Keohane (2005, 64), treat international institutions as “intervening variables” between the characteristics of the international system and states' behavior or policies.

Studies influenced by neo-liberalism examine how regional institutions or forums contribute to China-ASEAN cooperation. China has signed various regional agreements that “assuage” Southeast Asian nations' fears about the threat of China (Economy 2005, 423). China and Southeast Asian states has created trust and strengthened cooperation via preferential trade agreements (Ravenhill and Jiang, 2009). Even though cooperation between China and Southeast Asian countries has focused predominantly on the pursuit of free trade agreements and security issues, both have tried to collaborate on such social issues as drugs or environmental sustainability (Economy 2005, 421).

Several neo-liberal works which examine the rise of China in Southeast Asia have tackled the question of how the China-ASEAN free trade agreement can be improved to cement economic cooperation and common interests. Although early studies predicted that the agreement would lead to competition rather than cooperation between China and

Southeast Asian nations (Wong and Chan, 2003), later studies, such as Ravenhill's (2006), have rejected this prediction. The neo-liberal studies show that Southeast Asia has become a producer of parts and components for China, playing the role of a final manufacturer because of the global supply chain and the free trade agreement (Ravenhill, 2006; Athulorala, 2009). China notably has become a link between the developed market and production sites in developing countries, including Southeast Asian ones (Devadason, 2010). The higher degree of interdependence, through the free trade agreement, means that if China can export a higher amount of manufacturing products, the Southeast Asian countries can earn higher revenues. The international institutions of trading relations, in other words, can help China and Southeast Asia gain from the globalized economy.

Constructivism

Constructivism perceives the state as a social actor whose interest and identity are shaped by “institutionalized norms, values, and ideas of the social environment in which they act” (Reus-Smit 2005, 199). The national interests of states are the result of interactions between social and political agents in international society. The states, however, can reciprocally produce and reproduce international norms and culture. The studies based on theories under the umbrella of constructivism usually emphasize the relationship between the involvement of China and Southeast Asian countries in international politics and institutionalized norms.

In the post-cold-war era, the relationship between China and Southeast Asia has expanded considerably because both parties have engaged with each other on several issues,

such as economic exchanges and security maintenance (Ba 2003, 646–647). Southeast Asian states have particularly valued multilateralism as a means to maintain their autonomy from China, although they have begun to perceive China as an economic partner. Meanwhile, China has started to adapt to regional norms through a learning-by-doing process that, in turn, redefines Chinese national interests (Xiao 2009). These redefined interests have encouraged China to participate in the process of shaping cooperative mechanisms, such as the China-ASEAN free trade agreement, which has further enhanced peaceful relations between China and its neighbors.

China does not necessarily comply with the existing norms, as its compliance depends on the existence of other international organizations. For instance, Chinese development agencies tend to follow such international norms as transparency when they need to collaborate and socialize with organizations from other countries (Reilly, 2012). On the contrary, these agencies pursue self-interested practices when they do not need to cooperate with other organizations.

Additionally, the constructivist theories of international relations lead to the question of policy-makers' ideas about policies toward China, which have succeeded in changing the perception that China is a force that destabilizes the region. The improved Chinese status has changed the ideational elements of ASEAN members' policy-makers, which in turn has led to the development of a new set of policies on China (Goh 2003, 814–815).

2.2 Limitations of the Existing Studies

The existing literature provides us with an understanding of the impact of the rise of China on Southeast Asian states but it has some limitations. First, it perceives a state as a unitary entity that primarily aims to achieve its objectives. But this literature does not help us understand how domestic social forces shape policy as a tool of a state. This perception offers us a limited explanation of how various political groups are involved in the formulation of high-speed railway policies. Second, it assumes that national interest is an impartial motive that drives the formulation of policies. This assumption obscures the roles and influences of competing interests, in addition to the aspirations of state officers and political leaders which formulate the policies of high-speed railway development.

The State

The literature on the rise of China and Southeast Asia generally portrays a state as a “black box” that has the autonomy and rationality to fulfill its national interests (Hameiri and Jones 2016, 75). Based on this assumption, the primary aims of a state are to maintain security and create wealth (Frieden 1999, 54). The assumption of a unitary state is based on the various schools that serve as the theoretical grounds of the previous literature. Realism assumes that a state is a rational and unitary actor (Kahler, 1998). Specifically, in the paradigm of structural realism or the Waltzian school, “states are unitary actors who make decisions based on their position vis-à-vis others in the distribution of power [in the international system]” (Rathbun 2008, 299). Neo-liberalism, usually labeled as one of the branches of “rationalist”

theories, shares the assumption of a unitary state (Milner 1998, 761). Constructivist theorists such as Wendt or Finnemore also perceive a state as a unified actor (Burchill 2005, 191, 200).

As a result of the assumption of a unitary state, the previous studies have viewed a policy as a tool of a state to achieve its strategic aim and fulfill the national interest. For example, the international political economy theorists have demonstrated how the Chinese state has used economic policies to stimulate growth and maintain secure environments with neighboring states (Breslin, 2006; Copper, 2016). Likewise, realist literature revolves around the question of foreign policies for state survival or cooperation (Ross, 2006; Chen and Yang, 2013). Hence, the railway initiative is a means for China to extend its influence and enhance economic connectivity with other countries (Yu, 2014; Arase, 2015).

The critical problem with the assumption that a state is a unitary actor, held together by the international relation theories adopted by the literature on the rise of China and Southeast Asian states, is that this assumption downplays the roles of domestic politics in shaping the action of a state. Milner (1998, 761) insists that the relaxation of this assumption would bring domestic politics and actors into the analysis. Although neoclassical realism tries to solve this limitation by incorporating such domestic factors as leaders' perceptions, political institutions, and interest groups, into the analysis, this school still holds the assumption of a unitary and rational state. For neoclassical realists, the assumption of a state as a unitary and rational actor provides a baseline to show how domestic politics and ideas can "distort the power of structural constraints" that delimit a set of ideal policies of a state (Rathbun 2008, 312). In other words, the neoclassical realist theorists view domestic factors

as causes of the anomaly in a state's policies when they deviate from the ideal choice for the particular external circumstances.

Despite the inclusion of domestic factors, Kuik's (2012) and Chen and Yang's (2013) studies, which are based on neoclassical realist theories, tend to solely focus on the ruling elites who are directly involved with the formulation and implementation of foreign policies. Additionally, neoclassical realism prioritizes "a 'top-down' conception of a state, which means that systemic forces ultimately drive external behavior" (Taliaferro, Lobell, and Ripsman 2009, 25). Hence, this school primarily analyzes the roles of the head of government, ministers, and officials in making foreign security policies and the impact of domestic political factors on the behavior of foreign affairs executives. This emphasis, to some extent, implicitly assumes that a state is a unitary actor.

The assumption of a rational and unitary state, which has underpinned previous studies, has limitations when analyzing the political economy of high-speed railway development in Southeast Asia since the railway projects involve not only inter-state relations but also relations between a state and domestic social forces, as well as the interactions of a state's entities. First, the assumption highlights the role of the state but downplays the impact of contestation among domestic interest groups (Hameiri and Jones, 2016). Second, the assumption also obscures the complexity and multiplicity of actors and institutions within a state (Morgan and Orloff 2017, 7, 18). For example, it would not explain the actions of particular parts of a state that contradict the directives of the central government,

as the central government occasionally fails to its achieve policy objectives when its subordinated entities decline to follow its directives.

This thesis agrees with Jessop (2016, 54–55) who argues that a state is neither a neutral actor, as assumed by previous studies, nor an apparatus of the ruling classes, as claimed by Marxist works, such as Miliband’s (1969). Instead, a state is viewed as an entity that “privilege[s] some agents and interests over other[s],” since their actions and practices are the result of the contestation between conflicting political forces. Hence, Jessop proposes that studies should focus on policies as the actions of a state since policies can reveal changes in power relations in society. In other words, politics, including contestation over the structure of the state delimits a set of feasible policies (Jessop 2016, 17). However, both politics and policies are conditioned by “polity,” the institutional foundations which determine which political actions are possible within a specific spatial–temporal domain.

In summary, this thesis rejects the perspective of a unitary state and applies Jessop’s concept of the state as social relation. This thesis will analyze the proposals of the high-speed railway projects as the results of contestation among political forces under the particular institutional setting, not merely as tools of a state.

National Interest

Existing studies influenced by the mainstream theory of international relations consider that a state formulates and implements foreign policies to fulfill the national interest. The primary objectives of foreign policies are to guarantee national survival that, on the surface, represents

the whole of society and is insulated from “partial interests” of particular groups (Frankel 1970, 39). For example, the works of Ross (2006) and Ciorciari (2008) revolve around the issue of the survival of Southeast Asian states amid the emergence of China as a new powerhouse in the region. The national interest, which shapes foreign policies, reflects conditions in the international system that threaten the existence of a state and the welfare of its citizens affected by the possibility of inter-state warfare.

Some studies also apply the issue of impartiality of foreign policy to China-led high-speed railway development in their analysis. For instance, Yu (2014) explains that the upgraded railway system can stimulate economic growth and enhance the connectivity of Southeast Asian countries, even though it can also bring a huge fiscal burden to the countries. The high-speed railway construction, in this sense, can serve the neutral national interests of a state. Although the Chinese agencies are occasionally involved in the projects, the railway initiatives are not purely foreign policies since numerous domestic groups also participate in these activities. The foreign policies, which “are closely connected with elements of domestic politics,” would be considered differently from the assumption of a unitary state.

Some international relation theories, especially constructivism and neoclassical realism, incorporate domestic political conditions as a component of the national interest. Constructivist theorists, for instance, Finnemore (1996, 2-3) argue that the national interest is the result of a state’s interactions with internationally shared values and norms, which “give meaning to international political life,” not the external threats or pressures of domestic groups. As implied in the emphasis on interactions, the theories under the umbrella of

constructivism treat a state as an agent whose interests can shape international norms and not merely as a passive actor influenced by international normative structures (Finnemore 1996, 137). Social norms and understandings at the local or national level can also shape a state's identities and interests (Finnemore 1996, 144–145).

Neoclassical realist studies, for example, Ripsman (2009) explain that domestic political actors can help the government or the foreign policy executive (FPE) to interpret international circumstances and define the national interest (185). These studies posit that domestic non-state actors have limited impact on the formulation and implantation of foreign policies in conditions of “high-threat environments” when the survival of a state is at risk (Ripsman 2009, 186). To sum up, domestic interest groups can shape how a state responds to external circumstances, but the international system delimits their ability to determine the policy options of a state (Ripsman 2009, 192).

The frameworks of constructivism and neoclassical realism have certain limitations in the analysis of high-speed railway development, even though both incorporate the role of domestic politics in their analysis. First, constructivist theorists define the national interest as “inter-subjective beliefs that are shared among people – ideas, conceptions and assumptions,” which are “constructed by dominant social groups to secure particular identities” (Burchill 2005, 196–197). However, this thesis argues that high-speed railway development policies are shaped by contestation among competing interests and not by social identities or norms.

Second, neoclassical realists argue that the international system imposes limits regarding policy choices on domestic interest groups because they have to “contend with the

constraints of the international system” (Ripsman 2009, 192). This argument implies that it is the international system, not domestic political actors, which primarily shapes the national interest. On the contrary, this thesis argues that the national interest, at least in the case of the China-initiated high-speed railway development projects, is the result of contestation among various interest groups, especially domestic political forces.

The thesis will, however, not fully follow the theoretical claim of such Marxist thinkers as Miliband who define the national interest as “the interests of the dominant elites who command the resources which enable them to command the state” (Burchill 2005, 65). This kind of definition also appears in political economy studies, for example, Miliband (1969, 145–146), who describes the definition of the national interest as being likely to be compatible with the interests of particular capitalists, while the interests of laborers always appear as the sectoral ones. The Marxist school’s definition downplays the roles of other interests, such as voters or social movements, in shaping the national interest. This thesis will focus on competing interests, not the national interest, when analyzing policies regarding China-initiated high-speed railway development projects.

2.3 The First Component of the Analytical Framework: Critical Political Economy

My analytical framework is constructed upon three theoretical pillars. The first component of the analytical framework is a theory of critical political economy. It primarily follows the concept of the Murdoch School, which has produced several studies on political economy in

Southeast Asia. This school focuses on the contestation of various interests and trajectories of political and economic changes (Hameiri and Jones 2014).

Specifically, focuses on *struggles* for power and control over resources between *coalitions of social and political forces* – particularly classes and class factions – whose relative interrelations are heavily conditioned by material political economy relations, i.e., capitalist economic development (Hameiri and Jones 2014, 5, italics added).

The approach of the Murdoch School treats the contestation of various social and political forces as an independent variable since it explains that “evolving domestic power relations shape international policy preferences, then examining the ensuing interstate interaction” (Hameiri and Jones 2014, 10). This is in sharp contrast to most literature on international relations and international political economy which perceives the “systemic stimuli” of external circumstances to be an explanatory variable (Ripsman, Taliaferro, and Lobell 2016). According to the framework of the Murdoch School, policies regarding the foreign affairs of a state have their roots in the constellation of power in domestic politics rather than the international system.

Following the analytical concept of the Murdoch School, this thesis argues that the contestation of interests, both domestic and foreign, can explain variations in policy proposals. In particular, the proposals result not from the decisions of policy-makers, who are insulated from the pressures of societal groups, but from “competition and conflict over production, profits, wealth, and power” (Rodan, Hewison, and Robison 2006, 8). Although

capitalists in Southeast Asian countries, except for Singapore, can use state power as the instrument to their benefits, they need to accommodate other groups to sustain the regime of accumulation (Rodan, Hewison, and Robison 2006, 25). For instance, the government of Thaksin Shinawatra, which represented the domestic capitalist class in Thailand, concomitantly protected local businesses and enhanced the economic well-being of non-elite groups (Hewison 2006, 100–102). The domestic capitalists required political support from the non-elite groups to maintain a policy that insulated local businesses from foreign competition.

A state occasionally formulates policy proposals that do not primarily benefit the dominant classes because of the other factions of interests in the state system. Even though Miliband (1969) suggests that each interest group possesses asymmetric powers to capture a state, each group still can, directly and indirectly, capture some part of a state. Poulantzas (2000, 135) explains that contestation among interests, both dominating and dominated, over policies enables a state to acquire some relative autonomy to execute “negative measures” that oppose the interests of the dominating classes. In other words, the autonomy of a state results not from its “capacity to remain external” to the contestation but from the class struggle within a state. Poulantzas implies that the policy proposal is the result of not only the relationship between a state and societies, but also the relationship among various state entities that are captured by various interest groups, either social forces or state managers.

Apart from state–society and intra-state relationships, the policy proposal is also shaped by the inter-state relationship. The reason for this is that a state is “an institutional

ensemble” that relates to “other institutional orders, civil society, and other states” (Jessop 2018, 52). In the framework of the Murdoch School, partially influenced by Jessop’s theory, the interventions of foreign actors, such as international organizations, transnational corporations, or the agencies of other states, are not merely a shock because such interventions can be deemed as part of internal contestation. The actions of foreign actors can affect the pattern of domestic contestations over resource allocation and distribution (Hameiri and Jones 2014, 12).

Yet, despite contestation over the formulation of policies, a state remains an actor that aims primarily to “create, maintain and restore the conditions required for capital accumulation in a given situation” (Jessop 2018, 56). Following this analytical framework, states in Southeast Asia improve their transportation system to sustain economic growth and enhance connectivity between different regions. Nevertheless, the railway projects inevitably favor the dominant groups over non-dominant ones, regardless of their broader impact. This thesis sets out to examine the details of contract negotiations, construction plans, business management programs, as well as forms of collaboration between state agencies and non-state factions, in order to reveal the characteristics of conflicts over the railway projects. However, the theory of the Murdoch School does not provide a causal model of the relationship between the contestation of various interest groups and a policy proposal.

Regime and Characteristics of Policy Proposals

According to Jessop (2018, 54, 56), political forces are shaped by the following elements: forms of representation, the internal structure of a state, and forms of intervention. In other words, these elements can determine the degree of power concentration/dispersion among political forces. Therefore, a regime, which indirectly implies a degree of power centralization, is one of the key factors explaining variations in the policy proposals.

Specifically, a straightforward proxy for understanding the degree of power centralization of a state is the presence or absence of elections. In theory, “democratic elections” provide not only a transparent mechanism for the transition of governments but also a means to distribute political power in societies peacefully (Hoglund, Jarstad, and Kovacs 2009, 530–531). Even in competitive authoritarian regimes,⁴ electoral politics can, to some degree, create a commitment between the ruling elites and their supporters as the elites more or less need to “target supporters with spoils” (Seeberg 2014, 1266–1267).

The regime implying the distribution of power can determine a level of consistency/inconsistency in policy proposals. McIntyre (2001) explains that the asymmetric “distribution of veto authority” can lead to problems in policy changes. The dispersal of veto

⁴ According to Levitsky and Way (2002, 52–53), competitive authoritarianism is a regime that combines the characteristics of democracy and “full-scale authoritarianism.” On the one hand, this regime regards formal democratic institutions, especially elections, as “the principal means of obtaining and exercising political authority.” On the other hand, ruling governments usually suppress the opposition, distort electoral processes, and manipulate state resources and power to create an “uneven playing field.”

authority⁵ can lead to “the risk of policy rigidity.” In contrast, the concentration of veto authority can bring the risk of “volatility” to policy adjustment (MacIntyre 2001, 81). following MacIntyre’s framework, this thesis proposes that an electoral regime is likely to motivate ruling governments to maintain proposals consistently. Conversely, an authoritarian regime is likely to encourage ruling governments to change proposals relatively easily, which, in turn, will make the policy proposals inconsistent.

The scale and scope of the distributive aspects of the proposals can also be predicted by the characteristics of a regime. In a democratic regime, in which power tends to be dispersed, ruling governments have the motivation to provide public-funded public goods to citizens to maximize “political benefits” (Min 2015, 4–5). Such political benefits can enable elected incumbents to broaden their political bases. Min (2015, 100, 124) demonstrates that democratic governments provide electrification on a larger scale that is broader in scope than their autocratic counterparts. Compared to non-democratic rulers, the elected incumbents notably distribute a public service of electricity to more significant numbers of their citizens; the incumbents also give more impoverished areas access to electrification. Hence, elected governments tend to create policy proposals that distribute rents or benefits to non-elite groups, since the incumbents need to cement their political bases.

In contrast to their democratic cohorts, authoritarian governments barely distribute rents to non-elite groups. Unlike democratic politicians, a dictator can repress opposition and ignore the requests of ordinary citizens (Wintrobe 1997, 139). Even though they have

⁵ The veto authority allows a political group to block a change in policy (MacIntyre 2001, 87).

overwhelming authority, authoritarian regimes, military or single-party, can be inflicted from intra-regime conflicts between different factions (Geddes 2003 55–59). On the one hand, an autocratic leader needs to allocate rents to his/her supporting factions to maintain their loyalty (Wintrobe 1997, 136). On the other hand, the autocrat can deal with political opponents, including competing factions, via coercion or the allocation of positions and rents, which can turn opponents into supporters (Fjelde 2010, 196, 198). In short, rent distribution remains one of the key means of authoritarian governments to preserve their regimes. Autocrats, however, barely distribute benefits to non-elite groups.

Policy Proposals, Fiscal Resources of Host States, and the Responses of Foreign Actors

Domestic interest groups have conflicts over not only the distribution of rents generated by the high-speed railway projects but also the allocation of available state resources, particularly fiscal ones. Thus, the availability of state resources partially shapes a proposal, in particular the financing method of high-speed railway projects. Governments' fiscal space, which represents resource availability, can limit the amount of capital they can borrow or spend on particular projects because governments also need to allocate resources for other initiatives (Delmon 2017, 90). This thesis, however, does not analyze the availability of fiscal resources of host governments in the absolute term. Instead, the thesis examines the fiscal resources in the relative term. Some countries, for instance, Indonesia, have moderate fiscal resources but they keep separate budgets for projects other than high-speed railway development due to pressure from politicians and voters. The case of Indonesia reveals that

using a budget for the high-speed railway project is not a technical issue but a political consideration. In other words, the decision of the host governments to allocate their fiscal resources is subject to contestation among domestic political groups, represented by the regimes.

Therefore, the availability of fiscal resources marks how dependent a government is on external resources or money from the private sector. If governments have sufficient resources for the high-speed railway project and other initiatives, they will be able to finance the project by using its own resources or borrowing limited amounts from domestic or external sources. In contrast, if governments have insufficient resources for the railway project, they will either form a joint venture with foreign agencies, especially Chinese state-owned enterprises, or cooperate with private corporations to organize a public–private partnership (PPP) project. Notably, some “mega infrastructure projects,” including the high-speed railway, cannot be progressed without China’s assistance in sharing the financial costs and risks as the host governments do not have enough resources and fiscal capacity to invest in such risky projects as high-speed railway development (Oh 2018, 539).

The degree of resource dependency of governments can signal to external agencies or private corporations the risk level of the proposals of the high-speed railway projects. The agencies and corporations categorize the proposals into high-risk and low-risk proposals. The high-risk proposals will require these agencies and corporations to share a substantial proportion of the financial risks and burdens with the host governments, and vice versa for the low-risk ones. In the case of the high-risk proposals, the agencies or corporations will

demand that the host governments provide additional conditions, which can offset future financial losses. For example, Chinese agencies, especially policy banks, have usually requested sovereign guarantees or rights to invest in asset development from the host governments (Oh 2018, 539).

Nevertheless, the Chinese agencies can occasionally fail to force host governments, which present high-risk proposals, to accept their demands of particular conditions or guarantees and other commercial rights. For instance, governments with viable external options, such as assistance from other countries or international organizations, can strengthen their negotiating power with China (Oh 2018, 537). This strengthened power can help host governments prevent China from imposing additional demands. In short, the provisional proposal of host governments, to some extent, can influence the offer from foreign agencies.

2.4 The Second Component of the Analytical Framework: Rents and Rent-seeking

Even though critical political economy theories can provide credible explanations for how competing interest groups shape policy proposals, these theories lack explaining power – what should the focus be when analyzing contestation among various political and economic factors? This thesis incorporates the concepts of rent and rent-seeking into its analytical framework to make it more precise. It uses concepts from Khan (2000a, 22), who defines rents as “excess incomes in terms of what the recipients would have accepted given their next-best alternative.” According to Khan (2000a), there are six categories of rent: monopoly

rents; natural resource rents; rents based on transfers; Schumpeterian rents (rents from innovative activities); rents for learning; and monitoring and management rents.

Individuals and groups usually have distributive conflicts when it comes to the re-allocation of lucrative rents. The conflicts over rent distribution are usually associated with a set of possible economic policies or outcomes (Khan 2000a, 24). Similar to Khan's argument, this thesis proposes that the characteristics of the proposals of the high-speed railway projects depend on the pattern of contestations over rent distribution. Table 2.1 illustrates the types of rent generated by railway projects.

First, the high speed railway projects can generate *monopoly rents* under some conditions, especially when host governments negotiate with Chinese agencies in a bilateral manner. Chinese state-owned enterprises or local companies can grasp these monopolistic rents. Host governments can then generate this rent through granting the legal right to a company, either local or Chinese, to be the sole supplier or contractor in the market (Khan 2000a, 65). For example, China's government has directed the governments of some African countries, such as Mozambique or Zimbabwe, to award contracts to recommended Chinese contractors from particular provinces in China (Jing, Zhang, Vaz, and Mukwereza 2016, 27). Consequently, in the case of bilateral negotiations with China, the Chinese enterprises can exclusively subsume rent by providing equipment and fees for services and consultations at a higher level than the market price because of the absence of competition. Hence, the governments of Southeast Asian countries, for example, Malaysia, has preserved some

monopolistic contracts for its government-linked companies, despite the growing presence of firms from mainland China (Lim, G. 2015).

Second, the high speed railway projects can create *rents based on transfers* since the host governments can provide some concessions of asset development to Chinese contractors or local private companies. Rents based on transfers are crucial for interest groups involved in the high-speed railway projects since they enable these groups to offset financial losses from construction, maintenance, and operation. Notably, the upgraded infrastructure system, including high-speed railways, can help interest groups capture the increased land values created by improved accessibility to those lands (Medda 2012; Viguie and Hallegatte 2014). The capture of land value allows the infrastructure investors to recover the enormous capital and sunk costs of investment in the transportation system. As stated earlier, the Chinese agencies usually request the rights to control assets from the host governments when the former engage in high-risk railway projects with the latter (Oh 2018, 539). In some cases, specific agencies of the host governments retain the rights to asset development themselves to deal with possible financial losses.

In addition to rights on asset development, the high-speed railway projects also lead to the allocation or preservation of different kinds of rent based on transfers. For example, foreign agencies can present offers that allow host governments to maintain some rent-seeking activities, such as subsidies of agricultural products, monetary transfers, or other redistributive measures. As defined by Khan (2002b, 70), “rent-seeking is the expenditure of resources and effort in creating, maintaining or transferring rents.” Although some of these

rent-seeking activities are not directly related to the railway projects, the activities are crucial for the stability of the projects, as well as the ruling governments.

Likewise, the Chinese agencies may ask the host governments to transfer the rights to control resources to them as collateral for the railway projects as the agencies share a substantial proportion of the losses and risks. Janssen (2017a) describes China's acceptance of Laos's offer to use five potash mines as a guaranteed asset for a loan with a 2.3 percent interest rate, a 5-year grace period, and 35-year maturity. The Chinese–Lao agreement on using the potash mines as collateral is a rule rather than an exception for China-funded infrastructure projects. In the cases of Angola and Brazil, the Chinese agencies would access “the proceeds of oil sales, which are required to be deposited into the borrower's account as a means of guaranteeing repayment” and “a continuous flow of oils” (Alves 2013, 101–102).

Third, the high-speed railways can provide *learning rents* to the local companies or entities of the host governments because of technology transfer from foreign agencies, which possess knowledge in the advanced railway systems. For instance, between 2004 and 2007, China assigned its state-owned railway enterprises to design and produce the high-speed railway technologies jointly with companies from France, Germany, Canada, and Japan (Sun 2015, 652). Subsequently, Chinese state-owned railway companies have become emerging suppliers in the global market of high-speed railway technology. Likewise, Indonesia can incentivize China's railway companies to undertake technology transfer to produce high-speed railway products for markets in Southeast Asia and the Middle East (Lim, A. C-H. 2015, 8). Nevertheless, it should be noted that the realization of the learning rents requires

some conditional subsidies, including subsidized credits or protection, from the governments (Khan 2000a, 50).

Fourth, the high-speed railway projects can lead to the creation of rents from the higher *value of lands and properties*, especially in areas that are not far from the stations, because of the enhanced accessibility. Kanasugi and Ushijima (2017, 1329) found that the high-speed railway can increase the land prices of residential zones in Japan, apart from those with decreasing populations, because the railway reduces the time it takes to reach the Tokyo metropolitan area. However, the high-speed railway does not always increase land prices within a short time frame (Diao, Zhu, and Zhu 2017). Hypothetically, if the plan for the construction of the high-speed railway increases land and property prices, landowners, both state and private, will obtain benefits disproportionately as a result of their possession of assets.

The prospective outcomes of rent allocation and distribution of the proposals can represent the constellation of power among interest groups as the pattern of rent-seeking is a result of the balance of power among social groups (Khan 2000b, 71, 89–90). Khan's framework includes only domestic actors, such as politicians, capitalists, bureaucrats, and non-capitalist clients, as it examines rent-seeking patterns in the early stages of development in Asia. This thesis tries to incorporate the roles of external actors, particularly Chinese state-owned enterprises, into Khan's framework of rent-seeking.

2.5 The Third Component of the Analytical Framework: Chinese Agencies as State-owned Multinational Companies

This thesis regards the Chinese agencies involved in high-speed railway development in Southeast Asia as *state-owned multinational companies* (SOMNCs). According to Aharoni (2018), SOMNCs are state-owned enterprises (SOEs) that allocate their activities into foreign markets; for example, a government-controlled petroleum company which engages in overseas oil exploration and distribution. UNCTAD (2011) defines SOMNCs as entities that have government ownership of 10 percent and above and consist of one or more affiliates engaging in value-adding activities in foreign countries.

To some extent, SOMNCs are the result of pro-market reforms that governments undertook to internationalize SOCs to cope with more intense competition, as created by the wave of economic liberalization in the 1980s and 1990s (Cohen 2014, 648). The internationalization of SOCs enables these commercial arms of a state to seek opportunities in foreign markets. In the case of China, the expansion of SOMNCs has its roots in the “going-out” policy that encouraged Chinese SOCs to compete in the world market by making them more responsive to the market (Gonzalez-Vicente, 2011).

The railway companies and policy banks, which have provided financial resources for the high-speed railway projects, have also followed the going-out policy. For example, China Development Bank and Beijing Yawan HSR Co. Ltd. have participated in the construction of the high-speed railway project from Jakarta to Bandung in Indonesia. In addition, the China Railway No. 8 Engineering Group and the Export-Import Bank of China

(the China Exim Bank) have constructed China-Laos high-speed railway, connecting Kunming and Vientiane. Further details of the numbers of internationalized railway companies and policy banks are provided in Chapter 3.

SOMNCs should be regarded as hybrid entities which are simultaneously business enterprises and subordinate entities of the states (Aharoni 2018, 18). The hybrid nature of these entities creates a contradiction within SOMNCs. On the one hand, as commercial bodies, SOMNCs, which are already governed by corporate law and independent boards of directors and independent auditors, should enjoy some autonomy from bureaucratic procedures. On the other hand, SOMNCs, being part of the state, should follow the directives of ruling governments. Accordingly, the aim of SOMNCs is primarily not only to maximize profits but also to fulfill the strategic political and diplomatic objectives of the pertinent governments (Cuervo-Cazurra, Inkpen, Musacchio, and Ramaswamy 2014). In reality, SOMNCs need to operate like SOEs (which tackle market imperfections and promote ideological strategies) and multinational companies (which primarily accumulate profits) (Cuervo-Cazurra et al. 2014).

SOMNCs, particularly the Chinese ones which possess advanced railway technologies, have spearheaded high-speed railway development in Southeast Asia. With the financial and political support of their home governments, SOMNCs enjoy “soft-budget constraint” and “lower expropriation risk” (Cuervo-Cazurra et al. 2014, 934), which have enabled them to invest in high risk overseas projects.

Meanwhile, the SOMNCs can be pressured by their principals, notably citizens, politicians, and state managers, to invest in a project with low business value but high political return (Cuervo-Cazurra et al. 2014, 933). Nonetheless, when citizens and state owners, including politicians, have conflicts over a SOMNC policy, the managers of the companies tend to make decisions to advance the interests of the SOMNCs at the expense of the citizens and state owners (Peng, Bruton, Stan, and Huang 2016, 306–307).

As stated earlier, SOMNCs focus not only on achieving the government's political and diplomatic goals but also its drive to seek profits (Musacchio and Lazzarini 2018, 259). Unlike politicians or state managers, private shareholders would force SOMNCs to emphasize the maximization of commercial profits rather than meeting strategic goals. In particular, private shareholders prefer profit-driven acquisitions to politically driven ones, and vice versa in the case of their government counterparts (Chen, Musacchio, and Li 2018, 4). Occasionally, private and government shareholders, as the principals of SOMNCs, have disputes with one another.

Remarkably, the Communist Party of China (CPC) has applied economic indicators such as profitability and market competitiveness (in addition to political goals), as criteria to evaluate the performance of its SOCs (Leutert 2016, 85–86). In this sense, the CPC acts as both the private and government shareholders of the Chinese SOMNCs which engage in high-speed railway development in Southeast Asia. Thus, the railway projects, conducted by SOMNCs, would consider not only the strategic master plan but also commercial benefit and financial feasibility. In other words, SOMNCs are expected to make money from the railway

projects in Southeast Asia, although these initiatives are also part of China's diplomatic tools. However, the CPC is limited in how it uses of SOMNCs to fulfill its objectives as it does not have full control of its SOMNCs' manager and conditions in host countries.

SOMNCs frequently encounter a principal-agent conflict between its owners (which can be the government, citizens, or private shareholders) and its managers. Typically, the managers of SOMNCs "try to increase their independence from the government apparatus" (Vernon 2018, 50). The managers have two advantages, namely, time and expertise, over the owners (Aharoni 2018, 21). First, the managers can devote their time and energy to controlling the SOMNCs, while the owners, especially the governments, can only allocate a limited amount of time to controlling the SOMNCs. Second, the managers of SOMNCs possess more expertise in the pertinent activities than the owners, who are reduced to becoming a "captive audience." The managers can take advantage of their expertise to manipulate the situation to their advantage.

When state owners do not monitor SOMNC managers effectively, this will incentivize managers to deviate from the government's objectives to fulfill their own interests (Peng, Bruton, Stan, and Huang 2016, 306). Additionally, the condition of "soft-budget constraint" induces managers to "pursue their own empire-building agendas," since they know the government will bail them out (Musacchio and Lazzarini 2018, 264).

The constraints of host countries can also affect the behavior and performance of SOMNCs. Because stakeholders perceive SOMNCs to be agents of foreign governments instead of ordinary business entities, they usually resist SOMNCs' acquisition and instead

pressure the SOMNC into making “greenfield investment(s)” (Meyer, Ding, Li, and Zhang 2014). The policies of the host government also affect the profitability and performances of SOMNCs (Aharoni 2018, 39). Moreover, SOMNCs can hardly participate in rent-seeking activities since they lack relationships or ties with the local elites and political networks (Estrin, Meyer, B. B. Nielsen, and S. Nielsen 2016, 296).

Negotiation between Host Governments and SOMNCs

This thesis, hence, partially modifies the concepts of Dicken (2015), who analyzes a bargain between POMNCs (private-owned multinational corporations) and host states. These concepts include locational tournaments, competitive bidding, and active/obligated embeddedness. The thesis applies the perspective of SOMNCs and Dicken’s concepts to examine the behavior of the Chinese agencies involved in the high-speed railway development projects in Southeast Asia. These agencies need to concomitantly fulfill the objectives of the Belt and Road Initiative (BRI), proposed by the Party, and also to maximize their profits from the projects.

According to Dicken (2015, 227–228), each country participates in “locational tournaments,” which intensify “competitive bidding” for direct investment from POMNCs. In particular, each country provides several favorable conditions, such as low-cost labor supply or tax exemption, to attract the investment of POMNCs. This thesis will argue instead that Chinese SOMNCs have presented competitive bidding for high-speed railway development projects in Southeast Asian countries (Pavlicevic and Kratz, 2018; Yoshimatsu,

2018). In one sense, SOMNCs have locational competition with the railway companies of other nations which are also trying to obtain contracts in foreign lands. Instead of attracting an inflow of direct investment, Chinese SOMNCs attempt to convince Southeast Asian countries to welcome their initiatives.

Chinese SOMNCs have sought to win the locational competition for high-speed railway project sites for political and commercial reasons. On the one hand, Chinese SOMNCs have utilized assistance, as part of competitive bidding, to win projects. On the otherhand, they have sought to maximize profits from the projects. The thesis assumes that the profits of SOMNCs can come from four sources: selling railway equipment; providing construction and consultancy services; training; operations; and the management of land and railway-related assets.

The relation between host countries and Chinese SOMNCs can be either active or obligated embeddedness, depending on the presence or absence of competition from other nations' railway companies. Dicken (2015, 231) explains that *active embeddedness* is the condition whereby POMNCs freely choose and incorporate "localized assets" into their operations without complying with the host states' demands. In contrast, *obligated embeddedness* can occur when host governments force POMNCs to comply with "state criteria in order to gain access to, and use of, the desired asset" (Dicken, 2015, 231). In the case of high-speed railway development, the characteristics of the embeddedness, which can be active or obligated, between Chinese SOMNCs and host governments depend on the negotiating power of both parties.

Host governments have more negotiating power if they have alternatives other than Chinese agencies to launch high-speed railway projects (Oh, 2018). The host country governments can then force the Chinese SOMNCs to accommodate their demands and accept conditions favorable to the host countries. When faced with competition from bidders from other nations, Chinese SOMNCs tend to form obligated embeddedness with host states. If there is no competition, that is, if the host countries have to negotiate with Chinese SOMNCs bilaterally, the relationship between the two parties is more likely to be active embeddedness, in which the Chinese SOMNCs can set the prices of equipment, services, and consultations at a higher rate than they would be able to in the case of obligated embeddedness.

2.6 Initial Frameworks

This thesis proposes six initial frameworks to elucidate the proposals of the high-speed railway projects in four Southeast Asia countries, namely, Thailand, Indonesia, Malaysia, and Laos. All the frameworks consist of three variables. First, the main explanatory variable is the political regime, roughly categorized into three types: democracy, authoritarianism, and competitive authoritarianism. Second, the availability of fiscal resources is an *intervening* variable, as this can impact the degree of involvement of Chinese agencies. Of course, the manner in which the fiscal resources are allocated will still depend on the contestation among the domestic political groups in the host country. Third, the dependent variable is the proposal dealing with rent distribution from the high-speed railway projects. The hypotheses can be illustrated through the following four figures, which posit the regime

indicating the balance of power among political forces as the primary cause of the variety in the formulation of the policy proposal of high-speed railway development. Figure 2.1 shows the chain of logic of all the frameworks.

Policy Proposals of Democratic Regimes

Figure 2.2 shows the proposals of democratic governments which legitimacy depends on the results of an election. In this case, the ruling elite must respond to the redistributive demands of the non-elite groups because they can put pressure on the ruling power if the elite cannot keep and fulfill a promise of redistribution.

As a result of pressure from voters, the elected democratic governments are likely to use international bidding to request offers to develop high speed railways. For instance, the left-leaning Unipad Popular Government of Salvador Allende, who was elected as president of Chile in 1970, planned to use open international bidding of the motor industry with multinational corporations to incentivize the corporations to create high-productivity jobs (Jenkins 1976, 23). The creation of such well-paid jobs could strengthen the government's popularity among voters.

The international bidding can be based on a high- or low-risk proposal, depending on the availability of fiscal resources. If the elected governments have limited resources, they will need to allocate them to other important domestic policies, not the expensive high-speed railway projects, in order to preserve their political status. As a result, the host governments

will impose a *high-risk proposal* on the Chinese agencies. To mitigate the riskiness of the project, the agencies will form a joint venture with an organization of the host government. The joint venture will, thus, enable the Chinese agencies to obtain some of the benefits of the railway-related rents, especially asset development, in exchange for the higher financial uncertainty of the projects.

If the host governments have sufficient resources to invest in the high-speed railway project, it will present a *low-risk proposal* to the Chinese agencies, since the host governments will be sole investors in the project. In this case, the governments can limit the roles of the agencies to being simply the providers of railway equipment and services, such as construction and consultancy. Nevertheless, the agencies must offer the equipment and services at arms-length prices because they have to compete with bidders from other countries, such as Japan, South Korea, France, and Germany.

The common feature of the proposals of the democratic governments is that the Chinese agencies will provide other sources of rent, enabling the host governments to continue their redistributive policies. Indonesia, ruled by the Jokowi government, is an example of a democratic government with a *low-risk proposal*, while Thailand under the elected Yingluck government represents a case of a democratic regime with a *high-risk proposal*.

Policy Proposals of Authoritarian Regimes

Figure 2.3 illustrates the proposals of the authoritarian regimes, in which non-elite groups cannot pressure the ruling government to implement redistributive policies because of the absence of elections and the suppression of political opposition. Consequently, the authoritarian government is likely to deal with the Chinese agencies on a bilateral basis since it can respond to the demands of the non-elite groups by other means.

In particular, China, under the leadership of Chairman Xi Jinping, has tended to enter into bilateral relations with its autocratic neighbors (Reeves 2018, 983). The Chinese government often protects the interests of the elites of neighboring authoritarian states (Reeves, 2018, 987). Bilateral negotiations between China and these states allow the ruling government to distribute rents, generated with China's assistance, exclusively to its elites. For example, the cases of Cambodia and Myanmar illustrate that the local elite can use bilateral relations to incentivize China to distribute rents among themselves; meanwhile, the elite does not have to allocate rents provided by China to their citizens (Bader, 2015, 7).

Just like their democratic counterparts, authoritarian governments can impose a high- or low-risk proposal on the Chinese agencies. In the case of a *high-risk proposal* resulting from the limited state resources, the Chinese agencies will establish a joint venture with host governments' SOEs or organizations to compensate for the higher financial risks, since the joint venture can help the agencies to gain a share of railway-related rents. However, if the authoritarian host government relies primarily on the resources of the Chinese agencies, it

will need to offer the right to control lucrative assets, particularly natural resources, as collateral.

In the case of a *low-risk proposal*, implying that the host government will rely on its own resources, the Chinese agencies will only provide railway equipment and services. The Chinese agencies will provide goods and services at monopoly prices, not arms-length prices, since the agencies face no competition from other bidders as a result of the absence of a tender.

Laos offers an example of an authoritarian regime with a *high-risk proposal*, while Thailand under the Prayut government represents the case of an authoritarian government presenting a *low-risk proposal* to the agencies.

Policy Proposals of Competitive Authoritarian Regimes

Figure 2.4 describes the policy proposals of the competitive regimes in which the ruling government can concentrate political power and a means of coercion but needs to keep a commitment to non-elite groups in order to win the election. In particular, the government adopts a carrot-and-stick approach to take advantage of the opposition. Notably, the government in this regime can concomitantly suppress the opposition and “satisfy the wider population” through the distribution of rents and the promotion of economic growth (White and Herzog, 2016, 554). Although the ruling elite allows a degree of political competition, they utilize state apparatus to manipulate the outcome of the competition to preserve their hegemony (Pepinsky, 2009). As a result of the partial political competition, the ruling

governments in the competitive authoritarian regimes tend to chose to negotiate with Chinese railway agencies by organizing international bidding, since this negotiation method enables the governments to maintain the provision of welfare and assistance to their supporters.

If the host governments have insufficient resources, they will impose a *high-risk proposal* on the Chinese agencies. The governments will invite foreign agencies, including the Chinese ones, to participate in a tender to find a partner in the joint venture for PPP contracts in tasks requiring specialist knowledge, such as system works or asset management. The government will use its own budget for particular works, such as civil construction or designs, since the usage of the budget will enable the government to allocate rents, created by the contracts of these works, to its supporting coalition. Despite the concentrated power of the regimes, the Chinese agencies and the host governments need to allocate some rents to the supporting groups of the latter to stabilize the projects. Meanwhile, the Chinese agencies need to share economic rents with the elites directly. Malaysia under the Najib government represents the case of a competitive authoritarian regime with a *high-risk proposal*.

In contrast, host governments with sufficient resources represent a *low-risk proposal* to the agencies, since they can use its budgets as a source of investment capital. As a consequence of the reliance on the host governments' resources, the Chinese agencies will be the sole providers of equipment and services at arms-length prices. There is no example of a competitive authoritarian regime with a *low-risk proposal*.

2.7 Concluding Remarks

In summary, this chapter argues that existing literature on the rise of China and Southeast Asia cannot provide a complete picture of high-speed railway politics in the region. The frameworks, which are based on various schools of international relation theory, are limited in their ability to explain the variations in the policies of high-speed railway development in Southeast Asian countries. The limitation results from the assumptions of a unitary state and a primacy of national interests. Both assumptions downplay the role of domestic political conditions, particularly interest groups and institutional settings, in shaping a set of policies dealing with changes in international circumstances.

This thesis combines three concepts, which are critical political economy, rents, and state-owned multinational companies, to construct a framework for analyzing high-speed railway development in Southeast Asia. Even though the combination diminishes the complexity and explanatory power of each theory, the combination offers causal models with some degree of precision. The causal models will allow this thesis to compare policy proposals from several countries since it illustrates a chain of logic that explains the relationship between the regime and the proposal of the high-speed railway policies. This thesis will further complement the causal models, which serve as a basic framework, by providing a detailed elucidation of specific cases, which are Thailand, Indonesia, Malaysia, and Laos. The elucidation will reveal how each interest group cooperates and conflicts with one another in the contestation over railway-generated rents, which, in turn, formulates the characteristics of the proposals.

3. The Emergence of China and the High-speed Railway Diplomacy in Southeast Asia

Several observers, such as Halper (2010) and Jacques (2012), have stated that China has the potential to become a 21st century hegemonic player. The economic reforms, initiated in the late 1970s, transformed China from an autarkic country into a global economic power. China has shown that there is an alternative socio-economic model to the dominant free-market liberal democracy (Halper 2010, 30-31; Jacques 2012, 15-16, 18). China has signed preferential trade agreements and investment contracts with developing countries (Woods 2008, 1205). In particular, China has exported railway equipment and its construction services (Chan 2018). In 2014, the lead exporters were state-owned enterprises (SOE) that accounted for 70 percent of the exports of railway equipment and services (Chan 2018, 34).

This chapter elucidates the characteristics of China's high-speed railway diplomacy, its investment of infrastructure construction, and its politico-economic influences within Southeast Asia. The chapter argues that the 1979 economic reforms not only integrated China into the world economy but also fragmented and decentralized power within China. It is this fragmentation and decentralization which enabled internationalized sub-agencies of the Chinese state to shape policy trajectories.

This chapter consists of six parts. The first and second parts describe the trajectories of change in the Chinese economy and its politics. The third and fourth parts describe China's contemporary foreign policies. The fifth and sixth parts examine the high-speed railway diplomacy initiatives, led by the Chinese government, in Southeast Asia. Put together, the chapter explains why the export of railway equipment, under the the Belt and Road Initiative

(BRI) scheme, is compatible with the geo-politico-economic interests of the Communist Party of China (CPC) and the commercial interests of agencies, especially the SOEs, which seek to maximize profits under the banner of governmental organizations.

3.1 Political and Economic Settings of Maoist China (1949-1979)

In general, politics in Maoist China was based on the relationships between cadres (members of the Communist Party of China), bureaucrats (Chinese government officers), and the masses (Shirk 1994; You 1998). In the early phase of revolutionary China (1949-1979), the Communist Party of China (CPC) completely dominated the state, while the bureaucrats were responsible for the administration of all state entities, including sub-branches of the government and state-enterprises (Shirk 1994, 13-15). The masses consisted of the two exploited classes from the pre-communist era. The first was rural dwellers who had suffered from, among other things, unequal land distribution (Lin 1990, 1230-1231). The second was urban workers who sought economic security (You 1998, 15). The CPC claimed that these two exploited groups were the 'principals' of the Party.

In principle, the CPC sought to establish a socialist state that would protect the exploited groups and eliminate the *ancien régime*. In reality, however, the Party created a governing entity which inherited various aspects of the Chinese imperial state and served the interests of the rulers, not the ruled (Wong 1997). The Party dominated domestic affairs using four sources of power: civilian control, military control, information control, and vital economic resources control (Breslin 1996, 12). Economically, the central committee of the

CPC imposed control over revenues and disbursements but allowed local branches of the CPC to use revenues under the guidance of the central government (Wong 1997, 193). Politically, the CPC's party members became "the new center of power" as they directed activities "from behind the scenes" -- the masses could not be involved in the policy making process formally (You 1998, 32).

As a result of the concentration of political and economic powers and resources, the Chairman and the Party's committees dominated the policy making process. In terms of political control, the mechanisms of policy formulation of the CPC did not formally take citizens into account (Shirk 1994, 13). Furthermore, the Party directed its decisions to the "subordinate level of administration," which had to adhere to these decisions (Breslin 1996, 12).

In terms of economic control, the CPC established state-owned enterprises (SOEs) to oversee economic activities at every level of the party apparatus (national, provincial, and local). The Party also utilized SOEs as its cells (*danwei*) to manage and control political and business activities (You 1998, 7). In addition to the creation of the SOEs, the Party began a radical collectivization program to amalgamate the properties of rural households into massive "people's communes" (Li and Yang 2005, 845), turning peasants into 'rural proletariats' because of the eradication of property rights (Jones and Poleman 1962, 8). Hence, Maoist China is usually portrayed as a unitary state that completely subjugated Chinese society.

The collectivization program failed to realize its aims. The reduced agricultural productivity, especially during the Great Famine of the Great Leap Forward which lasted between 1959 and 1961, damaged the credibility of the centralization policy. The widespread famine necessitated the Party to “de-radicalize” the centralization programs (Lin 1990). Subsequently, Deng Xiaoping, the *de facto* paramount leader of the second administration of the CPC, reformed the agriculture sector. The Deng administration replaced the compulsory commune system with *the individual household responsibility system* which allowed commune members to sell surpluses produced in excess of state-imposed quotas at market prices (Lin 1990). This new system incentivized farmers to improve their productivity (Lin 1990; Wong 1997; Harvey 2005). The liberalization of the agricultural sector marked the beginning of the capitalist transformation, spearheaded by the Party, in China.

3.2 Economic Reforms and its Political Impact in Capitalist China (1979 – Present)

Compromise within the Party, fragmentation within the state

At the end of the 1970s, Deng began to transform China from an autarkic socialist society under the absolute guidance of the *Politburo* into an emerging economy that would eventually play a role in the world’s economy. Both Marxist (such as Harvey (2005) or Arrighi (2007)) and liberal economic studies (such as Lin, Cai, and Li (2003)) share the sentiment that China’s economic ascendancy was rooted in Deng’s reforms. Post-Maoist China, however, did not allow the invisible hand of the market to govern the economy

entirely. Instead the visible hand of the state would tightly regulate resource allocation and distribution⁶.

The coexistence of the market with considerable state intervention implied that, unlike Russia and the former subordinated socialist states of the Soviet Union, the Chinese state attempted to reform gradually rather than use “shock therapy” (Rodrik 2007, 239). The gradual reforms allowed the reformist factions within the CPC to compromise with the conservative factions. The state still kept the economic rents of the existing industries, controlled by the conservatives, while concurringly creating new types of rent, such as joint-ventures or special economic zones (SEZs) (Shirk 1994, 27-29). The compromise undoubtedly incentivized the Party leadership, whose interests had been grounded in the central planning economy, to assist, or at least, not obstruct reforms.

This gradual reform, however, impacted China’s politics, especially the areas of the characteristics of the state and the relationships between the Party and its subordinated entities. While the CPC was able to maintain its authoritarian regime as it promotes a market economy (Shirk 1994; Harvey 2005), the reforms, which began in 1978, decentralized the central government’s powers and resources to subnational level and non-state/semi-state agencies.

⁶ Following Polanyi’s thinking (2001), no society would allow the “self-regulating market” to orchestrate the economy since the unfettered power of the market would destroy the social fabric and order.

The decentralization of power and resources changed the structure of the state in at least three aspects (Hameiri and Jones 2016, 82-83). First, the reforms led to a higher degree of incoherence among state agencies as each of them started to overlap its jurisdictions to a certain degree. The provincial governments in border areas and the Ministry of Foreign Affairs, for example, had conflicts over policies towards China's neighbors. Second, the reforms introduced autonomy to the subnational governments and special administrative regions, which in turn led to the rise of "local economic dukedoms" which occasionally ignored the Party's directives. Third, as the reforms encouraged state agencies and enterprises to engage in commercial activities overseas, the reforms instigated the internationalization of state agencies and enterprises to various degrees. Hence, the internationalization, in effect, reduced the central government's authority to control the operations of SOEs in foreign lands.

Managers, Party, and State-owned Enterprises

The economic reforms transformed the SOEs from Party cells (*danwei*) into corporations (*kongsi*) which reflects the "*depoliticization*" and "*de-statization*" of the Chinese state's firms (You 1998, 6). The processes of *depoliticization* and *de-statization* gave birth to new patterns of politics of the SOEs and changed the relationships between the CPC and its business entities.

The reforms stimulated the contestation between SOE managers and the Party over the control of state-owned enterprises (You 1998, 55-60). Specifically, the reforms gave the managers more power over the Party representatives within the enterprises by changing their

management structures. These reforms drove firms to conform to the market rather than directions from the state. Consequently, this development reduced the power of the Party over the managements of the SOEs.

This expansion of the authority of CEO managers and executives motivated their rent-seeking activities and patron-client networks as the SOE leadership could exploit state resources and make important decisions (Qian 1996, 430). For instance, the managers of the SOEs could use their firms' fixed capital to establish "consortiums" with non-state organizations (Ding 2000, 10-11). These consortiums then enabled the managers to evade the government's monitoring and utilize public resources for their private gain.

The Party nonetheless preserved its *de jure* power over the SOEs, especially over the large and medium-sized ones operating in such strategically important sectors as railway, energy, and banking (You 1998, 220; Lin 2017, 3). In terms of ownership, the Party was still the majority shareholder of the 'privatized' large and medium SOEs, (Hu 2000, 649). The Party maintained its influence over the firms via three mechanisms: the appointment and dismissal of top managers, the approval of large investment projects, and veto power over the disposal of major assets (Qian 1996, 435). However, the managers of the large and medium-sized SOEs still enjoyed autonomy as "self-financing capitalist enterprises," and some of them were even accountable to foreign shareholders rather than the Party (Hameiri, Jones, and Zou 2019, 479).

3.3 China's Foreign Policies in The Post-Cold-War Era

China's foreign policies in the post-Cold War era can be divided into two stages: a peaceful rise (or *taoguangyanghui* – keeping a low profile) and an assertiveness stage (*fenfayouwei* - striving for achievements), (Christensen 2011, 54-55; Qin 2014, 303). Initially, post-reform China attempted to integrate itself with the international order and followed established international norms. In the late 2000s, however, China started asserting itself with its Southeast Asian neighbors and world powers such as the United States of America. In brief, China has repositioned itself from a conforming member of the world order to an assertive power.

Peaceful Rise in Southeast Asia

In parallel with the domestic reforms that started in the 1980s, the CPC, under Deng Xiaoping, also changed its foreign policy. The Party, which used to openly support its foreign communist compatriots' armed conflicts against "reactionary" governments, began to gradually align itself with the United States (Harding 1984, 178). With the advent of reform, the Party relinquished its material support and provided only moral support to communist movements abroad. The termination of material support for foreign insurgency activities indicated that China was willing to normalize its relationships with non-Communist states.

Although the Tiananmen incident (June 4, 1989) briefly hindered the normalization process, China was able to resume normalization with other states in the 1990s. Similar to gradual economic reform, the Party normalized its relationship with the international

community cautiously but steadily (Robinson 1994, 588-589). In the middle of the 1990s, China increasingly participated in multilateral organizations (Zhu 2010, 8). In short, during the 1980s and 1990s, China succeeded in changing its position and image from an advocate of revolutionary movements to being a new member of the liberal inter-state order.

As China joined and participated in the activities of multilateral institutions, it improved its standing as an international actor. China's assistance to the Southeast Asian states during the Asian financial crisis in 1997-8 and its participation in the ASEAN plus Three (APT)⁷ are examples of China's attempts to elevate its international standing during this period (Chin and Stubbs 2011, 281). China's agreement with the APT, in part, helped ASEAN countries form institutionalized linkages with the major economies in Northeast Asia (Stubbs 2007, 85). Although China has successfully adjusted its image to a new benign regional actor, the perception of the "China threat" still remains (Chin and Stubbs 2011, 282).

The CPC's interests, namely economic development, balance against major world powers and regional security, were also served by China's participation in multilateral organizations or agreements (Wu and Lansdowne 2008, 9-11). The multilateral activities promoted a peaceful ecosystem and regional stability that were imperative for economic growth in an interdependent global economy. Furthermore, multilateralism helped China nurture the multi-polar world order that Beijing considered was the best way to check and

⁷ The ASEAN plus Three is an agreement entered into by thirteen countries -- the ten members of ASEAN (Indonesia, Malaysia, Thailand, Singapore, the Philippines Brunei, Vietnam, Laos, Myanmar, and Cambodia) and the three northeastern Asian countries (Japan, South Korea, and China).

balance the power of the United States. Moreover, China's participation in multilateral institutions ensured its commitment to the region which in turn maintained regional stability. For example, China was able to utilize the APT to counter U.S. intervention and create favorable conditions for its own development and stability (Stubbs 2007, 87).

China, however, viewed these multilateral institutions as means to project its influence, not mechanisms Beijing must adhere to (Wu and Lansdowne 2008, 12). In other words, China aimed to use its participation as a stepping stone to improve its status. Accommodation was the "cheapest" strategy to deal with other nation-states because it would avoid costly inter-state armed conflicts (He and Feng 2012). In brief, China strategically decided to liberalize its economy and join the multilateral organizations as these measures would allow China to rise peacefully (Zheng 2005, 30).

Assertiveness in Southeast Asia

In 2009, China's foreign policies became more competitive and assertive to confront with the aftermath from the 2007-08 economic crisis (Christensen, 2011). The transition of the grand strategy from *taoguangyanghui* (keeping a low profile) to *fenfayouwei* (striving for achievements) was manifested more apparently with the 18th National Congress of the Communist Party of China in 2012 when Xi Jinping was named as the then next-Paramount Leader (Qin 2014, 286). China adopted the assertive strategy to achieve its core interests, including, the survival of the regime, the protection of sovereignty, and socio-economic development (He and Feng 2012, 639).

The first signs of China's pursuit of its core interests were its assertive foreign policies toward its Southeast Asian neighbors. This assertiveness has varied from mild verbal reprimands to unjustifiable territorial claims. China's claim that the EEZ (Exclusive Economic Zone) in the South China Sea is its territory has caused disputes with such "weaker" neighbors as Vietnam and Philippines (Yahuda 2013, 449-451). China's assertive actions in the South China Sea has not only provoked its neighbors but also challenged "US maritime dominance" in the region since the disputed area is under the influence of the United States (Oh 2018, 534). This assertive strategy, to some extent, reflects "the process of re-negotiating" China's position in the World Order between Beijing and Washington (Huong 2019, 24).

China has also utilized international assistance as another means to manifest its assertiveness. International assistance from the CPC to developing countries and agreements which China signed with smaller nations have weakened the West's bargaining position (Woods 2008, 1221). The developing countries prefer China's assistance to that from the Western countries, as China hardly interfered with the recipients' regimes and prioritized infrastructure investment rather than legal standardization (Woods 2008; Halper 2010). Much of China's assistance do not follow OECD criteria and China's overseas aid usually straddled the line between assistance and direct investment (Shambaugh 2013, 161).

China's assistance, however, is guided by its core interests rather than by its desire to generate goodwill. On several occasions, the assistance enabled Chinese agencies to access valuable natural resources, such as oil and minerals, or the right to lease lands in the recipient countries. For example, China lent USD 0.1 billion to Laos to secure the right to a 50-year

lease of a piece of wetland in the center of Vientiane to construct an industrial park for Chinese entrepreneurs (Kenny-Lazar 2011, 11). China also established a joint venture with the Myanmar government to explore energy resources and initiate the construction of a pipeline to transport energy supplies from Myanmar to China (Huang 2015, 202; Liu, Yamaguchi, and Yoshikawa 2017). In short, China has used its assistance as a means to enable Chinese agencies to appropriate resources or secure rights to control land in developing countries.

The Party's strategy, which changed from being an accommodating actor to being an assertive emerging powerhouse, has led to the deterioration of multilateral institutions or agreements among the Southeast Asian countries. The territorial dispute in the South China Sea suggests that China utilizes a "stick and carrot" method to control specific ASEAN members. This method has occasionally worn down trust among the ASEAN members (Huong 2019). For instance, in 2016, China successfully blocked ASEAN's statement on the disputes by coercing Cambodia, which relies heavily on Beijing's assistance, to deny the statement (Huong 2019, 28-29). Meanwhile, China has utilized limitations of trade deals to punish the Philippines and Vietnam which have also claimed the contested territory.

Scholars such as Reeves (2018) view China, particularly under the leadership of Xi Jinping, as a reemerging empire and the Southeast Asian nations as the peripheral states of the Middle Kingdom. China has employed "divide-and-rule" tactics towards its peripheries by securing a series of tailored contracts that have concomitantly fulfilled political, economic, and security interests of the core and peripheries (Reeves 2018, 980). As a result of the

“segmentation,” China has been able to impose its indirect rule, which has been usually based on “bilateral relation,” on its peripheral states. Specifically, China has bound its strategic aspirations and interests to those of its peripheries’ elites whose goals are to maintain their authoritative and repressive regimes (Reeves 2018, 987). The tailored contracts reveals that the peripheries, to some extent, can shape China’s transnational policies, as sometimes the core needs to accommodate the interests of its peripheries.

Continuity of the Peaceful Rise and Assertiveness

While a major trend of China’s post-Cold War foreign policy is the change from peaceful rise to an aggressive posture, evidence is present of some continuity between these two strategies. In the mid-1990s, for example, China dispatched its navy to the disputed reefs in the South China Sea (Chin and Stubbs 2011, 281). Nowadays, China’s territorial disputes in the South China Sea certainly causes dissent with its neighbors. Additionally, it was in the first half of the 2000s that China began providing foreign aid to developing countries in Asia. For instance, in 2002, Beijing allocated USD 0.4 billion and USD 0.15 billion US in loans to Indonesia and Vietnam, respectively (Shambaugh 2005, 84).

The ultimate objective of both *taoguangyanghui* (keeping a low profile) and *fenfayouwei* (striving for achievements) for China is to attain “national rejuvenation” (Qin 2014, 303). To do so, China needed to prolong its comprehensive and flexible foreign policies to create and maintain “favorable external conditions for domestic development” (Qin 2014, 307). Control over the sea lanes around China’s maritime borders and the

provision of aid to developing countries were imperative for China's economic development. These measures helped China acquire or be guaranteed the raw materials and energy necessary to sustain its domestic economy (Taylor 2006; Yahuda 2013).

3.4 China's Foreign Policies and Domestic Interest Groups

China's contemporary foreign policies have served not only the Party, which has claimed its interests as the national ones, but also other internationalized actors, especially the SOEs and policy banks, which are involved in overseas projects.

National or Party Interests

During the pre-reform era, the CPC's leaders, namely Chairman Mao Zedong and members of his clique such as Premier Zhou Enlai, determined China's foreign policies. In the Deng Era, as the CPC initiated reforms, China's foreign policies became less personalized and more institutionalized (Harris 2014, 25).

In principle, the CPC is the most crucial actor in the policy formulation processes, as the Politburo of the CPC and its International Departments make all significant decisions (Harris 2014, 27-28). For the implementation processes, the Ministry of Foreign Affairs (MFA) and the Ministry of Commerce (MOFCOM) are the actors that undertake the day-to-day missions. This structure of policy formulation processes means that the CPC and its international affairs bodies has centralized the processes of making foreign policies. Thus,

the primary objective of China's foreign policies is to serve the national interests of the state (Wu and Lansdowne 2012; He and Feng 2012).

In the 1990s, the concept of China's national interests seemed best understood from the perspective of the realist school of international relations (Deng 1998, 329). Given this understanding of national interests, Chinese officials and scholars has upheld the survival of China as a nation-state with sovereignty as the top priority (Deng 1998, 312-314). Unsurprisingly, the national survival or "political preservation" of the Party has been Beijing's priority in the formulation of foreign policies (Wang 2005, 676).

From the CPC's perspective, national survivability is indistinguishable from the survival of the Party. According to this definition, the main objectives of China's foreign policies are to preserve the hegemonic status of the CPC and to prolong its single-party regime (Wang 2005, 673-677). However the CPC cannot focus solely focus on political preservation as it has to consider the aspirations of the Chinese people. Not doing so may be delegitimize the Party.

The Party has also promoted economic development to preserve its authority and legitimacy. A top priority of the Party since the 1980s, economic development as carried out by the CPC has tackled both the well-being and ideological aspirations of the Chinese people who have become "more nationalistic than communist" (Wang 2005, 682). The inclusion of economic development in the policy objectives implies that other social forces, to some extent, have been able to determine the policy formulation. Likewise, the priority of

economic development has made the CPC rely on a strategy of internationalization that has consequently transformed characteristics of the Chinese state and its power constellations.

Internationalization and Fragmentation of Foreign Policy

China's policy processes, especially the implementation ones, has been by no mean coherent because of the Party-led strategy of internationalization (Hameiri and Jones 2016, 82). The traditional agents of external affairs, such as the MFA and the MOFCOM, were no longer the only actors that were involved in and influenced the implementation of foreign policies (Jakobson 2016, 137-138). "Emerging" actors, such as internationalized subordinated units of the government and SOEs, began participating in inter-state affairs. These new actors have interpreted Party instructions to suit their interests, often in conflict with the Party's objectives.

The actions of these actors, notably bureaucratic organizations or state-related enterprises, could be justifiable, in theory, since all of them "claim to operate in the name of China's national interests" (Jakobson and Manuel 2016, 106). Nonetheless, the internationalization process has drastically changed the thrust of China's foreign policies, from the political tools of the Chinese leadership to arenas of contestation among various interest groups in Chinese society.

This contestation has usually occurred in the interpretation or implementation of policies by subordinated bodies. Hameiri, Jones, and Zou (2019, 480) explain that the reform has nurtured a "Chinese-style regulatory state," where the Party or central government has

set a wide range of desired ends for its subordinated entities but has not monitored in detail implementation of the policies or outputs of the entities.

The fragmentation of China's foreign policies has led leading figures of the Communist Party of China, notably Chairman Xi Jinping, to attempt recentralizing foreign affairs decisions (Jakobson 2016), which would potentially make him become "the sole coordinator of Chinese foreign and security policy" (Jakobson and Manuel 2016, 108). In the area of economic policies, Xi has utilized the newly-created Leading Small Groups (LSGs) to centralize formulation and implementation of economic policies. This attempt has failed to meet Xi's expectations because he "cannot possibly pronounce on every important economic policy and solve "conflicting short-run policy priorities" (Naughton 2017, 42-43). As Suehiro Akira (personal communication, July 19, 2019) commented, the Party, currently, has remained unable to fully control its subordinated entities or the SOEs which operates in foreign countries.

Internationalized SOEs

The Party's initialization of "going-out strategy," which encouraged investments abroad, greatly benefited the SOEs (Gonzalez-Vicente 2011, 402). The "going-out strategy" enabled the SOEs to exploit international commercial opportunities, while enjoying some degree of autonomy. While the Party sets the directives and governs operations, the internationalized SOEs independently employ several means to achieve the goals, including collaborating with foreign companies or governments (Gonzalez-Vicente 2011, 403).

Regardless of their operations, the internationalized SOEs “remains a key component of the state apparatus” (Gonzalez-Vicente 2011, 404). The Party is the largest shareholder, if not the sole owner, of large strategic enterprises (You 1998, 220; Lin 2017, 3). According to Wu (2017), “China’s state-owned industrial behemoths” are controlled by “more than 800,000 party committees.” These enterprises are likely to be the internationalized ones. Hence, while the Party holds formal power to determine strategies, the non-state shareholders have little say over any investment plan (Yu 2012, 33).

When the SOEs operate in remote areas, the Party cannot effectively control the enterprises’ managers. Hence, the Party has to confront the problem of “consolidation of domination over distance,” where the central government faces the difficulties of monitoring the enterprises which operate in distant areas (Ding 2000, 11). The consortia of state-owned railway agencies, which operate in countries other than China would be examples of enterprises over which the Party has limited control.

Moreover, the Party has difficulties monitoring and controlling the internationalized SOEs because of the uneven nature of the internationalization of state entities (Jones and Zou 2017, 748). While the leading SOEs have already succeeded in penetrating the global market, the regulatory bodies have not internationalized to the same degree. Hence, SOEs possess autonomy that enables them to bend national interests or state objectives to pursue their benefits. An example is the collaboration to support the construction of the China-Myanmar pipelines between China’s National Oil Companies (NOCs) and the government of Yunnan (Reilly 2013, 11). The Yunnan-NOCs coalition justified the pipelines, which would help

access the oil supply in Myanmar, on the basis that the pipelines would enhance China's energy security.

The independence of the SOEs is one of the obstacles that hinders the CPC's ability to utilize them to serve the CPC's objectives. On some occasions, the SOEs have exploited economic opportunities in contentious areas contrary to the peaceful diplomatic goals of the MFA. A case in point was the assertion of "China's sovereignty" by the China National Offshore Oil Company to gain concessions to explore oil in the disputed South China Sea. The MFA disapproved of this move (Hameiri and Jones 2016, 87). Houser (2008, 151) summarizes that the SOEs, for example, NOCs tend to respond to demands of their foreign shareholders⁸ and corporate interests rather than desired objectives of the Party. Notably, Chinese diplomats have not been able to convince the internationalized SOEs to adopt some measures that were crucial for China's interests but compromised the SOEs' commercial interests (Reilly 2013, 11).

Jones and Zou (2017, 749-750), however, argue that the politically unacceptable actions of the internationalized SOEs do not necessarily mean that the Party has a limited capacity to control them. Instead, the SOEs have some room to interpret policy frameworks

⁸ As of 2018, there is limited evidence of the influence of foreign shareholders in directing Chinese railway corporations. One of the potential examples is CITIC, which is working with Japan-based Itochu and Thailand-based Charoen Pokpand as "substantial shareholders" (*CITIC Limited* 2018). In particular, CITIC Group, which also has a share in CITIC Limited, is one of the allies of Charoen Pokpand in bidding for the high-speed railway project in eastern Thailand (Orathai 18 Nov. 2018).

and instructions, suggested by the Party, into practices that fulfill their profit-motives. SOEs choose to conduct business in an aggressive manner because they are “latecomers” who have to compete desperately with Western-dominated firms (Jones and Zou 2017, 750).

The Policy Banks

Like the SOEs, China’s policy banks are hybrids of state apparatuses and profit-driven transnational corporate entities. A case in point is the China Development Bank (CDB) which aims to fulfill Chinese government’s objectives and make profits (Sanderson and Forsythe 2013, 80). Policy financial institutions, notably the CDB and the Export-Import Bank of China (EXIM Bank), have occasionally called for access to valuable resources or opportunities in exchange of funds for infrastructure development as their goal is to gain profits from the projects.

On the one hand, the priority of the policy banks is to facilitate the internationalized SOEs and Chinese private companies which engage in international business. For instance, the EXIM Bank has provided loans in Chinese currency to recipients in host countries with the condition that Chinese contractors would be hired to undertake the projects (Mattlin and Nojonen 2015, 710-711). Several non-Chinese agencies, which had to rely on EXIM Bank loans, have stated that such a condition would lead to a monopoly of Chinese businesses.

The policy banks, notably the CDB, utilize loans as the battering ram for Chinese firms to gain access to lucrative resources in the destination countries. The situations in such oil-producing countries as Venezuela or Russia, reflected this practice. The CDB’s loan was

conditioned on the recipient committing to selling an agreed amount of petroleum to Chinese oil companies, which desperately wanted this commodity (Sanderson and Forsythe 2013, 132).

The policy banks also pursued profit by lending to support infrastructure projects in other countries. Both CDB and EXIM Bank usually provided loans with *LIBOR*-plus interest rate for high-risk projects in developing countries, especially in Africa⁹ (Sanderson and Forsythe 2013, 111). For example, in Ghana in 2010, the CDB's interest rate for its 15-year and 10-year loans were 6-month LIBOR plus 2.95 percent and 6-month LIBOR plus 2.85 percent, respectively; while the World Bank interest rate for 12-15-year loans was just 6-month LIBOR plus 0.7 percent (Sanderson and Forsythe 2013, 115). The Chinese policy banks also requested expensive collateral from its recipients, typically in the form of guaranteed incomes from the sale of natural resources. The CDB-Ghana loan for pipeline construction reflected this practice as the CDB was guaranteed the right to assume revenues from oil sales, if the Ghanaian government did not make its payment to the CDB.

In summary, it should be noted that China's policy banks are part of commercialized government branches which respond to both Party directives and the banks' internal interests. Also, these policy banks are not benevolent financiers as their primary goal is to obtain profits

⁹ LIBOR is the abbreviation for London Interbank Offered Rate, which supposed to represent what's going on in the global markets (Sanderson and Forsythe, 2013, p. 111).

from providing loans to overseas recipients. Like the SOEs, the policy banks, which operate in overseas markets, occasionally ignore Party directives.

3.5 China as a Latecomer in the High-speed Railway Market

Before examining high-speed railway competition in Southeast Asia, we need to address two fundamental questions: how did China become an exporter of high-speed railway technology in a relatively short time and how does high-speed railway diplomacy fit into China's grand strategy?

The Latecomer in High-speed Railway Technology and the First Wave of the Locomotive Export

China first experienced the railway as a mode of transportation in the late nineteenth century when the colonial powers constructed railroads in several parts of China (Chen and Haynes 2015, 2). In the 1980s, China gradually began its high-speed railway era when its railway agencies began conducting research and development to develop a rolling stock for the high-speed railway (Chen and Haynes 2015, 59).

In 2003, China changed its policy direction when the government demanded foreign railway companies to transfer technology to their Chinese counterparts as an incentive to access the Chinese market (Chen and Haynes 2015, 59). This policy has proven beneficial to Chinese agencies as they could then collaborate with and obtain advanced knowledge from

their foreign partners (Chen and Haynes 2015, 64). Chinese engineers were able to integrate Chinese innovations with foreign technologies to advance China's railway development (Chan 2017). The success of this policy has reflected the fact that Chinese engineers are competitive in designing and building high-speed railway equipment that are just as good as, if not better than the world's leading railway technologies (Chan 2017).

As a result of the Chinese railway agencies' improved technological capabilities, China began constructing a nation-wide railway network in the first decade of the 21st century. In 2005, the government constructed the first dedicated high-speed line, 113 kilometers in length, connecting Beijing and Tianjin (Chen and Haynes 2015, 57). This first high-speed railway was completed in 2008, just a week before the official opening of the Beijing Olympic Games (Chan 2016, 2). Less than a decade later, in 2016, China's high-speed railway networks had expanded from just over 100 kilometers to about 20,000 kilometers (Chan 2017). China's high-speed railway network is currently the most extensive in the world.

After successfully developing its national high-speed railway, China decided to export its technology to other countries with the aim of reshaping the structure of China's industrial sectors, especially high-tech manufacturers (Chan 2016, 2). Kratz and Pavličević (2016) labeled this move as "the first wave of the high-speed railway 'going out.'" Liu Zhijun, the former Minister of Railway between 2003 and 2011, promoted the railway export strategy as "a symbol of China's technological advancement" (Kratz and Pavličević, 2016). Nonetheless, the first wave of the export was halted by the reform of the state railway bodies

that dismissed and imprisoned Liu Zhijun in the process. The dismissal of Liu from his ministerial position was based on charges that he had taken a vast sum of bribes and gifts between 1986 and 2011 (Yin-nor 2016, 111).

The Reform of the State Railway Organizations

In addition to the technological advancement and expansion of the railway networks, the CPC, under Xi Jinping, also reformed the railway-related institutions which had enormous debt and rife with rampant corruption (Yu 2015). Before the reforms, the Ministry of Railway (MOR) had many roles in high-speed rail operation, including operator of passenger and freight services, regulator of safety standards and organizational management, and investor in the infrastructure construction (Yu 2015, 1071). In short, the MOR was the state firm which monopolized the railway businesses, and an arm of the government in regulating locomotive affairs.

After several tragic railway accidents from 2008 to 2011, Xi Jinping pursued dissolution of the MOR and incorporation of the railway bodies into the Ministry of Transport (Yin-nor 2016, 111). The railway accidents provided political legitimacy for the Party to reform the MOR, reforms which had long been obstructed by vested interests, including bureaucrats and army personnel (Yu 2015, 1079-1081). In March 2013, the National People's Congress of the People's Republic of China launched a new railway reform plan, which would split the MOR into two bodies (Yu 2015, 1083). The first body was the National Railways Administration (NRA), which would be the inspector of railway development,

standards, and regulations. The second body was China Railway Corporation, which would be the commercial entity which makes infrastructural investments, as well as operates passenger and freight services.

The railway reforms of the Xi administration were not limited to domestic railway affairs, as they also covered overseas high-speed railway business. In 2014, the CPC merged China South Locomotive and Rolling Stock Corporation Limited (CSR) and China North Locomotive and Rolling Stock Corporation Limited (CNR). Remarkably, both CSR and CNR have been involved in the export of railway construction and services. As a result of the merge, the CPC founded China Railway Rolling Stock Corporation (CRRC) that could help the Party mitigate the problem of “excess competition” among overseas state-owned railway companies (Huang 2018, 154-155). The newly-founded CRRC has become “the world’s supplier of rail transit equipment” that plays a leading role in the strategic campaign, notably in the BRI (Huang 2018, 155).

Although the reforms reflected the centralization of power in policy processes, the overseas railway agencies still have a degree of autonomy in their operations. For instance, the CPC was not able to direct the actions of the Chinese railway companies which operate in Thailand (the former policy advisor to the Yingluck government, personal communication Februar 14, 2017). They sometimes ignored the Party’s directives and presented “unfair” offers which damaged China’s reputation.

Under the corporate reform of the Xi administration, the Party categorized state-owned enterprises into two groups: *gongyilei* (a public class) and *shangyilei* (a commercial

class) (Leutert 2016, 85-86). According to the Party's directive, the former group is responsible for "political" missions, notably to maintain public welfare and national security, while the latter group must maximize income and, sometimes, serve the Party's political agenda. The Xi government placed the railway agencies in the *shangyelei* category. The railway agencies, hence, cannot focus solely on the Party's political and administrative missions and must also pursue commercial goals.

3.6 China's High-speed Railway Diplomacy in Southeast Asia

Between 2012 and 2016, China won contracts to construct and finance high-speed railway projects in Thailand, Malaysia, Laos, and Indonesia (Pavličević and Kratz 2018). These developments illustrate the continuity rather than the change in the relations between China and Southeast Asia in the post-Cold War era. In Southeast Asia, China provided development assistance and established such forms of economic cooperation as aid provisions or investments in primary sectors (Schmidt 2008, 28).

The High-speed Railway Diplomacy and Belt and Road Initiative (BRI)

The second wave of China's high-speed railway export, which has moved forward rapidly since late 2013 (Kratz and Pavličević 2016), occurred in the same period as the reform of China's state railway organizations. The second wave of railway export and the reform of the state railway organizations are parts of China's grand strategy since the Party has

conducted both policies under the BRI context. Specifically, the Party adopted the BRI blueprint in November 2013 (Huang 2016, 314). One of the highlights of the BRI is the construction of the trans-Asian railway and highway networks to lower transportation costs and improve connectivity within the Eurasia landmass (Callaghan and Hubbard 2016, 120).

Map 3.1 shows that the BRI includes not only land routes, that is, highways and railways, but also maritime routes. As suggested by its name, the BRI consists of a belt and a road. The “Belt” is a constellation of roads and rails that connect economic areas, extending from East Asia to Central Europe via Central Asia. Map 3.1 also indicates that the “Belt” has a secondary route, which connects the southwestern parts of China with Singapore via mainland Southeast Asia. The “Road” is a network of ports and harbors along the Indo-Pacific Oceans that links South China Sea, India Ocean, Eastern Africa shores and the Mediterranean Sea.

Map 3.2 shows the Pan-Asian Railway plan that would connect China and mainland ASEAN members. According to Map 3.2, the railway plan consists of three routes: the western route, the central route, and the eastern route - with Bangkok as the hub of three planned routes. The high-speed railway projects, which will operate on the standard gauge, which is 1.435 inch in width, in Laos, Thailand, and Malaysia, will link Kunming, the capital city of Yunnan Province, with Singapore, the entrepot of the region.

Since the launching of the BRI in 2013, China has been in the frontline of high-speed railway projects in Southeast Asia as it played the role of both initiator and bidder (Kratz and Pavličević 2016). In October 2013, China invited trade ministers from the ten ASEAN

member states to travel to Beijing to experience a high-speed train (Yu 2014, 14). In addition, China proposed a plan to construct a railway network that would extend southward to Southeast Asian countries, such as Vietnam, Thailand, and Malaysia (Chen and Zhang 2015, 316). The southward railway would be a part of the plan to establish the Eurasian high-speed railway. However, the China-involved high-speed railway projects do not all link with the Chinese railroad network. For example, the Jakarta-Bandung route will provide a transportation link solely on the populous Java Island in Indonesia.

Southeast Asian nations, namely Laos, Thailand Malaysia, and Indonesia, have somewhat welcomed this initiative, although the BRI and high-speed railway diplomacy have explicitly revealed the assertiveness in China's foreign policy. The high-speed railway networks can help the ASEAN states reduce transportation costs, facilitate human mobility, and enhance both integration and connectivity within the region (Yu 2014, 21).

The ASEAN members have encountered difficulties in their pursuit of more advanced railway networks as these projects require a considerable sum of capital that has discouraged the participation of the private sector (Yu 2014, 21). The ASEAN states must install entirely new sets of railway networks to link their new high-speed railway network with China since their systems use a different gauge width. Most of the railway systems in mainland Southeast Asia, especially in the Greater Mekong Subregion (GMS)¹⁰, uses the meter-gauge system

¹⁰ GMS consists of Cambodia, China, Laos, Myanmar, Thailand, and Vietnam.

(1.000 meters in width) (Ruth 2013, 76), while the BRI's railroad use the standard gauge system (1.435 meters in width) (Wu and Chong 2017).

Multilateral Financial Institutions or China's Policy Banks

China proposed setting up multilateral financial institutions to secure sufficient amounts of capital for its ambitious projects. These institutions will act as lenders for countries which need capital for its infrastructure development. One of the prime examples is the AIIB (Asian Infrastructure Investment Bank) which aims to provide capital loans and technical assistance to its members. The AIIB consists of 21 Asian founding member countries. Having contributed about USD 30 billion to the bank, China is the bank's largest investor, holding over 26 percent of the voting shares (Yu 2017b, 358-359).

In the context of Sino-ASEAN relations, Xi announced in Jakarta in 2013 that AIIB would provide financial support for infrastructure construction in Southeast Asia that would lead to "win-win" cooperation between China and the countries in the region (Callaghan and Hubbard 2016, 121). Despite Xi's announcement, the AIIB hardly funded high-speed railway projects in Southeast Asia, while it has funded other infrastructure projects, including irrigation systems or power plants. Indonesia's Jakarta-Bandung high-speed railway relied on a loan from the China Development Bank (CDB) that accounted for 75 percent of the total costs (Fedina 2017). Laos has financed its Kunming-Vientiane high-speed railway through Sino-Laos joint-ventures, its own budget, and loans from the Export-Import Bank of China (EXIM Bank) (Janssen 2017a).

China-Japan Competition and its Impact on High-speed Railway Projects

An ambitious transnational project like the BRI has unsurprisingly intensified competition between China and Japan. The rivalry began in 2013 when China officially launched the BRI. In turn, the Abe administration pushed forward the initiative of export of “quality infrastructure” (Yoshimatsu 2018, 722-723). Both China and Japan are competing to be leaders of infrastructure projects in Southeast Asia as they mobilized diplomatic support and economic resources to secure railway contracts in Southeast Asia (Yu 2017c, 54). Japan and China have different intentions. Japan aims to preserve its dominant position in infrastructure investment in Southeast Asia, while China is challenging Japanese influence in the region (Yu 2017c, 55). One of the examples of Sino-Japanese competition was the tender of Indonesia’s Jakarta-Bandung high-speed railway in 2015. China won the bid because it accepted the Jokowi government’s requirements on financing terms and technology transfer (Yoshimatsu 2018, 727).

The China-Japan contestation over the export of high-speed railway technology is also the competition between Chinese internationalized state-owned railway enterprises and privately-owned Japanese transnational corporations. Specifically, it is a competition between the CRRC and Japan Railways Group (JR) and its subsidiaries (Pavličević and Kratz 2017, 18-19). Despite the different characteristics of both entities, the Chinese and Japanese governments are both committed to assisting and supporting their own railway firms to help them win contracts. Compared to their Japanese counterpart, the Chinese government has provided more assistance to its SOEs.

The Chinese government, with its “enormous financial resources,” can offer inexpensive but flexible deals to host countries. However, these deals usually include such ‘add-on projects,’ as the construction of production sites, business hubs, or real-estate developments along the railway line (Pavličević and Kratz 2017, 18). The aim of these add-on projects was to assist China to win the the contracts. Likewise, the Japanese government has provided loans through the JICA (Japan International Cooperation Agency) and JIBC (Japan Bank for International Cooperation) with a lower interest rate (below 1 percent) and longer repayment term (Pavličević and Kratz 2017, 19). The interest rates offered by the Japanese agencies were lower than those offered by the Chinese ones. In the case of the Jakarta-Bandung route, Japan and China offered loans with annual interest rates of 0.1 and 0.2 percent, respectively (Dorimulu and Laia 2015).

The host countries have found the flexibility of China’s proposals more attractive than the Japanese ones, despite the higher interest rates of the Chinese proposals. First, the Japanese government must conform to the terms of OECD membership; hence, it has less room to tailor offers to the host countries’ demands (Pavličević and Kratz 2017, 19). Second, the Japanese agencies usually offer products and systems which are of higher standard and therefore of higher cost. The Japanese agencies rarely compromised quality with a reduction in costs (the second mid-level officer of the Ministry of Transport, personal communication March 2, 2017). On the contrary, Chinese agencies are very flexible in its specifications of the project, including quality of the materials and safety system, in order to make the project more affordable.

Although the high-quality Japanese products ultimately have lower long-run maintenance costs than Chinese equipment, Southeast Asian states have preferred the flexibility of the Chinese agencies. This flexibility allows the host government to spend less of its budget. The savings then serves the interests of domestic social groups or can be reallocated to other public projects. According to a mid-level officer in Thailand, for resource-scarce Southeast Asian nations, the flexibility gives an advantage to Chinese corporations in the bidding process, since it can reduce the project's overall costs. In the Indonesian case, China's proposal enabled the Indonesian government to save money for other infrastructure projects in rural areas as it did not have to finance the project directly (*Associated Press* January 12, 2016).

High-speed Railway Diplomacy and China's National Interests

The CPC's pursuit of the ambitious BRI and high-speed railway diplomacy has been driven by China's aspiration to enhance its status in global politics. Under the grand strategy of *fenfayouwei* (striving for achievements), the Party aims to use the BRI to make China a great power that will be able to "determine the nature of international order" (Arase 2015, 28). The BRI is based on the vision of *mingyun gongtongti* (*community of common destiny*), in which China, as the leader of the community, can use its strength to create a "win-win" situation via the promotion of international trade and bilateral inter-state dialogue (Arase 2015, 30, 33). The BRI can help China materialize "geo-developmentalism," that is, the path to improve mutual benefits between China and other Eurasian countries via the creation of the

transnational infrastructures promoting trades and investments (Chan 2017, 6). However, China will be the leader rather than a member in this “geo-developmentalism” path, since it will be the provider of resources for the project.

The *community of common destiny* seems to favor China over other participating countries, due to the Chinese way of negotiating with other members of this community. The community will “maximize” China’s bargaining power and “minimize” the procedural and normative constraints on China’s behaviors because of the prioritization of bilateral agreements over multilateral institutions (Arase 2015, 35). The BRI is compatible with China’s grand strategy of assertiveness that prioritizes the pursuit of core interests. However, this assertive strategy has increased the concern of Southeast Asian countries which have territorial conflicts with China. To some extent, these countries are asking whether they should join the BRI and let Chinese agencies construct and operate high-speed railway projects (Yu 2017c, 61).

In addition to enhancing China’s status in international politics, the BRI and the railway exports will alleviate China’s domestic problems of overcapacity and regional inequality. As China becomes a producer of high-valued manufacturing goods, the Party aims to use railway strategy to promote the export of excess high-tech products (Yu 2014, 17). The Party undoubtedly perceives Southeast Asia as a potential market for the Chinese firms to offload their excess supply of high-speed railway technology and equipment (the first mid-level officer of the Ministry of Transport of Thailand, personal communication February 27, 2017). Concomitantly, the Party intends to use the BRI to develop its border provinces, which

share borders with the Central Asian states and the Southeast Asian countries, because this initiative has the potential to transform these “backwater” provinces into regional hubs (Cai 2017, 6-8). For example, the China-ASEAN high-speed railway project can upgrade Yunnan to a regional center of the GMS.

Competing Interests in High-speed Railway Diplomacy

The BRI and high-speed railway diplomacy are driven by not only the national interests, which primarily represent interests of the Communist Party of China that wants to maintain the status quo, but also the profit maximization motives of Chinese agencies. The BRI is the transnational logistics project that notably facilitates the overseas operation of the Chinese state capitalists, particularly the state-owned enterprises and the state-backed financial institutions (Chacko and Jayasuriya 2017, 17).

The Chinese internationalized state-owned enterprises and policy banks can gain several benefits from high-speed railway diplomacy in Southeast Asia. Initially, they can access a new market where they can sell their products at higher prices or provide loans with high-interest rate, especially in locations where they face no competition. However, these SOEs cannot solve the overcapacity problem by dumping their products at lower prices because they also need to maximize their profits to have acceptable financial performance.

As happened in Thailand during the junta government (2014-present), the military regime chose to negotiate with China through a bilateral agreement. The Chinese agencies requested that the Ministry of Transport to pay 500 million baht for an “unqualified”

feasibility study (the second mid-level officer of the Ministry of Transport of Thailand, personal communication, March 2, 2017). Similarly, the policy banks offered a loan with an above 3 percent interest rate to the Thai government, but the Ministry of Transport declined this offer, due to the unreasonably high-interest rate (*Thansettakij* October 14, 2016). The Chinese state-owned railway enterprises can also impose demands to assume the right to control fixed assets, especially the lands along the railways and around the stations. As happened in Laos, the Chinese agencies disputed the Lao government over the issues of who owns the rights to control the land; this eventually delayed the negotiation (*Bangkok Post* March 13, 2015).

The “predatory” behavior of China’s railway-related agencies have caused some dissatisfaction amongst state officers and citizens of recipient countries who have felt that the Chinese agencies have taken unfair advantage. In particular, some Thai bureaucrats have stated that Chinese agencies have acted selfishly and have ignored existing procedures of the host country; hence, this has made cooperation problematic (the second mid-level officer of the Ministry of Transport, personal communication, March 2, 2017). Likewise, Somsavat Lengsavad, the Deputy Prime Minister of Laos, had to announce that the Lao government would not let the Chinese firms “get [the] rights to develop land along the route” to calm public frustration over China-Laos railway project (Webb 2016).

Hostily towards the Chinese railway agencies from host bureaucrats and people had delayed portions of the China-initiated railway project. The delay meant that construction and operations of the trans-Asian railway network were slowed down. Hence, the profit-

motive behaviors of the Chinese agencies can hinder progress of the project since such behavior can make local officers and citizens express their hostility towards the agencies.

Diverse Chinese Agencies in High-speed Railway Development in Southeast Asia

Although this thesis labels China as a (re)emerging great power, it does not examine China as a unitary state. Instead, the thesis primarily analyzes the interactions of the Chinese agencies, such as internationalized SOEs or policy banks, and the host states, which embody domestic political groups, in Southeast Asia. The agencies, nonetheless, consists of various companies and institutions. They need not share common practices or objectives. This section does not discuss the differences in behavior or aims of various Chinese agencies but rather provide information about their operations in several countries.

There are several financial institutions or policy banks that are engaged in high-speed railway projects in Southeast Asia. For instance, the China Development Bank (CDB) has provided a loan for the China-Indonesia high-speed railway project from Jakarta to Bandung, while the Export-Import Bank of China (the China Exim Bank) has financed the China-Laos railway project from Kunming to Vientiane. The various Chinese construction and railway companies have also participated in the railway project. For instance, Beijing Yawan HSR Co. Ltd. has cooperated with a group of Indonesian SOEs to establish a joint-venture for the Jakarta-Bandung high-speed railway (Silean 2018). The China Railway No. 8 Engineering Group (CREC-8), as part of the joint venture, the Laos-China Railway Co., Ltd., has also conducted constructions in Laos. It has just built “the first bridge span of the China-Laos

railway” over the Mekong River in northern Laos (Ming May 21, 2019). This information illustrates that various Chinese agencies have participated in the railway projects in several countries.

3.7 Concluding Remarks

In brief, the rise of China as a rising global/regional power in international politics and the international economy is a result of the economic reforms initiated by Deng. The reformist practices have liberalized not only economic activities but also political power of subordinated Chinese government entities that are involved in implementing policies, including foreign affairs. The CPC or its Central Committee is no longer the only entity which decides trajectories of foreign policies because other entities, especially the internationalized SOEs and policy banks, can affect policy outcome by selectively interpreting the Party’s directives. On the one hand, China’s foreign policies toward Southeast Asian nations are tools of the Party to achieve its interests that it usually claims is the national interest. On the other hand, Chinese foreign policies have become an arena of competing interests because other actors, especially the internationalized agencies, can shape policy outcomes to serve their own benefits.

High-speed railway diplomacy, under the umbrella of the BRI, clearly illustrates the amalgam of national interests or interests of the Party and its subordinated units, namely, the state-owned enterprises and particular financial institutions. The CPC aims to use the strategy of railway export to enhance China’s status in international politics and mitigate its domestic

problems, including industrial overcapacity and regional inequality. Meanwhile, the SOEs and policy banks attempt to maximize profits from the ambitious transnational railway projects. The internationalized agencies, which are engaged with the BRI, occasionally make policy formulation and realization more complicated since they are also involved with contestation over rents in the high-speed railway projects.

On the surface, Chinese national and departmental interests seem to be compatible. On some occasions, the latter's interests can conflict with the former's. The corporations or banks might impose exploitative conditions that would damage China's reputation. Metaphorically, the problematic issues in the affairs of China high-speed railway development in Southeast Asia can be described by the classical Chinese proverb of *tian gao, huangdi yuan* (Heaven is high, and the Emperor is far away). The meaning of this proverb is that officers in distant areas can enjoy a relative autonomy, unchecked from the central authority. Regardless of attempts to centralize decisions on foreign affairs, the agencies, which are involved in high-speed railway projects, has still managed to retain a certain degree of autonomy to make money for themselves from this ambitious state-subsidized project.

Analysis of the China-initiated high-speed railway in Southeast Asian countries needs to incorporate the interests and actions of the Chinese railway-related agencies. We should not just examine how the central government in Beijing or the Party direct the BRI, as doing so cannot shed light on how the Chinese-based agencies actually behave. The Chinese internationalized agencies play a role in shaping the proposals of the high-speed railway

projects and thus become part of domestic politics, as will be discussed in the following chapters.

4. Thailand's Railway Development from Historical Perspective

Toward the end of the 19th century, Siam¹¹ became one of the few non-Western independent nations, including Japan, to successfully construct a railway (Kakizaki 2005, 2). Between 1892 and 1930, Siam expanded the length of its railway network from 265 kilometers to 2,862 kilometers (Leinbach 1989, 91). The Siamese elite developed railway networks to achieve a process of state formation and contain the penetration of the imperialist powers, namely, Britain and France (Chaiyan 1994; Suehiro 1996; Maier 2012). However, the heyday of this railway network came to an end in the post-war era when the country shifted its dominant transport mode from the railroad to the highway (Kakizaki 2017). Recently, an improved railway system has emerged at the top of the government's agenda, as it tries to develop a high-speed railway project.

The primary aim of this chapter is to examine how the interaction of domestic actors, confronted with political and economic challenges and external powerhouses, which shaped circumstances at the international level, determined railway development in Thailand. As it will be seen, railway development is not only part of the state apparatus but also representation of the pattern of resource allocation and distribution in Thai society.

In particular, this chapter elucidates four main findings. First, infrastructure construction on a nationwide scale was a matter of contestation between Bangkok-based

¹¹ Siam was the former name of Thailand. The government of Plaek Phibunsongkhram changed the name of Siam to Thailand in 1939. Although Thailand was renamed as Siam from 1946 to 1948 by the government of Seni Pramoj, its name has been changed to Thailand again.

elites and foreign actors, both state representatives and private companies. Second, the path of transportation development in Thailand was influenced by specific interests groups, which gained benefits from particular transport modes. Third, the ability of the state to commit resources also demarcated the possibility of transportation policies, including negotiation with foreign agencies. Fourth, the Thai state, which has been captured and controlled by domestic interest groups, still had some abilities to manipulate the great powers to fulfill its objectives, namely containment of external threats, consolidation of the ruling elite's power, and suppression of internal rebellions.

The chapter is divided into six sections. The first section describes how the Bangkok-based Siamese elite utilized the newly built railway system to fulfill their aspirations of state building and contain the penetration of the British and French empires. The second and third parts illustrate how domestic social forces determined the trajectories of railway development after Siam survived the threat of colonization. The fourth section will explain the decline of the railway system, which was closely related to the rise of the United States as the new global hegemonic power. The fifth section examines how China rekindled Thailand's aspiration for high-speed railway construction. The sixth section recaps the chapter's main findings. The timeline for railway development in Thailand before the period of the Yingluck government is shown in Appendix 1.

4.1 Threats of Colonization, Territorial Consolidation, and the Birth of the Railways

Containment of Imperialist Neighbors

The birth of the railway in Siam was related to political conditions internationally and domestically. In the latter half of the 19th century, the French and British empires had annexed the kingdoms around Siam as their colonies (Christian 1941). France annexed present-day Vietnam, Laos, and Cambodia, while the British Empire colonized Burma and small states in the Malay Peninsula. As a result of their annexation of formerly independent states, Great Britain and France became rivals in Mainland Southeast Asia.

In the early 1890s, the French Empire, which took control of what it called Indochina, attempted to capture the eastern banks of the Mekong River, which belonged to Siam (Chandran 1970, 108–109). At first, Britain did not stop France from plundering Siam's territory and urged Bangkok to accede to France's demands. Later, Whitehall positioned Siam as a buffer state to limit France's expansion (Tarling 1996, 3–4). Despite Siam's status as a buffer state, France continued to expand its influence into northeast Thailand by trying to incorporate Thai and Lao residences in the region into subjects of France (Suehiro 1996, 13).

Britain obstructed France from annexing Siam out of self-interest rather than benevolence. The main interest of the British Empire was the preservation of economic opportunity and prosperity, generated by the resources in Southeast Asia; territorial control was Britain's second priority (Tarling 1996, 4). Specifically, an officer at Whitehall commented that Britain could not lose Siam to France because this loss would place another

power on the British's eastern frontier and allow France to build tariff wall to destroy the monopoly held by British merchants in Siam (Chandran 1970, 113). Similarly, the policies of France in Southeast Asia were also driven by commercial benefits. France's officers, based in Indochina, wanted to control the east bank of the Mekong so that they could use the "great waterway" to access markets in southern China, namely, Yunnan and Szechuan Provinces (Chandran 1970, 108).

In the 1890s, Anglo-French rivalry in Southeast Asia became more complicated when the new industrial powers, such as Prussia and Russia, joined in the game of imperialism (Tarling 1996, 4). In particular, Prussia showed an interest in the Kra Isthmus region, where a canal could be constructed to bypass the Malacca Strait (Chandran 1965, 293). Russia established diplomatic relations with Siam and began to support the Bangkok royal house to resolve conflicts with its imperial neighbors (Ostrovenko 2004, 199). With the presence of the new powers, the Siamese elite use these powers' resources and influence to counter-balance their neighbors, notably Britain and France.

The Subsumption of Tributary States

In terms of domestic affairs, the Bangkok elite needed to consolidate their power over a distance in order to modernize the Siamese state. Before the late 19th century, the Bangkok elite had only been able to impose direct control over "an area within a radius of two days travelling" (Chaiyan 1994, 3). They indirectly controlled remote regions (from Bangkok) by giving local hereditary rulers the right to maintain their power through the status of tributary

states. The rulers of these vassal states had to submit tributes, particularly silver and gold trees, to the Siamese elite in exchange for protection by Bangkok (Thongchai 1994, 87–88). These tributary states also sent gifts to other larger states, not just Siam.

The reliance on the indirect rule in the backwater regions had its roots in the unreliability of “traditional” transport modes, whose availability and usefulness depended largely on weather conditions. A case in point was the road to Korat, which was practically unusable in the rainy season as a result of floodwaters and mosquito-borne diseases (Kakizaki 2005, 33). Another example was the river transport between the central plain and the Northern territory, the speed of which dropped from 24 kilometers per day in the rainy season to 10 kilometers per day in the dry season (Kakizaki 2005, 22). Inconsistency in the speed and availability of transport impeded the Bangkok ruling class from having direct control over the more distant areas of the country.

In the middle of colonial period, the Siamese elite in Bangkok competed with France and Britain in the subsumption of these tributary states into their newly defined territory (Thongchai 1994, 97). The competition enabled the elite in Bangkok not only to demarcate their sphere of sovereignty but also to prevent interference from the colonial powers in remote areas. For instance, the Bangkok elite needed to pacify unrest in the Malay states in the peninsula, since the British could manipulate the unrest to become a cause for interference (Loos 2010, 82–83). The subsumption of the tributary states was considered by the Siamese elite as a way to claim demarcated territory and provide protection against imperial intervention.

Imperial Powers' Ambitions to Build Railways Connecting Southeast Asian and China

Agencies of Britain and France had ambitions to construct a trans-Asia railway that could connect their territories in Southeast Asia with Southwest China. The French agencies successfully built the Indochina-Yunnan railway to incorporate the southern Chinese provinces into its orbit of influence, although it failed to promote French imperialism in China (Starostina 2009). The British agencies in Burma and Calcutta also supported the construction of a railway from a basin of the Salween River in Burma to Dali in western Yunnan (Brailey 2006, 103–104). However, Lord George Hamilton, the Secretary of State for India in London, terminated the project on the basis that it would be unprofitable. Alternatively, the French and British network of one-meter-gauge railways could link Singapore with Kunming, the capital city of Yunnan, if the colonial administrators could fill in the “missing link between Saigon and Phnom Penh” (Doig 2018, 17).

Railway construction in Southeast Asia served not only colonial administrators but also private businesses, both manufacturers and financiers. For example, the Comité des Forges, an organization of French iron and steel producers, saw the Indochina-Yunnan railway as “an opportunity to sell steel” (Starostina 2009, 184). Likewise, European bankers could also reap the benefits of lending to railway contractors and forming a joint venture with non-European governments (Robinson 1991, 4). In exchange for loans, European bankers would receive a return in the form of fixed interest on the security of railway revenues and a mortgage in the form of lands and taxes of local governments.

The Railway as a Tool of the Siamese Elites

The Siamese elite utilized the railway as a coercive apparatus to consolidate their political powers and increased control over claimed territories (Chaiyan 1994). In the 19th century, the case of Siam was the rule rather than the exception, as countries, such as Prussia and the United States, also used the railway to pacify domestic unrest and unify their territory (Maier 2012, 87–89).

While the Siamese state only constructed the railway in the final years of the 19th century, the Siamese elite had acknowledged the importance of the railway since the middle of the century. In 1857, two years after the signing of the Bowring Treaty, King Rama IV dispatched 27 delegates to Great Britain to study Western technology, including railways (Suehiro 1996, 9). When the delegates returned, their report deepened the interest of the government under King Rama IV in the railway (Kakizaki 2005, 79).

Nonetheless, the strong interest of King Rama IV in locomotive development was not shared by the succeeding government of King Rama V. Notably, King Rama V denied rumors about the construction of the Bangkok-Korat railway, explaining there were insufficient funds for the project (Kakizaki 2005, 80). However, the expansionist policies of Siam's neighbors and the importance of internal consolidation convinced King Rama V. In 1892, the Siamese government prioritized the construction of the railway connecting Bangkok, the capital city, with Korat, an outpost on the northeast, to counter France's growing influence in the region (Suehiro 1996, 13). The railway enabled the Bangkok-based

elite to mobilize rapidly a large number of military and police forces to distant areas (Wipat 2016).

The Siamese elite was aware of the economic significance of the railway system. King Rama V announced that the construction of the railway would bring prosperity to the nation because the railway would facilitate travel and logistics (Royal State Railway of Thailand 1947, 1). Indeed, railway construction was one of the factors which intensified the development of the capitalist economy in Siam (Chaiyan 1994, 120). In particular, it enhanced commodity production, such as rice and rubber, and integrated Siam into the global market (Stifel 1973, 112; Kakizaki 2005, 165). Additionally, the railway reduced the logistics costs, which enabled the Bangkok state to monopolize tax collection in the regions (Holm 1991, 124).

Railway construction was the best option for infrastructure investment, given the condition of the fiscal status of the Siamese state. The elite chose to invest in the railway, instead of the highway or irrigation system, as they could not impose a land tax to capture the surplus from increases in land rents or values (Larsson 2013, 38). The Bowring Treaty, which Siam signed with Britain in 1855, restricted the autonomy of Siam in fiscal management and imposed a “new” form of taxes. Moreover, the highways could not directly earn revenue for the state in the form of tolls (Kakizaki 2005, 135). Remarkably, the Siamese state used its budget solely for the construction of the northeastern line (Bangkok-Korat) but relied on foreign loans for the construction of the northern (Bangkok-Chiang Mai) and southern lines (Malay Peninsula railway) (Holm 1991; Kakizaki 2005). The reliance on the

Siamese state's budget in the construction of the northeastern line implied the high political priority of this line to contain threats and influences from France in Indochina that aggressively penetrated and threatened the Northeast.

The Railway as an Arena for Competing Interests

The Bangkok elite were not the only political groups to shape the trajectory of railway development, as other forces, namely Western interests, also participated in railway politics. The separation of the Siamese railway organizations from operations showed how colonial and commercial interests interacted. In the early period, the Siamese railway operated on two sizes of rail tracks. The first one was the *standard-gauge* or Stephenson-gauge railway, which was 1.435 meters in width; the other was the *meter-gauge* railway. The Siamese state used standard-gauge railways on the northern and northeastern routes, while using the meter-gauge track for the southern route (Royal State Railway of Thailand 1947, 4).

The standard gauge was used in the northeast to prevent the French army from exploiting the railway connection to invade Siam's territory as France had used the meter-gauge in Indochina (Puffert 2009). For the southern route, financed by a loan from Britain, Siam followed the instructions of British technicians to build a meter-gauge track. In a similar fashion to the width of the tracks, the Siamese state first separated its railway organization into two departments. The northern railway department managed the standard-gauge route, which connected Bangkok with the North and Northeast, while the southern railway department oversaw the meter-gauge route, connecting Bangkok with the South. Hence, the

regional-based separation of the railway departments was closely related to the constructions that needed different sizes of railway gauge for each route (Kakizaki 2005).

Details of the construction of the southern line, for which Siam borrowed 4 million pounds sterling of investment capital from Britain in 1909, clearly indicates how British administrators and businesses gained from the project. First, Britain received the right to control the four states of Kedah, Perlis, Kelantan, and Terengganu in exchange for providing the loan. This condition enhanced British domination in the peninsula.

The British proposed that the Siamese government should establish a separate railway department for the Bangkok-Malaya railway line and appointed a British director to control the department (Peter Sek 1990, 288–289). Likewise, British officers urged Siam to build a network of meter-gauge tracks on the southern route to connect the rail network for Siam with that for the Federated Malay States (FMS) (Peter Sek 1990, 304–305).

The demand to establish a separate railway department of British officers was intended to limit Prussia's intervention and competition in railway affairs in the Malay Peninsula because Prussian technicians were dominating the railway department operating the northern and northeastern lines. In summary, the separation of the railway departments reflected the conflict between the British and the Germans (or Prussians) over the sphere of influence in Mainland Southeast Asia.

Additionally, the British loans provided commercial opportunities for British-based corporations. Holm (1991, 131) stated that British corporations won the contracts, valued at around 301,782 pound sterling, via both public tender and private direct order, while its non-

British counterparts gained the remaining contracts worth 6,099 pound sterling. The case of the British loan for the southern line construction illustrated that Whitehall concomitantly maximized the interests of the London capital market, which provided the capital for this route, and the British manufacturers and contractors who gained the lion's share of the construction expenditure.

In this sense, the participation of Prussia in the railway competition could have potentially damaged the interests of British capitalists operating in Thailand. The statistics showed that in 1906 Britain secured 50 percent of imports of steel products and machinery for railway construction and rice milling in Thailand (Suehiro 1989, 33). Hence, if the British could not dominate the construction of the southern line, the share of benefits for British businesses from this route would inevitably be lowered. In short, the railway development of Thailand in the nineteenth century was the arena for not only the inter-state contestations but also the conflicts of Western capitalists.

4.2 The First World War and the Brief Golden Age of Thailand's Railway Sector

Siam as a Recognized Member of the Global Political Society

After the First World War (1914-1918), which marked the decline of European imperial power (Hobsbawm 1994, 14), Siam enhanced its status from a newly founded nation-state to a member of the international community, notably the League of Nations. Therefore, the threat of colonization from France and Britain was weaker after the First World War than in

the pre-war period. The enhanced status of Siam made the elite pursue ambitious railway schemes, even though they failed to realize some of these schemes.

The First World War hastened the collapse of the colonial system, as it intensified nationalist movements in the colonies and weakened European state systems (Albertini 1969). The European administrators in the colonies began political reform processes to accommodate the rise of nationalism. In particular, the First World War had weakened the Allies, particularly Britain and its dominions, which had lost numerous officers in the warfare (Smith 1978, 72). During the final stages of the war, the British government announced that it would not sacrifice the lives of British people for “territorial aggrandizement” (Havinden and Meredith 1993, 128–129). France also withdrew its officers and recruited troops from Indochina to wage war in Europe (Albertini 1969, 19). The withdrawal and recruitment weakened the French presence in the East of Siam.

Concomitantly, Siam’s elite saw the First World War as an opportunity to negotiate with Western nations regarding Siam’s position on the world stage. Although Siam remained neutral in the war, the Siamese elite supported Britain and France by capturing Indian and Vietnamese revolutionaries who planned to use Siam as a base to wreak havoc in India and Indochina (Streets-Salter 2017, 151). In 1917, King Rama VI formally declared war on Germany after “Woodrow Wilson’s call for neutral nations to break off relations with Germany” (Streets-Salter 2017, 162). King Rama VI explained to his ministers that the participation of the elite would give Siam a place at the negotiating table when the war was

over; if Siam did not join the war, Britain would be in a more powerful position to dominate Siam.

The declaration to join the Allies enhanced Siam's status (Hell 2007, 24). In particular, the declaration also paved the way for Siam to get rid of unequal treaties that had restricted autonomy in foreign and economic policies. The matter that apparently confirmed the enhanced status of Siam in the eyes of the imperialist powers was its position of "having a say in the post-war international order (the League of Nations)" (Hell 2007, 33). The change in Siam's status consequently led to adjustments in its railway policies, which became more ambitious and systemic. The shift in railway policies related in part to the change in Siam's status in inter-state relations.

Unification of the Networks and Organizations

King Rama VI continued the policy of railroad development initiated by his predecessor. In his era, the railway authority steadily expanded the railroad networks from 932 kilometers to 2,581 kilometers. The department started operating the Bangkok-Chiang Mai route in 1921 and extended the northeast line from Korat to a Mekong coastal town at Warin Chamrap, Ubon Ratchathani (Royal State Railway of Thailand 1947, 7).

In 1927, the department also opened the Rama VI Bridge, which crossed the Chao Phraya River, to connect the northern and northeastern routes with the southern route (Royal State Railway of Thailand 1947, 7). The connection implied that the three railway routes had to operate on standardized rail tracks. Between 1919 and 1930, the Siam railway authority

converted the networks of standard-gauge railways to one-meter-gauge tracks (Puffert 2009, 235). The conversion of the gauge enabled the railway department to use the same equipment on every line because every line could apply the same-sized rolling stocks (Royal State Railway of Thailand 1947, 7).

Together with the standardization of the rail tracks, the railway authority, under Prince Kamphaengphet, the newly appointed temporary Commissioner General of the Railway Department, integrated the northern railway department with its southern counterpart on June 15, 1917 (Kakizaki 2005, 119). During the process of organizational unification, Siam also “interned” German officers in its northern railway department because of the declaration of war on Germany (Brailey 2006, 107).

On June 27, 1917, King Rama VI officially announced the establishment of the unified railway department and named it “The Royal Railway Department of Siam” (Kakizaki 2005, 119; Royal Railway Department of Siam 1947, 6). The amalgamation of the departments improved the supervision and control of the railway and interior affairs. According to Brailey (2006, 107), the newly established Royal Railway Department helped Siam contain British influence in the south.

The Unfulfilled Ambition of the Railway Hub

Prince Kamphaengphet had the ambition to position Thailand as the hub of railway transport in mainland Southeast Asia. In 1926, the Prince expressed that “The Southern,¹² the Burma connection and the Northern lines will connect up with British possessions, the Khon Kaen,¹³ Ubon,¹⁴ and Eastern lines with French IndoChina: passing over that country to reach China” (Kakizaki 2005, 126). The incentives behind this ambitious project were to raise its status in international relations and to seize the opportunity arising from an increase in border trade (Kakizaki 2005, 124–126). Specifically, the harmonization and unification of the rail gauge, via the Rama VI Bridge, were compatible with the aim of positioning Thailand as the railway hub in mainland Southeast Asia. In theory, the meter-gauge railway networks on a nationwide scale would allow trains to travel seamlessly across Siam and its neighbors, which also used railway lines of the same width.

In this sense, Siam more or less followed the Pan-Asian railway aspirations of the imperial powers, especially France and Britain. For France, successful construction of the Indochina-Yunnan railway allowed French interests to penetrate Southern China from Hai Phong, in present day Vietnam, but this route did not bring prosperity, as hoped by the French (Starostina 2009). The British colonial government also intended the railroad network to link India with Singapore and China, but its attempt was halted by Siam’s policy of integrating

¹² The line that connected Bangkok with the Malay Peninsula – the author.

¹³ The line that connected Bangkok with the western side of the north east – the author.

¹⁴ The line that connected Bangkok with the southern side of the northeast – the author.

all the railway routes under the control of the government (Brailey 2006). After the First World War, Siam changed the priority of its railway policies from the protection of its sovereignty to the promotion of transport integration, in line with Siam's more amenable attitude toward its neighbors (Kakizaki 2005 123).

Localization and Prioritization of Railway Technology

Since the end of the First World War, the Siamese government began employing local managerial and operational staff. Whether intentionally or not, the declaration of war against Germany created the chance to reorganize and localize the railway department, as the German engineers had become enemy personnel (Suehiro 1996, 23; Kakizaki 2005, 118–119). To train Thai staff abroad, Prince Khamphaengphet introduced scholarships for candidates selected on the basis of examination and recommendation (Suehiro 1996, 24). Consequently, the railway department placed foreign-trained Thai staff as principal officers in as many as 45 of the 53 positions (Suehiro 1996, 26).

Before the appointment of Prince Kamphaengphet as commissioner general of the Royal Railway Department, the Siamese elite made little effort to train local railway officers (Suehiro 1996, 18). Unlike the leaders of Meiji-Japan, the King considered railway construction to be a tool to restrain European expansionism, rather than a means to develop local expertise in railway technology. Unfortunately, given the pressure from the colonial powers, the Siamese elite could not use railway development as a means to upgrade local skills and technology. Without the threat of colonization, the Siamese elite considered the

employment of local railway personnel and technology to be one of the choices of infrastructure improvement.

Concomitantly, the Siamese elite situated the railway as the dominant mode of transport, while using the highways or roads as supplementary modes, rather than as substitutes for the railroads. The government applied the model of “tree-shaped transport networks,” which perceived the railway and roads as the trunk and branches of the tree, respectively (Kakizaki 2005, 134). In this model, the railways would be the backbone of Siam’s transport system and the roads would serve as feeders of the railroad networks. Despite its secondary role, the road network also grew with the extension of the railway tracks. This pattern of rail–highway growth also occurred in the British Malayan states (Leinbach 1989, 65). The combination of highways and railways, under the model of tree-shaped transport networks, allowed the state to consolidate power and pacify internal disputes effectively.

4.3 Hegemonic Contestation, Siamese Revolution, and the Decline of the Railway

Weakened Colonial Powers and Emerging Powers

In the years between the First and Second World Wars, Siam experienced shifts in international politics, as the established colonial powers, especially France and Britain, faced challenges from emerging powers, in particular Japan and the United States of America (U.S.). In the 1930s, Japan started to expand its influence into Southeast Asian as part of its Pan-Asian strategy, which aimed to eradicate Western colonialism from the region (Tarling

1996, 11). Japan also became the major economic force destabilizing the hegemony of Western commercial interests in the inter-war years. In 1934, Japan accounted for around one-third of Indonesia's imports (Caldwell 2009, 332). At the same time, American businesses, backed by the White House, attempted to expropriate sources of such raw materials as tin and rubber in Southeast Asia to serve the fast-growing U.S. automobile industry (Caldwell 2009, 330). However, the American expropriation was resisted by the British–Dutch cartels.

The rise of the United States and Japan contributed to Siam's struggle for a better position since both powers helped Siam to negotiate with its neighbors. In 1920, the United States initiated the abolishment of unequal treaties between Siam and Western nations by negotiating a new treaty with Siam (Darling 1967, 214). The negotiation of a new U.S.–Thailand treaty, accordingly, abolished the extraterritoriality of other nations in Siam. A new group of Thai elites, which had successfully overthrown the absolute monarchy regime in 1932, sought support from Japan in the 1930s to legitimize the military-led regime (Reynolds 1988, 57–58). Eventually, in 1941, Japan backed the government of General Plaek Phibunsongkhram, the leading figure in the 1932 Revolution and an advocate of Japan, to invade Indochina (Ivarsson 2008, 60).

The successful invasion of French colonial territory indicated that the Siamese states had improved their military and political capacity to threaten their neighbors. Siam rapidly improved its military potential in the inter-war period, thanks to a vast amount of infantry reserves and arms purchases from the United States and Japan (Thomas 1998, 353).

Economically, Siam also achieved autonomy in tariff policies after the unequal treaties were revoked in 1926 (Booth 2003, 442–443). With enhanced capacity and autonomy in the policy formulation, Siam was transformed from a quasi-sovereign entity into an independent nation amid the contestation among the established and emerging powerhouses.

Siamese Revolution and Counter-revolution

In addition to the changes in international politics, Siam also faced an abrupt transformation of its domestic politics, which released the power of new agencies emerging from non-aristocratic backgrounds. The watershed moment was the 1932 Siamese Revolution, which overthrew the absolute monarchy and paved the way for the new regime.

Ironically, the 1932 Revolution was a consequence of the absolutist regime that had nurtured commoner-origin civilian bureaucrats and military officers (Chaiyan 1994). The civil officers and bureaucrats, under the banner of the “People’s Party,” overthrew the absolutist state and changed the regime to a constitutional monarchy on June 24, 1932. The birth of the new political system also represented resentment toward royal absolutism by local businesspeople and non-aristocratic lower-ranked state officers. The businessmen opposed the economic practices of the old regime which allowed foreign companies to dominate the domestic market and provided no substantive assistance for local businesses to develop (Pasuk and Baker 1995, 247). The lower-ranked state officers were dissatisfied with the status-based, rather than merit-based, approach to appointments, promotions, and salaries since the status-based system prevented the non-elite officers from reaching important

positions (Pasuk and Baker 1995, 248). Such a dissatisfaction partly shaped the trajectories of the new regime's railway policies.

The new regime was far from stable since it faced challenges from the traditional elites, namely, royalist factions, and factional conflicts within the People's Party. A case in point was the 1933 Rebellion led by Prince Boworadet, the cousin of King Rama VII and former minister of war, who mobilized troops to seize the northern area of Bangkok and forced the government to resign (Ferrara 2015, 95). The government, however, successfully suppressed the royalist rebels within two weeks. Moreover, it had to contain conflicts among members of the People's Party. The conflicts "factionalized" the party but "many of the factions remained fluid throughout the period" (Hewison 1989, 61). These challenges from the royalists and factions within the People's Party affected how the new regime developed the transport infrastructure.

The Rebel and the Decline of the Railway

From the 1932 Revolution to the early post-war years (the 1950s), development of the railways was no longer a priority of the Thai state's transport policy. Instead, the bureaucratic ruling elite prioritized investment in the highways and diminished investment in railway matters. One of the turning points was the 1933 Rebellion, which made the government realize the capability of the railways to destabilize and topple a regime, as Prince Bowaradet utilized the railway to mobilize his army (Suehiro 1996; Kakizaki 2017).

The government imposed strict controls on the railway department to prevent the opposition from using the railway to wreak havoc. The rebellion divided the railway department into two groups: the pro-rebellion group, which supported Prince Kamphaengphet and the anti-rebellion group, which supported the new regime in the hope of rapid promotion (Suehiro 1996, 28–29). The government, hence sent military personnel, who did not possess competent technical knowledge, to suppress a divisive situation within the department. The government also discarded the appointment of the Western-trained officers, who supported the rebellion, into important positions. The railway sector deteriorated as a result of de-professionalization. After all, the fresh politically appointed executives and managers were not sufficiently experience to run the railway department.

The rebellion also inspired the People's Party government to launch a program extending the road networks as an alternative to the railways. Prince Boworadet's rebellion reminded the government that it should not rely on the railway as the sole means of mobilization, Between 1939 and 1941, while the expenditure of the Royal Railway Department did increase from approximately 9 million baht to 15 million baht, the Department of Way's expenditure skyrocketed from around 1.2 million baht to more than 15 million baht (Kakizaki 2017, 47). The disparity between the increases in the expenditure of different modes of transport indicated that the government was aware of the vulnerability of the railways, which the opposition had used to its own advantage.

To some extent, the shift of budget allocation in transport investment illustrated that the post-1932 Revolution governments responded to rural dwellers who voiced their

demands via politicians. During the 1930s, the Member of Parliament who represented voters in the provinces usually asked for progress on road construction, since several provinces had no access to the railways and highways (Kakizaki 2017, 56–57, 64).

Road construction also assisted private actors who provided bus or truck services “over empty fields and crude cart tracks” (Holm 1991, 123). In contrast, investment in a privately-run railway required larger amounts of investment capital for the investment to be profitable. Likewise, road construction provided an alternative mode of transport for private businesses. For example, Luan Busawan, an influential figure in the rice industry in the Northeast, convinced other associations of rice millers to find a new logistics method, since he wanted to stop having to pay bribes to officers of the railway department (Suehiro 1989, 146, 164).

The Second World War and Partial Destruction of the Railway Sector

During the Second World War, Allied forces damaged several railway infrastructures and facilities, such as stations, factories, bridges, railroads, and rolling stocks (Kakizaki 2017, 91–92). In particular, Allied forces destroyed 78 of 186 rolling stocks and wrecked 28 bridges, including the Rama VI Bridge connecting the northern, northeastern and southern railway lines.

Due to its limited resources, the Thai government had to rely on external sources of financial capital, especially the World Bank, in the 1950s (The State Railway of Thailand 2017a). In exchange for a loan to refurbish the Thai railway system, the World Bank imposed

two conditions (Kakizaki 2017, 113–114). First, the World Bank urged the Thai government to change the railway department from a state organization to a state-owned enterprise, with an autonomous accounting system and regulated by the Ministry of Transport. In July 1951, the Royal Railway Department of Thailand was renamed the State Railway of Thailand (SRT). Second, the World Bank demanded that the government increase its fees for freight and passenger fares because the Bank considered that the low fees and fares would cause a financial problem for the “newly autonomous” railway organization.

In principle, the two conditions imposed by the World Bank suggested that the post-war Thai government should prioritize economic issues over political ones in railway affairs. The World Bank unsurprisingly rejected financing the government’s projects to extend the existing railway networks on the basis of uncertainty in financial feasibility (Kakizaki 2017, 113–114). Instead of providing loans for new railway lines, the World Bank advised the government to use a budget to build these lines. Presumably, the World Bank’s refusal to lend money to extend railway lines meant that it favored roads as a mode of transport in the coming years.

4.4 American Hegemony and Domination of the Highways

Washington and Bangkok

Thailand and the United States formed a close relationship in the post-Second World War era. The former acted as an ally that contributed to American political and economic interests in Southeast Asia, while the latter promoted development and security in Thailand.

Washington's support for Bangkok had begun even before the outbreak of the Second World War. During the Second World War, the United States supported the Siamese underground movement, Free Thai, which resisted the Phibun government, which collaborated with Japan (Martin Jr. 1963, 467). When the war finished, the United States persuaded Britain not to impose demands that would compromise the sovereignty of Thailand (Muscat 1990, 19).

Post-war cooperation between Thailand and the United States was based on their mutual interest in containing communist expansion in Southeast Asia. During the Cold War, the primary objective of Washington was to turn Thailand into "a bastion of the free world" that would resist expansion from communist China and contribute to wars against revolutionaries in former Indochina (Darling 1967, 217–218). Thailand needed American military and economic assistance to deal with rising threats from communist neighbors and domestic insurgency, led by the Communist Party of Thailand (CPT), which was supported by both Vietnam and China (Muscat 1990, 22). In particular, the CPT chiefly started insurgencies in the "poorest rural borders," which were the "most alienated and resentful of the Thai government" in the south, north, and northeast of Thailand (Bergin 2016, 26).

To deal with the revolutionary movements, American agencies offered educational exchange and economic aid. Between 1950 and 1980, Thailand's government received military equipment, loans and grant programs, and training courses for bureaucrats from its American counterpart (Muscat 1990, 20). Additionally, the American agencies built several military constructions, such as roads, airbases, barracks, and radar communications, in Thailand (Muscat 1990, 21–23).

Due to the scale and scope of its assistance, the American government had considerable power to shape the Thai government's policy. It could be said that the expansion of Thailand's highways was partially a result of the American agencies' strategy to deal with communism in Southeast Asia.

Development of the Capitalist Class in Post-war Thailand

Although the military had dominated Thai politics for almost six decades, from the 1930s to the 1990s, the capitalist class in Thailand started having an impact on Thailand's politico-socio-economic development from the 1960s. Since the rule by Sarit, which followed the U.S.-led modernization program, the Thai state transformed into a capitalist state, primarily aimed at promoting capitalist modes of production, and located private investment at the center of the regime (Hewison 1989, 91, 105). Apart from the state managers, the capitalist class in Thailand became another group which was able to formulate and implement economic policies, because of their growing influence and prosperity.

The Thai capitalist class, which consisted of at least the transnational corporations and Thai entrepreneurs, was not a unitary entity. The transnational groups invested in Thailand and other developing countries to take advantage of lower labor and production costs, generous incentives for investors, and access to domestic markets (Hewison 1989, 100). The transnational corporations also influenced the Thai state's strategy of economic development. For instance, the Japanese multinational corporations encouraged the

government to promote export-oriented industrialization since the 1970s (Glassman 2004, 93).

For the domestic capitalists, who were mainly rooted in Sino-Thai businesses, their main activities were import-substitution industries, agro-business, and financial services, particularly banking (Suehiro 1989, 218). During the 1980s, the domestic capitalists, both metropolitan conglomerates and provincial businesses, finally captured the state by several means. First, they used business associations and chambers of commerce to initiate, transform, or block implementation of government's policies (Anek 1992, 95). Second, the metropolitan businesses and provincial capitalists also took control of political parties and utilized electoral competition as a means to shape state policies (Anek 1988, 453–455; Connors 1999, 203).

The Age of the Highways and Capitalists

Since 1957, when the junta government of Sarit Thanarat started the American-assisted modernization project, the roads or highways have become the primary mode of transport in Thailand. Between 1959 and 1973, the length of Thailand's railways only increased from 3,494 kilometers to 3,765 kilometers, while the length of paved roads expanded dramatically from 2,931 kilometers to 13,635 kilometers (Kakizaki 2017, 199). The marked importance of roads in post-war Thailand was part of the phenomena described by the historian Hobsbawm (1994, 263), when he wrote that trucks and buses had become "the major means of transport over most of the globe's land mass" in the post-war era.

Thai and American policy-makers believed that networks of highways were extremely important means to mobilize military forces, defeat the communist movement in the countryside, and promote economic development. Unsurprisingly, during the latter half of the 1950s, road construction accounted for 50 percent of American aid to Thailand (Dixon 1999, 71). Notably, the Thai state constructed networks of rural roads to promote economic development and facilitate anti-communist actions (Leinbach 1989, 74).

The expansion of the road networks also served the interests of private capitalists. Road development was suitable for the development strategy of modernization, which placed private businesses at the center of the show and limited the role of the state in facilitating investment and providing infrastructure (Kakizaki 2017, 567). In particular, the expansion and improvement of roads created higher demand for automobiles, which, in turn, increased car sales (Kakizaki 2017, 570–571). The higher demand for cars offered benefits to transnational corporations and local firms, which formed a partnership in such activities as car assembly and the production of car parts and components.

Likewise, the expansion of the highway network presented new opportunities for construction contractors, especially in the provinces. After the construction of the Friendship Highway in the Northeast, the Department of Highways began to hire private contractors, who obtained modern knowledge and technology from foreign corporations, to build new roads (Kakizaki 2017, 567). Some politicians, such as Banharn Silpa-archa, began their wealth accumulation by winning contracts for road construction or providing materials for the construction (Pasuk and Baker 2000, 36–37).

Resource Scarcity and Stagnation of the Railways

As shown in the previous sections on highway development, the modal shift of the Thai transportation system from railways to roads reflected changes in international relations and domestic politics. Notably, the modal shift resulted from the emergence of the United States as a global hegemonic power and the rise of the capitalist class in post-war Thai politics. The modal shift was also caused by resource constraints that led the Thai state to change its choice of transport development from the railways to roads. Rimmer (1971, 10) argued that the highways were a suitable mode of transport for Thailand. Compared to railways, the highways enabled the government to limit its expenditure on infrastructure investment. Highway extension had lower costs in administration, personnel, and construction than railway expansion because there was no requirement to adhere to one standard and to have centrally operated controls.

Hence, the Thai state chose to expand the networks of highways rather than the railways. Recent statistics indicated that the Department of Highways had constructed around 67,000 kilometers of roads, In contrast, there were only 4,100 kilometers of railway. (TransConsult, 2009, 2–8, 2–12). Since 1957, the SRT has not invested in the construction of new railway lines (*Manager*, January 5, 2018). Map 4.1 shows a current map of Thailand's railways, which should be identical with a map of the railway network during the modernization era.

The lack of resources also hindered the development of the railway sectors in Thailand. A limited budget led the SRT to focus on refurbishing existing railway networks

and improving services rather than constructing new railway lines (Kakizaki, 2017, 225). The SRT's refurbishment strategy enjoyed some success in the passenger and freight businesses, but the SRT barely obtained any benefits, as it had to continue subsidizing "uneconomic lines and services" (Leinbach, 1989, 93). Consequently, the SRT had insufficient revenue to meet its operating expenses, debt services, and depreciation, as well as the maintenance of rolling stocks and railroad.

The Unfulfilled Attempts of the High-speed Railway Development in the 1990s

Even though, in the 1990s, the Thai state had identified road development as the priority of its transport policy, the bureaucrats initiated the idea to develop the high-speed railway as a new engine of growth and a means to decentralize concentrated resources from Bangkok. Unfortunately, the Thai state has never succeeded in developing a new transport infrastructure for reasons ranging from political instability, economic crisis to a lack of resources.

In 1991, the Office of the National Economic and Social Development Board (NESDB) proposed the construction of a high-speed railway connecting Bangkok and new industrial areas in the coastal areas to the East of Thailand (NESDB 1991, 74, 92). The NESDB aimed to use the high-speed railway to mitigate congestion in the capital city and disperse economic activities from Bangkok.

The first Chuan government (1992–95) agreed with the NESDB's proposal for a high speed train project. In 1992, the government conducted a feasibility study of the pilot project,

which would cover the area from Bangkok to the Second Bangkok International Airport (SBIA)¹⁵ and Rayong,¹⁶ the industrialized area in the East (Prasongchai 2014, 13). In the initial phase, the train would have a maximum speed of 160 kilometers per hour and operate on the electrified standard gauge (Wilber Smith et al. 1994, 15). The government then approved the project and assigned the SRT to organize a joint investment with the private sector, but the government later dissolved the parliament (Prasongchai 2014, 47).

The next government of Banharn Silpa-archa (1995-96), attempted to restart the high-speed railway project. The government proposed the plan in the cabinet meeting on February 13, 1996 (Prasongchai 2014, 48–49). The cabinet then assigned the SRT to plan and submit proposals for high-speed trains on three routes: the northern route (Bangkok-Chiang Mai), the southern route (Bangkok- Hat-Yai), and the northeastern route (Bangkok-Nong Khai; Bangkok-Ubon Ratchathani). However, political instability also put an end to the Banharn government's plan as, again, parliament was dissolved. The construction plan of the Banharn government may represent the nature of the cabinet constituted by provincial politicians who wanted to extend networks of high-speed railway as large as possible in order to gain votes.

Chavalit Yongchaiyudh, who succeeded Banharn as prime minister in 1996, revived the idea of constructing the Bangkok-SBIA-ESB high-speed railway (Prasongchai 2014, 53). The Chawalit cabinet attempted to determine the feasibility of the railway project but the government also failed to realize the project because of the 1997 Asian financial crisis, which

¹⁵ This airport is now known as Suvannabhumi, the largest airport in Thailand.

¹⁶ The planned destination was an industrial estate and a deep-sea port in Map Ta Phut.

reduced the state's spending capacity and prioritized economic recovery over infrastructure investment (Prasongchai 2014, 53).

As the economy recovered, ambitions about the high-speed railway project revived again. Thaksin Shinawatra who had won landslide elections in 2005 and his government planned to construct a high-speed railway from Bangkok to Nakhon Ratchasima (Kakizaki 2013, 10-11). Like the preceding initiatives, Thaksin's plan was not achieved as he was overthrown by the 2006 coup.

4.5 The Rise of China and its First Wave of High-speed Railway Exports to Thailand

Thailand's Relationship with China¹⁷

In the past four decades, the relationship between Thailand and China has changed from ideological antagonism to a reciprocal partnership. During the Cold War era, when Thailand formed close ties with the United States, China provided material and moral support to the CPT (Hewison 2018, 118). In 1975, the Thai government under Prime Minister Kukrit Pramote established a diplomatic relationship with China but the two countries were reluctant to cooperate as China still supported the CPT. After the 1980s, Thailand's relationship with China started to improve, as Beijing had assisted ASEAN members, including Thailand, in dealing with the 1980s civil war in Cambodia (Anusorn 2015, 13–14).

¹⁷ A modified version of some of the analysis in this section is included in Trin (2019a)

After the Cambodian civil war ended, Thailand-China relations covered not only security issues but also economic and commercial cooperation (Trin 2019a, 34). In the 1990s, for example, Thailand and China had bilateral negotiations for agreements on trade and foreign direct investment (Jesadapan 2016, 183, 195). In this period, China, Thailand, and other ASEAN members also discussed multilateral trading agreements, in particular the ASEAN-China Free Trade Area (ACFTA), which would create a common market via the elimination of tariffs and other barriers (Cheng 2004, 259).

Relations between Bangkok and Beijing improved even further in the 1990s because of two events: the Tiananmen incident and the 1997–8 Asian financial crisis. After the Tiananmen Square incident in Beijing, Thailand chose not to criticize China’s oppression, commenting that the incident was an “internal affair” (Shambaugh 2005, 67–68). Thailand’s position signaled its willingness to include, not isolate, China in a formal diplomatic relationship. Subsequently, China contributed USD1 billion, drawn from its foreign reserves, to the IMF-led fund for bailing Thailand out of depression in the middle of the 1997–8 crisis (Lauridsen 1998, 1583). China also did not devalue the renminbi, which would have worsened the economic downturn in Thailand and other Southeast Asian countries (Kuik 2005, 114). These actions depicted China as a friendly country which would help crisis-ridden economies.

Nowadays, China is one of Thailand’s more important economic partners. After the ASEAN-China Free Trade Agreement (ACFTA) was signed in 2002, bilateral trade in goods skyrocketed from USD 8.5 billion in 2002 to USD 57.7 billion in 2011 (Shen 2013, 53).

China has been Thailand's second largest trade partner in recent years (Dalpino 2017, 220). On the contrary, China's direct investments in Thailand "remain limited" (Hewison 2018, 119–120). In 2015, the value of Chinese FDI in Thailand was only around USD 3.19 billion, compared with Japanese-origin direct investments which were valued at around USD 66 billion.

China and Thailand have maintained their relationship in terms of security affairs. Thailand has attempted to maintain military cooperation with both the United States and China (Roy 2005, 312). In February 1999, China and Thailand made a joint statement to strengthen their security cooperation. Thailand was the first of the ASEAN members to participate in a military exercise with China (Storey 2012, 294, 303). The security relationship became stronger in 2014 when China expanded the scale and scope of its military collaboration with military-ruled Thailand (Dalpino 2017, 220–221). In brief, Thailand and China have strengthened not only their partnership in economic exchanges but also their cooperation in security.

*The First Wave of China to Export High-speed Railway Technology to Thailand*¹⁸

After the dissolution of the People's Power Party (PPP), which was backed by Thaksin, Absihit Bejajiva, the head of the Democrat Party (DP), became the 27th Prime Minister of Thailand in December, 2008. The DP allied with the faction of Newin Chidchob, one of the

¹⁸ A modified version of some of the analysis in this section is included in Trin (2019b).

former leading figures of PPP to establish a coalition government (Kitti 2009, 181). Several parties joined the coalition government led by the collaboration between DP and PPP. Predictably, the status of the DP-led government was by no means secure because it needed to deal with inter-party and factional conflicts (Trin 2019b, 334). The refusal of any demands from other factions or parties could destabilize this fragile coalition government since these parties and factions had high negotiating power (Kitti 2009, 182). Newin's faction claimed highly important positions in the ministries of the interior, transport, industry, and energy.

The Abhisit government's high-speed railway project occurred during the "first wave" of China's attempts to export its railway products. On June 25, 2009, during an official visit to China, Abhisit took the high-speed train from Beijing to Tianjin and discussed with the president of China Railway Engineering Cooperation (CRECR), who showed interest in investing in Thailand (*Matichon*, June 25, 2009). Abhisit also invited CRECR to participate in the development of the high-speed railway in Thailand. The Chinese company accepted Abhisit's invitation because it aimed to export its products to overseas markets.

The Abhisit government's idea to construct high-speed railway networks was well received, especially by the Ministry of Transport. On November 11, 2009, the Ministry of Transport presented a proposal for high-speed railway along four routes: Bangkok-Chiang Mai, the biggest city in the north; Bangkok-Badang Besa, the border town in the south; Bangkok-Nong Khai, the border town in the northeast; and Bangkok-Chantraburi, the province in the east. To provide additional details, the Ministry of Transport would require 90 days to research the proposal (*Prachatai*, November 12, 2009). Instead, Abhisit ordered

the Ministry of Transport to examine only the eastern route and commented that the Ministry should change the destination from Chantraburi to Rayong, to facilitate investors (*Prachatai*, November 12, 2009).

The Abhisit government aimed at obtaining “Beijing’s financial support” (Trin 2019b, 334). Suthep Thaugsuban, the deputy prime minister, disclosed that the government would cooperate with China in developing a high-speed railway route, which would connect China, Laos, Thailand, and Malaysia (Gupta 2010). Suthep also stated that China would provide assistance with technology, investment, and management for the Bangkok-Rayong route. After an official visit in August 2010, Suthep indicated that Kobsak Sabhavas, the secretary to the prime minister, might present a framework of joint investment with China in the HSR project (*Infoquest*, August 31, 2010).

Initially, the Abhisit cabinet planned to conduct negotiations between the Ministry of Transport and the Chinese government on the development of the high-speed railway in Bangkok-Nong Khai (*Khomchadluek*, August 31, 2010). The cabinet first proposed these routes to the Chinese government because they served Beijing’s strategic interests. Meanwhile, the government aimed use a private-public partnership to finance the high-speed railway routes of Bangkok-Chiang Mai and Bangkok-Rayong (*Khomchadluek*, August 31, 2010). On December 1, 2010, the State Enterprise Policy Office (SEPO) under the Ministry of Finance held a market sounding for private investors, who showed interest in investing in the high-speed railway projects along the Bangkok-Chiang Mai and Bangkok-Rayong routes (*Fiscal Policy Office*, December 1, 2010).

The combination of Chinese assistance and PPP methods showed that the Abhisit government was trying to use as little state resources as possible in the construction of the high-speed railway because the government thought the projects were not a priority. Korn Chatikavanij, the Minister of Finance of the Abhisit government, later commented that the government had asked the Chinese agencies to provide half of the investment capital, since this project would primarily serve the interests of China and not Thailand (*Komchadluek*, March 22, 2013).

Parliamentary Conflicts and Unfulfilled High-speed Railway Project¹⁹

In 2013, two years after the Abhisit government had left power, Korn Chatikavanij, the Minister of Finance, revealed that the Sino-Thai MOU would lead to joint investment in high-speed railway development. The Chinese agencies would be responsible for 49 percent of the capital, while the Thai government would provide funds for the remaining 51 percent (*Komchadluek*, March 22, 2013). However, the Abhisit government did not launch the project, as it dissolved parliament (Pong 2017).

The primary cause for this failure was the inter-party conflict between the Democrat Party and the Bhumjaithai Party that delayed the cabinet's decision on the Sino-Thai railway project (Trin 2019b, 335). The former initiated negotiations on the high-speed railway but the latter took control of the Ministry of Transport, which managed the policies for transport

¹⁹ A modified version of some of the analysis in this section is included in Trin (2019b).

improvement. Sophon Sarum, Minister of Transport from the Bhumjaithai Party, criticized the “secret” negotiations of Suthep with China as unacceptable (*Manager*, August 5, 2010). Sophon further explained that the negotiation bypassed the Ministry of Transport and could overlap with the plans begun by the Ministry and State Railway of Thailand.

Abhisit finally decided to hand over the high-speed railway project to Sophon and the Bhumjaithai Party to mitigate the disputes among the parties (Jeerap and Thanitaya 2010). This decision at least enabled Sophon and his partisan colleagues to grasp the investment budget of 350 billion baht. Sophon then vowed to the economic ministers that the Ministry of Transport had a proposal for the Bangkok-Chiang Mai and Bangkok-Rayong high-speed railway projects. On the other hand, Korbsak, who collaborated closely with Suthep, proposed the construction plan of the Bangkok-Nong Khai network, which would connect to Laos and Yunnan, as well as the Bangkok and Padang Besar route, which would reach Malaysia’s border (Jeerap and Thanitaya 2010). Despite the conflicts, the Democrat Party and the Bhumjaithai Party agreed to manage different routes of the high-speed railway projects.

According to an anonymous staff member in the cabinet, the Bhumjaithai Party was trying to share the “cake” of the railway project (Jeerap and Thanitaya 2010). In particular, the Democrats would be responsible for the Nong Khai-Bangkok and Bangkok-Padang Besar routes, while Bhum Jai Thai would take over the Bangkok-Chiang Mai and Bangkok-Rayong lines. The opinion of the staff member tended to be in accordance with the plans of Sophon and Korbsak.

The conflicts between the factions of the Democrat Party and the Bhumjaithai Party over the formulation of the plans for the high-speed railway development hinted at some characteristics of China's "railway diplomacy." On the surface, the railway development seemed to be part of inter-state negotiations, but contestation in domestic politics also determined its outcome. In the case of the Abhisit government, the factional conflicts among parties, especially the Democrat Party and the Bhumjaithai Party, hampered the realization of China-Thailand high-speed railway development. In brief, the failure of the Abhisit government in realizing China-Thailand high-speed railway project illustrated the fragmentation of the Thai state. The failure had a root in the conflicts between two groups of executives, captured by rent-seeking politicians.

4.6 Concluding Remarks

In summary, the history of railway development in Thailand reveals four characteristics of the political economy of the Thai government's transport policies. Two of these characteristics are based on political contexts, while the other two have their roots in economic conditions.

First, the Siamese elite used the construction of transport infrastructure networks on a nationwide scale to centralize their power and promote capital accumulation processes. However, features of the construction of some rail routes, for example, the southern line, represented not only the demands of political forces in Thailand but also the interests of the great powers and transnational actors which provided capital and expertise for the project.

Second, the change in the trajectories of transport development from railways to highways reflected the growing influences of new interest groups in domestic politics, especially, elected politicians, and domestic capitalists. The modal shift not only resulted from pressures exerted by these actors but also strengthened their powers because the expansion of highway networks, in which these actors participated, brought them material benefits. For instance, the road expansion could present capitalists with opportunities to earn from construction contracts and the selling of automobiles and parts.

Third, the availability of state resources conditioned how the state prioritized a particular kind of transport because each required different amounts of resources for construction and operation. Resource availability also shaped how the state interacted with other groups, such as agencies of foreign governments, and transnational and domestic private corporations. Interaction between the state and other groups partially demarcated the former's choice of investment in transport infrastructure.

Fourth, the domestic political groups, especially the elite, public officers, and capitalists, exploited the projects and resources of the great powers to deal with their own problems and fulfill their own interests. Although the domestic political groups relied on external resources that drove them to materialize the aspirations of the great powers, these groups could utilize the resources to increase their material benefits simultaneously.

In summary, the history of railway development in Thailand can be analyzed via three-dimensional political relations consisting of state–society relations, intra-state relations, and inter-state relations. On the one hand, these political relations determine the

characteristics of the railway development policy as an action of the state. On the other hand, the railway policy can also shape the pattern of these relations.

Initially, the fate of railway development depended on changes and continuities of particular conditions in state–society relations. For example, the emergence of private businesses motivated the government to prioritize highways over railways. However, the railway could change the state’s relationship with society, since it enabled the state to exert its power more effectively. Furthermore, intra-state relations, particularly between the government and railway organizations, could enhance or deter the progress of the railway development. Moreover, inter-state relations could partially determine the Thai state’s choice of investment in transport infrastructures because of the conditional nature of the great powers’ resources. When made, the investment could, however, adjust existing patterns of inter-state relations.

5. High-speed Politics of the Yingluck Government (2011-2014)

On March 28, 2013, the Yingluck government proposed a bill to take out a sovereign loan of 2.2 trillion baht (around USD 65 billion) to finance a thorough upgrading of Thailand's transportation system (*Prachatai*, March 29, 2013). Although there were several projects under consideration, the one that received the most attention, both praise and criticism, was the high speed railway project. The main objective of this chapter is not to evaluate the effects, good and bad, of the Yingluck government's high speed railway project on the Thai economy. Instead, this chapter aims to illustrate how the high-speed railway project reflected the politics of competing interests under specific institutional settings within this period.

The chapter presents four main findings. First, the attempt of the Yingluck government to deliver a relatively consistent proposal served the interests of the government's political base that comprised of factions of real estate capitalists, local politicians, and provincial voters. Second, the Yingluck government made use of negotiations with the Chinese agencies to stimulate growth and maintain an existing pattern of rent-seeking activities. Third, the formulation of the high-speed railway policy still needed to accommodate and conform to bureaucratic institutions and interests, even though the government had won a landslide victory in the 2011 election. Fourth, the outcome of the government's railway policy was determined not only by domestic supporting groups and foreign agencies but also preexisting institutional settings, especially the constitution and the politicized judiciary.

This chapter begins by examining relations between Thailand and China during the period of the Yingluck government. Then, it explains the political setting and economic policies that influenced the elected government. It subsequently elucidates three aspects of the policy proposal, namely, negotiations with foreign agencies, construction plans, and financing methods. After discussing the proposal, the chapter illustrates the failed implementation of the railway project. The chapter concludes with the main findings. The timeline of the development of the high-speed railway project in the period of the Yingluck government is shown in Appendix 2.

5.1 China-Thailand Relations during the Yingluck government²⁰

Similar to its predecessors in the post-Cold War era, the Yingluck government needed to hedge relationships with the US and China (Trin 2019a, 35). The government, however, attempted to build a closer tie with Beijing that Thai citizens generally perceived as the emerging powerhouse. In March 2012, a closed door discussion of 36 Thai representatives from the state, private sector, and academia concluded that Thailand had to reinforce engagement with China and reevaluate the old alliance with Washington (Kavi 2012a).

The closed-door discussion gave advice on the direction of foreign policy for the government and reflected on changes in China-Thailand relationship during the Yingluck premiership. In particular, Beijing and Bangkok had reached agreement on specific deals, for

²⁰ A modified version of some of the analysis in this section is included in Trin (2019a).

example, a swap deal that would allow import and export transactions to be settled in Chinese Renminbi (Kavi 2012b). Likewise, China asked Thailand to act as a coordinator for ASEAN members which were at odds with China over territorial disputes in the South China Sea (Kavi 2012b).

Due to a close tie between China and Thailand, the Thai government perceived China as a new major purchaser for Thai products, especially commodities that were susceptible to price fluctuations. In September 2013, China and Thailand agreed to set up a joint panel to manage agricultural trade and investment (*Bangkok Post*, September 4, 2013). Beijing would encourage Chinese private businesses to buy Thai rubber and invest in rubber-processing factories in Thailand. Subsequently, in October 2013, China and Thailand signed a Memorandum of Understanding (MOU), pursuant to which China would buy one million tonnes of rice and 200,000 tonnes of rubber annually from Thailand (*MCOT*, October 14, 2013). As a result of its closer relationship with China, the Yingluck government faced some difficulties when rebalancing its relationship with Beijing and Washington (Trin 2019a, 36).

The cases of the Trans-Pacific Partnership (TPP) and the ASEAN-China Free Trade Area (ACFTA) showed that, while the Yingluck government reluctantly refused requests from the United States on some occasions, it carefully adhered to demands of China. The government had initially declined to participate in the TPP due to pressure from such domestic stakeholders as local activists and some industries but later expressed interest to join the partnership to reduce pressures from the United States (Pongphisoot 2016, 249-251). The government concomitantly tried to maintain “ASEAN centrality” and to ensure that

China would still “closely engage” with regional economic integration in East Asia led by the ASEAN members (Pongphisoot 2016, 251). Furthermore, in 2012, the Yingluck cabinet rejected NASA’s request to use U-Tapao station to conduct climate research because of criticisms from within and outside the parliament (Pongphisoot 2017a, 266-267). The Democrat Party, then the main opposition to the government, claimed that acceding to NASA’s request would risk the Thai government incurring the wrath of the Chinese.

China’s First Moves in the Competition for the High-speed Railway Project

China began engaging the Yingluck government to develop a high-speed railway project by signing bilateral agreements with Thailand. China was by no means the only player as it was competing with Japan. On December 22-24, 2011, during Xi Jinping’s (then deputy president of China) official visit, the Thai and Chinese governments signed a MOU on several issues, including the high-speed railway system (*Manager*, December 19, 2011). Subsequently, during Yingluck’s state visit to China in April 2012, the Chinese and Thai governments signed a MOU regarding Sino-Thai railway cooperation (Sullivan 2012).

In October 2012, the Chinese railway agencies provided the Thai government with free-of-charge pre-feasibility studies of two HSR routes, namely, the Bangkok-Chiang Mai and Bangkok-Nong Khai routes (Tang and Orasa 2014). The Chinese railway companies also had met with the Thai government’s ministerial personnel (*Thansettakij* May 18, 2012). The Japan Railway Technical Service (JARTS) also conducted free-of-charge pre-feasibility studies on Bangkok-Chiang Mai and Bangkok-Rayong route and met with Thai ministers

(*Thansettakij* May 18. 2012). Despite Japan's and China's early approaches, the Thai government decided to hold an international tender as the method to select contractors for its high speed railway projects.

5.2 Political Conditions of the Yingluck Government

The Constitution for Conservatives with Anti-Politicians Agendas

The 2007 Constitution of Thailand put the Yingluck government in a predicament. The constitution aimed to restrict the ruling party's abilities to implement policies by empowering the unelected bodies, especially the Senator and the courts, to obstruct and dismiss policies (Siriphan 2014a). Half of the upper house, 74 out of 150 seats, would be appointed by the selection committee. Another 76, which was based on the number of provinces in Thailand, would be popularly elected (Siriphan 2014a, 88-89). The power to appoint senators was in the hand of "a seven-member Senate Selection Committee consisting of judges and heads of independent agencies" (Dressel 2009, 311). Under this Constitution, the lower house held the legislative power and the executive power in policy implementation (Siriphan 2014a, 88-89). The upper house can delay legislation, pass approval resolutions, give advice to the King for appointing people to a prominent position, and expel members of the parliament. In short, the appointed Senators had the ability to neutralize the executive power of the government, technically and legally.

The Yingluck government also had to deal with the politicized courts, particularly the Constitutional Court, that had become increasingly involved in politics as one of the

opponents of the Thaksin-related party. The 2007 Constitution intensified the political involvement of the courts and the judiciary (Dressel 2010, 678). For instance, the judicial elites were directly involved in the selection process of the senators and candidates for independent agencies. Furthermore, the court also possessed the power to propose a bill directly to the parliament. Moreover, the court had the judiciary power to dissolve the political party when the court found that such party's executive had breached the law. According to Dressel (2010), the court's decisions were biased against the Thaksin's wing.

The emergence of the unelected bodies in the 2007 Constitution was a consequence of the 2006 military coup that had paved the way for an attack from conservative forces. The drafters of this constitution were exclusively from the military, civilian bureaucrats, business persons, and urban elites (Dressel 2009, 303). Rural dwellers and urban commoners were excluded from the selection process.

The 2007 Constitution also discouraged any formation of a stable majority government since it reintroduced a system of multi-seat constituency system (Hicken 2007, 145, 149). The 2011 General Election, however, encouraged the majority partisanship of the ruling government because of amendments in the 2007 Constitution (Hicken 2013, 209). The Democrat Party, which was the ruling party of Thailand between 2008 and 2011, ironically, amended the electoral rule to improve its chances to win the general election in 2011. The amendments included the renewal of the single constituency system and the reintroduction of the national party-list system (Siripan 2014a, 133).

Yingluck and her Phue Thai Party (PT) won the absolute majority in the 2011 election; however she and the Party needed to compromise with other parties in an allocation of five cabinet positions, such as Minister of Agriculture and Cooperatives, and Minister of Tourism and Sports, to stabilize the government (*Manager*, July 4, 2011). The minor parties urged the PT government to appoint its members to positions they previously held in the former government, particularly the ministerial chairs. For instance, Theera Wongsamut, the member of the Chartthaipattana Party, was appointed as the Minister of Agriculture and Cooperatives (the position he held in the Abhisit government) during the first Yingluck cabinet (2011-2012) (*Infoquest*, December 16, 2011).

Policy-Based Voting with Old Style Patronage Politics

Electoral politics in Thailand showed some signs of progress as it became policy-based rather than person-based; nevertheless, the election was still inflicted with the patronage since the canvasser and political families remained crucial factors in determining electoral results. Regional voting patterns of the 2011 General Election showed that political parties were not just loosely organized associations of short-sighted politicians who created and maintained patron-client relationships at the local level via local canvassers (Pasuk and Baker 2013, 619). The personal relationships between a patron and the clients were no longer key factors in determining the voting result, neither were the canvassers. Increasingly, voters chose their representatives based on policies and ideologies rather than personalized patronage networks. Hence, the 2011 General Election became an ideological arena for both anti- and pro-Thaksin

camps (Prajak 2014, 408) as each camp presented different policy packages. The results of the election highlighted “some degree of institutionalization of programmatic parties,” and abated the “clientelism and patronage” (Aim and Kuhonta 2012, 393).

Yet, the organization of Thai political parties was still far from policy or ideology-based as the parties still preserved their clientelist politics. In the 2011 General Election, the parties, especially the major ones, utilized both personal and programmatic tactics for campaigning in their “stronghold areas” (Aim and Kuhonta 2012, 395). Personal politics had its roots in the fact that local politicians were also members of established political families which dominate provincial politics and have close ties with local voters (Siriphan 2014b, 94). Even though being a member of the political “dynasties” is no longer decisive, dynastic membership still gives an advantage over candidates without such connections (Stithorn 2015, 63).

The advantages of the candidates with political background indicated that the voters’ decision was shaped by not only programmatic policies but also the politicians’ qualities, such as local knowledge or personal connection with voters since a voter had two choices of candidates: a party list and a geographical constituency. Jakkrit’s fieldwork in “the Community of Desire” in the Northeast of Thailand, suggested that the villagers would vote for a candidate in the party-list system on the basis of policies and performance of the party (Jakkrit 2013, 28). The villagers, however, evaluated candidates in the provincial level via the candidates’ locality and commitment to represent the interests of provincial or local voters (Jakkrit 2013, 27).

Although programmatic policies have become more important in Thai electoral politics, the patronage networks remain crucial, especially in provincial level elections. The coexistence of the policy-based parties and clientelist politics exemplified the power constellation of Thai society during the period of the Yingluck government. In this situation, the ruling party would be able to dictate policy designs only if it gives sufficient rents to provincial and local politicians.

Interests that Underpinned the Yingluck Government

The coalition supporting the Yingluck government was based on three different interest groups. The first group was provincial voters, whose votes in the North and Northeast formally helped PT attain the status of the majority party. The second group was factions of capitalists with close connections to Yingluck Shinawatra and party leaders. The third group was the groups of local politicians who were usually local capitalists. These three interest groups primarily shaped the Yingluck government's high speed railway proposal.

Even though Yingluck led PT to win the election by a landslide, the election's results indicated that the Yingluck government did not gain the "general" popularity among Thai citizens. The regional voting patterns showed that PT mainly won support in the North and Northeast, the stronghold of the "red-shirt" or a pro-Thaksin movement²¹ (Pasuk and Baker

²¹ The PT gained 60 and 50 percent of the vote in the Northeast and North, respectively, but won under 10 percent of the vote in the South (Pasuk and Baker 2013, 619).

2013, 619). In contrast, PT virtually won no seat from southern Thailand, the bastion of the “yellow-shirt” or an anti-Thaksin coalition, as the Democrat Party (DP) claimed most of its support in the South.

It could be assumed that the PT party’s policy proposal represented the interests of the red-shirts. A considerable proportion of the red-shirts was the new “lower middle class,” neither poor nor fully “old middle class” (Apichat, Yukti, and Niti 2013). This new middle class earned incomes from commercialized agricultural activities or any activity in the informal sector within urban, suburban, and rural areas. Compared with the old middle class whose revenues were more stable and secure, the flow of incomes of the red shirts was more uncertain and susceptible to such external shocks as a slump in commodity prices or a recession.

This lower middle class needed some assistance from the government, such as cheap credit or healthcare coverage, to handle risks and volatility from the capitalist economy (Apichat, Yukti, and Niti 2013). The new middle class also needed public policies which would enhance their competitiveness either as entrepreneurs or wage labors. Accordingly, they participated in the political contestation as agents who were eager to gain access to capital and power resources (Jakkrit 2013, 24). Electoral politics, hence, provided them a chance to overcome such constraints because it was a platform for them to express their preferences.

The party also represented the interests of the domestic capitalist class, such as real estate entrepreneurs or automobile manufacturers. Yingluck Shinawatra had been the Chief

Executive Officer (CEO) of SC Asset Corporation PCL, one of Thailand's leading real estate developers, before she was elected Prime Minister (*BBC*, August 23, 2011). Apart from the Shinawatra family, which funded PT mostly, the party also received donations from other property developers, for example, Pongsak Raktapongpaisal, Paiwaong Technarong, as well as publicly listed textile, hotel, and automobile businesses (Napisa and Chambers 2015, 635).

Additionally, the Yingluck government relied on the support of local politicians, who were also local capitalists. Notably, a large number of politicians were also prominent business people in the provinces (Siripan 2014b, 94). The local politicians and canvassers brought majority votes to PT as these local agencies won a seat at the provincial level. Thus, the government's policies had to respond to the interests of local politicians/capitalists. A local politician in a northern province of Phitsanulok confirmed that local politicians came from groups of local businesses (a local politician in Phitsanulok, personal communication, March 6, 2017). This politician added that the Yingluck government treated local politicians with "respect," as she usually "invited" them to participate in meetings on policy issues.

Backgrounds of Ministers of Transport in the Yingluck government.

The Yingluck government appointed three ministers of transport, namely Sukampol Suwannathat, Charupong Ruangsuwan, and Chadchart Sittipunt. Notably, Sukampol and Charupong were leading figures of the Puea Thai Party. The appointment of Sukampol and Charupong reflected a common practice in Thai parliamentary politics where the ruling government awarded influential politicians with the post of Minister of Transport, regarded

as one of the first class posts. Sukampol announced that he would begin a project of high-speed railway development for the next minister [Charupong] (*Thairath*, January 19, 2012). Charupong then assembled every railway-related organization to discuss the specifications and construction details of the high-speed railway project (*Manager*, May 24, 2012). Both Sukampol and Charupong might have created a blueprint of the project that could help the politicians of the Puea Thai Party seek rents from the high-speed railway project.

When the Yingluck government aimed to seriously embark on the high-speed railway project, it appointed Chachart as the third Minister of Transport of the Yingluck government. Of the three, Chadchart remained the longest in this office (October 2012 to May 2014) (Akira Suehiro, personal communication, July 19, 2019). Before Chadchart was appointed, he had been employed as a lecturer in the Faculty of Engineering, Chulalongkorn University, and a member of the boards of several state-owned enterprises, such as Mass Rapid Transit Authority of Thailand (*RYT9*, November 7, 2012). Chadchart also won the trust from Yingluck because he had assisted some previous ministers of transport, close to the Shinawatra family (Thamsatit and Suphachart 2012). Chadchart possessed both engineering expertise and political connections which enabled him to compromise with politicians and public officers, taking into account both rent-seeking and technical issues.

In a nutshell, the background of the three ministers of transport of the Yingluck government suggested that the high-speed railway project would not only stimulate the economy in the provinces but also generate new rents.

5.3 Economic Policies of the Yingluck government

The policies of the Yingluck government can be classified into two categories: a growth-enhancing strategy and a distribution of rents through populist policies. On the one hand, the government's long-term plan would be the achievement of continuous growth and the transformation of the economic structure of Thailand (the Secretariat of the Cabinet 2011, 12-18). On the other hand, the Yingluck government also employed populist policies to allocate rents to citizens as well as politicians.

The government attempted to revive Thaksin's "dual-track" strategy of development (Wichuda 2016, 247). The first track was to integrate Thai economic actors into the global economy for maintaining economic growth and Thailand's status as a regional center (Chambers 2013, 89-90). Another track was to enhance local small and medium enterprises and economic development in the peripheral areas by stimulating domestic consumption and investment. The Yingluck government followed the legacies of the Thai Rak Thai (TRT) government under Thaksin Shinawatra, her older brother. The policies of the Thaksin administration tried to benefit the Thai capitalist class that was constituted of SMEs and established conglomerates (Hewison 2006).

The policy announcement also stated redistributive measures that ranged from monetary subsidization (such as subsidies for agricultural products and debt-relief for farmers), to grassroots stimulation, including an increase in minimum wage, a tax credit and tax reduction (the Secretariat of the Cabinet 2011, 8-9). Although these redistributive measures did not lead to much improvement in productivity, these policies were crucial for

the capital accumulation process and growth in two ways. First, the measures offered a certain degree of social safety net for the capitalist society. The measures notably could prevent uprisings from the intermediate classes that had to struggle with the volatility of the capitalist economy (Wichuda 2016, 247). Second, the measures could stimulate growth out of a recession, since they would restore the spending power of the intermediate classes and this would ultimately benefit the capitalists.

Despite the different intentions, the policies of growth enhancement and distributive measures of the Yingluck government overlapped with each other. A case in point was a massive investment in transportation infrastructure projects that would simultaneously promote the economic development of Thailand and distribute prosperity from Bangkok to other regions (the Secretariat of the Cabinet 2011, 23). A government advisor perceived that the high-speed railway could create economic surpluses, widen commercial opportunities for the provinces, and enhance the mobility of skilled workers (the former advisor to the Yingluck government, personal communication, February 14, 2017). Likewise, the advisor explained that high-speed railway projects had the potential to solve regional inequality problems. Specifically, the project could promote urbanization in the regions and generate business opportunities for small and medium enterprises located outside of Bangkok.

*High-speed Railway Development as a Politicized Economic Policy*²²

During the early period of campaigning for the 2011 General Election, Yingluck and her party promoted the construction of the high-speed railway as one of the key policies (*BBC* Jul 4, 2011). They announced that the government would construct a high-speed railway network that would extend from the Airport Link to other regional centers (*Prachacharttharakij* May 31, 2011). They represented that the extension would utilize Bangkok as the central hub to connect with three regional hubs, namely, Nakhon Ratchasima (the gateway of the Northeast), Chiang Mai (the North's largest city) and Hua Hin (the southern vacation area). After the election, Yingluck and her party confirmed their intention to develop a high-speed railway network. They proclaimed that high-speed railway development would be a long-term policy for restructuring the national transportation system and improving connections with ASEAN countries (Vikanda 2011, 3).

While it would appear that the policy of the high-speed railway development was an original policy of the Yingluck government, this policy was not really an “innovation” of the government. It was the bureaucrats who had initiated the high-speed railway development policy and had been trying to propose and implement the high-speed railway project for a long time (the former advisor to the Yingluck government, personal communication, February 14, 2017). The Yingluck government adopted this unfulfilled project and transformed it into a political agenda. Voters in the provinces were positive about this agenda as they hoped that the enhanced railway system would stimulate economic growth and

²² A modified version of some of the analysis in this section is included in Trin (2019a).

provide a transportation system (a local politician in Phitsanulok, personal communication, March 6, 2017). Eventually, the improved railway system would increase prosperity in Thai society and this, in turn, would increase the popularity of the government and the loyalty of its constituencies (the former advisor to the Yingluck government, personal communication, February 14, 2017).

In the opinion of the former policy advisor, the high-speed railway could help the Yingluck government achieve economic growth, which was in the general interest of the capitalist class, and strengthen support from voters who would have access to new economic opportunities. The Yingluck government's acceptance of the bureaucrats' idea of a high-speed railway showed that one of the characteristics of the contemporary Thai state was to expand and continue the process of capital accumulation. As Hewison argued (2006, 100), the Thai state had been supporting the development of domestic capitalists since the late 1950s. In the early 21st century, the capitalist class directly controlled the state. Applying Hewison's argument, the strategy of railway development was driven by the capitalists, who had power in the parliamentary part of the state, and the bureaucrats, especially in the Ministry of Transport, aiming to pursue the project of transportation investment and enhance their statuses.

5.4 The Plan to Open International Tender

*Competitive Bidding*²³

The Yingluck government announced international bidding as a way to select contractors for the project, although the government had previously negotiated with China and Japan bilaterally. Competitive bidding seemed to be a rational move of the Yingluck government, as it would give the government an opportunity to select the best offer. An international tender would illustrate how the government's supporting coalition shaped the high-speed railway policies. This was because the tender would enable the government to secure external resources to maintain the policies that favored its supporters. The bidding would also reveal how the ruling government had to work with state managers, namely the bureaucrats, and accommodate existing institutions, especially bureaucratic procedures. Nevertheless, the Yingluck government failed to conduct the competitive international bidding for the high-speed railway project because of resistance from the opposition.

Ministers and deputy ministers in the Yingluck government would announce that the government would organize the bidding but it would subsequently postpone the bidding date (Trin 2019b, 336). Firstly, Jarupong Ruangsuwan, the Minister of Transport in the first Yingluck cabinet, disclosed on May 2012 that the government planned to open the tender in 2013 after the Ministry of Transport (MOT) finished the TOR (Terms of Reference) that hinged on studies from the Chinese agencies (*Thansettakij*, May 18, 2012). Chadchart Sittipunt, then Deputy Minister of the MOT, also stated that Japanese representatives had

²³ Modified versions of some contents of this section are included in Trin (2019b).

agreed with the idea of the international bidding and had shown interest in participating (*Manager*, June 15, 2012). The prospective bidders were not only from China and Japan but also South Korea and France (Nakarin 2012).

The Yingluck government then planned to organize an exhibition for the bidders at the cargo houses of the Don Muang International Airport and to announce the tender schedule in September 2013 (*Prachachartthurakij*, February 4, 2013). The government could not achieve the plan for an exhibition and a bid in 2013. In late 2013, Chadchart, who had then become the Minister of Transport, announced that the government would organize the bidding in the third quarter of 2014 (*Prachachartthurakij*, November 5, 2013). Alas, the Yingluck government was unable to open the bid in 2014, because a military coup overthrew the government on May 22, 2014.

During their tenure, the ministers and deputy ministers of the Yingluck government continually proclaimed they would organize the international bidder. Initially, the tender would enable the government to have more power when negotiating with the foreign agencies. The government would then be better able to facilitate policies that benefitted its supporters. Likewise, the bidding would enable the government to negotiate reasonable prices, technology transfers, and other rent provisions from the foreign agencies (the former advisor to the Yingluck government, personal communication, February 14, 2017). A former politician also shared the similar perspective that the bidding process would provide Thailand with an opportunity to choose the most compatible technology from each bidder (the former politician, personal communication, March 3, 2017).

Commodity-railway Barter²⁴

The idea of using the tender to bring in desirable offers for the Yingluck government has been proven correct. A case in point was a proposal by the Chinese agencies to organize a barter of commodities (especially rice) for railway equipment (*Isranews*, November 5, 2013). The proposal stated that agricultural products would pay for 50 percent of the cost of equipment. The Thai government would then quantify the barter into a financial value at the time of bidding (the former politician, personal communication, March 3, 2017). The barter could be transformed into one of the terms for the Chinese during the bidding.

The barter could help the Yingluck government continue its rice subsidy scheme since it provided the government with a method to cope with the oversupply of rice (Trin 2019a, 40). Moreover, the government specifically could conceal the real price of the overstocked rice as the price would not be shown in the barter agreement (the expert on agricultural policies, personal communication, February 21, 2017). To sum up, the barter could maintain rent-seeking activities among participants of the rice subsidy scheme as it would clear the stockpile at a lower price.

The comments above suggest that the barter could provide the Yingluck government with a way to alleviate the rice oversupply problems that had plagued the rice subsidy scheme, which encouraged farmers to increase rice production. Under this scheme, the

²⁴ A modified version of some of the analysis in this section is included in Trin (2019a).

government guaranteed higher buyback prices, which “were up to 50 percent higher than market value” (Ricks 2018, 412). The rice-railway barter could, consequently, enable the Yingluck government to prolong its rice subsidy policy which benefits the intermediate classes, especially to the commercialized farmers and rice mill owners. The proposed barter demonstrated that an announcement of the international bidding could give an opportunity to the Yingluck government to draw external resources to preserve its supporters’ rent-seeking pattern (Trin 2019a, 40).

The government, nonetheless, failed to realize the rice-train barter deal with China. Despite the deal’s positive impact on the rice subsidy scheme, the barter was difficult to implement because it was not compatible with, or was even against with existing regulations (the former politician, personal communication, March 3, 2017). Consequently, civil servants avoided pushing the barter deal further. The failure to realize the rice-train barter showed that international bidding might not lead to the desired policy outcomes. International bidding usually presents favorable conditions to the elected government, but it did not necessarily achieve these conditions because of existing regulations or changes in the behavior of foreign agencies.

Bidding as a Means to Boost Confidence for Bureaucrats and Public

The international bidding announcement was a gesture that the Yingluck government was willing to compromise with the bureaucrats who possessed the skills and knowledge of engineering and navigating tedious legal procedures. Politicians, hence, needed the

assistance of the bureaucrats and could not sideline them from the process of high-speed railway development (the former politician, personal communication, March 3, 2017). The bureaucrats preferred the tender, as a way of negotiation with Chinese agencies, for two reasons. First, the bidding would not breach the laws as it followed the legal processes for public projects. Second, the bidding would be more transparent. These two reasons ensured compliance for the bureaucrats (the second mid-level bureaucrat of the Ministry of Transport, personal communication, March 2, 2017).

The public also had a higher degree of confidence in and viewed the international bidding process with greater credibility. For instance, even the journalists, who had openly opposed the high-speed railway project, argued that international bidding was better than bilateral negotiations since the absence of bidding could lead to specifications fixing (the senior journalist, personal communication, February 25, 2017). Hence, international bidding would have the potential to prevent corruption. Additionally, this journalist also commented that international bidding would allow the Thai government to select the most compatible and desirable conditions by comparing one bidder with another.

In summary, a competitive international tender was the optimal choice for the Yingluck government to gain the confidence of its supporters, bureaucrats as well as the public. The tender would have allowed the government to preserve the rent-seeking patterns of its supporting factions, compromise with the bureaucrats, and increase its leverage when negotiating with Chinese agencies.

5.5 The Plan to Construct a Nation-Wide High-speed Railway Network with the Unified Operation System

Map 5.1 shows that, by 2020, the proposed high-speed railway network would connect Bangkok with regional centers. There would be four routes for the high-speed railway lines with four main destinations, including Chiang Mai, Nakhon Ratchasima, Rayong, and Hua Hin.

The red line in Map 5.1 indicates the first phase of the construction plan of the high-speed railway project. The second phase would be the extension of the northeastern and southern routes (Prachachartthurakij, March 21, 2013). The northeastern route would extend from Nakhon Ratchasima to Nong Khai, the border city that is located next to Laos. Simultaneously, the southern route would extend from Hua Hin to Padang Besar, the emerging commercial area bordering Malaysia. Map 5.1 not only shows the Yingluck government's strategy to restructure Thailand's railway transportation but also expressed the commitment to improving railroad services for all citizens in all regions. Map 5.1 also subtly hinted to the voters that the Yingluck government's railway initiative would facilitate national mobility across regions and international connectivity with the neighboring countries.

The Yingluck government proposed to the public that all four routes would be operated under the same signaling system. Chadchart Sittipunt, then the Minister of Transport, revealed that the government would begin tender processes by choosing the most suitable signaling system for all four routes (*Prachachartthurakij*, November 5, 2013). The government would unify rather than customize the system for its proposed nation-wide

railway networks. The rationale was that the government could utilize a unified system as a common framework that different types of locomotives and rolling stocks could operate.

Chadchart's statement implied that the contractor who won the signaling system tender would win the contracts for the operating and signaling systems of all routes. The unified operation system, together with the announcement of the international tender, signalled the Chinese railway agencies to give highly favorable conditions for the government. Chula Sukmanop, then director of Office of Transport and Traffic Policy and Planning (OTP), stated that Chinese railway corporations could produce the signaling to accommodate every operational standard, including European and Japanese ones (*Prachachartthurakij*, November 5, 2013).

Expectations of Provincial Voters²⁵

The PT government perceived that the nation-wide networks would serve the general interests of the capitalist classes. The government aimed to use this nation-wide plan to incentivize private businesses to invest in the provinces (a former politician, personal communication, March 3, 2017). Furthermore, the advisor to the government insisted that businesses in Thailand had demanded that the government construct a high-speed railway network on a nation-wide scale since they realized that the project would rejuvenate the

²⁵ A modified version of some of the analysis in this section is included in Trin (2019a).

economy and enhance the mobility of people (the former advisor to the Yingluck government, personal communication, February 14, 2017).

Apart from the businesses, voters in the provinces were positive about the construction of nation-wide high-speed railway networks. Voters might not have supported high-speed railway development because of high fares. My fieldwork in Phitsanulok province, however, found that this argument was invalid to a certain extent. According to my fieldwork, ordinary people had a positive attitude towards the railway advancement project (Phitsanulok Hotnews, personal communication, March 7, 2017). Businesspeople and laypeople in the provinces were excited as the high speed railway would be an improvement over the transport system they were used to. People in the provinces also believed that the high-speed railway would be a safer, faster, and more comfortable mode of transportation. The high-speed railway would, thus, increase the number of tourists in the provinces and stimulate economic growth and increase the incomes of the provincial people.

Land-Related Rents for Local Politicians/Businesses

Local politicians/capitalists and real estate businesses were also expected to gain direct benefits from the high speed railway project. During the early period of Yingluck's premiership, the provincial/regional business associations attempted to lobby and pressure her government to construct a high-speed railway from Bangkok to regions in which they had economic interests. For instance, the Chamber of Commerce of Udon Thani, the regional center in the upper part of the Northeast, pressured the government to commit itself to extend

the route from Nakhon Ratchasima to the border town of Nong Khai (*Korathdaily*, September 30, 2011). The Chamber of Commerce of Songkla also pushed the government to accelerate the construction of a high-speed railway in the South (Prachyakit2011). As a result of these pressures, the government always declared that the high speed railway networks would cover every region in Thailand.

The perceived benefits of the high-speed railway stimulated the interests of capitalist groups in the provinces. The project could lead to the value of land and properties in the provinces appreciating as the network would increase regional accessibility and economic activities. Many news outlets reported that the values of properties in the provinces appreciated when high-speed railway construction was announced. In September 2013, there was a report that the price of land along Nimmanhemmin Road, the commercial area of Chiang Mai, increased from 25,000 baht per square meter to 50,000-75,000 baht per square meter (*Bangkokbiznews*, September 30, 2013).

My fieldwork in Phitsanulok determined that there was indeed land speculation. A local politician stated that “the price of unused land, located next to the main road, increased ten times within last five years, due to the HSR plan” (a local politician in Phitsanulok, personal communication, March 6, 2017). This local politician also said that businesspersons from Bangkok and elsewhere came to purchase land in Phitsanulok for their investment portfolio. The local politician sold her land to an influential tycoon in Thailand. According to the local politician, the tycoon has become one of the largest landowners in Phitsanulok in just two years after the government had announced the railway plan.

The politician's account in Phitsanulok suggested that the plan to build the nationwide network was viewed by provincial capitalists/politicians as opportunities to gain from selling their properties to national tycoons. Consequently, local and national capitalists purchased and speculated on land and properties in the provinces to further their wealth accumulation. In other words, the plan created rents through the appreciation of the prices of land and property. The landowners, both politicians and tycoons, would then capture the rents generated from the high-speed railway projects.

The local politician's account about land prices in Phitsanulok also happened in the other provinces. The news website *Manager* reported that, based on its source within the Ministry of Transport, politicians would always gain from the high-speed railway project -- they gained from the appreciation of land prices and property corporations' stocks (*Manager*, February 25, 2013). The reason was that the politicians possessed the authority to adjust the details of the train route at the provincial level.

There was contestation over the location of train stations or maintenance centers among local/provincial politicians. The potential impact of the high-speed railway project to property value was lucrative enough for local/provincial politicians to lobby those in the top positions within the MOT to locate train stations or maintenance centers in their areas. For example, a politician from Nakhon Sawan province, located in the central plain of Thailand, convinced the Minister of Transport that his/her province was an appropriate location for the center of the maintenance of railway equipment (former politician, personal communication, March 3, 2017).

The competition among local politicians over locations of stations and maintenance centers might obstruct and disrupt the progress of the high-speed railway projects. The priority of these politicians seem to be protecting the interests of their ‘tribe’ in the provinces rather than fulfilling a ‘general’ objective of the high-speed railway projects (the former advisor to the Yingluck government, personal interview, February 14, 2017). Although the Yingluck administration could be insulated from inter-party conflicts due to its status as the majority government, it could be inflicted with intra-party conflicts, caused by contestation among groups in Puea Thai Party that wanted to gain access to rent generated by the high speed railway project.

Big Domestic Capitalists, State Organizations, and Land-Related Rents

The increase in land prices in the provinces enriched not only local capitalists but also big domestic business groups, who bought land from these capitalists. The accumulation and concentration of lands in the provinces enabled the business groups, such as Charoen Pokpand and Thai Beverage, to obtain larger bank loans and set up funds on the stock market (Suehiro 2017, 59). In brief, the Yingluck Government’s plan to construct a nation-wide high speed railway network allowed these big business groups to accumulate and concentrate land and capitals.

Apart from the major domestic capitalists, state organizations had plans to increase economic surplus from their lands that would be used in the high-speed railway project. The Treasury of the Ministry of Finance (MOF) and the Planning Office of the MOT discussed

how to use the state's lands in the high-speed railway project. As a result of the discussions, both departments assigned unused state lands to be used as train routes and parking lots (*Prachachartthurakij*, May 19, 2013).

The Treasury and the Planning Department also planned to develop the lands around the train stations. They would contract commercial areas out to private businesses as a thirty-year term joint venture, but the rights to manage the stations would remain with the state (*Prachachartthurakij*, May 19, 2013). Initially, the development of the project's non-affiliated assets would offset the loss from construction and operation. Besides, the commercialization of state-owned land could provide an additional source of income to the state. However, the commercialization of land around railway stations has led to instances of the corruption of public officers with the authority to allow private companies to generate profits from state-owned lands. For instance, in 2018, the State Railway of Thailand investigated officers who were suspected of receiving bribes from private companies utilizing lands around a railway station illegally (*Posttoday*, November 29, 2018).

Dealing with the State Railway of Thailand

The Yingluck government needed to compromise with the State Railway of Thailand (SRT), the only railway authority of Thailand, in constructing the high-speed railway project. The government planned to use SRT's land to reduce costs and conflicts caused by land expropriation (*Thansettakij*, April 29, 2013). One method was to allocate tasks closely tied to rents from the high-speed railway projects to the SRT. The government assigned the Office

of Transport and Traffic Policy and Planning (OTP) to conduct feasibility studies of the high-speed railway projects in the northern, northeastern, and southern route. Simultaneously, the government gave the authority to study the feasibility of the eastern route to the SRT because this route would be an extension of the Airport Rail Link, operated and managed by the SRT (the former advisor to the Yingluck government, personal interview, February 14, 2017).

Another way was to appoint a governor who was sympathetic towards the SRT. The government appointed Prapat Chongsanguan, the former governor of Metropolitan Rapid Transit, as the governor of the State Railway of Thailand. As governor, Prapat eagerly protected the interests of the SRT and its staff, at least verbally. Prapat once commented that SRT had been bullied by other organizations which had often exploited SRT's assets for non-commercial public projects such as parks (Farung, October 16, 2013). Additionally, Prapat opposed the proposal to establish a Department of Rail Transportation, which would have the authority to construct infrastructure and manage SRT's assets, in exchange for clearing SRT's debts (*Manager*, April 22, 2013). Prapat commented that this deal could cause SRT's status to deteriorate further. The SRT Union also protested the idea to establish a new department to regulate railway affairs.

Prapat eventually won the support of SRT's staff, including members of the SRT Union. Remarkably, the union members wrote a letter supporting Prapat to restructure the railway system. They also mentioned that Prapat never blamed low-ranking officers in incidents of derailed rolling stocks (Wasana, October 10, 2013). Prapat's good relationship with the SRT Union might have enabled him to successfully implement such projects as

improving railroads in the upper northern route to reduce a problem of derailing trains (*Thairath*, July 14, 2014). To some extent, Prapat could help the Yingluck government to compromise and cooperate with the SRT on some initiatives, for instance, changing the blueprint of Bang Sue station to accommodate high-speed railways.

Nation-Wide Plan as the Ruling Party's Political Leverage, Domestically and Internationally

Considering the domestic political issues, the plan to construct nation-wide high speed railway networks by the Yingluck government served its supporting bases both generally and specifically. On the one hand, a nation-wide network would promote economic growth in the provinces which local voters and politicians/businesses alike would support as both groups would gain from the increase in revenues. On the other hand, the plan favored rentier groups, either provincial or national, over other social groups in the regions. The capitalists and politicians could capture rents from properties appreciation, while the ordinary citizens were unlikely to receive benefits from the increased property prices and had to bear the costs of the higher land rents. Along with responding to the demands of its supporting coalitions, the Yingluck government also allocated the authority and responsibility of the commercialization of non-affiliated assets to the bureaucrats. The allocation might incentivize civil servants to implement the project, as it would generate extra revenues that could offset the financial losses of their organizations and fill up their wallets.

Considering the international political issues, the announcement of the nation-wide network construction plan gave advantages to the Yingluck government when bargaining

with Chinese agencies, as the plan seemed to comply with China's geopolitical strategies. According to Korn Chatikavanij, the former Minister of Finance of the Abhisit government (2008-2011), the Chinese government perceived that Thailand, which is located at the geographic center of mainland Southeast Asia, is crucial to China's geopolitical strategy (*Manager*, June 15, 2015). Under the Abhisit premiership, China and Thailand had reached an agreement to jointly invest in high-speed railway development, in which Chinese agencies would be responsible for 49 percent of the capital investment (*Komchadluek*, March 22, 2013). Applying Korn's logic, the combination of the nation-wide railway networks and the international tender could persuade Chinese agencies to make favorable offers to the Thai government since the invited organizations from other countries would have to compete with the Chinese ones. The competition would consequently pressure Chinese agencies to accommodate the Thai government, considering Thailand's importance to China's geopolitical strategy.

5.6 Commitment and Collateral: The “Two trillion Baht Loan” Bill

Another feature of the Yingluck government's high-speed railway plan was the idea to finance the project via a loan bill. The bill would authorize the government, in the name of the Ministry of Finance, to take out a sovereign loan of 2.2 trillion Baht (approximately USD 68 billion) to finance the project. The loan bill would not fund the high-speed railway project exclusively; it would also fund other infrastructural developments, including dual-track upgrading for the existing train network, highways expansion, seaport development, cargo

depots, border checkpoints as well as an extension for the mass-rapid-transportation system in Bangkok (*Prachatai*, May 10, 2013). Nonetheless, the high-speed railway network would account for nearly 40 percent of the entire investment valued around 783 billion baht (approximately USD 25 billion).

The Yingluck government used its majority in parliament to ensure passage of the loan bill (Trin 2019b, 338). On March 19, 2013, Kittirat Na Ranong, then Minister of Finance of the Yingluck government, revealed that the cabinet accepted the “two trillion Baht loan” bill for infrastructure improvement (*Isranews*, March 19, 2013). Subsequently, the Thai parliament gave the Yingluck government permission to propose the loan bill to the House of Representatives for the first time on March 28, 2013 (*Thaipublica*, March 25, 2013). The House, however, did not pass the bill on the first occasion. On September 20, 2013, the House finally passed the bill with 287 to 105 votes (*Bangkokbiznews* Sep 21. 2013).

The Yingluck government chose to finance its high-speed railway project via a loan bill instead of the regular budget process, because the bill allowed the government to deal with Thailand’s vast amounts of foreign reserves. Economically, the loan bill exhibited the government’s confidence in its foreign reserves. According to data from the World Bank (2018), Thailand’s reserve to external debts ratio was about 160 percent in 2011, 135 percent in 2012, and 120 percent in 2013, respectively. Kittirat commented that the government needed to invest its vast amounts of foreign reserves in infrastructure projects (Prinya 2012). Kittirat further explained that the foreign reserves, which was around USD 170 billion in June 2012, would enable Thailand to comfortably import equipment and machinery

(*Thairath*, June 29, 2012). Notably, the loan bill relied on domestic sources to absorb excess liquidity in the economic system.

Dealing with the Procedure and Compartmentalization in Bureaucratic Organizations

Following the framework of the dissertation, the structural bureaucratic predicaments and pressure from the supporting coalitions were the reasons that caused the Yingluck government to select the loan bill as a financing method. The bill allowed the government to bypass the case-by-case consideration of public investment projects (the researcher on transportation policy, personal communication, February 21, 2017). The loan bill would be presented to the Ministry of Finance and the cabinet as a package, not a case-by-case report. The bill would hasten the fiscal monitoring process and would be less transparent than the normal budget processes.

The loan bill, to a certain extent, was the manifestation of the compartmentalization within Thai bureaucratic organizations. The government intended to use this loan bill to lessen the red tape of the transportation investment process between the MOF, which allocates the budget, and the MOT which pursued the construction of infrastructure (the researcher on transportation policy, personal communication, February 21, 2017). The MOF typically prioritized operating expenditures over the investment ones. Hence, the MOF tended to cut the allocated budget for the latter, not the former.

The prioritization of the operating expenditures reduced the chance for the MOT to receive budgets from the MOF (the researcher on transportation policy, personal

communication, February 21, 2017). The prioritization, consequently, obstructed the transportation upgrading investment of the MOT. The loan bill would solve the problem of the budget allocation, rooted in the demarcation along the ministerial line, by allocating extra-ministerial budgets to infrastructure investment and imposing the priority of the infrastructure investment. Remarkably, the loan bill would reserve a specific amount of capital for the purpose of transportation development.

Domestic and External Implications of the Loan Bill

In addition to the nation-wide construction plan, the loan bill would ensure voters that the government would have sufficient financial resources to secure the high-speed railway projects (the former politician, personal communication, March 3, 2017). Likewise, a credible financial plan could encourage people to invest even before the plan was materialized (the former advisor to the Yingluck government, personal interview, February 14, 2017). For instance, local politicians and entrepreneurs, both in the metropolitan areas and the provinces, bought lands and invested in the planned areas for high-speed railway construction, when the government announced the concrete plan for the project. The investments in real estate development, consequently, increased property prices and benefitted land-owners, who tended to be political bases of the government. Accordingly, the loan bill intensified land speculation in the provinces.

On one the hand, the loan bill would provide opportunities for lenders, in Thailand to receive gains from lending to the government. The Yingluck government planned to borrow

primarily from private sources in Thailand (*Infoquest*, March 28, 2013). The loan bill could provide extra investment opportunities for financial investment to domestic lenders (a group of investment bankers, personal communication, February 14, 2017). In contrast, other bankers stated that investors did not trust the loan bill as it lacked a definitive investment plan (a group of investment bankers, personal communication, February 14, 2017). The bankers' anxiety can be confirmed by news that there was a discussion between the Yingluck government and executives of commercial banks to encourage the latter to provide loans for the infrastructure development projects (*Voice TV*, September 19, 2013). As a result of the discussion, the executives gained better understanding of the loan bill.

The loan bill also helped the Yingluck government mitigate the predatory behavior of the Chinese agencies. The bill enabled the government to present a low-risk proposal to these agencies as it would mainly rely on domestic credits. Thus, the government need not borrow from the Chinese state-owned banks. The financial self-reliance of the government meant that Chinese agencies could not use loan conditions to pressure the Thai government to accept terms that were disadvantageous to the government. For instance, the agencies could not impose terms that would allow them to monopolize the right to control lands near the stations and along the railways. The loan bill, together with plan to conduct international bidding, led the Chinese organizations to give more favorable offers to the Thai government.

Similar to the international bidding and the plan to construct the nation-wide high-speed railway network, the loan bill was a result of the demand of the Yingluck government's supporting coalitions which demanded policies that served their interests. Nevertheless, the

Yingluck government's attempt to issue the loan bill was met with resistance from the conservative faction. The government had managed to elude the issues until it had to face, arguably, the most powerful member of the faction, the Constitution Court. The verdict by the Court, which deemed the loan bill to be unconstitutional, marked the beginning of the end for Yingluck's high-speed railway policy and her government.

5.7 Resistance to the High-Speed Railway by the Conservative Alliance²⁶

The high-speed railway policy enabled the Yingluck government to maintain its popularity and loyalty among its supporting coalition, but it provoked criticism and was met with resistance from several groups. Various people, including an experienced journalist, technocrats, and politicians, voiced against the initiative. In particular, critics perceived the plan to build nation-wide high speed rail networks as a part of the populist policies, which could allow PT to gain vote as much as possible. A senior journalist, who had studied and reported on many transportation policies for a long time, expressed that the announcement of the construction of a nation-wide high-speed railway network was chiefly intended to maximize the vote in the supposedly coming 2015 election. The journalist further commented that the construction would be prejudicial to the national interest since it would render Thailand vulnerable to an enormous fiscal deficit (the senior journalist, personal communication, February 25, 2017).

²⁶ A modified version of some of the analysis in this section is included in Trin (2019b).

The criticism and resistance also targeted the loan bill in the same degree as, if not higher than, the nation-wide high-speed railway construction plan. Public figures criticized the loan bill for its high amount of future expenditures. One of the prominent critics was Kanit Na Nakhon, then the president of the legal reform committee, who insisted that the loan bill was unconstitutional on the basis of its fiscal process, which opposed to a standard procedure of the government expenditure, and the rule of law (*Thairath*, July 4, 2013). Other prominent critics were researchers from Thailand Development Research Institute (TDRI), arguably the most influential think-tank in Thailand, who criticized the loan bill on the basis of its increasing public debt, the lack of details in its operation, and its debt management (*Prachatai*, April 19, 2013).

Survived Parliament, Defeat in the Court

Opposition political parties, especially the Democrat Party, tried to obstruct and defeat the loan bill through parliamentary debates (Trin 2019b, 337). After the cabinet had approved a draft version of the bill, the House of Representatives discussed the loan bill on March 28-29, 2013, (*Thairath*, March 22, 2013). However, the House could not reach a conclusion as the opposition parties intentionally delayed progress by making a series of harsh criticisms. For example, Attawich Suwanpakdee from the Democrats Party called the loan bill a “blank cheque” since the bill presented limited information of any infrastructure projects (*Posttoday*, March 28, 2013). Attawich further asserted that the loan bill would push the degree of public debt to the ceiling level of 60 percent of GDP.

The debate also revolved around the issue of “a vegetable convoy train,” as Yingluck had inadvertently said in parliament that “if we have the high-speed railway carry vegetables, they will not rot and the vegetables would be fresh and safe for the consumers” (*Komchadluek*, March 28, 2013). This statement added considerable fuel to the flame in the debates on the high-speed railway project. The Democrat Party exploited Yingluck’s statement by saying that the government would make them carry a massive debt for the next fifty years to build “extravagant” trains to carry vegetables (*Thairath*, March 30, 2013). The opposition parties’ attempts to delay the loan bill were only temporarily successful as this success in delaying was a short-lived victory. The government utilized its majority of votes in the House to overcome resistance from the Democrat Party and Bhumjaithai Party.

The defeat of the Democrat Party did not stop its members from further resisting the loan bill. Even though the Senate Council had passed the loan bill, the members of the DP collaborated with some senators to file a complaint regarding the bill with the Constitutional Court to neutralize the bill (*Thairath*, November 21, 2013). Remarkably, Kamnoon Sidhisamarn, a senator, pointed out that the loan bill was against Article 169 of the 2007 Constitution of Thailand (*Bangkokbiznews*, October 7, 2013). Article 169 stated that the government could use the state’s money only if the expenditures followed the Acts of the budgeting and treasury reserve. Kamnoon’s comment implied that the loan bill would later become the Achilles’ heel of the railway project as well as the government.

In early 2014, the Constitution Court validated the complaint and started its judiciary process. In March 2014, the Constitution Court issued a verdict that the loan bill was against

Section 8 of the 2007 Constitution on monetary, fiscal, and budgeting policy with 9–0 votes (*Bangkokbiznews*, March 12, 2014). The Court specifically explained that the government could borrow money only in an urgent case but infrastructure development was not in this category. The government, hence, could not enact the loan bill. The Court also stated that, as some members of the Puea Thai party had cast votes for absent colleagues, such behavior, was unconstitutional (*Bangkokbiznews*, March 12, 2014).

The fate of the loan bill illustrated the rise and demise of the Yingluck government's high-speed railway initiative and the Yingluck government itself. The confluence of provincial political forces, both the voters and politicians/capitalists, with factions of the national capitalist groups led to a temporary success. Finally, the loan bill was defeated by a counter-movement of the conservative coalitions, which consisted of the appointed senators, the Democrat Party, the courts, and the military.

5.8 Concluding Remarks

In summary, the political economy of the high-speed railway project in the period of the Yingluck government had four characteristics. First, the willingness of the ruling government to consistently propose policies, namely, the international tender, the nation-wide railway construction, and the enactment of the loan bill, served the general interest and specific interests of the supporting coalitions. Second, the high-speed railway policies of Yingluck not only responded to the demands of its supporters but also compromised with bureaucrats' interests. Third, with the high ratio of total foreign reserves to total external debt, the

government could employ the tender and the loan bill to incentivize Chinese agencies to provide favorable offers since these agencies met with competition for the project which they regarded as low-risk. Fourth, the defeat of the high speed railway project highlighted a contestation among elected groups and anti-majoritarian coalitions over resources and policy trajectories.

Put another way, the elucidation of the Yingluck's government high-speed railway development in this chapter consisted of three dimensions, including the state-society relation, the intra-state relation, and inter-state relation. The *state-society relation* could be seen from actions of the Puea Thai, as the ruling party, in pursuing policies serving the interests of the social groups that were its supporters. The *intra-state relation* manifested via the struggle between the ruling government and other state entities, including the Court, public officers, and senators, over the formulation and implementation of high-speed railway policies. The *inter-state relation* can be shown by negotiations between the government representing its supporters and foreign actors, especially Chinese and Japanese railway agencies, in shaping such policies as the rice-train barter or opening international tender. In a nutshell, the characteristics of the high-speed railway initiative of Yingluck's government were the result of the interaction of the domestic social forces, the ruling party, state entities, and foreign agencies.

6. The High-speed Politics of the Prayut Government (2014–2018)

On June 15, 2017, the Prayut government announced in the *Royal Gazette* that it would use Article 44 of the 2014 Interim Constitution of Thailand to overcome the legal constraints surrounding the China-Thailand high-speed railway project (*The Nation*, June 16, 2017). Similar to when the Yingluck administration made a similar announcement, the military regime's decision to launch a high-speed railway project attracted both acclaim and denunciation but the latter seemed to be less aggressive than that leveled at the Yingluck government. The main aim of this chapter is not to evaluate whether the use of Article 44 for the railway project is justified, but rather to investigate how competing interests and institutional conditions shaped the railway policies of the Prayut government.

In this chapter, the thesis introduces the four following main points. First, the inconsistencies in railway policies of the Prayuth government illustrated the absence of pressure from the non-elite groups which are suppressed by authoritarian institutions. Hence, the junta government was not committed to ordinary citizens and was concerned more with compromises between foreign agencies, especially the Chinese ones and the elitist support groups consisting of major domestic capitalists, technocrats, and military officers. Second, the details of the policies demonstrated that the Prayut government attempted to preserve the rents of its supporters, particularly the closely connected Thai conglomerates and bureaucrats. Third, the Prayut government did not face a severe problem of resource scarcity that allowed it to present a low-risk proposal keeping supporters' rents. Fourth, the Prayut

government relied on a special law, Article 44, to overcome existing bureaucratic norms and procedures.

The chapter begins by examining the general background of the period of the Prayut government -- this includes the junta's relationship with China, political conditions, and its economic policies. Then, the chapter provides details of its proposal for a high-speed railway, especially those related to negotiations with foreign agencies, construction plans, and financing methods. Next, the chapter explains the sluggishness in implementing the project, even though the junta holds enormous power. The chapter concludes with the main findings and discusses the existing literature. The timeline for the development of the high-speed railway project during the period of the Prayuth government is shown in Appendix 3.

6.1 China-Thailand Relations during the Prayut Government²⁷

Hostile Western Governments and Friendly China and Japan

The Prayut government, which has been under the umbrella of the National Council for Peace and Order (NCPO), has faced sanctions from the United States of America and the Commission of the European Union. Both Washington and Brussels have shown their opposition to the 2014 Coup. For instance, the U.S. government and the EU Commission have banned Prayut from making official visits to the United States and the European Union

²⁷ A modified version of some of the analysis in this section is included in Trin (2019a).

countries (*Prachatai*, August 8, 2017). Additionally, Obama's administration publicly denounced the junta's actions of violations of human rights (Pongpisut 2017, 268).

The Western states' sanctions paved the way for the Chinese government to increase its influence on the Thai government, as it did not condemn the Thai junta. China provided legitimacy for the Prayut government at a "critical moment," since the leaders in Peking have never considered the agenda of democracy (Pavin 2014, 80). The enhanced relationship between Thailand and China can be illustrated by their armament transactions, which have included tanks and submarines (*BBC Thai*, April 26, 2017). Besides weapon purchases, the defense agencies of Thailand and China have planned to set up a facility in Khon Kaen, a city in the northeast, to produce and maintain military equipment (Panu 2017).

The Prayut government has also formed economic partnerships with China. On January 26, 2016, the cabinet decided to join the China-established Asian Infrastructure Investment Bank (AIIB) and allocated a budget of USD 1.47 billion (Pairat 2016). In May 2017, the junta sold a large volume of the state's rice stock via bilateral agreements with major buying countries, including China (*Xinhua*, May 29, 2017). In short, the Prayut government, which has been sanctioned by the EU and the United States, have developed closer ties with China in security and economic affairs.

*The Continuity of China's Offers for Construction of the High-speed Railway*²⁸

China has continued to offer Thailand assistance to construct high-speed railway networks, regardless of the change in regimes (Trin 2019b, 340). Both countries signed a MOU on the construction of the dual-track standard-gauge (*Prachachatthurakij*, December 24, 2014). According to the MOU signed in December 2014, China was to build a railway, which would be 867 kilometers in length, connecting Nong Khai, the border town located next to Laos, with the deep-sea port on the shore of the Gulf of Thailand at Map Ta Phut in Rayong and Bangkok (Tang and Orasa 2014).

At first, the Chinese agencies intended to build the railroad to Map Ta Phut because they wanted to use this standard-gauge route (they have specialized technology in its construction) to carry Chinese products to deep-sea ports for export to the world market (a researcher on transportation policy, personal communication, February 21, 2017). However, the negotiation team of the Prayut government also wanted this route to connect with Bangkok. Thus, the Chinese agencies needed to propose the construction of an additional line from Kaeng Khoi, which is located near Nakhon Ratchasima, to Bangkok. As a result of the MOU, the Chinese agencies began to conduct a feasibility study.

The China-Thailand standard-gauge railway, which would connect Laos with Map Ta Put and Bangkok, would serve the strategic needs of China and Thailand. China could use this northeast railway network to restore the Silk Road, while Thailand could use it to create a linkage with the ASEAN countries (*Thasettakij*, November 17, 2014). Nonetheless, the

²⁸ A modified version of some contents of the analysis in this section is included in Trin (2019b).

China-Thailand MOU was by no means a groundbreaking agreement. The 2014 MOU was partially based on the 2010 and 2013 MOUs that the Chinese government had signed with the Abhisit and Yingluck administrations, respectively (Jaruwan. 2014).

6.2 Political Conditions of the Prayut Government

The Dictator Ruler with the “Excalibur” called Article 44²⁹

After the successful coup on May 22, 2014, Prayut Chan-o-cha, the head of the Thai army, subrogated the 2007 Constitution of Thailand and established the National Council of Peace and Order (NCPO), which then promulgated the 2014 Interim Constitution of Thailand on July 22, 2014 (Kitti 2015). On August 24, 2014, the junta-appointed assembly, which had 194 members, selected Prayut as prime minister.

The interim constitution allowed the junta to conduct *rule by law* instead of following the rule of law, since it enabled the military government to use the law to meet its objectives. In particular, the 2014 Interim Constitution of Thailand contains Article 44, which gave the NCPO or the Prayut government authority to exercise power without legal constraints, meaning that the junta was able to “bypass normal legal and parliamentary processes” (Panuwat, 2017).

Article 44 highlighted the authoritarian nature of the Prayut government which has used the Article like the mythological sword, “Excalibur” to cut down all legal obstacles. For

²⁹ A modified version of some contents of the analysis in this section is included in Trin (2019b).

instance, the junta used Article 44 to bypass making environmental impact assessments (EIA) when entering into contracts with private agencies to undertake infrastructure projects (*Nation TV*, March 8, 2016). Likewise, the junta invoked Article 44 to remove legal obstacles that decelerated the establishment of special economic zones (SEZ) in border cities (*The Isaan Record*, November 23, 2016).

In addition, the Prayut government used Article 44 to suppress dissidence or opposition. The Prayut government enacted Article 44 to issue NCPO Order 3/2014 to facilitate such suppressive measures as detention and warrantless arrest (Haberhorn 2017, 349). The junta used an executive order to charge critics of the draft of the constitution during the referendum period of the 2016 Constitution of Thailand (McCargo, Saowanee, and Desatova 2017, 71–72). Additionally, the NCPO used criminal law to summon or “invite” its opposition to “adjust their attitude about political situations” (Ram 2016, 103–104).

The Rise of the Unelected Honorable Persons

The NCPO established “direct military rule” that centralized power and decision-making processes in the hands of the junta elites (Prajak and Veerayooth 2018, 284). Notably, the military regime of Prayut consisted of five entities, namely, the NCPO, the cabinet, the National Legislative Assembly (NLA), the National Reform Council, and the Constitution Drafting Committee (CDC). Military officers, both active and retired, dominated these entities. Besides, the NCPO also occupied positions on the executive boards of state-owned

enterprises and independent organizations (Prajak and Veerayooth 2018, 287). In short, Prayut's government manifested a military-dominated regime.

The Prayut government also enabled civilians to seize seats on such government committees as the National Legislative Assembly (NLA) or the National Reform Council (NRC). These persons were appointed to these positions, which have brought them "material and moral prestige," because they supported the NCPO in overthrowing the Yingluck administration (Veerayooth 2016, 491, 495). The NCPO also appointed its supporters as members of regulatory committees, such as the State Enterprises Policy Commission or the Digital Economy Committee (Veerayooth 2016, 496).

The NCPO subdued politicians in several ways. Initially, the Prayut government suspended regular elections at every level, from national elections to community elections (McCargo, Saowanee, and Desatova 2017, 76). Without elections, politicians had no formal venues to negotiate with the state and with voters. Furthermore, in the fiscal year of 2017, the junta cut the budget of local governments around 22 billion baht in several categories, including road maintenance and subsidies for local education and health care services (*Posttoday*, July 7, 2016). Moreover, the junta tended to order local politicians to follow its initiatives rather than giving the politicians autonomy to pursue their policies (a local politician in Phitsanulok, personal communication, March 6, 2017).

With limited autonomy and fiscal capacity, local politicians lost their power as brokers between the state and citizens. The actions of the junta to demoralize elected politicians excluded voters from a formal channel of policy formulation. The military

government did not taken the demands of ordinary people into account. On the contrary, it mostly accommodated the concerns of interest groups in the upper social stratum that served as supporters of Prayut's administration.

Interests Underpinning the Prayut Government

According to the social backgrounds of the supporters of the Prayut government, there are three groups: large conglomerates, senior technocrats/bureaucrats, and high-ranking military officers. In contrast to the Yingluck government, which had been based on supporters from all classes, advocates of the Prayut government tended to come from the upper or upper middle classes.

The cabinet and the NLA, which were involved in law-making, can now be defined as a council of the rich, who provided support to the NCPO and the Prayut government (Pasuk 2016, 415–416). The appointed members were high-ranking military and police officers, professional elites, and business owners. Remarkably, the average income of NLA members was about 32 times the average GDP per capita of Thailand. In particular, 12 of these appointed members possessed assets valued at more than 500 million baht, individually.

Big business, bureaucrats/technocrats, and military officers supported the Prayut government in different ways. The large conglomerates offered financial resources to the government; they sometimes helped the government implement particular policies, such as promotion of the local economy or infrastructure development. The bureaucrats/technocrats and military officers supplied expertise and coercion, respectively, to the Prayut government

(Baker 2016, 395–396). These three supporting groups provided the government with money, knowledge, and the means of coercion.

Each supporting group of the Prayut government pursued different kinds of interest. Senior technocrats/bureaucrats and high-ranking military officers sought positions which can provide them with lucrative incomes and extravagant privileges (Veerayooth 2016, 491). On the other hand, the big businesses or large conglomerates sought rents from particular state policies in which influential capitalists set the agenda (an expert on agricultural policies, personal communication, February 21, 2017).

Unsurprisingly, the Prayut government generally implemented policies that served the interests of the conglomerates, which preferred working with the Prayut government to the Yingluck administration, since they paid lower amount of bribes during the Prayut government (an expert on agricultural policies, personal communication, February 21, 2017). Meanwhile, the junta responded the demands of large private companies faster than the previous elected governments, since it did not need to bargain with various politicians who had usually requested shares of rents (a group of investment bankers, personal communication, February 14, 2017).

Backgrounds of the Ministers of Transport of the Prayut Government

The Prayut government appointed two ministers of transport: Prajin Chanton, who served from August 2014 to August 2015 and Arkhom Termpittayaphaisith, who served from

August 2015 to July 2019 (Akira Suehiro, personal communication, July 19, 2019). Arkhom was the Vice Minister of Transport when Prajin held the ministerial office.

Prajin was Commander in Chief of the Royal Thai Airforce before he was appointed Deputy Chairman of NCPO and Minister of Transport. Prajin had been a member of the executive boards of Thai Airways, the national airline, and PTT Public Company Limited, the state-owned listed petroleum company (*Prachachartthurakij* September 5, 2014). Prajin began negotiating with the Chinese and Japanese agencies in developing high-speed railway projects on different routes in 2015 (*Prachachartthurakij* April 18, 2015). Prajin had initially negotiated with Charoen Pokpand and Thai Beverage for the construction of high-speed railway lines in the southern and eastern lines (*Thairath* March 9, 2015). During the early stage of the Prayut government, Prajin could be NCPO's ideal negotiator with Chinese agencies, Japanese companies, and Thai conglomerates because he had a close relationship with military leaders.

Unlike Prajin, Arkhom was a technocratic minister, who had served as Secretary of the Office of the National Economic and Social Development Board (NESDB). His primary tasks as minister were to finalize investment proposals for transportation infrastructure, proposed by the Ministry of Transport, and coordinate with the NESDB in consideration of these proposals (*Thansettakij* April 24, 2016). Arkhom also had to fulfill the MOU of the China-Thailand high-speed railway project, signed by the Chinese and Thai governments in December 2014 (*Matichon* June 26, 2017). Similar to the Yingluck government, when NCPO decided to implement the high-speed railway project, it assigned Arkhom, a technocrat who

is knowledgeable on technical issues and the regulation of public investments, to realize infrastructure development.

6.3 Economic Policies of the Prayut Government

Big Capitalists as Spearheads

In contrast to the political sphere, the economic policies of the Prayut government showed the enormous influence of the large domestic capitalists rather than military organizations. The government formally defined its economic policies as part of a campaign of “Pracharath,” which became one of the trademarks of the junta. While the government interpreted the concept of Pracharath as “a partnership between the state, the private sector, and the public, with the aim of strengthening the country’s economy at the local level,” (Prajak and Veerayooth 2018, 293). It was big businesses, not the military, which primarily shaped the agenda of the campaign (the expert on agricultural policies, personal communication, February 21, 2017).

Under the umbrella of Pracharath, the conglomerates, which had close ties with the government, played the role of “big brothers,” assisting and supporting small and medium-sized enterprises (SMEs) (Prajak and Veerayooth 2018, 300). The government and conglomerates planned to set up a social enterprise, the Pracharath Rak Samakkee, in every province of Thailand (Dumrongkiat 2016).

The conglomerates would provide knowledge of management and marketing to their local counterparts. Uttama Saowayanon, the minister of industry, commented that the large companies would nurture the SMEs' abilities to compete in the global market (*Prachachartthurakij* Jan 11. 2018). The Pracharath campaign was expected to create a "hierarchical mode of economic interaction," in which the big businesses would be located at the zenith of the pyramid, rather than encouraging free and fair competition on a "level playing field" (Prajak and Veerayooth 2018, 300).

Set of Targeting Policies

The Prayut government has no clear and systemic economic strategy. The Pracharath campaign indicated frequently its interest in enhancing state-civil cooperation in economic development (Anusorn 2015). The government tended to implement policies that targeted particular groups, rather than providing universal coverage. For example, the government provided low-interest loans to small and medium-sized enterprises and subsidies for low-income farmers (Ebine 2016). Likewise, the cabinet planned to transfer funds, ranging from 1,500 to 3,000 baht, to the bank accounts of people registered as low income (*Thairath*, November 23, 2016). The welfare policies of the junta tended to be targeted measures rather than universal programs.

Furthermore, the Prayut government intended to stimulate economic growth by establishing special economic zones (SEZs) in every region, especially the border towns, where capitalists could exploit cheap cross-border daily workers from neighboring countries

(Supaporn and Walsh 2015, 208–9). The SEZ policy aimed to expand industries that would be compatible with the existing comparative advantage, rather than creating new advantages. The Prayut government also exercised Article 44 to facilitate the SEZ of high-tech industries in three partly industrialized eastern coastal provinces, namely, Choburi, Chachoengsao, and Rayong, under the banner of the Eastern Economic Corridor (EEC) (*The Nation*, May 18, 2017).

The Prayut government used Article 44 to overrule normal legislative processes and modify the private–public partnership (PPP) rules for investment projects in the EEC. Under the EEC initiative, it planned to build the high-speed railway, which would connect the EEC with Bangkok by linking with three airports, consisting of Don Muang, Suvarnabhumi, and U-Tapao (*The Nation*, Mar 14, 2017).

From the Medium-speed Train to the High-speed Train³⁰

Initially, the Prayut government did not intend to develop the high-speed railway. On July 29, 2014, it approved the master plan of restructuring Thailand’s transport infrastructure, valued at around USD 75 billion, over the next eight years (Warangkana and Wilawan 2014). This infrastructure plan included the expansion of an existing dual-track meter gauge, the extension of mass rapid transit in Bangkok and the metropolitan areas, as well as increasing

³⁰A modified version of some of the analysis in this section is included in Trin (2019a).

capacity for important seaports and airports. The government's economic advisors did not include a high-speed railway development project in the plan to avoid the requirement to conduct a feasibility study (Trin, 2019a, 41). Moreover, Prayut ordered the officers to re-study the break-even point of the high-speed railway project to prevent any fiscal problems (*Thairath*, June 2, 2014).

Subsequently, the Thai government signed a MOU with its Chinese counterpart to construct a medium-speed train with a maximum speed of 180km/hour; the train would operate on a dual-track standard-gauge (*Prachachartthurakij*, December 24, 2014). Regardless of the difference in maximum speed, the medium- and high-speed trains have to operate on the standard-gauge, which is 1.435 meters in width.

According to the China-Thailand MOU, the junta later changed its mind to develop the high-speed railway instead of the medium-speed one (Trin 2019a, 41). On March 25, 2016, Prayut declared on his television show, "Giving back happiness," that "the medium-speed train is not suitable for constantly changing situations" (*Manager*, March 25, 2016). He claimed that the high-speed railway would be more suitable for the people's welfare, convenient traveling, good China-Thailand relations, and the reform of the country.

6.4 Bilateral Negotiations with China³¹

A major difference between the Yingluck administration and the Prayut government, particularly with regards to the details of high speed railway policies, was the method of negotiating with foreign agencies. The Yingluck administration made an announcement to open a competitive tender, while the Prayut government organized bilateral negotiations with both Chinese and Japanese agencies.

The leaders of the Prayut government believed that the bilateral agreement would demonstrate a higher degree of respect for some countries, such as China, than opening international bidding (Trin 2019b, 340). Arkhom Termpittayapaisith, the minister for transport, explained that “we [the Prayut government] would not open a bid, even though the Thai government will completely provide investment capitals; we need to stick with bilateral collaboration, otherwise we would lose our credibility” (*Thaipublica*, March 25, 2016).

Apart from diplomatic rationale, the bilateral negotiations represented how power concentrated in the hands of the ruling elites during the the Prayut government. Regardless of public demands to change the negotiation method from a government-to-government agreement to international bidding, Arkhom immediately declined this demand on the basis of inter-state credibility (*Thaipublica*, March 25, 2016).

The actions of Arkhom implied that the Prayut government hardly took public opinion or demands into consideration (Trin 2019a, 43). Indeed, the public felt that the

³¹ A modified version of some of the analysis in this section appeared in Trin (2019a) and Trin (2019b).

bilateral agreement has less credibility, as it could easily lead to corruption (senior journalist, personal communication, February 25, 2017). For instance, the bilateral agreement, which meant that competitive bidding was absent, could lead to the fixing of specifications, encouraging rent-seeking activities in the high-speed railway project.

Repetitive and Protracted Bilateral Negotiations with Chinese Agencies

The process to arrive at a bilateral agreement was not smooth as, for a long time, both the Thai and Chinese governments unproductively negotiated construction of the dual-track standard-gauge railway in the northeast route. Between December 2014, when China and Thailand signed the MOU, and May 2016, there were nine negotiations in total but these negotiations were unable to arrive at a conclusion (Olarn 2016).

First, in 2015, the Prayut government initially presented a proposal that would establish a joint venture for constructing and operating the high-speed railway with the Chinese agencies. However, Thailand and China could not reach an agreement because of disputes over several issues, including land rights, investment proportion, the construction plan, and total costs (Crispin 2016). As a result of these disputes, the government canceled the original project of the medium-speed train on the dual-track standard-gauge (Trin 2019a, 42).

Based on this dissertation's framework analyzing this cancellation, the Prayut government offered a "high-risk" proposal to the Chinese agencies; the latter, as a partner of the joint venture, had to share the risk of the financial losses of the project. Consequently,

the Chinese imposed “unfair demands,” such as rights in land management (Olarin 2016), but the government declined these demands since they threatened the interests of its supporting coalition. For example, if the Chinese agencies gained monopoly rights in land management, the Thai capitalists and bureaucrats would not be able to benefit from the railway assets. In other words, both the Chinese and Thai agencies perceived that their partners imposed unfair demands that protracted the negotiations (a senior journalist, personal communication, February 25, 2017).

Cancellation of the medium-speed train project later opened the door for the high-speed railway project. On March 25, 2016, Arkhom concluded that the government would construct the standard-gauge with the high-speed train on a route that would cover Bangkok to Nakhon Ratchasima (*Thaipublica*, March 25, 2016). In detail, this construction of the 250-kilometer high-speed railway would be divided into four sections: a 3.5-kilometer section, a 10-kilometer section, a 120.5-kilometer section, and a 119-kilometer section (*Matichon*, June 17, 2016).

The decision to construct a high-speed railway from Bangkok to Nakhon Ratchasima pleased the leaders of Thailand and China but displeased Thai bureaucrats and the public. Because of its short distance, the Bangkok-Korat railway project was defined as “the diplomatic railroad.” This definition, to some extent, was correct, since Arkhom claimed that “We [the Thai government – author] will build the short section in line with the aspirations of the leaders of the two countries” (Amornrat 2016). Although the aspirations of the leaders were fulfilled, Thai bureaucrats were unhappy with this diplomatic railway project since it

would be entirely funded by Thai money (the second mid-level officer of the Ministry of Transport, personal communication, March 2, 2017).

Division of Labor in the Bangkok-Korat Railway Project

On the surface, the China-Thailand high-speed railway served only the leaders of both countries. However, details of the division of labor in the project gave some clues about how competing interests shaped this proposal of the high-speed railway policies. In principle, the Thai and Chinese governments agreed to apply “engineering procurement and construction (EPC),” which are separated into design, construction, and system works, as a framework of the cooperation (*Manager*, August 23, 2016).

In practice, there was a division of labor between Thai and Chinese actors in the project (Trin 2019a, 443). The former would be mainly responsible for civil construction works, while the latter would be involved in tasks that require high-tech technologies and skilled workers, such as signaling, rail installation, telecommunication, power-supply system, operation centers, and design (Ravee 2017).

The value of the Bangkok-Korat railway project was around 179,000 million baht (USD 5.4 billion, approximately), excluding the costs of land appropriation (*Manager*, June 23, 2017). In particular, the civil works, which were valued at around 135,000 million baht (USD 4.1 billion, approximately), would account for around 70 percent of the total expenditure, and the remaining 30 percent would be on designing, signaling, and operation systems (*Prachachartthurakij*, June 22, 2017).

The division of labor between Thai and Chinese agencies received support from bureaucrats, who tried to keep the construction works in the hands of the Thai people. Nevertheless, the bureaucratic organizations gave away the railway system tasks to the Chinese because Thai companies had no capacity to conduct advanced works (the first mid-level officer of the Ministry of Transport, personal communication, February 27, 2017). In other words, if the tasks could be done locally, the Thai entrepreneurs would have the privilege of being selected, first in accordance with the principle of “Thai businesses come first” (the second mid-level officer of the Ministry of Transport, personal communication, March 2, 2017). Notably, the prime minister and other ministerial personnel agreed with the “Thai first” principle.

At first glance, the agreement on the “Thai first” principle seemed to be compatible with the “national interest,” as the government could keep the employment and revenue from the construction for Thai citizens. However, the benefits from the construction would not be shared equally, as the construction companies and state agencies tended to get a larger share of the pie. The government assigned the Department of Highways to organize the construction of the 3.5-kilometer first phase of the China-Thailand high-speed railway, but other Thai companies can join a public tender for the remaining three phases of the project (Panarat 2017). Recently, the SRT just signed the contract the Civil Engineering Co., Ltd. to build the civil infrastructure from Sikhio to Khut Chik, which would be 11 kilometers in length (*Manager*, March 6, 2019). The SRT also planned to organize tenders for 12 other contracts of civil construction works to be conducted by private companies.

Regardless of the division of labor, some Chinese companies have attempted to grasp the contracts for civil construction works by forming joint-ventures with Thai medium-sized corporations. For instance, China State Construction Engineering Corp. formed a joint-investment with Nawarat Patanakarn Public Company Limited and A.S. Associated Engineering (1964) Co., Ltd. to bid for 23-kilometer civil construction works between Navanakhon and Bang Po (*Prachachartthurakij*, May 9, 2019). Additionally, Sinohydro also cooperated with Sahakarn Wisavakorn Co., Ltd. and Tipakorn Co., Ltd. in bidding for 22-kilometer civil infrastructure between Don Muang and Navanakhon (*Prachachartthurakij*, May 9, 2019). The joint-venture between Thai and Chinese corporations in biddings for civil construction implied that some Chinese agencies sought and obtained rents from these works, which was supposedly exclusively reserved for Thai companies.

Bilateral Negotiations with the Japanese Agencies

The Japanese and Thai governments agreed to build the high-speed railway from Bangkok to Chiang Mai, after Thailand asked Japan to choose its preferred route. According to the public announcement, the Japanese agencies would finish a feasibility study in late 2016, begin a design process in 2017, and engage in construction processes between 2018 and 2022 (*Chiang Mai City Update* Aug 20. 2016). The Japanese divided the construction into two phases, including the 384-kilometer Bangkok-Phisanulok route, and the 285-kilometer Phitsanulok-Chiang Mai route, and would cooperate in developing assets around train stations.

Thai bureaucrats preferred working with Japanese agencies than their Chinese counterparts. The Japanese officers were familiar with the policy processes of the Thai state and had the ability to conduct a reliable feasibility study (the second mid-level officer of the Ministry of Transport, personal communication, March 2, 2017). Accordingly, they did not rush Thai bureaucrats into develop the railway project. In contrast, the Chinese agencies usually ignored bureaucratic procedures since they merely wanted to push the project forward. In brief, Japanese agencies focused on the processes, but the Chinese ones mainly emphasized the result.

In a nutshell, the Prayut government applied a bilateral agreement as a tool to negotiate with the Chinese government, which supported the junta from the beginning. Meanwhile, the government has used bilateral negotiations to reach agreement with the Japanese agencies in the allocation of a high-speed railway route. However, neither the bureaucrats nor the public were happy with the government-to-government negotiations, particularly after the junta decided to fund the China-Thailand railway project with Thailand's resources. The bilateral negotiations prevented the spillover of "favorable conditions" from the Japanese offers in the Bangkok-Chiang Mai route to the China-Thailand railway project.

6.5 Customization of the Construction Plan

*Four Routes and Four Contractors: Customized Railway Routes*³²

The Prayut government finally decided to build the dual-track standard-gauge for the high-speed railway, in four directions, which would cover northern, northeastern, eastern, and southern regions. Although the junta's plan was similar to the Yingluck's construction blueprint in terms of direction and coverage, the details of Prayut's administration are different (Trin 2019a, 41). On the one hand, Yingluck's nationwide network would use the same funding method, operating and signaling systems for all routes. On the other hand, the four-direction network of the Prayut government would have different sources of financing, operation systems, and contractors for each route.

On March 30, 2016, Arkhom confirmed that the government would pursue the four-direction high-speed railway program (*Thairath*, March 30, 2016). The government would employ it to create a linkage between Bangkok and four regional centers, namely, Nakhon Ratchasima, Chiang Mai, Hua Hin, and Rayong. Map 6.1 illustrates that the hub of the project would be Bangkok. It also shows that the four different contractors would be responsible for each route of the project.

The contractors of the northeastern route would be Chinese agencies, while Japanese organizations would take control of the northern route. The private companies, which would join the public-private partnership (PPP) contracts, would be responsible for the eastern and

³² A modified version of some of the analysis in this section is included in Trin (2019a).

southern routes (Trin 2019a, 41-42). To sum up, the northeastern and northern routes would be inter-state projects, while the eastern and southern lines would be a state–business cooperation.

In other words, the Prayut government employed a customized approach for each route, instead of a “one-size-fits-all” one, to manage the four different routes of its high-speed railway projects. The tailor-made method suggested that the Prayut government perceived the high-speed railway project to be part of spatial-based stimulus packages, channels of rent distribution, and diplomatic tools since this method enabled the junta to customize offers for external actors participating in the construction of the railway project. For example, the military-backed regime aimed to use the high-speed railway on the eastern route to stimulate investment in the EEC area and distribute rents to its supporters. Concomitantly, the government utilized the high-speed railway in the northeastern route to strengthen relations with China and promote growth in the region.

China, Japan, and Thai Conglomerates

The Thai government would provide all of the capital for the construction of the high-speed railway along the Bangkok-Korat route. Initially, the Chinese agencies declined the government’s proposal to establish an SPV (special purpose vehicle), where China would be responsible for 60 percent of the investment funds (Sallaya 2016). Arkhom proclaimed that the railway operation, even the train drivers, would be Thai, and the rights to develop assets

and lands around the stations and along the railways would belong to the SRT (*Khaosod*, June 23, 2017).

Arkhom's proclamation was unsurprising since the lands used in the project are primarily the property of the SRT. If the government gave the right to manage the land to other actors, especially Chinese agencies, the SRT officers would not be motivated to provide their best service to the Prayut government, as they would lose the benefits that could be generated by enhanced property values. Regarding their skills and organizational power, the SRT protest would dampen the China-Thailand railway cooperation.

The Bangkok-Korat route is just the first phase of the China-Thailand high-speed railway cooperation, while second phase would cover Korat to Nong Khai (*Thairath*, June 27, 2017). The second phase would enable the railroad networks of Thailand, Laos, and China to connect. It was reported that Lao leaders felt there was no point building a high-speed railway without the connection to Thailand's railroad network (*Thairath*, August 24, 2016).

Meanwhile, the Thai and Japanese governments signed the MOC (Memorandum of Cooperation) on the high-speed railway development from Bangkok to Chiang Mai (*Nation TV*, August 6, 2016). The Japanese agencies revealed that the Bangkok-Chiang Mai route would rely on the Shinkansen technology, so this route would require a separate track to operate, following the standards of Shinkansen.

Some parts of the northeastern and northern routes would overlap. Thus, the Prayut government must harmonize the different signaling and operating systems of the Chinese-

made and Japanese-produced railway to make the trains operate smoothly. The Japanese agencies refused to share the same standard-gauge with the Chinese trains for the route between the central station at Bangkok and the Ban Phachi intersection, which is the crossroad of the northern and northeastern routes (*Matichon*, March 27, 2017). In particular, the Japanese officers claimed that they aimed to build the specialized railway for the Shinkansen system, which would be different from the Chinese one. Consequently, there would be three railway networks in the Bangkok-Ban Phachi interaction routes. The networks would consist of a dual-track one-meter gauge for a normal train, a dual-track standard-gauge for the China-Thailand Bangkok-Korat railway, and a dual-track standard-gauge for the Japan-Thai Bangkok-Chiang Mai network.

Third, the Prayut government persuaded private companies to invest in the high-speed railway for the Bangkok-Rayong and Bangkok-Hua Hin routes. Charoen Pokphand and ThaiBev has shown an interest in investing in these routes since 2015 (*Thairath*, March 9, 2015). On July 11, 2017, the EEC board committee approved the Bangkok-Rayong high-speed railway project, which would connect the three airports -- Don Muang, Suvarnabhumi, and U-Tapao -- its value would be around 215,100 million baht (USD 6.5 billion approximately) (*Thairath*, July 11, 2017). For the Bangkok-Hua Hin high-speed railway, the PPP Board assigned the SRT to conduct the second market sounding (*Posttoday*, July 11, 2017). After the public hearings, the SRT would have to reach a conclusion, based on the opinions voiced at the public discussion with private companies, and return it to the PPP Board to approve the Bangkok-Hua Hin railway project.

Hypothetically, the large domestic conglomerate groups could use their close connections to win the PPP contracts because they were one of the primary supporters of the Prayut government. Concomitantly, the bureaucrats, if not the Thai state, implicitly favored the Thai capitalists. For the PPP projects on the Bangkok-Rayong and Bangkok-Hua Hin routes, the state would provide Thai companies with advantages in the bidding process to participate as a partner in the railway development and asset management (the second mid-level officers of the Ministry of Transport, personal communication, March 2, 2017).

Dealing with the State Railway of Thailand

Similar to the Yingluck administration, the Prayuth government needed to deal with the State Railway of Thailand (SRT), as the owner of land used for the high-speed railway projects, and the manager of the construction tasks on some routes, such as the northeastern one. In particular, the SRT, as the ‘owner’ of the China-Thailand high-speed railway project, was responsible for drafting a contract for design and system works with Chinese agencies (*Matichon*, June 26, 2017). Likewise, the SRT also organized the tender for the high-speed railway on the eastern route. The Charoen Pokpand Group-led consortium³³ and BSR joint-

³³ The Charoen Pokpand-led consortium consists of Charoen Pokpand, Bangkok Expressway and Metro Plc, China Railway Construction Corporation Ltd, Ch Karnchang Plc, and Italian-Thai Development Pl, Japan Overseas Infrastructure Investment Corp for Transport and Urban Development, CITIC Group, Hyundai, and the Japan Bank for International Cooperation (JBIC) (*Bangkok Post* April 30, 2019).

venture³⁴ eventually qualified as bidders for this project (*Thaipublica*, December 23, 2018). After the tender was settled, the SRT, as a representative of the state, negotiated with the Charoen Pokpand-led consortium, the winner of the tender, to adjust some details, including compensation of loss from operations or extension of the PPP contract, in the Term of References (*Bangkok Post*, March 5, 2019).

In contrast to the Yingluck administration which had tried to compromise with the SRT, the Prayut government attempted to outmaneuver the SRT by establishing a new organization. In December 2016, the Prayut cabinet reached an agreement to establish the Department of Rail Transportation as a central planning agency for railway reform (*Bangkokbiznews*, December 27, 2016). The cabinet also planned to assign the SRT to establish three new companies: the train operating companies; the rolling stock and rail maintenance company; and the asset management company. SRT would hold 100% share of these companies. The SRT Union eventually publicly objected to the idea of the new department and companies because the union anticipated that these plans would lead to the privatization of the SRT (*Prachatai*, December 30, 2016).

The SRT Union were unsuccessful in attempts to halt the establishment of the new department. In February 2019, the cabinet passed ministerial regulations to pave the way for the birth of the Department of Rail Transportation (*Posttoday*, February 13, 2019). In May 2019, the cabinet appointed Sarawut Songsrivilai, the director of OTP, as the first governor

³⁴ BSR Joint Venture consists of Bangkok Mass Transit System (BTS), Sino-Thai Engineering and Construction Plc, and Ratchaburi Electricity Generating Holding Plc (*Bangkok Post* March 5, 2019).

of the Department of Rail Transportation (*Manager*, May 21, 2019). The progress in the establishment of the new department showed that the Prayuth government could outmaneuver the SRT Union.

Furthermore, the SRT had to comply with the demand of the Prayut government to develop the high-speed railway project for the Eastern Economic Corridor (EEC), the initiative to build the industrial area for targeted industries in the East (*Thairath*, May 11, 2019). In particular, the SRT had to lease its lands in Makkasan, the area in the center of Bangkok, and Sriracha, the port city, to the winner of the PPP contract of the eastern high-speed railway project for 50 years. These developments indicated that the Prayuth government was able to force the SRT to allow private corporations to generate revenue and share rents from SRT's lucrative assets.

Land as a Source of Rent in the High-speed Railway Project

The Thai conglomerates' primary motivation for direct participation in the high-speed railway projects is to seek rents from the rising value of assets and properties in the areas around the stations or railroads, rather than earning money from selling tickets to passengers (a group of investment bankers, personal communication, February 14, 2017). The large domestic conglomerates, which had the potential to join the PPP contract, not only attempted to win the bid to manage the lands around the railway station but also increased their portfolio of properties in the provinces.

For instance, Charoen Pokphand, a potential bidder for the PPP contract for the eastern line, invested in industrial estates in Rayong and a real estate project in Pattaya, a tourist destination in the east (*Prachachartthurakij*, April 27, 2015). Charoen Pokphand also allied with the Chinese construction firms to offer investment in the railways in the eastern region.

Similarly, Arkhom argued that the feasibility study showed that the project would be financially feasible if it could combine the income from passenger services and asset management (*Thairath*, March 30, 2016). Specifically, the revenue from the asset management would be the priority, since it would account for 60 percent of the total revenue of the high-speed railway program. The revenue from selling tickets would account for only 40 percent. The result of the feasibility study explained why the Chinese agencies desperately attempted to grasp the monopolistic rights to manage and control the railway-related lands and assets.

The bureaucrats also took into account the revenue from flourishing property values, so they offered some special conditions for private companies. In the case of the railway development in the EEC area, the state would offer private companies, interested in joining the PPP investment, the chance to change the planned location of the rail stations to bring them closer to their properties (the second mid-level officer, personal communication, March 2, 2017). Specifically, the private companies would be able to submit a proposal to change the locations of the stations as part of the bidding process.

This measure aimed to incentivize private companies to join the PPP, as the changed locations of the stations could enhance the value of privately-owned lands. In the case of SRT-owned land, the state would offer private companies the chance to hire or make concessions with the SRT to manage the properties (the second mid-level officer, personal communication, March 2, 2017). In short, ministers and bureaucrats realized that they could incentivize private companies to participate in the PPP railway contract by providing special measurements that would allow the companies to exploit state-owned land or enhance the value of their properties.

Although the ministerial and operation officers have realized how profitable it was when the assets around the stations and railways were developed, they have not been able to squeeze profits from the state-owned land readily because of the expropriation law. Specifically, the law does not allow state agencies to use appropriated lands for purposes other than those approved by the state (the former politician, personal communication, March 3, 2017). For example, if the state announces the appropriation of a particular area to build a high speed railway, it will not be able to commercialize this area, as commercialization is not the announced purpose. Similar to the cases in which the Prayut government has dealt with legal constraints, Arkhom proposed that the government might use Article 44 to bypass the existing expropriation law to allow the development of commercial activities in the expropriated areas (*Thairath*, July 16, 2016).

It may seem that Thai state managers were mere facilitators of the interests of the domestic capitalist class as they implemented measures that help private businesses generate

profits from the land. Nevertheless, the state managers also attempted to capture rents from the land. A case in point is when the SRT prepared to establish a body to manage its own assets in order to improve the modest financial returns from its properties (*Bangkokbiznews*, December 26, 2016). The SRT aims to use the newly established body to enhance its revenues and status of its balance sheets.

In the case of the China-Thailand railway project, the state managers tend to take control of the lands and assets for the routes on which the state is the sole investor (*Thairath*, June 21, 2017). In contrast, when the state is a joint investor in the PPP projects, the state managers gives away the rights to control the project companies to private companies (*Thairath*, September 2, 2016).

In summary, the rent from asset development around the stations reflected a clear picture of the political economy of the plan to customize construction of the high-speed railway networks during the the Prayut government. Economically, rent from land would be a crucial resource that could offset losses from the operation and construction costs and generate lucrative returns for the actors participating in the projects, either state managers or private businesses. Politically, rent from land would the focal point of contestation in the arena of the policies of high-speed railway construction and operation, since every agent mobilized its economic and political resources to grasp ownership and control of the railway-related assets.

6.6 Various Capital Sources of High-speed Railway Projects

China-Thailand: The Politics of the Financing Method

Thai and Chinese agencies negotiated at least nine times before they reached an agreement on the share of investment capital in the project. The conclusion is that the Thai government would provide entire investment capitals for the project, but it would use Chinese technologies, engineers, and architects (Nop 2017). The Prayut government refused the Chinese offer of a loan at 3 percent interest because it was too expensive for the Thai officers (*Thansettakij*, October 14, 2016). However, as of June 2018, there was a report that the government was negotiating with Chinese agencies for a loan and other terms, including the interest rate and a contract for rolling stock (Natnicha 2018).

In the eyes of the Chinese agencies, a self-funding proposal is a “low-risk” one, as they did not have to front any money for the project. Following this dissertation’s hypotheses, the Chinese agencies would provide mainly railway equipment and services in the case of a low-risk proposal, with a bilateral agreement as the method of negotiation. Accordingly, the Chinese agencies were not able to join the joint venture, as they were not providing the capital. Without direct involvement in the control of railway-related assets, the Chinese agencies would seek rents from a monopoly in the provision of goods and services, since the agencies had no competitors. Nevertheless, Chinese agencies’ perception of the low-risk proposal would be altered by Thailand’s request to borrow from Chinese financial institutions.

The hypothesis regarding bilateral agreement and low-risk proposal could be tested with the case of the Bangkok-Korat railway, as the Chinese agencies demanded unreasonable prices for their goods and services. For example, the Chinese agencies forced Thai state organizations to pay for their feasibility study at a cost of 500 million baht (the second mid-level officer, personal communication, March 2, 2017). This feasibility research would become free of charge only if the China-Thailand railway project in the northeastern route is completed. Typically, the OPT has paid around 30 million baht for feasibility studies conducted by private Thai consultancies. The bureaucrats refused to pay because of the study's poor quality and unreliable data.

Furthermore, the Chinese engineers demanded an unreasonably high salary, supposedly around 800,000 baht (Lom Pleantit 2017). However, the government outmaneuvered these demands in this respect. The Chinese agencies also proposed an adjusted salary for Chinese engineers that was higher than the 1,650 million baht budgeted in the cabinet-approved construction plan (*Manager*, August 7, 2017). As a consequence of the irrational pricing, the deputy secretary of the Ministry of Transport announced that negotiations would not take place until the scope of works and expenditures was clarified.

Japan-Thailand: Disagreement over Financing Method

On November 29, 2016, Peerapol Thavornsupacharoen, the deputy permanent secretary of the Ministry of Transport, revealed that the ministry had asked the Japanese agencies to show their choices of loans, interest rates, and investment patterns (*Dailynews* December 5, 2016).

Peerapol stated that the Japanese did not respond as to whether they would invest in the Bangkok-Chiang Mai high-speed railway, since they were waiting for the results of the feasibility study for the northern route. Despite Thailand's attempts to negotiate with Japan, they have not yet reached an agreement on a financing method.

In February 2018, representatives from Japan and Thailand discussed how to finance the high-speed railway project on the northern route (Om 2018). Thai representatives attempted to convince Japan to form a joint venture. Japan, nonetheless, offered loans with low interest rates rather than use its resources to invest. The Thai representatives rejected the Japanese offer and insisted on establishing the joint venture, as they aimed to decrease Thailand's capital investments and debt (Om 2018).

In October 2018, representatives of the Prayut government negotiated with Japan again (*Posttoday*, October 23, 2018). The Japanese agencies still insisted they would not join invest in construction and system works or the purchase of inventories but they would consider participating in asset development and technology transfers. Instead of joining the joint-venture, they would provide cheap loans to Thailand. The reason for the Japanese representatives' position was that the financial investment rate of return (FIRR) of the project was meager (*Posttoday*, October 23, 2018). There have been no reports about whether the government has accepted the offer of low interest rate loans from the Japanese agencies.

Part Privatization of Investment in the High-speed Railway Projects

Instead of the state making the entire investment, the Prayut government aimed to use the PPP contract as a method to finance the high-speed railway for the Bangkok-Rayong and Bangkok-Hua Hin routes. In principle, the primary aim of the PPP contract was to reduce the fiscal burden of the state (*Manager*, February 1, 2017). Chaiwat Thongkhunkoon, director of the OTP, publicly announced that the government would give the PPP contract to private companies to minimize the state's share of investment and operation costs (*Thairath*, September 2, 2017).

The priority of minimizing state expenditure was evident in the previous draft of PPP law on the high-speed railway project. The draft specified that the state would bear the cost of land expropriation and get a share of revenue from the operation by the private companies. The private partners would be responsible for construction and operation costs and earn revenue from the project (*Thairath*, May 12, 2016). Thus, this form of PPP would minimize state costs, as the private contractors would bear the costs of construction, power supply, and rolling stock, which would be heavy financial burdens. Moreover, this draft also divided the PPP contract into two parts, including civil works construction and railway-related asset development (*Thairath*, September 2, 2016). The draft did not incentivize private investors to join the projects since it would not enable private companies to earn money from selling tickets and land rent simultaneously.

The private businesses found that the early draft of the PPP law was not commercially appealing because it would impose massive costs but could not guarantee lucrative returns.

As a result of the private companies' reactions to the draft, the state managers combined the right to earn income from selling tickets with the right to control the project properties in a single PPP contract to incentivize private businesses to join the tender (*Thairath*, September 2, 2016). The adjustment in the PPP law illustrates the unequal balance of power among the supporting coalition of the Prayut government. The large capitalists outclassed the state managers since the latter had to change the PPP law in order to invite the former to join the infrastructure investment.

The conglomerates would benefit not only from the content of the PPP law but also the method that the government would use to invoke this law. The Prayut government plans to fast track the existing process of the PPP law, since the ordinary process has been too slow and complicated (senior journalist, personal communication, February 25, 2017). In fact, the fast-track version was the modified PPP law minus several legal processes. Hence, well-connected private corporations would gain lucrative rents from the infrastructure project within a shorter time frame than usual. Notably, the government included the Bangkok-Rayong high-speed railway as one of the six projects of the fast-track PPPs (*Manager*, June 29, 2017).

The variety of financing methods for the high-speed railway projects of the Prayut government reflected the contestation among domestic social forces and external agencies, especially Chinese and Japanese representatives. On the one hand, the Prayut government had to offer profitable activities or processes in the railway development to foreign actors in exchange for diplomatic and economic support. On the other hand, the Prayut government

also needed to preserve rents, especially controls of the lands and assets around the stations and railroads, for state managers (bureaucrats) and domestic conglomerates who were supporters of the junta. Shortly, the junta government customized financing methods and construction plans for each route to deal with powerful domestic and external actors.

PPP Contract for the Eastern Route as an Arena of Thai Capitalists

The Thai capitalist involved in high-speed railway development can be divided into two groups: mega construction contractors and land developers (Akira Suehiro, personal communication, July 19, 2019). The tender for the PPP contract for the high-speed railway in the eastern route or the three-airport train became an arena of competition between the construction companies and real estate capitalists. As mentioned already, the Charoen Pokpand Group-led consortium (CP) and the BSR joint-venture were chosen by the SRT as qualified bidders for the contract. Both of them were led by big construction companies (Italianthai Group in CP and Sino-Thai Engineering and Construction Plc in BSR) and huge real estate businesses (Charoen Pokpand in CP and BTS Group in BSR) (*Bangkok Post*, March 5, 2019). Eventually, CP-led consortium won the contract since it offered a lower price than BSR Group.

The competition between CP consortium and BSR group clearly illustrated the common characteristics of Thai capitalists in recent years. According to Suehiro (2017, 56), the Thai capitalists have realized “their competitive advantage in two major industries.” The first is the domestic-oriented industries, such as agro-businesses and development of

shopping malls or convenience stores. Another is the concession-based industries, including construction contracting and property businesses. This PPP contract combined these two major industries because the contract would give the winner rights to construct infrastructure and develop assets located around stations.

Specifically, CP's tactic, used in the tender for the PPP contract, reflected one of the latest trends in Thai corporate strategies, that is, the "acceleration of strategic alliances with giant Chinese firms, both state enterprises and private firms" (Suehiro 2017, 62). Charoen Pokpand included China Railway Construction Corporation and CITIC Group, the Chinese state-owned investment company, into its consortium (*Bangkok Post*, April 30, 2019). CITIC would provide additional capital for the CP-led consortium, while China Railway Construction Company would be a supplier of rolling stocks and bogies (*Manager*, November 16, 2018). However, there was no report on whether these foreign firms with advanced technologies would transfer their technological knowledge to Charoen Pokpand.

6.7 Delay in Realization of the China-Thailand Railway Project³⁵

The Law of Exception as a Way to Deal with Bureaucratic Procedures and Interests

The Prayut government managed to launch the high-speed railway project in the northeast with China. However, the project was delayed more than expected because of bureaucratic regulations and interests that obstructed the construction processes. In the eyes of the state

³⁵ A modified version of some of the analysis in this section is included in Trin (2019b).

officers, the bilateral agreement to construct the railway with China was illegal since it was against the law on procurement of a public project (the second mid-level officer of the Ministry of Transport, personal communication, March 2, 2017). Consequently, the bureaucrats avoided pushing the China-Thailand high-speed railway project, hence the project moved forward slowly (Trin 2019b, 341).

The China-Thailand HSR project was undoubtedly against the law, as there was no bidding process or benchmark price, but the prime minister still approved the project (the second mid-level officer of the Ministry of Transport, personal communication, March 2, 2017). The officers would pursue the railway project, based on a bilateral agreement, only if the government exercised Article 44 to protect the bureaucrats involved in the project. In other words, the bureaucrats wanted the policy processes to be transparent and free of fixation since this transparency would mean they would be safe from harsh penalties when the NCPO is no longer in power (Trin 2019b, 341).

Instead of following existing laws by opening an international tender, the Prayut government chose to continue negotiating for the bilateral agreement by applying Article 44 to impose a “state of exception” from the laws on the railway project. The NCPO applied Article 44 to the project to bypass such legal obstacles as government procurements on benchmark price, laws on state purchase and hire, and regulations on the working licenses of Chinese staff (*Thairath*, June 15, 2017). The NCPO defended the application of Article 44 on the basis that an action to override some legal constraints was acceptable for a

government-to-government project, and application of the special law would be imperative to the progress of the project (Trin 2019b, 342).

According to an expert in the OTP, who wished to remain anonymous, utilization of Article 44 would provide enormous benefits to Chinese agencies for two reasons (*Manager*, June 23, 2017). First, the Chinese agencies could demand that Thai organizations, such as the OTP or SRT, pay the design expenses, valued at 1,824 million baht (around USD 0.055 billion). Under normal circumstances, these organizations could not pay. As the Chinese and Thai governments did not sign a design contract, such a payment would be illegal. Second, Article 44 would enable the Chinese agencies to conduct a “detailed design” legally. This process was against the law on bidding collusion since it led to fixing the details in construction and systematic work.

The Prayut government would not have to use its “Excalibur” to let the Chinese agencies carry out the project if it had organized the international tender in the first place. The Chinese agencies could easily have outcompeted other bidders since they have had the flexibility to adjust the quality and cost of the railway products, making them compatible with the demands of host countries (the second mid-level officer, personal communication, March 2, 2017). However, the leading figures of the government declined to organize the tender because they thought this action showed disrespect toward China, which has defended the legitimacy of the regime since the early days. Finally, the government relied on its authoritarian power to nullify and overcome legal and bureaucratic obstacles.

Resistance to the Use of Article 44

Some social groups expressed dissatisfaction when the Prayut government invoked Article 44. Some of them were professional associations, namely, engineers and architects who were directly engaged in the construction of the project. For instance, the Engineer Institute of Thailand (EIT) argued that Article 44 would enable the Chinese engineers to be exempt from assessment and registration processes with the Council of Engineers (COE) (*Posttoday*, June 18, 2017). Exemption from registration of the Chinese engineers was against the norm and would cause dissatisfaction among foreign engineering workers, especially Southeast Asian ones, as their Chinese counterparts would have receive a privilege they were not entitled to.

The Ministry of Transport responded by saying that the government was using Article 44 to exempt only the specific Chinese engineers and architects responsible for three tasks, namely, design, supervision, and the operating system (*Prachacharttharakij* Jun 18. 2017). Thus, Article 44 would not cover Chinese workers providing services other than the three mentioned above.

In the end, the professional associations reached a compromise with the Prayut government. On June 19, 2017, Wissanu Krea-ngam, the legal advisor to the government, discussed Article 44 and Chinese engineers with the Council of Engineers and Architect Council of Thailand (*Banmuang* Jun 19. 2017). As a result of the discussion, they concluded that the COE would organize a workshop for the Chinese engineers. Attendance was imperative in order to be awarded the certificate and the Chinese engineers would also participate in technology-transfer activities.

Some bureaucrats also criticized the use of Article 44 on the basis that this action would disrupt institutionalized policy procedures, increase corruption, and deteriorate bureaucratic norms. On July 4, 2017, Sommai Phasee, the former minister of finance of the Prayut government, argued that Article 44 would reduce the transparency of the project and throw into disorder the state's well-designed procedures on purchase and hire (Sommai 2017). Moreover, the transportation policy expert explained that Article 44 would render the Chinese agencies' specification of the design, an action that is illegal because it violated the collusion bidding law (*Manager*, June 23, 2017). As a result, no officers, Thai or Chinese, would be guilty of breaching the law as Article 44 would already have provided them protection.

Unlike what happened during Yingluck's administration, resistance to the use of Article 44 by the Prayut government did not escalate into protests that could topple the regime. After all, the junta possessed the "Excalibur" to neutralize its critics and the existing regulations.

6.8 Concluding Remarks

The high-speed railway policies of the Prayut government consisted of four characteristics. First, inconsistency in the formulation and implementation processes of the railway policies implied the concentration of coercive and economic powers in the ruling elites, as the junta excluded non-elite groups, such as voters or civil organizations, from the policy processes. Second, customization of the construction plan for each route suggested that social groups,

both domestic and external, tried to influence the military government to pursue policies beneficial to their interests. Third, the variations in the financing methods showed that the junta tried to manage resources for the high-speed railway projects efficiently and economically, even though it did not face serious fiscal problems. Fourth, the authoritarian government relied on its absolutist law to eradicate legal constraints and bureaucratic procedures, which impeded the rent-seeking activities of its supporters, both domestic and external groups.

We can also consider the Prayut government's high-speed railway initiative from three dimensions. The first dimension is *the state–society relation* revealed in the form of cooperation between the military-dominated ruling government and domestic conglomerates. The cooperation shaped a policy proposal that brings benefits of infrastructure investment to the latter, which financially supported the former. The second dimension is *the intra-state relation*, manifested in the form of an alliance between the public officers, who possessed administrative means of control, and military officers, who dominated the government. This relationship occasionally affected the realization of the project because of conflicts over practices which breach bureaucratic regulations. The third dimension is *the inter-state relation* that appeared in the negotiations between the Thai state and the foreign agencies on the high-speed railway project. The results of the negotiations showed the government's attempt to compromise regarding the demands of its domestic supporters, who influenced policy, and foreign agencies who provided support for the junta in the international arena.

7. The High-speed Politics in Indonesia, Malaysia, and Laos

In the second decade of the 21st century, three Southeast Asian countries, namely, Indonesia, Malaysia, and Laos, aimed to develop high-speed railway networks. These countries have encountered China's high-speed railway diplomacy, as Chinese agencies are involved in their infrastructure development. As a result, the ruling governments in these Southeast Asian countries have incorporated Chinese railway agencies as part of their policy consideration. However, the proposals and realization of each country's high-speed railway project vary. Like the fifth and sixth chapters, the primary aim of this chapter is to explain the variations in high speed railway policy proposal and realization in Indonesia, Malaysia, and Laos.

This chapter illustrates that the variations depend on three factors. The first factor is the constellation of power which determines the level of consistency in the policy proposal. An elected government which requires consent from a broad coalition usually keeps its commitment to the proposal since it has to fulfill the coalition's interests. An authoritarian government, which does not rely on an election as a source of its legitimacy, would occasionally change its proposal as it is not subjected to the demands of its citizens.

The second factor is the availability of fiscal resources of the host states which determines their choices of financing methods for a high-speed railway project. The financing method shapes how Chinese agencies are involved in the project, both financially and politically. If a government presents a method, such as a joint venture, which the Chinese agencies regard as risky, they will impose such demands as collaterals or exclusive rights to manage assets.

Finally, the institutional settings that enable interest groups to adjust the trajectories of high speed railway policies and affect how the projects are implemented. Notably, existing institutions and laws can interrupt implementation of a high speed railway project since a contractor may require a state license or approvals from bureaucratic organizations. Some actors may occasionally use the power of their positions to disrupt implementation if they are dissatisfied with their benefits from the project. Furthermore, institutionalized political actions, in particular, elections or acts of resistance, can obstruct or even overturn the project because they can delegitimize or overthrow the ruling government.

This chapter consists of seven sections. The first and second parts briefly discuss aspects of Indonesia's politics, economy, and relationships with China, as well as the high-speed railway development situations. Similarly, the third and fourth sections examine the politics of the high-speed railway project in Malaysia. The fifth and sixth sections investigate the political economy of high-speed railway development in Laos. The final part summarizes the main findings. The timeline of high-speed railway development in Indonesia, Malaysia, and Laos is set forth in Appendixes 4, 5, and 6, respectively.

7.1 Political and Economic Backgrounds of the High-speed Politics in Indonesia

Oligarchy and Democracy: Indonesian Politics under Jokowi

After defeating Prabowo Subianto, Suharto's son-in-law, by a narrow margin in July 2014, Joko Widodo (or popularly referred to as "Jokowi") was inaugurated as the seventh president of Indonesia on October 20, 2014. This inauguration marked a milestone for Indonesian

politics. Jokowi is the first Indonesian president emerging out of secular and religious elites (Mietzner 2015, 3-4). Previous Presidents of Indonesia were usually from the backgrounds of military or oligarchic families. Jokowi comes from a background of a small-and-medium entrepreneur based in Solo, a town in central Java (Hadiz and Robison 2017, 494). In other words, Jokowi was not a member of the political elite in Jakarta.

The rise of Jokowi indicates that an election has become an accepted means to transfer power in Indonesia. Jokowi is the first “directly elected president [who] ha[s] taken over from another directly elected head of state” (Mietzner 2015, 3). Despite the fact that Jokowi comes from a humble background and has won the election, the oligarchy remains strong in Indonesia. If the oligarchs had not provided Jokowi material support, he would not have been able to assume the office of the Jakarta governor, let alone the president of Indonesia (Winters 2014, 24-25). This section aims to show the interactions between oligarchs and non-elite actors as they shape the proposal for the Indonesian high-speed railway. Although Winters (2011) and Robison and Hadiz (2004) have described the political system of Indonesia as an “oligarchy” which revolves around wealth defense and concentration (Ford and Pepinsky 2014, 3).

The Asian financial crisis nurtured the domination of the oligarchs. Although the crisis dismantled the centralized authoritarianism, the established oligarchic elites, who had been nurtured by Soeharto’s regime, remained powerful in the electoral regime (Robison and Hadiz 2004, 223-225). The collapse of the New Order also engendered local oligarchs because of the decentralization (Robison and Hadiz 2004, 246). However, these local

oligarchs themselves hardly influenced “national politics in their favor” (Buerler 2018, 114). Instead, the oligarchs drove the Jokowi government to adopt nationalistic and statist economic policies to cope with a decline in commodity prices (Robison and Hadiz 2017, 902).

Inevitably, Jokowi have had to compromise with the oligarchs, given their enormous power and resources. Instead of penalizing the major political parties, which had supported Prabowo during the campaign, Jokowi incorporated opposition parties, including Golkar, United Development Party (Partai Persatuan Pembangunan or PPP), and National Mandate Party (Partai Amanat Nasional or PAN), into his coalition government (Slater 2018, 40-41). The inclusion of the opposition helps Jokowi reduce the number of challengers in the 2019 election.

Jokowi’s electoral triumph suggested that voters and non-oligarch actors had some impact on the political sphere in post-Soeharto Indonesia. Politicians with activists’ backgrounds acted as “counter-oligarchic forces” pursuing reform agendas that had often conflicted with the oligarchs’ interests (Mietzner 2014a, 111). Since the mid-2000s, voters from subordinate groups have been able to motivate candidates who ran for political offices, at both local and national levels, to offer health and education programs (Aspinall 2014, 130). Jokowi himself received assistance from voters who voluntarily helped him campaign nationwide by promoting him on social media and organizing community activities (Mietzner 2014b, 119).

The survival of Jokowi's presidency depended not only on his relationships with political parties and oligarchs but also the voters' perceptions of the government's performance. As Jokowi had to maintain his popularity among the people, he adopted the strategy of "distributive populism," which simultaneously introduced redistributive policies, and avoided criticizing the oligarchs (Hadiz and Robison 2017, 494).

Economic Policies of the Jokowi Government

The Jokowi government's economic policies had three objectives: the improvement of Indonesia's position within the global production network; the decentralization of economic growth from Jakarta to the rest of Indonesia, and the promotion of state-owned enterprises. The government imposed numerous non-tariff barriers aimed at not only protecting the domestic economy but also enabling local entrepreneurs to move up the value chain to achieve these objectives (Negara 2015, 3, 7). The government also maintained requirements for foreign firms to transfer technology to domestic small-and-medium enterprises (SMEs) through the hiring of local firms as subcontractors (Negara 2015, 8).

Additionally, the Indonesian governments increased its investment in infrastructure, especially which pertained to transport that included highways, railway, and ports, to promote development in regions far from the capital city, Jakarta. For instance, Jokowi announced the idea of "The Maritime Toll," which would use the construction of ports as a means to solve the problem of regional inequality in Indonesia (Hermaputi, Gong, and Hua 2017, 166). According to the data of government spending of 2014-15, Jokowi reduced fuel price

subsidies while reallocating budgets for infrastructure development, which accounted for a large portion of the budget, and funding social policies as he had promised during the election campaign (Arief and Sumner, 2015, 342-343). Due to limited fiscal resources, the government still needed additional capital from the state-owned enterprises (SOEs) and foreign investors, whether private or state transnational companies.

The SOE's prominent role in infrastructure construction revealed how Jokowi utilized them as spearheads for economic development. Jokowi assigned state companies within the construction sector "to build as much infrastructure as possible rather than simply enjoying profits from the existing ones" (Kim 2018, 316-317). The prioritization of SOEs was based on two reasons: scarce fiscal resources and limited participation of the private sector in the infrastructure development. In addition to urging the ministries to disburse their expanded budgets, the government assigned these well-funded SOEs to implement essential projects (Ray and Ing 2016, 10). Moreover, Jokowi transferred some privately organized projects, such as Trans-Sumatra highway and the rail link between Jakarta and the Soekarno-Hatta International Airport, to the SOEs (Ray and Ing 2016, 10).

Along with the SOEs, Jokowi has also attracted foreign investors to finance infrastructure projects in Indonesia. This policy resulted in "promises of soft loans, aid, [and] investment worth millions of dollars" from rival Chinese and Japanese agencies competing to outdo each other. (Davidson 2016, 183). The government also selectively pursued liberalization and deregulation of foreign direct investments to increase investment for fulfilling its ambitious infrastructure programs (Warburton 2017, 16). Simultaneously, the

Jokowi's administration enacted new regulations, for example, the Presidential Regulation 38/2015, to provide a new legal framework to provide security for foreign capital interested in investing mega-projects (Ray and Ing 2016, 15).

Relationship with China

Since Indonesia declared its independence on August 17, 1945, its relations with China has changed from being an ideological ally to arch-rival from 1967 to 1989 and finally normalizing since 1990. During the 1950s, Indonesia, under the first President Soekarno, became the first Southeast Asian nation to establish a diplomatic relationship with China (Sinaga 2018, 2). From 1967 to 1990, the Indonesia-China relationship was suspended before Beijing had supported the Indonesian Communist Party (Partai Komunis Indonesia or PKI) before Suharto had become the President of Indonesia (Weatherbee 2017, 135-136). China and Indonesia finally normalized their relation in 1990, when they signed MOUs and agreements on the restoration of relations (Weatherbee 2017, 139).

Normalization has paved the way for China and Indonesia to interact in economic activities. However, this interaction has favored China rather than Indonesia. Between January and August of 2017, Indonesia posted a trade deficit of 8.4 billion USD with China (Gorbiano 2017). The deficit resulted from the implementation of the ASEAN-China Free Trade Area (ACFTA), which opened a floodgate for Chinese-manufactured goods (Elizabeth 2018, 15). The ACFTA has shifted Indonesia's "comparative advantage" from labor-

intensive goods to commodities including coal, natural gas, rubber, and palm oil (Marks 2015).

Apart from importing commodities and exporting manufactured goods, China has also expanded direct investments, especially in the mining, energy and infrastructure sectors, in Indonesia (Zhao and Sambodo 2015, 9-11, 13). China has competed with Japan as a source of capital for infrastructure investment. For instance, China provided a soft loan of 450 million USD to build a 5.4 kilometer bridge that connects East Java with the island of Madura (Weatherbee 2017, 147). Jokowi has encouraged Chinese firms to invest in infrastructure to offset the widening trade deficits (an Indonesian economist, personal communication, December 6, 2017). Several China-backed investments, however, could not be realized since the investors lacked knowledge about Indonesian regulations and were obstructed by lengthy and complicated bureaucratic red tapes (Lovina, Gong, and Hua 2017, 168).

Before the rise of Jokowi, previous Indonesian governments had utilized political and diplomatic measures, including filing an official protest with the United Nations to object to the Chinese fleets intruding into Indonesian waters and forming strategic partnerships with other Southeast Asian nations, to counterbalance China's expansionist ambitions in the South China Sea (Syailendra 2017, 241-242). However, Jokowi moved away from the counterbalancing tactics when his government implemented the "Global Maritime Fulcrum (GMF)" campaign, which desperately needed Chinese capital to finance the improvement of infrastructures for "maritime connectivity" (Syailendra 2017, 242-243). Nevertheless, Indonesian citizens and political elites have shown their discontents towards China; both had

denounced the intrusion into Indonesia's waters by the Chinese fleets (Suryadinata 2016, 3-4).

7.2 The Political Economy of the High-speed Railway Development in Indonesia

Negotiation with Chinese Railway Agencies

The Indonesia government under Jokowi chose to negotiate with the Chinese railway agencies by having their Japanese counterparts provide competition for the project. Japan seemed to have an advantage over China due to its dual statuses as the primary donor of development assistance and the second largest investor in Indonesia (Yoshitatsu 2018, 728). In 2012, Japan's agencies presented the Indonesian government with a feasibility study for a high-speed railway linking Jakarta, the capital city, and Bandung in West Java (Salim and Negara 2016, 5). This move was compatible with the Indonesian government's strategy of high-speed railway construction, which would cover Java Island. This strategy was included within the Master Plan of National Railway proposed by the Yudhoyono government in 2011 (Salim and Negara 2016, 3).

The Indonesian and Japanese positions on high-speed railway development have changed since the rise of Jokowi (Yoshitatsu 2018, 725). Jokowi invited China to participate in the Jakarta-Bandung project during his official visit to China on March 25-27, 2015 (Kratz and Pavlicevic 2018, 7). China and Indonesia then signed a MOU on the Jakarta-Bandung high-speed railway project in May 2015. The Indonesian government announced

that it would organize a “Beauty Contest” for the high-speed project between China and Japan in July 2015 (Dorimulu and Laia2015).

The Jokowi government also utilized the rivalry between China and Japan as a means to receive financing options that would use less of the Indonesian government’s budget. On September 3, 2015, the Indonesian government decided to cancel the high-speed railway project and asked China and Japan to send a proposal for a slower but cheaper train plan because the high-speed one would need a vast amount of resources (Yoshitatsu 2018, 726). Jokowi wanted to prioritize the national budget for infrastructure improvements on other islands rather than Java (Lumanauw and Sihite 2015).

However, when China presented Jokowi with a proposal, which did not rely on the state’s budget or guarantee of any government loans, the Jokowi government resumed the high-speed railway plan (Yoshitatsu 2018, 727). China also promised Indonesia’s government that it would help create employment, transfer technologies and promote particular industries such as rolling-stocks and aluminum (Kratz and Pavlicevic 2019, 1114). On the other hand, even though Japan presented Jokowi with an offer with a lower interest rate (0.1 percent) and a more extended repayment period (40 years), the government rejected this offer since it still needed resources and guarantee from the Indonesian government (Kratz and Pavlicevic 2019, 1113). These favorable offers illustrated how the Indonesian government utilized a “Beauty Contest” between China and Japan to benefit its domestic imperatives. Table 7.1 compares details of the proposals from the Chinese and Japanese agencies. In short, the Chinese proposal was cheaper than the Japanese one. The Chinese

agencies did not require a guarantee from the government, unlike their Japanese counterparts which insisted on a government guarantee as one of the financing conditions.

The Construction Plan

The Jakarta-Bandung high-speed railway was by no means an original plan of the Jokowi government. The plan had been initiated by the Yudhoyono administration (Yoshimatsu 2018, 725). The government did not, at first, prioritize the Jakarta-Bandung railway. It later perceived that this project would attract Chinese capital, which would offset Indonesia's vast trade deficit with China and moved economic opportunities away from overcrowded Jakarta (an Indonesian economist, personal communication, December 6, 2017). The railway project could also serve the interests of Jokowi's political base in central and eastern Java where he had secured victories in the 2014 General Election (Aspinall and Mietzner 2014, 361). The project would also have the potential to improve Jokowi's popularity in West Java which had been won by Prabowo in the 2014 General Election (Syafiul 2018).

The Jakarta-Bandung railway was planned to be 144 kilometers in length and would consist of four stations, namely, Halim Perdanakusuma in Jakarta, Karawang, Walini, and Tegalluar in Bandung (Dorimulu, August 5, 2018). Map 7.1 illustrates the details of the stations in the project. The construction cost of the project was valued at around USD 6 billion and the train would operate at a maximum speed of 250 kilometers per hour (Negara and Suryadinata 2016, 6). The planned construction period was two years (2016-2018).

The structure of project management reflects the growing roles of SOEs in the Indonesian economy. The project was a collaboration between Chinese and Indonesian state entities. The Jokowi government described the organization as a business-to-business (B2B) approach. These entities, which consist of six Chinese SOEs³⁶ and four Indonesian state companies³⁷, have established a joint venture, KCIC, to manage the project (Kratz and Pavlicevic 2019, 1114). The China-Indonesia joint venture would gain a 50-year concession that would allow the joint venture to operate and manage trains and assets around the stations for profit.

The organization of the project revealed the oligarchs' influence in Indonesia's politics. Even though those who receive benefits from the joint-venture should be the managers of the SOEs, the oligarchs and politicians could also receive rents from the joint venture too. Political parties, which are typically dominated by the oligarchs, have been drawing lucrative funds on many occasions from state institutions, including the SOEs (Tomsa 2018, 98).

³⁶ These six Chinese SOEs are China Railways Corporation (CRC), China Railway Construction Corporation (CRCC), China Railway Rolling Stock Corporation (CRRC), China Railway Signal and Communication Corporation (CRSC), and SinoHydro, TSDI.

³⁷ These four Indonesian enterprises are PT Wijaya Karya (Wika) Tumiya, Perkebunan Nusantara VIII (PTPN), Jasa Marga and Kereta Api Indonesia (KAI).

Financing Method

The establishment of PT Kereta Cepat Indonesia-China (KCIC) shedded some light on how the Jokowi government would funded the project of Jakarta-Bandung high-speed railway by primarily relying on China's resources. The China Development Bank (CDB) would provide loans for 75 percent of total project costs (Salim and Negara 2016, 8). The joint venture would finance the remaining 25 percent by issuing equity. The Indonesian SOEs would own 60 percent of total equity, while their Chinese counterparts would hold the remaining 40 percent (Yoshimatsu 2018, 726).

When the loan agreement was signed on April 4, 2017, it stated that the CDB, not the Chinese government, would directly disburse USD 4.5 billion loans to the joint venture (China Development Bank 2017). The joint venture would receive the loan from the CDB only if the former could procure all required lands for the project (Negara and Suryadinata 2018, 5-6). Even though KCIC has assumed sole responsibility for CDB's loan repayment, it begs the question of whether the Indonesian government would need to bail out the joint venture if the high-speed railway project goes bankrupt.

This financing method of the Jakarta-Bandung railway project suggested that Indonesian entities would bear a smaller portion of investment capitals, and the Chinese agencies would provide a larger share of the required capital. Under this arrangement, the Chinese SOEs would absorb most of the costs and risks of this project (Oh 2018, 542). The Chinese agencies undoubtedly perceived this project as a high-risk proposal. Hence, they

offered a management model that would enable them to gain lucrative rents, particularly the rights to control land.

This high-risk proposal of the high-speed railway in Indonesia was a consequence of two factors. First, the Jokowi government prioritized budget usage for infrastructure development in non-Java regions rather than the Jakarta-Bandung high-speed railway project (Kratz and Pavlicevic 2019, 1114). The Indonesian voters would evaluate the performance of the president from the quality and coverage of infrastructure at the local level (Nurdien and Teguh 2018, 34). Second, the government had limited fiscal resources, caused by a narrow tax base and inefficient taxation system, and faced strict regulations enforcing fiscal discipline which imposed limits on government spending (Oh 2018, 543).

Realization

In August 2018, PT Wijaya Karya (Wika) Tuniyana, the state-owned construction company within the China-Indonesia joint venture, reported that 7.6 percent of the construction of the railway project had been completed (*Jakarta Post*, August 28, 2018). The joint venture had also acquired 76 percent of the land required by the project. The state-owned company optimistically anticipated that “the project will be completed in about 2021”. However, the initially planned completion date was in 2018. The realization of the project has been delayed.

The delay of the project has partly resulted from bureaucratic procedures that significantly hindered the construction progress. The joint venture had to wait several months for the licenses which were necessary for the construction tasks. The joint venture

received all the construction permits from the Ministry of Transport on July 18, 2016, nine months after the establishment of KCIC in October 2015 (Negara and Suryadinata 2018, 3). Ironically, Jokowi attended the groundbreaking ceremony on January 21, 2016, to boost investors' confidence in the project when the joint venture could secure only a handful of necessary permits (*Bisnis Indonesia* 2016).

The delay also stemmed from a domestic political condition that affected the investment decisions of China Development Bank (CDB), the provider of capital for the project. KCIC was deprived of the financial resources needed to implement the construction as the CDB would disburse loans only when the joint venture had acquired all necessary lands (Negara and Suryadinata 2018, 4). In the post-Soeharto era, the government cannot use its state apparatuses to readily acquire land for infrastructure construction as citizens, who have "stronger right-based consciousness," will resist the expropriation and also the costs of resistance are lower (Davidson 2015, 7). Consequently, politically active land-owners contribute to the difficulties to acquire lands for the joint venture.

In February 2019, Tumiya, the president director of Wijaya Karya (Wika), Indonesian construction SOE, announced that "the target progress is 55 percent (this year – 2019 – the author), (and) we will focus on the (railway) track projects" (*Xinhua*, February 8, 2019). The project had acquired 85 percent of the required lands. Wika's executive additionally stated that the company planned to "fully complete the land acquisition process in April 2019" and would focus on the construction of railway tracks after it acquired all required lands (*Jakarta Post*, March 20, 2019).

7.3 Political and Economic Backgrounds of High-speed Politics in Malaysia

Politics of Malaysia under the Najib Government

Malaysia is a textbook example of a “hybrid regime” in which democratic and authoritarian elements of politics can coexist (Jarasuriya and Rodan 2007, 775). On the one hand, the *United Malays National Organization* (UMNO), secured its status as the “single-dominant party,” which gained popular support from the Malay majority and controlled state apparatuses, including legislature, military, and polices, that the party used to suppress dissidents (Case 2017, 636-639).

On the other hand, the Malaysian state gave a chance for the opposition and civil society with “significant amounts of competitiveness” to engage in the election. The engagement had some impact, for example, changes in political or party leaders (Case 2017, 638). Under these conditions, UMNO joined with other parties, including the *Malaysian Chinese Association* (MCA) and the *Malaysian Indian Congress* (MIC), to form a grand coalition under the name of *Barisan Nasional* (BN) (Ostwald 2013, 522).

The dominant status of UMNO and BN began to erode in the 12th General Election in 2008. Nonetheless, UMNO and BN remained the government since they took advantage of gerrymandering that allowed them to be overrepresented (Weiss 2013, 1154-1155). UMNO concomitantly retained its popularity among the *Bumiputera* (son of the soil) or people of the Malay ethnic group. UMNO notably delivered affirmative programs on economic and education to this group (O’Shannassy 2013, 437, 440-441; Gomez 2016, 582-583).

Another characteristic of UMNO-ruled Malaysia was the pervasiveness of “money politics,” especially after the 1990s. Businesspersons, who are the cronies within the ruling parties, provided a political war-chest fund for politicians to use in their political campaigns in exchange for lucrative rents from concessions, licenses or government contracts (Gomez and Jomo 1997). Many UMNO politicians were owners or executives of companies with intimate connections with the ruling party (Ufen 2015, 569). UMNO-linked businesses and politicians were consequently leading capitalists in Malaysia. Unfortunately, the money politics had weakened and factionalized the party, since it led to “disputes over the disbursement of rents” among members (Gomez 2016, 583).

Under the Najib government, this pattern of money politics was changed with the shift of power to control government-linked corporations (Gomez et al. 2018, 216-218). First, the government removed UMNO members and their business associates from positions as owners in the Government-Linked Corporations (GLCs). Second, the office of the Minister of Finance (MOF), controlled by Najib as Minister of Finance, dominated the corporate sectors through the Government Linked Investment Corporations (GLICs). Third, the Najib government “privatized” the formulation of economic policies by assigning the GLCs-based executives as its key technocrats (Khadijah and Mahani 2014, 408-409). The controls over GLCs and GLICs became sources of rents for the Najib government since the entities had access to vast amount of state resources as well as those of the corporations. Najib, thus, exploited the GLCs and GLICs to channel their funds into the political system (Gomez and Lafaye de Micheaux 2017, 806).

The concentration of economic power caused intra-elite conflict rather than creating stability among the party's members and their associates (Gomez et al., 2018, 229). For instance, Mahathir Mohamad, the former Prime Minister who still had influence in UMNO, and Najib had a major dispute over corruption in *IMDB* (1Malaysia Development Berhad), an insolvent strategic development company, initiated by Najib and fully owned by the Ministry of Finance (Case 2017, 640). After the dispute in 2015, Mahathir resigned from UMNO on February 29, 2016 (Latiff 2016). On March 4, 2016, Mahathir joined forces with the opposition to request Najib's resignation (Leong 2016). The results of the 14th General Election in 2018, in which Mahathir defeated Najib, suggested that Malaysian voters sympathized with Mahathir's position on the 1MDB.

Economic Policies of the Najib Government

The Najib government's economic policies focused on the implementation of programs and projects rather than pursuing "systemic reform" (Lee 2017, 133). These initiatives represented a combination of state intervention, including ethnic-based affirmative practices and active involvement of the government-linked companies, with neo-liberal policies (Gomez and Lafaye de Micheaux 2017, 806). The government primarily aimed to attract new sources of foreign investment, especially from China and Saudi Arabia, to substitute for foreign investments from Western countries and Japan (Lim, G. 2018, 84-85).

Meanwhile, the Malaysian government under Najib Razak intentionally positioned GLCs and GILCs as spearheads in stimulating economic growth (Gomez and Lafaye de

Micheaux 2017, 808). The Najib government often organized joint ventures between the GLCs and Chinese SOEs, particularly in major infrastructure projects, for example, the Malaysia-China Kuantan Industrial Park (MCKIP) in Pahang, Najib's home state (Gomez et al. 2018, 62).

The attraction of foreign direct investment was intertwined, to a certain degree, with the state's aim to enhance technological capacities of Malaysian corporations. The state encouraged foreign high-tech firms to form joint ventures with local firms, especially GLCs, as shown by the cases of Huawei and ZTE (Li and Cheong 2017, 759, 765). Apart from the technological spillover, the Malaysian state used foreign investments, especially in the transportation infrastructure sector, to serve its regional development goals. The Najib government also attempted to utilize China's BRI to entice China-financed infrastructure-development projects (Lim, G. 2018, 88). The case-highlight was the Chinese-funded East Coast Rail Link (ECRL) that is regarded as a tool to boost development in the "relatively backward" Eastern region. The rail line would link the "more prosperous" regions on the west coast of the Malay Peninsula with the states on the east coast of the Malay Peninsula (Lim, G. 2018, 83, 87).

The Najib government also implemented its affirmative actions for *Bumiputera* populations into Malaysia's economic policies under the name of *Bumiputera* Economic Empowerment (BEE) (Gomez et al. 2018, 60). For example, the government rigidly maintained its quota system for *Bumiputera* populations in higher education, civil service employment, and professional training (Lee 2012, 233). Likewise, the government also

legitimized the promotion of GICs and GLICs to improve the status of *Bumiputera* populations as business owners (Menon 2017). The government had an intention to utilize the GLCs and GLICs to redistribute wealth and increase the *Bumiputera*'s share of ownership to be at least 30 percent of the total ownership. As a consequence of the promotion of the state-linked companies, Najib and his circles were able to concentrate resources and monopolize the power to decide government-led investments.

Relationship with China

In the last four decades, China and Malaysia's relationship has changed from antagonistic rivalry to mutual economic cooperation. Malaysia was the first ASEAN member that paid a diplomatic visit and normalized its relationship with China on May 31, 1974 (Abdul Razak 2016). In the 1990s, Malaysia was also the first Southeast Asian nation that proclaimed China as an opportunity, not a threat (Balakrishnan 2014).

The change in Malaysia's perception and relation towards China from a threat to a new opportunity happened in the 1980s when China began opening its doors to foreign investors. Mahathir Mohamad, the fourth Prime-Minister (1981-2003), and Abdullah Ahmad Badawi, the fifth Prime Minister (2003-2009), encouraged the Malays to work with Malaysian-Chinese businesspersons to tap the Chinese market (Gomez 2006, 351). Since the 1980s, the Malaysian government has regarded the relationship with China as a source of economic growth and geopolitical stability that has been crucial for maintaining the political legitimacy of the Malaysian government (Kuik 2013, 463).

Reciprocally, Chinese companies have also invested in Malaysia. In 2017, China was the top source of foreign direct investment in Malaysia (Shukry and Ho 2018). The Chinese enterprises, especially those owned by or related to the Chinese government, have not only followed the “going-out” policy to invest in ASEAN countries including Malaysia (Frost 2004, 328; Li and Cheong 2017, 755) but also adhered to the policies of the Malaysian Federal state. For instance, Huawei and ZTE, the Chinese-origin global players in telecommunications, aligned themselves with the Malaysian government’s priorities of nurturing domestic capitalists by cooperating with the government-linked companies (GLCs) (Li and Cheong 2017, 767). These practices illustrated how the Malaysian state “internalized” the Chinese investments to serve its purpose of economic development.

Although the Malaysian government gained benefits from the Chinese companies and government, some groups of Malaysian citizens had hostile attitudes toward Beijing’s growing influence in Malaysia. Malaysian citizens felt that Chinese-joined investment projects were gradually “colonizing” Malaysia -- “Forest City,” the urban development project located in Johor across from Singapore, is a prime example (Moser 2018, 936). The critics, such as Mahathir, condemned that the project chiefly benefited immigrants from mainland China at the expense of Malaysia’s sovereignty (Moser 2018, 939-950). Remarkably, Chinese residents who reside in the Forest City had a legal right to become Malaysia’s residences, which would have a right to vote within 12 years, and autonomy from surveillance of Malaysian polices, due to the status of residence of the special economic zones.

Malaysian citizens' discontent with the Chinese projects of special economic zones had escalated into a part of the resistance toward the government of Najib Razak. In March 2017, Mahathir Mohamad, the former Prime minister turned opposition, attacked Forest City, stating that it was "not a Chinese investment, but settlement" (Jaipragas 2017a). The anti-message of Mahathir partially represented those Malaysian citizens who eventually cast their votes to re-elect the former Prime Minister back to the premiership on May 9, 2018.

Relationship with Singapore

Unlike the other high-speed railway projects in Indonesia and Thailand, Malaysia's high-speed railway project was a cross-border collaboration with Singapore. Hence, this section will add a brief sub-topic on Malaysia's relationship with Singapore, since Malaysia's high-speed railway project planned to use Singapore as a destination. The emergence of the project more or less reflected changes in the Malaysian-Singapore relationship.

The Najib government adopted a friendlier foreign policy towards Singapore since its leaders realized "close interdependence between both countries" (Han 2017, 301). The Najib government, specifically, enhanced "inter-governmental businesses with the Singaporean government (Gomez et al. 2018, 63). In 2011, both specifically asked their sovereign wealth funds, Khazanah and Temasek, to form a joint venture for developing the land, owned by Malaysia's railway company, KTM Bhd., at the Malaysia-Singapore border. Government-linked companies (GLCs) of Malaysia and Singapore also made a joint-investment of a shopping mall in Kuala Lumpur, the capital city of Malaysia. Cooperation between

Malaysian and Singaporean state-owned commercial entities could have brought some benefits to Najib's circle.

In 2013, the Malaysian government, under Najib Razak, and the Singaporean administration, under Lee Hsien Loong, formed a joint ministerial committee to study the feasibility of a high-speed railway project connecting Kuala Lumpur and Singapore (*Railway Gazette*, February 19, 2013). After they signed the MOU in July 2016, the Malaysian and Singaporean governments finally ratified a legally binding bilateral agreement to implement the high-speed railway project on December 13, 2016 (Lim, J.Q. 2016). This railway would be 350 kilometers in length, operated on dual-track of an electrified standard-gauge that would allow the train to reach a top speed of 250 kilometers per hour (Kaur 2016).

7.4 The Political Economy of High-speed Railway Development in Malaysia

Negotiations with China

The Najib government used an international tender as a means to negotiate with bidders, especially foreign ones. In 2017, the government invited corporations from several countries, including China, Japan, South Korea, France, and Germany, to join the tender (*The Japan Times*, October 13, 2017). Even before the signing of the Malaysian-Singaporean MOU regarding the high-speed railway, the Chinese, Japanese, and Korean agencies had already organized exhibitions of their railway technologies in Kuala Lumpur, the capital city (Goh 2016). Potentially, the invitation of bidders from these nations would help the Malaysian government counter the accusation of being a subordinated state of China. Remarkably, the

opposition condemned the Najib administration on the basis of adherence to China's demands, especially with the issue of 1MDB, during the 2018 election (Jaipragas 2018).

The tender enabled the government to achieve its goals since each bidder would present its best offers. For example, the Japanese consortium offered a package, which would include technology transfer, full-fledged training for railway personnel, and local vendor development as parts of the tender (*The Strait Times* Jan 7. 2018). According to Oh Ei Sun, a Malaysian political analyst, the bids from these nations could help the Malaysian government obtain “an exceedingly attractive package, including generous financial terms” from the Chinese agencies (Jaipragas 2017b).

The international tender also allowed the Najib government to utilize resources of external agencies to facilitate rent-seeking activities. A case in point was a deal between the Ministry of Finance and the consortium of Iskandar Waterfront Holdings (IWH) and China Railway Engineering Corp (CREC). This deal could lay the ground for the tender of the high-speed railway project (Chong 2016). The consortium would buy 60 percent stake in Bandar Malaysia, a real estate project that would be the terminus for the Malaysia-Singapore railway line, from the Ministry of Finance (Chong 2016). This deal, valued about USD 1.7 billion, was expected to reduce debts in the MOF's investment company, namely the 1MDB, that had been under scrutiny of the public (Menon and Lee 2017). Nevertheless, the deal eventually broke down when the consortium “failed to meet the payment obligations” (Menon and Lee 2017).

Construction Plan

The construction plan of the cross-border high-speed railway project in Malaysia manifested not only a close connection between Malaysian and Singaporean GLCs but also the power of the MOF in controlling the Malaysian corporate sector. Firstly, the federal government of Malaysia and the government of Singapore set up new entities to manage the project. Singapore founded SG HSR to oversee civil construction works in Singapore (*The Star*, December 21, 2017). The MOF of Malaysia simultaneously established and owned a new subsidiary entity, MyHSR, to administer civil engineering infrastructure in Malaysia (*The Strait Times*, February 14, 2017). Furthermore, MyHSR planned to collaborate with SG HSR to organize tenders for a private asset company (*AssetsCo*) that would be responsible for equipment maintenance, and power and signaling systems (Sim 2016). According to the coverage of the MyHSR's role in the project, the MOF would control new economic activities, derived from construction, operation, and management of the high-speed railway in Malaysia.

In addition to the service of high-speed railway, this cross-border project could generate rents from an increase in the price of land and property for the GLCs because of the improved accessibility. A case in point was Bandar Malaysia, the 197-hectare mixed development project, located in the heart of Kuala Lumpur (Ng and Lim 2017, 21). Bandar Malaysia is owned by 1MDB, one of the MOF's GLICs. The Najib government aimed to use Bandar Malaysia as the terminus for the Kuala Lumpur-Singapore high-speed railway and a

new residence and commercial area. It was expected that the project would attract a total investment of 53 billion USD over 20-25 years (Liu and Lim 2018, 225)³⁸.

The high-speed railway would increase the land rents of the cities designated as stops along the route. GLCs and GLICs would also gain benefits from the rents from these stations and the areas adjoining the stations. Figure 7.2 illustrates that this route would consist of eight stations: Kuala Lumpur; Putrajaya; Seremban; Ayer Keroh; Muar; Batu Pahat; Nusa Jaya; and Singapore (Hashini Dec 12. 2016). For instance, UEM Sunrise Bhd, a leading Malaysian GLCs in the property development and construction sector, would earn from selling residential and commercial buildings on its lands, located near the Nusa Jaya station (Mahalingam 2017). Khazanah, one of the MOF's GLICs, held a majority share, which accounted for about 66 percent, of UEM Sunrise Bhd.

Additionally, the allocation of the civil works, organized by MyHSR, illustrated how the Najib government tried to win the support from the Bumiputera groups, which have been political bases of UMNO. In particular, MyHSR Corp would allocate at least 40 percent of civil works to the Bumiputera companies (Ho 2018). Similarly, MyHSR Corp reserved three packages, from the total of six packages, of final survey consultants for Bumiputera firms (Siow 2018). The tenders for the *Bumiputera* firms would be open to all classes of the contractors, regardless of their bidding limit (Zarina 2018). The existence of the quotas implied that MyHSR allocated special economic opportunities to the Bumiputera firms. The

³⁸ This information was correct at the time of writing. Considering the significant changes that have occurred since, the information was no longer valid.

quotas in the tender processes for civil and consultation tasks indeed reaffirmed the status of the *Bumiputera* as a priority group for the Malaysian government.

Financing method

The financing method of the high-speed railway in Malaysia, to some extent, could imply that the government faced resource constraints but wanted to have some degree of flexibility in the management of the project. MyHSR Corp aimed to fund its high-speed railway project by a mixed method of Public-Private Partnership (PPP) and the government budget (staffs of MyHSR Corp, personal communication, October 5, 2017). MyHSR Corp would separately employ both financing methods in each task. Notably, the corporation would use the budget to fund civil infrastructure works and employ the PPP contract to finance the asset company and signaling and operating systems (staffs of MyHSR Corp, personal communication, October 5, 2017).

The usage of the state's budget provided the Najib government with autonomy in organizing some tasks, for example, the tender processes for contractors in civil infrastructure works. As a result of relying on its resources, the Najib government could preserve the quotas for contracts of civil infrastructure works for the *Bumiputera* firms because the government did not rely on capital from other countries, which could force it to organize tenders for civil constructions in an open and competitive manner. The preservation of the contracts of civil works for *Bumiputera* firms was by a rule rather than an exception in the Malaysian economy.

Gomez and Jomo (1997) narrate that, since the 1980s, UMNO usually allocated lucrative projects to well-connected Bumiputera firms.

Concomitantly, the application of the PPP as another means to finance the high-speed railway project indicated that the Najib government was facing fiscal constraints that pushed his government to find additional resources from foreign sources. The fiscal problems were partially rooted in the debt of the 1MDB fund, always bailed out by the government since April 2017 (Chew 2018). The decline in oil prices was also another constraint, which limited the government's fiscal actions (Grant 2015). The PPP, nevertheless, could pave the way for GLCs or other well-connected companies to have access to benefit from train services. For instance, George Kent (Malaysia) Bhd, which Gomez et al. (2018, 93) labelled as an ally of Najib's, would cooperate with Siemens³⁹, Alstom⁴⁰, Ferrovie dello Stato Italiane⁴¹, and PORR⁴² to bid for the PPP contracts (Toh 2018).

Realization

Before BN and UMNO were defeated in the election of May 9, 2018, the realization of the high-speed railway project seemed feasible, as MyHSR Corp had started awarding companies with contracts of design (MyHSR Corp 2017) and survey (MyHSR Corp Jun 29.

³⁹ The German conglomerate.

⁴⁰ The France-based multinational company specializing in railway services and management.

⁴¹ The Italian state-owned holding company that manages and operates railway services in Italy.

⁴² The Austrian construction company.

2017). Together with SG HSR, MyHSR Corp had opened a tender process for the PPP contractor of the *AssetCo* since December 2017 (Tani 2017).

Eventually, the Singapore-Malaysia high-speed railway consortium had to extend the deadline to submit bids for the *AssetCo* by six months. The due date was pushed back from June 29, 2018 to December 28, 2018 (Faiz 2018). Although SG HSR and MyHSR Corp postponed the tender for PPP of the asset company, both remained convinced that the high-speed railway project would meet the deadline of December 26, 2026.

When BN and UMNO lost the election on May 9, 2018, the Malaysia-Singapore high-speed railway project stagnated. On May 29, 2018, Mahathir Mohamad, a “newly re-elected” Prime Minister, declared that he would scrap “his extravagant railway project.” He also stated that the project would cost a vast sum of money and generate only limited benefits from the train operation (Shukry and Park 2018). Mahathir also reviewed Bandar Malaysia and other “mega-projects” initiated by the Najib government (Mazwin and Kaos 2018). Regarding the voters’ opposition to Najib’s alleged corruption, it was not a surprise that Mahathir’s government promptly proclaimed it wanted to cancel the Malaysia high-speed railway project. However, as of September 2018, Mahathir announced that he would not cancel the KL-Singapore railway project. He would suspend the project for two years, due to its huge cost and financial inappropriacies (Jaipragas and Sukumaran 2018).

Despite the suspension, MyHSR, the entity managing the Kuala Lumpur-Singapore high-speed railway project, would conduct “an open tender to appoint the consultant” reviewing the technical aspects and recommending options of the project (Shankar 2019).

The consultant would begin work after the Malaysian government revises the high-speed railway project. Due to the suspension, MyHSR has changed the commencement date of the project from December 31, 2026 to January 1, 2031 (Shankar 2019).

7.5 Political and Economic Background of High-speed Politics in Laos

Politics of Laos

Lao People Democratic Republic (Lao PDR) is an authoritarian single-party state which prohibits political demonstrations. Only the Lao People's Revolution Party (LPRP) is allowed to contest during its limited general election (Croissant and Lorenz 2018, 121, 126). The post-Cold War Lao state has, nevertheless, resorted to economic development as the primary means to maintain its legitimacy (Lao researcher, personal communication, August 31, 2017). Although Lao citizens cannot pressure the state by participating in general elections and open demonstrations, they rely on informal methods, such as anecdotes or gossips, to indirectly criticize the government's actions (High and Petit 2013, 417). Occasionally, these indirect tactics have some impact as they change or delay some policy decisions (Thai journalist in Nong Khai, personal communication, September 3, 2017).

LPRP members consist of two occupation-based groups, which are civilians and the military. Typically, the latter tends to overwhelm the former. In the past, active or retired soldiers had dominated the Politburo (Croissant and Lorenz 2018, 125). Even the leaders "without deep military connections," notably, Thongsing Thammavong, the former Prime

Minister from 2010 to 2016, served the military's interests (Lipp and Chambers 2017, 238-239).

Both the civilian and military cadres, including their family members in the Party, also control the state-owned enterprises (Croissant and Lorenz 2018, 119). Recently, collaboration between the state-owned enterprises and transnational companies has become common practice in Laos (Andriessse 2011, 13). However, control of the public companies is based more on personal connections rather than official status. Hence, Lao politics can be perceived as competition among factions in the Party (Stuart-Fox 2006, 68).

The Party has also been inflicted with conflicts between the cadres in Vientiane and the provincial governors. Although the latter are representatives of both the government and the Party at the provincial level, these governors enjoy autonomy and localized economic power (Bounlonh 2006, 55-57). Despite the attempt of the central government to centralize its political power, the local elites have preserved their autonomy (Stuart-Fox 2006, 63). Specifically, the provincial governors have been able to retain their authority because they have been able to collect state revenues and manage local staff (Gomez, Martinez-Vazquez, and Sepulveda 2011, 204-205).

The control over resource allocations and local staffs of the governors are the reasons the provincial powers can partly repudiate directives and orders from Vientiane. The provincial governments can ignore or obstruct the deals between foreign investors and the central government if the provinces do not share the benefits. For example, the provincial government of Savannakhet in southern Laos did not facilitate the operations of a Chinese

paper company, which had signed a MOU with Vientiane, since the firm rarely paid concession fees to the local office nor bribes to the local staffs, who had to implement the agreement (Kenny-Lazar 2015, 11).

Economic Policies of Laos

Laos began liberalizing its economy and allowed foreign trade and investment since the 1990s. After recognizing the failures of the central planning model, Laos launched a program of “The New Economic Mechanism (NEM)”⁴³ in 1986 (St John 2006, 81-82). Since the launch of the NEM, the Lao government had used the market mechanism to determine prices, established private property rights, and expanded trade with its neighbors, especially Thailand (St John 2006, 83-87). The implementation of the NEM was a milestone in Lao economic policies as it opened an opportunity for investors from foreign countries, such as Thailand and China, to exploit the “underutilized” lands and natural resources in Laos (Dwyer 2011).

One of the primary development strategies of Laos is to turn unexploited lands into capital. This strategy has manifested itself via the promotion of foreign investment in various sectors, such as mining, agribusiness, hydropower, or casinos. This land-oriented strategy has reflected the characteristic of Laos as the “frontier economy,” which wealth was generated by the exploitation of lands and natural resources. The state has incorporated

⁴³ *Chin tanakaan mai* in Lao language

unexploited resource-rich regions to attract investments from transnational companies (Andriessse 2011, 8).

Under the state-led frontier economy initiative, the Lao government has promoted investments in both its core sectors, namely mining and plantation, and manufacturing activities, such as a textile factory or a motorcycle assembly. The Lao government has granted large-scale concessions, land leases, or contract farming schemes to the Chinese, Vietnamese, and Thai investors (Baird 2011, 12). The Lao government also aimed to use land investments from foreign actors to encourage rural development and project its power to the backwater areas (Friis 2015, 4). State managers and international experts have predicted that the improvement in connectivity would benefit from the high-speed railway fulfilling the “turning land to capital” strategy (Board 2017).

Another important economic strategy of Laos is to overcome its landlocked location and become the land link to connect countries in mainland Southeast Asia. Since 2001, the Lao government has implemented its “Land-Link Strategy” to promote economic integration in the region. This strategy has aligned with the GMS trans-border highway networks construction project, namely the East-West Corridor and North-South Corridor (Tanaradee and Kusakabe 2015, 1012). The land link strategy also includes the Kunming-Singapore railway connecting China with the Malay Peninsula. The land-link policy can allow the Lao state to collect highway and railway usage fees (Lao researcher, personal communication, August 31, 2017). According to the strategy of “turning land into capitals” and “land-link,” the Lao economy largely depends on the utilization of its geographical location, which hinges

on other countries' resources for improving infrastructure, because it does not have its own sufficient resources to pursue development programs.

Relationship with China

The “close” relation between Laos and China is a newly developed phenomena. Back in the period of “Indochinese instability,” they had a “rocky relationship” (Stuart-Fox 2009). China and Laos normalized their relations in 1987. A turning point for this relationship was the 1997-98 Asian financial crisis (Lao researcher, personal communication, August 31, 2017). During the crisis, China gave assistance to the Lao PDR which was suffering from reduced capital inflows from Thailand (Stuart-Fox 2009). Laos' attachment to China in recent years is by no means a surprise since this landlocked country has had a “long history” of economic dependency upon other countries, such as USSR or Thailand (Lao researcher, personal communication, August 31, 2017).

China is currently the largest foreign investor, the largest foreign aid provider, and the second largest trade partner of Laos, (*Chinadaily*, February 5, 2018). Chinese agencies, both public and private, have expanded their investment in Laos. In particular, China's FDI has dramatically increased since Beijing implemented its “going-out” strategy, which encouraged Chinese firms to invest overseas, in 2008 (Tan 2014, 4). The leading Chinese investors consisted of two groups: the state-owned enterprises (SOEs), which invested in mining, hydropower plants, and commercialized agriculture, and large private companies whose focuses were on tourism activities, particularly casinos and hotels (Tan 2014, 5).

The expansion of the investment of the Chinese firms has gone hand in hand with the “turn land-into-capital” strategy of the Lao government. It expected that these foreign capital and technologies could generate prosperity for the Laotian state and society. Remarkably, the Lao central government has promoted a policy of leasing the government’s lands at low rent to Chinese investors to collect fees and taxes from these investors as well as achieving the goal of creating capital from unexploited lands (Kenny-Lazar 2015, 7).

Chinese investments, either SOEs or the private companies, have enabled the Lao central government (or Lao People’s Revolution Party-LPRP) to effectively control its territories, especially those within the highland areas near the border. The Lao government employed Chinese investors to make these remote highlands “legible, governable, and profitable” in exchange for distributing rents to the investors (Tan 2012, 85-86).

Unlike the Party and state, ordinary Laotians seem unhappy with Chinese involvement. An example is the negative perception of Laotian workers by Chinese businesses that operate in Laos. These businesses have occasionally imported workers from China as they perceive the Laotian workers to be lazy, ill-disciplined, and addicted to alcohol (Thai expert on Chinese in GMS, personal communication, August 25, 2017). The partial reliance on Chinese labor means that ordinary Laotians have difficulty making living wages from the investment projects. Likewise, the Lao people are upset as they are dispossessed of land and housing by the China-led development projects (Tran 2017, 733).

7.6 The Political Economy of the High-speed Railway Development in Laos

Negotiation with Chinese Agencies

The Lao government has employed bilateral negotiation as a means to negotiate with Chinese agencies. It had signed an MOU with China in 2010 but waited for nearly five years to finally ratify the contract with China in March 2015 (Gerin 2015a). Somsavath Lengsavad, the former Deputy Prime Minister who had a close relationship with China, primarily conducted negotiations with China for the railway projects and other assistance (Sumida 2018, 53, 58). In the case of the Sino-Lao railway, Somsavath was the key actor as he was the only Party elite who could speak fluent Mandarin (Janssen 2017a). Despite the presence of a ‘pro-China’ figure like Somsavath, the railway negotiation took a long time for both countries to conclude.

The fragmentation of power among members of the LPRP was arguably one of the most critical causes of delays in the negotiation. In the early period of the negotiations, the central government agreed with the Chinese proposal, but the provincial governors did not share the same sentiment (Thai researcher on Chinese investment in GMS, personal communication, August 25, 2017). An intra-party dispute was probably based on the distribution of benefits generated from real estate development and their by-products, such as wood or minerals, during the construction process (Laos Researcher, personal communication, August 31, 2017).

Another cause of delay was the behavior of profit-driven Chinese agencies which offered high interest loans with other demanding terms. Thus, the Lao government needed to bargain for rate and terms adjustment (Parameswaran 2012). Likewise, the China Exim Bank

suspended the railway construction loan in 2014 when it decided to prioritize more profitable projects over costly transport infrastructures (Sunida 2018, 59, 61). But, when the Lao Government decided to use five potash mines as collateral, the China Exim Bank, then, reconsidered the situation and released the loan with a reduced interest rate (Gerin 2016).

The Lao government has negotiated bilaterally with the Chinese agencies because there were no other external options. The Japanese agencies have been absent in the construction of the North-South route, which would link Laos with Yunnan. The absence of the Japanese agencies was probably because of the projected low returns from the project. (Lao researcher, personal communication, August 31, 2017).

However, Laos has also invited non-Chinese agencies to invest in other standardized railway routes. For example, the Lao government gave a Malaysia-based company a concession in the railway route that would link Savannakhet, the center in the South, with Lao-Bao, the border town with Vietnam (CSIS, n.d.). The Lao government tends to enter into deals with certain contractors on a case-by-case basis rather than invite them to join bidding for specific routes. Each railway route is under the influence of specific factions within the Party. Since foreign countries border every province of the Lao PDR, the provincial governors can nurture connections with different foreign actors (Lao researcher, personal communication, August 31, 2017).

Construction Plan

The China-Laos high-speed railway project would be 412 kilometers in length. The railway would connect Vientiane and Boten, the border city with China and could be extended to Kunming (*Vientiane Times*, December 23, 2010). The railway would operate on a single-track standard-gauge (1.4 meter-gauge) with a maximum speed of 160 kilometers per hour. Figure 7.3 illustrates the map of the Sino-Lao railway project.

The joint venture between Laos and Chinese SOEs would be responsible for construction, management, and operation of the railway project (Gerin 2015b). The Lao government gave land management concessions to the joint venture. This action was in contrast to a widespread belief that the government would give away land rights directly to the Chinese agencies (Webb 2016). The decision to transfer the land rights to the Sino-Lao joint venture, instead of the Chinese agencies, would enable the Party and its members to share benefits from the increase in rents and land-use fees, which would likely to be the chief revenue of the project.

Similarly, the Party also invested in the Savannakhet-Lao-Bao route in the form of a joint venture with a Malaysian company, namely Giant Consolidated Limited (CSIS, n.d.). Consequently, Party members can also access the benefits of the railway. The establishment of the joint venture indicated how Lao elites and foreign agencies allocated and distributed rents based on the transfer of rights to control over lands.

The Laotian government also cautiously managed the proportion of both local and imported Chinese labor to avoid conflict with Lao citizens. Before the construction process,

both Lao and Chinese governments agreed to hire “Lao nationals as the main workers” (*Thai PBS*, January 8, 2017). The joint venture fulfilled the agreement on labor recruitment, as the construction sites in the provinces, such as Luang Namtha and Luang Prabang recruited about a thousand Lao workers (Gerin 2017).

Financing Method

Initially, China aimed to be the sole investor in the Sino-Lao railway project but later on abandoned this idea because of the low economic return (Lao researcher, personal communication, August 31, 2017). Eventually, China and Laos decided to establish a joint venture. China would provide 70 percent of the capital and Laos would be responsible for the remaining 30 percent of the investment fund. In other words, the joint venture was a vehicle to fund this 6.04 billion USD railway project (Gerin 2016).

The establishment of the joint venture represented a compromise between Chinese agencies and Lao elites. Under the joint venture, the Party could distribute the project’s benefits, generated the 30 percent shares within the investment capital, to its elites and members. Accordingly, the Party’s elites could utilize benefits from the railway project as a fund to maintain their patronage networks. (Thai expert on the Chinese investment in GMS, personal communication, August 25, 2017).

The Laotian government had to contribute about USD 0.715 billion from the total cost of the initial phase of the project valued around USD 2.38 billion (Janssen 2017b). The Lao government would provide USD 0.25 billion while the Export-Import Bank of China

would lend the government USD 0.465 billion USD with a 2.3 percent interest rate. Even though Chinese agencies reduced the interest rate from 3 percent to 2.3 percent, the Lao government still had to use five potash mines as collateral for the loan (Gerin 2016). However, the government does not need to pay any principal within the first five years of the 20-year loan. The collateral of five potash mines was required because the Chinese agencies regarded the Lao government as a high-risk loan recipient.

Realization

After a long period of negotiation, the Sino-Lao railway project officially commenced on December 25, 2016 (*Xinhua*, December 25, 2016). As of August 2018, the project had a “satisfactory progress” rate of 20 percent (Janssen 2018). In March 2019, the chief of Lao railway revealed that the China-Laos high-speed railway project was almost 50 percent complete and could begin the service on schedule in December 2021 (Xie 2019). Despite the progress, there are still two significant challenges.

First, the government had to mitigate dissatisfaction arising from the relocation of villagers, especially those who refused to leave unless they got paid (Janssen 2018). The Lao-China railway project, consequently, had to reduce land expropriation to reduce resistance from Laotian villagers (Thai journalist in Nong Khai, personal communication, September 3, 2017).

Second, the railway project had led to land speculation, where investors had been steps ahead of the government and purchased lands along the railway route (Webb 2016). In

the case of “the 450 Year Road” linking Vientiane and the Laos-Thailand border, several elites had bought lands long before the government expropriated them (Bounnhong, Kenney-Lazar, and Sayaraj 2017). These elites would accept the expropriation only if the state would give them “the first right to repurchase their land before it could be sold to other potential buyers” (Bounnhong et al. 2017, 1430). Thus, both land speculations and residential relocations have made land acquisition for the project slower and more complicated.

The progress of the implementation process underlined the importance of the cooperation between Chinese agencies and provincial governors in the construction process. For instance, Wang Wentian, China’s ambassador to Laos, traveled to Oudomxay to pay an official visit to Phetsakhone Luang-aphay, the governor, and to discuss the railway construction which would be conducted in the province (*Xinhua*, September 1, 2017). Despite the cooperation between Chinese agencies and the provincial governors, the project brought little benefit to local workers as the workers in the project were predominantly Chinese (Janssen 2018).

7.7 Concluding Remarks

The case studies of Indonesia, Malaysia, Laos, imply that political regimes, embodying the constellation of power and contestation over rents, have significant effect on high-speed railway development, whereby Chinese agencies engage with agencies in each country. The findings presented in this chapter provides us with more comprehensive understanding of the

interactions between China and Southeast Asian states in the matter of high-speed railway development.

Rather than being purely inter-state collaboration, the outcome of the high-speed railway projects depends on several aspects in domestic politics. First, the constellation of power, represented by political regimes, shaped how the host ruling governments of these countries would deal with the Chinese agencies because it indicated which interest groups can, directly or indirectly, participate in the formulation process of the high-speed railway policies. Second, the availability of host states' resources partially demarcated the role of the Chinese consortium in constructing, managing, and financing the railway projects that, in turn, implied the pattern of potential rent distribution. Third, the institutional settings in each country could determine whether the high speed railway project would succeed or fail, even if there was already a signed agreement in place.

Next, this section concludes the implications of domestic politics and the rise of China in three aspects, namely, state-society relation, intra-state relation, and inter-state relation. The analysis of the *state-society relation* sheds light on how interest groups, especially non-state ones, and political institutions have shaped the trajectories of rent distribution. With the institutions that gave opportunities for societal actors, mainly intermediate and lower groups, to participate in the political sphere, the ruling government would propose a proposal that would consider resource distribution. Besides, such institutions could indirectly force the government to remain committed to promised redistributive policies. On the contrary, the institutions, which opened a limited opportunity for the commoners to engage in politics,

would reduce the government's incentives to distribute rents to non-elite supporters because it only considered interests of elites. The scope of the redistributive aspects partially formulated how Chinese agencies, who desperately aspired to win railway contracts, would set terms and conditions to the ruling government.

The examination of the *intra-state relation* illustrates how interactions of different entities of the state impacted the trajectory of the high-speed railway project. With the fragmentation of power among the state entities, the government had to present the proposal satisfying factions or parties which had captured parts of the state. These actors would not conduct or facilitate any action necessary for the project, unless they could share the expected rents. The ruling government would monopolize rents only when it could centralize control over state entities, especially the commercial arms of the state. Furthermore, certain entities would have more power than others in the realization processes of the project. Notably, organizations, which possessed the power to issue licenses, could control the pace and continuity of the project's implementation.

The investigation of *inter-state relation* reveals how the interaction of domestic forces, which shape actions of the state, and foreign agencies, especially the Chinese ones, play a role in formulating and realizing high-speed railway development. The ruling governments of host states could present a policy proposal, which embodied the interests of their supporters and availability of state resources, to foreign agencies that would adjust the proposal. How risky a proposal was depended on how much resources the foreign agencies would allocate to the project. If the Chinese agencies had assessed the proposal to be a high-

risk investment, they would demand a certain degree of control over key resources, particularly the land around a railway station, or require valuable assets as collateral.

8. Comparison and Conclusion

In the preceding four chapters, this thesis has narrated how the political regimes in Thailand, Indonesia, Malaysia, and Laos have shaped the proposals of high-speed railways. This chapter begins with a discussion of why we need to factor domestic politics into the analysis of high-speed railway development in these countries. It then summarizes the history of high-speed railway development in Thailand and compares the proposals for high-speed railway projects in these Southeast Asian states. It also considers the extent to which our findings, based on the cases of China-involved high-speed railway development in Thailand, Indonesia, Malaysia and Laos can be applied to other projects or to other regions. The chapter finishes by presenting some normative implications.

8.1 Bringing Domestic Politics Back In

This thesis argues that studies on the rise of China and its impact on Southeast Asian countries need to consider the role of domestic politics. The cases of high-speed railway development in Southeast Asian nations, namely, Thailand, Indonesia, Malaysia, and Laos, suggest that domestic political forces, which include capitalists, civil servants, and non-elite groups, such as voters, have affected policies in relation to threats and opportunities from agencies of great powers. They can reinterpret and reconstruct the effects of the actions of the great powers. Remarkably, they have incorporated the Chinese railway agencies and policy banks into the political economy of the formulation of the policy proposal. This thesis studies a proposal for a high-speed railway policy as a result of contestation between

domestic political forces and foreign agencies, especially Chinese ones. The thesis treats a political regime as a representation of contestations and power relations among domestic interest groups, which are the primary actors.

Like Pavličević and Kratz (2018), the thesis does not regard smaller states as passive actors who merely follow signals from the international system or the strategies of the great powers. Instead, smaller states can become active agencies that exploit changes in inter-state politics. Unlike Pavličević and Kratz (2018), however, the thesis illustrates that the proposals are driven not by the national interests of a state, perceived as a rational and unitary actor, but rather by various interests, which, directly and indirectly, have captured different parts of a state. In other words, the policy proposals of a smaller state toward the great powers reflect the contestations between political forces rather than the aspirations of the state itself.

Figure 8.1 shows the ideal framework, consisting of two stages, namely, (1) policy formulation and (2) policy realization. The stage of policy formulation originates in the political regime, embodying contestations among political forces, especially the supporting coalition of the ruling government, which shape state action. Then, the host governments consider their available fiscal resources in order to create the provisional proposals of the high-speed railway policies, including negotiating pattern with foreign agencies and financing methods.

However, these provisional proposals are changed by the involvement of these foreign agencies. As domestic and foreign interests encounter each other, the proposals for the high-speed railway projects are formulated. Both domestic and external political forces

will protect and proceed with their interests, which can lead to cooperation and conflict among themselves.

Typically, domestic interest groups and Chinese agencies are likely to cooperate in technologically advanced tasks, such as setting up signaling and operating systems. Occasionally, if the ruling elite has the ambition to upgrade the country's industrial base, it will request the Chinese agencies to transfer their knowledge of railway technology to create learning rents for domestic entrepreneurs. Conversely, the domestic groups and Chinese agencies are likely to have conflicts about sharing potential potential rents from the control of lucrative real estate around the railway stations. Domestic conglomerates would be keen to benefit from rents made possible by the transfer of state assets and increased values of properties, especially if they have no incentives to invest in costly and risky technological upgrading. However, the ruling government sometimes distributes such benefits to the Chinese agencies by establishing and managing a joint venture for the railway projects because the government relies on the resources of these agencies.

The ruling governments do not necessarily succeed in realizing their proposals for high-speed railway projects since realization is another stage that, to some extent, is separate from the stage of formulation of the proposals. The realization concretely begins when governments start to implement policies, based on the proposals. Implementation, nonetheless, depends on several factors, including the capacity of a state, existing procedures and regulations, as well as the degree of opposition to the proposal. All of these factors can

facilitate, delay, or eradicate the proposals. These factors then contribute to the success or failure of implementing the proposals.

Thus, successful or failed implementation determines policy outcomes, notably the distribution of rents that would be generated by the railway projects. Whether or not the implementation succeeds, the realization, in turn, restructures the formulation stage because it changes and maintains the trajectories of the contestations between various political forces. To some extent, the stages of formulation and realization are in a dialectic relationship since they mutually determine each other. As mentioned in the first chapter, this thesis is nevertheless limited to an analysis of the stage of policy formulation.

Discussion with International Relation Theories

From the above information, the framework of this thesis rejects a proposition of the primary cause of a foreign policy as the action of a state, based on the international relation theories of various schools used in the studies analyzing how the rise of China has impacted Southeast Asian states. These studies employ several theories, including structural realism, international political economy, neo-liberalism, and constructivism. Specifically, these theories focus on *external factors*, such as a change in the power balance in international politics (structural realism), the roles of superpowers and transnational corporations (international political economy), international or regional institutions (neo-liberalism), and norms in international society (constructivism), but they usually treat a factor domestic politics as an intervening variable.

As shown in Figure 8.1, the framework is different from the neoclassical realist school's because the framework perceives political regimes to be the primary explanatory variables, while it treats external factors, such as changes in the international system or the interventions of powerhouses, as intermediate variables. Instead, neoclassical realism uses systemic stimuli in international politics and domestic political conditions as independent and intermediate variables, respectively. Unlike neoclassical realism, the thesis claims specifically that, in cases of high-speed railway development, political regimes should be treated as the primary independent variable.

Furthermore, the framework is in partial agreement with Gourevitch (1978, 911), who argues that: "International relations and domestic politics are therefore so interrelated that they should be analyzed simultaneously as a whole." In particular, Gourevitch (1978) explains that international conditions can lead to a change in domestic politics. Although the framework of this thesis acknowledges the interrelation between international relations and domestic politics, it conversely argues that domestic politics is a primary cause of foreign policy formulation. To be precise, the thesis tries to present a framework that can potentially trace a process of the interaction between domestic and external forces in shaping the proposal and outcomes of particular policies.

Contributions of this thesis

This thesis attempts to contribute to two areas: a theoretical framework to analyse foreign policy and studies of the rise of China and Southeast Asia. Theoretically, the framework of

the thesis is similar to Putnam's work (1988), which also separates the analysis of foreign policies into two levels. While Putnam (1988) focuses on the result of diplomatic negotiations, the thesis's framework emphasizes contestation over resources and rent distribution among political forces, implied from the formulation process of the proposal of the high-speed railway policies. This thesis combines three kinds of relations, namely, state-society relations, intra-state relations, and inter-state relations to examine resource contestation and rent distribution. The combination of these relations can illustrate how political forces shape the formulation of the policy proposal and supposedly determine the outcome of the proposals. The combination aims to bridge the gap between analysis of international affairs and domestic politics since, in the case of high-speed railway development, these two phenomena cannot be clearly separated.

Another theoretical contribution of the thesis is to incorporate rent analysis into the framework, focusing on power contestation among social forces. The studies based on power contestation, including Hewison (1989), Rodan (1989), Robison and Hadiz (2004), and Hameiri and Jones (2016), provide a comprehensive picture of change in political economy and power politics in particular countries. But these studies cannot provide precise explanations since there is no link in their chain of logic. In particular, these work can explain how power politics can transform and maintain the existing pattern of capital accumulation in the society but cannot indicate which factors are crucial in shaping trajectory of change and continuity. Accordingly, this thesis incorporates the concept of rent into the framework based on power contestation in order to make it more precise. Notably, the incorporation of

rents can assist the comparison of the high-speed railway projects in different places and periods.

For its contribution to studies of the rise of China and Southeast Asia, this thesis attempts to incorporate domestic political conditions, especially political regimes and political contestation between domestic groups, into the analysis. The incorporation of regimes and contestation can reveal how the interactions of holders of state power and social actors determine policies dealing with resources and intervention of the great powers' agencies. The incorporation can complement previous studies, which primarily examine actions or ideas of governments or state officers, since it can shed light on other actors, such as domestic capitalists, local politicians, or voters, who have been omitted.

8.2 Main findings from the Case Study of Thailand

The history of high speed railway development, as shown in Chapters 4, 5, and 6, provides us with implications not only for the relationship between the great powers and smaller states but also changes in the domestic politics and economy of Thailand. The implications cover three issues: (1) the rise of indigenous capitalists and the incorporation of the great powers into domestic politics; (2) the railway as a tool to concentrate political power and economic resources; (3) political regimes and the fate of infrastructure development. These three issues highlight how infrastructure construction (including railways), the contestation over resources among various political forces, and the dynamics of power relations in Thai society intertwined with each other.

Agencies of Great Powers and Indigenous Capitalists in Domestic Politics

The development of transportation infrastructure (including normal-speed railways, highways, and high-speed railways) illustrate how the Thai state and social forces in Thailand have incorporated actions and resources of agencies of the great powers into domestic politics. Specifically, the Thai state has acted as an agency that can deal with the great powers and subsume their resources to achieve its aims, rather than being a passive actor following changes in international politics. However, the policies of the state as an agency reflect the objectives of not only public officers or the ruling elites but also social groups, which can influence a state's action by several means, including elections or lobbying.

In the late 19th century, the Bangkok-based elite exploited the rivalry between Britain, then a hegemonic state, and Prussia, then an emerging powerhouse, to contain the domination of British engineers in the newly-established railway affairs of Siam. Notably, the early phase of railway development in Siam was under the influence of state-linked technicians and companies from Prussia and Britain (Holm 1977; Kakizaki 2005). Apart from balancing the major powers, the division of labor between the Prussian and British technicians consequently enabled the Siamese state to use their expertise in railway technology to consolidate its power in remote regions to prevent imperialist penetration (Holm, 1977). Similarly, in the Cold-War era, the Thai state, governed by the military and technocrats, employed assistance on the highways and irrigation systems of the armies and technocrats of the United States to contain Communist movements and to promote rural development

programs (Stifel 1976; Leinbach 1989; Kislenko 2004). The promotion of economic development in rural areas and the suppression of insurgencies helped the Thai military and bureaucrats to legitimize the regime.

Although the traditional Siamese elite in the age of empires and the Thai military and technocrats in the Cold War era faced different kinds of threats, both employed the transportation infrastructure to secure state power over claimed territories. As suggested by Michael Mann (2008, 238), a state requires infrastructure, including roads and railroads, to project its political power in order to control people who “are located within the state’s territories, its space of sovereignty.” The common and primary aim of normal-speed railways and highways was to promote the security of the nation rather than developing the economic system.

The expansion of the highways contributed to the rise of domestic capitalists, both industrial and provincial (Suehiro 1989; Pasuk and Baker 2000; Kakizaki 2017). This emergence has partially shifted the priority of the transportation infrastructures away from security to economic development in the provinces. This shift of priority was also based on the fact that the Thai state has not faced challenges from armed resistant groups or invasion from its neighbors since the 1990s.

The high-speed railway project has illustrated the emergence of the domestic capitalists in terms of their status in the formulation of policies. In the cases of railways and highways, the state managers, royal-blood elite, or bureaucrats negotiated exclusively with

entities of the great powers. The negotiations were insulated from strong pressures created by social forces, especially domestic capitalists.

In contrast, ruling governments pursuing high-speed railways cannot ignore the demands of the indigenous capitalist classes because of their political and financial support of the governments, which, in turn, have to divert the resources of foreign agencies to generate and maintain rents for domestic capitalists. Furthermore, the governments have to protect the interests of domestic businesses from domination by foreign firms, as illustrated by the division of labor between Thai and Chinese firms in the northeastern line of the Prayut government. Moreover, some domestic capitalists, notably the conglomerates, can cooperate with agencies of the great powers to bid for a contract of a high-speed railway project. A case in point is the cooperation between Charoen Pokpand and several foreign entities, for example, China Railway Construction Limited and CITIC Group Corporation, to participate in the tender for the high-speed railway on the eastern route, connecting three airports⁴⁴ (*The Nation*, November 12, 2018).

Regional Development and Resource Concentration

Normal-speed trains and high-speed railways can potentially improve economic conditions in the provinces, but both can also lead to the concentration of resources in the hands of ruling

⁴⁴ The three airports consist of Don Muang Airport in Bangkok, Suvarnabhumi Airport in Samut Prakarn, and U-Tapao Airport in Choburi.

elites or leading capitalists, depending on the economic and political circumstances. The reason is that the transportation system can “overcome spatial barriers and annihilate space with time,” which can expand the market and generate opportunities in unexploited areas (Harvey 1975, 11–13). The annihilation of spatial and temporal constraints can intensify capitalist development in new areas because it enables the capitalists to mobilize their resources and capital to make an investment in these areas.

In addition to consolidating the power of the Bangkok-based elites across remote areas, the locomotive promoted a market economy in the regions by reducing logistics costs between Bangkok and the provinces (Kakizaki 2005). The Siamese elite, nevertheless, possessed a limited ability to obtain rents from the increased values of land, generated by accessibility to transportation systems, because the treaties with Western nations stopped the elite from imposing land and property taxes (Larsson, 2013). Concomitantly, the locomotives partially allowed the elite to centralize resources, since they helped the elite to monopolize taxation from the regions (Chaiyan 1994). The taxation resulted from the utilization of the locomotives by the Siamese elite to expand the claimed territories (Holm 1977). The railway enabled the elite to mobilize troops to suppress dissent in areas that are far from the center of power (Maier 2012).

Similarly, the primary objective of the high-speed railway is to stimulate economic growth and expand tax bases in the provinces. Notably, provincial growth can also cement the popularity of the government, especially an elected one, which status hinges on the approval of voters and local politicians (the former advisor to the government, personal

communication, February 14, 2017; the former politician, March 3, 2017). Likewise, provincial growth will pave the way for the state to make money from railway assets and to obtain more income tax from the regions. In July 2018 the Prayuth cabinet approved a draft bill of “the land windfall tax” that would capture the gains of property owners located “within a radius of five kilometers of a station serving high-speed, double-track or electric trains” (Chatrudee and Wichit 2018).

High-speed railways can help domestic conglomerates concentrate their economic resources. The plan to construct a nationwide network of high-speed railways can stimulate the provincial economy (Phitsanulok Hotnews, personal communication, March 7, 2017), but the plan has also enabled national-level capitalists to subsume and concentrate resources, especially lands in the provinces. An influential liquor tycoon has become one of the biggest landlords in Phitsanulok (a local politician in Phitsanulok, personal communication, March 6, 2017). Even though high-speed railways can enhance economic growth in the provinces, the conglomerates seem to gain a larger, if not the lion’s, share, of the pie, generated by the potential growth, since they acquire vast amounts of resources. In contrast, local dwellers and businesses are likely to get a smaller piece of the pie; possibly, the best offer they would receive is to sell their properties to the conglomerates at inflated prices.

Technologyless Growth

The construction of the transportation infrastructure has enhanced economic growth in the provinces of Thailand, but it has not substantially improved the technological capacities of

the nation. According to Suehiro (1996), in the early phase of railway construction, the Siamese elite had no incentives to “localize” railway technology because the localization process took too much time. The Bangkok-based ruler chose to purchase equipment and knowledge wholesale rather than localizing technology, since it had to deal with France and Britain at the borders. The elite started to localize the technology after the threats from its colonial neighbors were weakened. However, localization was stopped by the domination of the People’s Party government over the railway department, which led to the replacement of well-trained engineers by military officers with no knowledge of railway affairs.

Similarly, high-speed railway development is less likely to upgrade the technological capacity of Thai entrepreneurs. The domestic capitalists prioritize rents based on the transfer of public assets, especially the rights to control land around stations, and rents from the increased value of lands and properties over learning rents, fostered by technology transfer. Capitalists have primarily focused on the readiness of the project, since they have already spent a significant amount of capital speculating on assets (a local politician in Phitsanulok, personal communication, March 6, 2017). In other words, domestic capitalists have chosen to make a limited investment in the learning activities because of the risky and lengthy nature of the investment in technological learning. Typically, Thai capitalists with political connections tend to invest in state-invited physical infrastructures and real estate rather than allocating their capital to technologically advanced sectors (Wong 2011, 240). In a nutshell, the railway development did not lead to technological improvement because of the imperatives of territorial security and commercial opportunities.

8.3 Similarities and Differences in High-Speed Politics in Southeast Asia

There are similarities and differences in the political economy of high-speed railway developments in Southeast Asian countries between 2010 and 2018. This study elucidates how China's ambition to create transnational networks of transportation infrastructures affected the politics and economies of Southeast Asian countries.

Similarities

Between 2010 and 2018, Thailand, Indonesia, Malaysia, and Laos received offers from China to assist in the development and construction of high-speed railways. On the surface, China's assistance is an international blessing for the host countries because it provides additional capital, which is imperative for a development strategy. The assistance notably helps host governments to stimulate growth at the national level and to reallocate resources, concentrated in the capital city, to other regions where prosperity is far lower than in the metropole. For these countries, a high-speed railway network can be a "spatial fix" for the problem of long-term economic stagnation because of its power to "annihilate space by time" (Minn 2013, 189). However, this thesis, which adopts the framework of the Murdoch School that appeared in Hameiri and Jones (2014), argues that the involvement of the Chinese agencies was not an external shock but a factor shaping a trajectory of rent distribution among domestic political groups.

Similar to the case of Thailand, the involvement of Chinese agencies as state-owned multinational corporations was subsumed into the domestic politics of the Southeast Asian countries. Initially, the ruling governments in these countries attempted to divert some of the resources of the agencies, which enjoyed soft-budget constraints, to meet the demands of the domestic political groups, such as conglomerates, local capitalists, and voters. The incorporation of Chinese resources is by no means peculiar. A state usually extracts external resources to fulfill its national objectives, including the enhancement of state capacity and the maintenance of social stability (Mastanduna, Lake, and Ikenberry 1989, 464). Nevertheless, a state cannot be concerned with its own objectives alone; it must also accommodate the interests of other political groups. Thus, the extraction of external resources can prevent the government from conflicting with domestic social groups because it should not extract resources in the form of taxation from social groups.

Meanwhile, the Chinese agencies wholeheartedly engaged in domestic politics since they participated in the contestation over resources, especially rents based on transfers of public assets and rents created by increased land and property and values. The participation resulted from the agencies' imperative to maximize profits and to reach a decent financial performance. Although the host ruling governments and domestic groups grasped some benefits from the Chinese agencies, they usually prevented the agencies from gaining access to particular rents, such as the right to control assets or contracts of civil construction.

Differences

The differences among the high-speed railway project proposals in Thailand, Indonesia, Malaysia, and Laos have already been illustrated in this thesis. They resulted from the following factors, namely, (a) a political regime implying power relations between different groups in society, and (b) the availability of fiscal resources of host states. These two factors can explain the differences in proposals for the railway project. A regime determines the characteristics of the proposal, but the availability of resources affects the ability of the host government to be self-reliant in implementing the project, financially.

A potential framework to study the variations in high-speed railway projects implemented by different regimes is provided by MacIntyre (2001, 18), who addresses the relationship between the distribution of veto authority and a degree of pace in policy adjustment. Each regime has a different number of players with veto authority. In particular, a regime with an electoral system tends to have more veto players than an authoritarian one. MacIntyre (2001) explains that too many veto players create a risk of “policy rigidity,” while too few veto players lead to volatility in policy adjustment.

As a result of a high number of veto players, the elected government “exhibit[s] greater policy consistency,” since it needs to make “repeated negotiations” over policy proposals that can comprise several interest groups (Converse and Kapstein 2006, 15). In contrast, an authoritarian government can change the details of the proposal readily because it does not have to be committed to non-elite groups with no veto authority. MacIntyre’s framework (2001), nonetheless, explains only a degree of the consistency of the proposal; it

cannot explain the variation in policy details, particularly the distribution aspects of the high-speed railway projects.

Instead, the framework of this thesis illustrates that the presence and absence of electoral politics, indicating a level of power concentration in the hands of the ruling elites, have shaped how the host countries deal with China, since the election gave non-elite groups the chance to participate in the policy formulation process, albeit indirectly. In other words, the presence or absence of an election determines whether the Chinese agencies have to deal with a broad-based or narrow-based distributive coalition.

On the one hand, democratic governments have to accommodate the demands of broad-based voters, which can be rural dwellers, ordinary voters, or small businesses. Thanks to the electoral system, voters have the potential to change or overthrow rulers without resorting to violent means. Even in the case of a semi-authoritarian regime which came to power with an unfair election, to maintain its hegemony, it still has to respond to the requests of a particular faction of voters. Accordingly, elected governments mainly negotiate with the Chinese agencies by opening an international tender, since this method can incentivize agencies to provide resources that help the host states to maintain rent-seeking activities or to deliver promised policies to voters.

On the other hand, authoritarian governments, which do not rely on an election as a source of legitimacy, primarily allocate rents to the elitist supporting coalition and foreign agencies, especially Chinese ones, since the governments can effectively suppress the dissent of the commoners. Without an election, non-elite groups have no formal channel to participate in the process of policy formulation. Remarkably, authoritarian regimes tend to

negotiate with Chinese agencies based on a bilateral agreement because this method helps the elites to insulate themselves against monitoring from the masses.

Apart from regimes, the availability of state resources can formulate the characteristics of a proposal for a high-speed railway development. This availability can demarcate the scope of involvement of the Chinese agencies in a railway project. A host state, which has sufficient capital to finance the project, can prevent Chinese agencies from taking control of lucrative railway-related assets. The state can limit the role of the agencies only as providers of technologically advanced equipment and services. On the contrary, a host state, which faces a problem of capital scarcity, needs to permit the Chinese agencies to control and manage valuable assets such as lands or mines mutually, because of the resource dependency of a host state. In a nutshell, the more resources a state has, the more negotiating power it has when dealing with the Chinese agencies.

The ability of host states to negotiate with Chinese agencies in formulating a proposal also depends on competition among foreign actors. Host states cannot take the competition for granted, as their presence results from a method of negotiation. Generally, an international tender incentivizes agencies to compete with one another; this method, hence, enhances the negotiation power of the host nations. Conversely, a bilateral agreement limits host states' power, since this method imposes no competitive circumstances on the Chinese agencies. Therefore, an international tender tends to bring better offers to host governments, since it can increase their negotiating power.

Typology

Table 8.1 shows the typology of proposals of the high-speed railway in Southeast Asian countries, namely, Thailand, Indonesia, Malaysia, and Laos. Following the framework of the thesis, the typology is based on the combination of two factors, particularly a political regime and availability of state resources. However, as stated earlier in Chapter 2, this thesis uses a regime as an explanatory variable and resource availability as an intervening variable. The regime can be proxies of a degree of power concentration, while the state resources can be a signal of the level of the riskiness toward the Chinese agencies. There are six types of proposals of high-speed railway projects, based on the experiences of these countries.

The democratic regimes, such as civilian-ruled Thailand and Indonesia, presented a *populist proposal*, which accommodated the demands of voters and distributed rents to both elite and non-elite groups. The governments chose to use an international tender as a means to negotiate with foreign agencies, especially Chinese ones, since the tender enables them to honor their commitment to their supporters. However, their proposals were different in terms of scale and financing method, depending on the level of availability of state resources.

On one hand, Thailand under the Yingluck government, which had sufficient capital, announced *an ambitious populist proposal* to build high-speed railway networks on a nationwide scale using Thailand's resources. The government notably planned to finance the projects by enacting the loan bill. The Yingluck government could accordingly incentivize the Chinese agencies to provide additional resources for prolonging rent-seeking activities, such as a paddy subsidy scheme.

On the other, the Indonesian government used a *prudently populist proposal*, which drove it to form a joint venture with the Chinese SOEs for running the project that would cover a fraction of Java Island, because of insufficient state resources. Remarkably, the Jokowi government avoided using its resources because it needed to preserve its budget for other infrastructure projects in the region, which would help Jokowi to win votes for the forthcoming election in 2019.

The authoritarian states, such as junta-ruled Thailand and Laos, formulated *elitist proposals*, which mainly allocated rents to the elites and foreign agencies but rarely benefited non-elite groups, who could not pressure the elites through voting. Both negotiated with foreign agencies, particularly Chinese consortium, on a bilateral basis. Similar to the elected governments, the difference between the proposals of these states, especially regarding financing method, resulted from the difference in the availability of state resources.

With sufficient state resources, Thailand under the junta government, led by General Prayut, launched a *compartmentalized elitist proposal* to build four high-speed railway lines and to allocate each line to a Chinese consortium, Japanese companies, and Thai conglomerates. The Chinese consortium would be responsible for the northeastern line, which could connect to Laos. The military government would primarily fund the project using its own budget but will rely on Chinese technologies and services. The government would, nonetheless, offer the tasks of civil construction to Thai corporations, both private and public. Consequently, the junta preserved rents in civil-construction contracts and asset management in the hands of the Thai interest groups.

Without sufficient state resources, Laos enacted a *dependently elitist proposal*, which chiefly depended on the external resources, particularly loans from the China Exim Banks, in constructing and operating a high-speed railway. The Lao and Chinese governments have established a joint venture, in which the latter held a substantially larger share than the former. The joint venture would pave the way for the Lao elites, mainly members of the Party, for sharing rents with the Chinese agencies. Remarkably, the Lao administration guaranteed the Chinese loans using five potash mines as collateral.

The competitive authoritarian regime formulated *clientelist proposals* whereby the ruling governments transfer an amount of rent to particular groups of supporters. The ruling government tended to organize an international tender as a way to deal with foreign agencies because they needed to design the proposals to be compatible with their supporting coalitions, including the elites and a faction of ordinary citizens. Hypothetically, the governments, which had enough capital, would present a *sufficiently clientelist proposal*, in which they would fund the project relying mainly on their resources. However, this thesis does not offer a description of this kind of a proposal in detail since no concrete examples are available.

A high-speed railway proposal of the Najib government, which ruled Malaysia between 2009 and 2018, is an example of a *compromising clientelist proposal* combining two financing methods, including state budgets and public–private partnership. The combined methods could enable the government to balance the interests of domestic groups and foreign actors. The Najib government would finance civil works through its own budget; hence, it could keep all civil-construction contracts for Bumiputera firms. Concomitantly, the

government planned to open an international tender for inviting investors, including Chinese state-owned multinational corporations, to participate in the public-private partnership contracts in the system works. This combination helped the government deal with the problem of scarce resources, caused by a decline in oil prices.

8.4 Concluding Remarks: Limitations of the Thesis and Suggestions

Beyond Democracy and Authoritarianism

This thesis uses regime types, particularly democracy or authoritarianism, as explanatory variables to make the framework parsimonious enough to make comparisons across countries. Despite its parsimony, the regime types cannot provide a complete picture of the cooperation and contestation of domestic political groups. In other words, the regime types can only provide bird's eye views of the political system in particular countries, but not in-depth details of the power relations among different political groups.

For example, the thesis categorizes Thailand in the period of the Yingluck government and Indonesia under the Jokowi government as democratic regimes, but the democratic regimes in Thailand and Indonesia do not work the same way. On the one hand, Yingluck Shinawatra took Puea Thai Party to claim the status as the majority government, which was based on supports from politicians, canvassers, and voters in the provinces. Although the Yingluck government could dominate parliament, it had to confront resistance from the anti-majoritarian coalition. On the other hand, Jokowi had to form a coalition government with several parties and compromise with national oligarchs, who had provided

financial and political support. Meanwhile, Jokowi needed to fulfill the demands of local oligarchs and voters in the regions.

Similarly, the category of authoritarianism also downplays the complexity of power relations between different authoritarian regimes. The thesis classifies Thailand in the period of the Prayuth government and Laos as authoritarian because there was no election in both regimes. Although both regimes were alike in that they did not have electoral systems, they also had differences. The Prayuth government was a military dictator with the concentrated *de jure* and *de facto* power to force subordinated state entities to pursue specific projects. The Prayuth government was also supported by major domestic conglomerates which had benefitted from the junta's policies. The Lao government, controlled by the Communist Party, has also enjoyed nearly absolute power. However, the elites in Vientiane, the capital city, still cannot fully control the provincial governor, who have some degree of autonomy from the central government.

These examples of variations in democratic and authoritarian regimes suggest that the use of regime types as explanatory variables may not show the actual political relations in a particular country, although it does present us with a parsimonious explanation.

Power Concentration (Tentative)

As stated earlier, the thesis applies a political regime as a representation for a degree of power concentration of the ruling government and power relations between political groups in society since the application of a regime as a representation can provide parsimony and

simplicity in the framework. Nonetheless, a regime alone cannot illustrate a comprehensive picture of contestation over resources because it downplays some political features, such as the power of the opposition or conflicts among intra-state forces.

Figure 8.2, partially inspired by Khan (2012, 31 Figure 1.3), shows a tentative suggestion for a degree of power concentration of the ruling governments in Southeast Asian countries. The degree of power concentration depends on two factors: (1) the power of the opposition or excluded political groups, shown by the vertical axis; (2) the power of lower-level supporters of the ruling governments, shown by the horizontal axis.

Tentatively, the Yingluck government (2011–14) was faced with relatively powerful excluded political groups, particularly the court and the military, which could exploit legal and coercive authority to penalize the government. Meanwhile, the Yingluck government had to respond to the demands of lower-level supporters, such as provincial politicians and voters, who could use their votes to put pressure on the government.

Compared to the Yingluck administration, the Najib government dealt with less powerful opposition, but it also needed to accommodate lower-ranked supporters, particularly the Bumiputera. Even though the Najib government controlled the coercive apparatus, the opposition gained support from various social groups, who finally employed an election to overthrow the government.

The Jokowi government (2014–19) also faced intense pressure from lower-level supporters, especially voters in the region, but it was able to lower the power of excluded groups by cartelizing other political parties into its coalition. Regardless of the various

degrees of power of the excluded political groups, the ruling governments, whose status hinged on electoral politics, usually had to tackle challenges from lower-level supporters with some degree of veto power.

In contrast, the authoritarian regimes, for example, the junta government of Prayut Chan-o-cha or Lao's People Revolutionary Party, could comparatively easily control the behavior of lower-level supporters of the regime. Probably, lower-ranked supporters, especially in the provinces, of the regime were likely to have greater power than their counterparts in military-ruled Thailand, since they had a degree of autonomy from the central government. Moreover, both autocratic governments could completely suppress the movements of the opposition, both physically and politically.

Realization Process

As mentioned earlier, the thesis' findings cannot explain comprehensively the process of policy realization, since it focuses primarily on the formulation of a policy proposal. The ruling governments do not necessarily transform a proposal into a realization of the desired policy outcome because of a problem in the implementation process (Grindle 1980). This thesis humbly suggests that the factors that can affect the realization process mainly consist of: existing institutionalized regulations, state capacity, as well as the power and strategies of the opposition to a proposal.

The cases of junta-ruled Thailand and Indonesia illustrated that institutionalized regulations could delay the high-speed railway projects, as the bureaucrats, who directly implemented them, decided not to proceed with a plan that did not follow legal procedures. An autocratic government, such as the Prayut administration, which possessed absolute power, could nonetheless overcome the institutional obstructions to progress by neutralizing specific laws. The framework of this thesis, which emphasizes the contestation between interest groups, cannot explain the interaction between institutions and policy realization. Instead, further studies should incorporate an institutional explanation into their analysis because it would explain how existing institutions can shape, and be shaped by, the actions of political actors (Parsons 2007, 67-68).

Furthermore, the outcome of the realization processes also depends on state capacity. In general, the definitions of capacity consist of the ability of a state to achieve its goals, a capability to “impel citizens and other states” to follow a state’s directive, and “the organizational competence of the civil servants” (Centeno, Kohli, and Yashar 2017, 6). These definitions imply that a state’s capacity is crucial when translating and transforming a proposal into a realized policy. If a state has low capacity, it is less likely to fulfill its objective of high-speed railway development, and vice versa for a state with high capacity.

Moreover, the realization process results not only from existing institutions and state capacity but also from the opposition, which can readjust or overthrow a proposal. For instance, domestic capitalists in East Asian countries, namely, Indonesia, Thailand, and Malaysia, could modify or reject a proposal of neo-liberal policies, initiated by the

International Monetary Fund (IMF) during the Asian Financial Crisis (Robison and Hewison 2001, xv–xvii). In other words, further studies should analyze the realization process as another area of contestation between conflicting political forces.

Implications for Other Regions

Besides the realization process, the findings of this thesis are limited when used to analyze China-backed projects in another region, since they are based chiefly on Southeast Asia.

First, Southeast Asia is close to China, geographically, politically, and economically. Proximity has made China and the Southeast Asian states interact carefully with one another (Ba 2012, 193). Specifically, it has incentivized China to assist in building transnational transportation networks in Southeast Asia, since these networks will allow China and Southeast Asian states to take advantage of the infrastructure networks (Summers 2016). The difference in the proximity has, however, caused “variation in substance, and especially intensity, in China’s relations with [the] Southeast Asian States” (Ba 2012, 193). Hence, the Chinese state and its agencies might have different incentives, policies, and practices of infrastructure construction in other regions, such as Africa or Latin America, that are remote from China.

Second, civil movements, such as labor unions, were absent in Southeast Asian countries (Rodan and Jarasuriya 2009). This absence obstructed non-elite groups from formulating policy effectively. The cases in this thesis suggest that the non-elite groups could shape a policy proposal only via voting in an election. In contrast, in regions with strong civil

society, mass constituencies will have more significant roles in shaping, formulating and realizing policy. For example, in Latin America, unorganized masses and organized movements, such as trade unions, can determine political outcomes and policy formulation in several ways, including choosing and toppling leaders (Roberts 2006, 133–136). As a result of the strong social movements from below, Chinese investors in Latin American countries have to contend with a higher degree of “societal checks” than other regions, such as Africa (Narins 2016, 290). Although Parakan Harapan (Pact of Hope), the coalition which nominated Mahathir as the Prime Minister, overthrew UMNO, led by Najib, it still relied on the election as a tool to change the trajectory of the high-speed railway development policy in Malaysia.

Third, Southeast Asian countries can introduce foreign actors, particularly Japanese agencies, to balance the behavior of Chinese consortiums in the affairs of construction of infrastructure projects, including high-speed railways. Some countries, such as Malaysia and Indonesia, organized an international tender, which incentivized the Chinese consortium to present the best offer in order to outcompete other bidders, especially Japanese companies (Kratz and Pavličević 2018; Yoshimatsu 2018). The presence of Japanese assistance provides more room for Southeast Asian states to choose their negotiation strategies.

However, Japanese agencies have not prioritized the funding of infrastructure development in other regions, such as Africa or Central Asia. Although a Japanese development agency (JICA – Japan International Cooperation Agency) had planned to assist “regional infrastructure development” in Africa, JICA changed its priorities to the

improvement of human capital and small-holder farmers instead (Cornelissen 2016, 158–160). Likewise, the Japanese agencies provided technologies and loans for projects in Central Asian states, such as Turkmenistan, but their assistance did not lead to competition with China (Dadabaev 2018, 38). Meanwhile, China proposed constructing transport corridors in Central Asia (Kohli 2018, 9) and provided credits toward infrastructure development and extractive industries in Africa (Geda, Sanbet, and Simbanegavi 2018, 15). The absence of Japanese assistance may mean that countries in these regions are limited in their use of Japanese companies to pressure the Chinese consortium into providing a generous offer.

Implications for Other Projects

The findings of this thesis have potential limitations regarding the examination of other kinds of projects, including territorial claims and a large-scale dam, because they are based on high-speed railway projects. The limitations result from the following characteristics, including low threat, which resulted from clear sovereignty over a territory, and the shared interests of Chinese and local players.

First, China-initiated high-speed railway development has not caused territorial problem to host countries in Southeast Asia. Even though several publications, such as *The National Interest* or *Nikkei Asian Review*, has perceived the railway projects to be part of China's threat to Southeast Asian states, these projects tend to compromise with the demands of economic development of these states (Pavličević and Kratz 2018). China and Southeast Asian countries can cooperate in pursuing railway development. In other words, the high-

speed railway development can lead to a win–win situation between Chinese agencies and domestic political forces in the host countries.

While the high-speed railway projects will be operated on territory with clear sovereignty, China’s territorial claims tend to create a zero-sum game because it can easily preserve interests in the disputed areas for Chinese agencies rather than sharing them with actors from other nations. Hence, host countries can barely accept the territorial claims, since they threaten the interests of domestic political forces.

Second, the high-speed railway can allow Chinese agencies and domestic interest groups, both elite and non-elite, to share benefits reciprocally. Notably, the elected governments in Thailand and Indonesia used China’s involvement in railway development to allocate rents or benefits to commoners. Likewise, the high-speed railway also has the potential to stimulate economic growth in the provinces and regions. As long as the railway development projects can generate and allocate rents and benefits to local ordinary citizens and elites, they will not be resisted. As a result of their abilities to create shared benefits, high-speed railway projects can become sites of cooperation between Chinese agencies and domestic political forces.

Nevertheless, some Chinese projects, especially large-scale dams, primarily cause conflicts with domestic social groups in downstream countries. One of the most prominent example is China-constructed dams, which disrupted the water level in the Mekong River. The dams, which have allowed China to control the Mekong River, have led to problems of fewer seasonal floods and altered flow, negatively affecting the livelihoods of farmers and

fishermen in downstream countries, such as Laos, Cambodia, Thailand, and Vietnam (Biba 2012, 610–611). Thus, the framework of this thesis cannot analyze correctly projects of Chinese origin, which barely generate shared benefits, since it is unable to examine projects in which domestic political forces will take any action to avoid accepting them.

8.5 Normative Implications

This thesis finishes by presenting some normative implications and suggestions for high-speed railway policy. First, high-speed railway development can lead to the consolidation of the power of the authoritarian regime, even before the project is completed. The plan to construct the high-speed railway increases prices of lands and properties in the provinces. Due to the increased land prices, the major domestic capitalists are the only groups that can accumulate and concentrate lands, whose future values and utilities will be enormously improved by the railway project. Consequently, the capitalists are inclined to support an authoritarian regime because an autocratic leader has limited incentive to create high-speed railway proposals that will reallocate and redistribute the capitalists' resources to ordinary citizens. Meanwhile, the authoritarian government has a higher incentive to exclude non-elite groups from the formulation process, thereby leading to a proposal that will primarily concentrate rents in the hands of a domestic political and business elite. Under an authoritarian regime, a high-speed railway proposal potentially intensifies the concentration of political and economic power.

Second, when democratic institutions, such as the electoral system and the representative, are present, a proposal to build a high-speed railway has the potential to improve the economic status of ordinary people. Notably, the democratic government tends to take redistributive issues into account in a formulation of the proposal, and implement other policies that allow people to have access to new opportunities created by the high-speed railway. For instance, the government can enact progressive property taxes and soft loans for small-and-medium enterprises, which aim to participate in the activities created by the high-speed railway. Even elected governments in Southeast Asia, which rely on a patronage network, local politicians or canvassers, still need to formulate the proposal that distributes resources and opportunities from the project to voters in the provinces or regions. However, democracy is by no means a panacea. Although democratic governments often formulate relatively equitable high-speed railway proposals or other redistributive measures, they may not succeed in implementing these proposals or measures. A possible reason is that democratic regimes, especially the ones relying on the patronage network, suffer from conflicts over resources among rent-seeking politicians who can disrupt the realization process.

Third, this thesis suggests that the organization of an international tender is a better way to negotiate with foreign agencies, including Chinese ones, than a bilateral agreement. The tender can give host governments better negotiating power because of competition from other bidders. As a result, the tender can present the host countries with high-speed railway proposals that are more responsive to the demands of domestic political groups. The tender, nonetheless, does not always lead to the desired actual proposal. The foreign agencies can

adjust some details in the project after the tender is settled, since there would be no available outside options for the host countries anymore.

In addition to the tender, there are other ways to deal with foreign agencies. For example, the smaller nations located in the same geographical area can form a regional consortium to deal with the agencies. The consortium can provide a better bargaining status for these nations when formulating the projects and a better understanding of building a transnational railway network with unified characteristics.

Another potential method is the cross-project negotiation between foreign agencies and host governments. A case in point is the negotiation between the Mahathir government and Chinese agencies in the East Coast Rail Link project (ECRL) that Mahathir cut cost by a third of USD 10.7 billion (*Reuters*, July 25, 2019). Mahathir might be able to change the terms of the ECRL because he also suspended other China-backed projects, such as two gas pipelines (Tan 2019). The suspension of a package of China-backed projects may have helped the Mahathir government readjust the terms and conditions of these projects.

Fourth, some Chinese and Southeast Asian capitalists have formed an alliance in the investment of some infrastructure projects because both of them aimed to capture rents in the overseas market. As mentioned already, Charoen Pokpand recruited China Railway Construction Corporation and CITIC Group as its partner in the consortium to join the bidding for the high-speed railway in eastern Thailand (*Bangkok Post*, April 30, 2019). Similarly, Charoen Pokpand together with Itochu, the Japanese trading company, has made a joint-investment with CITIC to gain access to opportunities in the huge Chinese market

(*Nikkei Asian Review*, January 21, 2015). The question is how the host governments in Southeast Asian countries should regulate these cross-national profit-seeking projects.

Finally, the questions regarding the rise of China and secondary states should not be based on the assumption of a state as a unitary actor. Instead, these questions should begin by examining the composition of political groups with the potential to shape the trajectory of policy formulation. Such an examination can provide a more complete picture to understand how the high-speed railway policy is actually shaped. It then provides a guideline of formulation of the railway policy as well as negotiation with China for other countries

Appendix 1 - Timeline for the Railway Development in Thailand before the Yingluck Government

1857 – The delegation of King Rama IV (Mongkut) recognized the power of the railway system when they visited Britain.

1897 – The Thai state under the reign of King Rama V (Chulalongkorn) opened the operation of the railway from Bangkok to Ayutthaya.

1900 – The state completed the railway, which was 1.4 meters standard gauge, from Bangkok to Korat. The Bangkok-Ayutthaya route was part of this railway.

1909 – The Siamese state was forced to accept the British offer of loans for the construction of the southern line in exchange of ceding four Malay states to Britain. The southern line was operated on the meter gauge.

1917 – The Siamese government established Royal State Railways of Siam by unifying the northern and southern railway departments.

1927 – The Siamese government under the reign of King Rama VI (Prachathipok) opened the Rama VI Bridge, which linked the northern, northeastern, and southern railways together.

1930 – The Royal State Railways of Siam completely converted the standard-gauge railways into the meter-gauge railways. The railway system of Siam was consequently unified since all railway routes were finally operated on the same type of rail.

1933 – The government of the People's Party started to interfere and politicize the Royal State Railways of Siam due to the rebellion of Prince Boworadet.

1950s – The World Bank rejected the request of the Thai government to borrow for refurbishing and extending railway networks. Instead, the World Bank asked the government to prioritize the improvement and expansion of a highway system.

1962 – The Thai government under Sarit Thanarat proposed the 8-year plan of highway construction and maintenance. This plan, to some extent, marked the rise of highway as a dominant mode of transportation and the decline of the railway.

1992 – The Thai bureaucrats, especially the Office of the National Economic and Social Development Board (NESDB), presented a plan to build the first high-speed railway line, which would cover Bangkok, the Second Bangkok International Airport, and Rayong.

1992-2003 – The high-speed railway construction plan was deterred by parliamentary instabilities and the 1997 Asian Financial Crisis, which made the government unable to conduct a long-term project.

2003 – The Thaksin government restored the plan to construct the high-speed railway, which would cover Bangkok, Nakhon Nayok, and Korat.

2010 – The Abhisit government negotiated with the Chinese agencies in the construction of high-speed railway project, which would cover Nongkhai, Bangkok, and Badan Besar.

2011 – The factional conflict between the Democrat party and Bhumjaithai party failed the high-speed railway construction.

Appendix 2 - Timeline for the Yingluck Government's High-speed Railway Project

2011

August 23 – The HSR development was appeared in the policy announcement of the Yingluck government

2012

April 17 – The government signed the Memorandum of Understanding on the high-speed railway development with Chinese agencies.

June 15 – The government revealed the plan to open the international tender.

August 4 – The government started a feasibility study for the construction of the high-speed railway networks in the nation-wide scale.

2013

March 28 – The government introduced “2 trillion baht loan bill” into the parliament.

September 20 – The parliament passed the “2 trillion baht loan” bill.

2014

March 13 - The Constitutional court rejected the loan bill.

May 22 – The Yingluck government was ended by the 2014 coup d'état.

Appendix 3 - Timeline of the Prayut Government's High-speed Railway Projects (2014-2018)

2014

July 29 – The Prayut government did not include the high-speed railway development to the master-plan to restructure a country's infrastructure

December 19 - Thailand and China signed MOU to construct the medium-speed railway, which would cover Nong-Khai, Laem Chabang, and Bangkok. This railway would operate at maximum speed of 180 kilometers per hour on the dual-track standard-gauge.

2015

February 14 – The Prayut government came up with idea to construct short HSR routes, which consisted of Bangkok-Hua Hin and Bangkok- Pattaya, to promote tourism. These route would be financed by a method of public-private partnerships (PPPs).

March 9 – Chareon Pokpand, Thaibev, and BTS showed the interest to invest in the HSR projects, particularly the eastern and southern lines.

August 7 - The Thai and Japanese governments discussed the plan to construct the high-speed railway from Bangkok to Chiang Mai. This line would consist of two phases: Bangkok-Phitsanulok; Phitsanulok-Chiang Mai.

2016

March 23 – The Prayut government cancelled the Bangkok-Nong Khai medium-speed train, funded by the joint investment.

March 25 – The Prayut government announced to construct the high-speed railway networks covering Bangkok and Korat. Although Thailand would be a sole investor, but the project would rely Chinese technology on signaling and system works.

March 30 – The Prayut government proclaimed to construct the high-speed railway connecting four regional centers, including Chaing Mai, Nong Khai, Rayong, and Hua Hin.

May 3 - Thailand and Japan signed Memorandum of Understanding on the high-speed railway development in the Bangkok-Chiang-Mai route.

December 12 - The Thai and Chinese governments signed the Memorandum of Cooperation on railway cooperation, confirming the construction of the high-speed railway.

2017

June 14 – The Prayut government invoked Article 44 to eradicate legal obstacles, which had delayed the Sino-Thai high-speed railway project.

December 21 – The construction of Thailand-China high-speed railway project was started.

2018

August 18 – The Department of Highway, which is responsible for the construction of the first phase of the Sino-Thai high-speed railway project, reported that the progress was about 30 percent.

Appendix 4 - Timeline of the High-speed Railway Development in Indonesia

2008

The Indonesian government under Susilo Bambang Yudhoyono and Japanese agencies agreed to conduct a detailed feasibility study on adopting Japan's Shinkansen high-speed rail technology that would connect Jakarta and Surabaya.

2011

The initial version of feasibility study of Jakarta-Bandung was launched by Yachiyo engineering and Japan International Consults for Transportation.

January 2015

The Minister for National Development and Planning (PPN) of the Jokowi cabinet, Andrinof Chaniago, confirmed that high-speed railway was taken off from the list of infrastructure development investment because it was not financially feasible.

March 2015

Jokowi met Chinese Premier Li Keqiang in Peking to secured deals for various infrastructure projects, including the high-speed railway project linking the capital city to Bandung.

August 2015

China and Japan contested over the tender for the high-speed railway HSR project.

September 2015

The government decided to develop Semi-high-speed rail because it would be less expensive and more efficient.

October 2015

The Jokowi administration resumed the high-speed railway project but awarded a contract to Chinese agencies rather than Japanese counterparts since the former proposed to provide a USD 5 billion loan without asking for guarantees from the Indonesian government. *January 2016*

Jokowi attended the groundbreaking ceremony of the high-speed railway project, even though the entity conducting the Indonesian-Chinese joint-venture received few permits for the construction processes.

August 2016

The Indonesian-Chinese railway project got all permits necessary for the construction.

April 2017

Indonesian and Chinese firms signed a contract with KCIC, the entity conducting the Jakarta-Bandung high-speed railway project, implying the start of the contraction processes.

May 2017

KCIC signed a USD 4.5 billion loan with China Development Bank (CDB) to finance the Indonesian-Chinese high-speed railway project.

May 2018

CDB finally disbursed the loan to KCIC after the former had deterred to provide the loan to the latter, which could not secured lands for the project.

October 2018

KCIC secured 80 percent of land acquisition for the project.

Appendix 5 - Timeline of the High-speed Railway Project of Malaysia

2008 – The Malaysian government under Abdullah Ahmad Badawi halted the Kuala Lumpur-Singapore high-speed railway project due to its massive costs (USD 2.5 billion).

2010 – The Najib government restored the idea of the Kuala Lumpur-Singapore high-speed railway shown by the Federal Government’s Economic Transformation Programme..

2013 - The Singaporean and Malaysian governments officially agreed to build the high-speed railway linking financial centers of both countries.

2015 – The Malaysian government set up MyHSR Corp Sdn Bhd to oversee the Kuala Lumpur-Singapore high-speed railway project.

2016 - The Singaporean and Malaysian governments signed the Memorandum of Understanding to build the 350-kilometer high-speed railway project connecting Kuala Lumpur, the capital city of Malaysia, and Singapore.

2017 – Chinese, Japanese, and Korean agencies held exhibitions of high-speed railway technologies in Kuala Lumpur preparing for the tender of the Kuala Lumpur- Singapore project. Later, in November 2017, MyHSR started to call a tender for design for civil infrastructure works in the Malaysian side of the high-speed railway project.

2018 – MyHSR continued to call for tender in other tasks, such as asset management or system works. However, the progress of the high-speed project was halted by the new Prime Minister, Mahathir Mohamad, who suspended the projects due to a fiscal problem.

2010 – The Lao and Chinese governments signed the Memorandum of Understanding to build the railway that would link their countries. The railway project will be organized in the form of a joint-venture managed by both governments.

2012 – Chinese agencies withdrew from the joint-venture, but Lao authority announced to be a sole investor of the project. The China Exim Bank would, nonetheless, provide loans covering a cost of construction. The railway would be 420 kilometers in length with a standard gauge track of 1.435 meters. The railway will link Vientiane with Yunnan.

2015 – The Lao and Chinese governments restored the idea to establish a joint-venture, overseeing Laos-China high-speed railway project. The joint-venture would be responsible for the 60 percent of total costs while both governments will directly invested in the remaining 40 percent. The Lao government will rely on China Exim Bank's loans, underwritten by five potash mines. Likewise, the governments agreed with the contract to develop the railway in form of a BOT (build, operate, and transfer project).

2016 – The joint-venture started a construction process in December 2016, although Somsavat Lengsavad, who has a close connection with China, had left the Party.

2017 - The construction process of the railway project had 20-30 percent of the completion.

2019 – The construction of the difficult parts of the project went steadily and smoothly.

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Table 1.1 - Dependent Variables (Proposals of the High-speed Railway Projects)

Details Countries	Value of the project (USD)	Construction plan	Negotiation method with China	Financing method
Thailand (the Yingluck government)	Around USD 25 billion (for the first phase in all routes)	A nation-wide networks under unified operating system	Opening an international tender	Issuing a loan bill (valued around USD 65 billion)
Thailand (the Prayut government)	About USD 5.2 billion (for the first phase in the Sino-Thai project in the Northeast)	A nation-wide networks under customized systems for each route	Bilateral negotiation	Combining government budgets, foreign loans, and contracts of public-private partnership

Table 1.1 - Dependent Variables (Continued)

Details Countries	Value of the project (USD)	Construction plan	Negotiation method with China	Financing method
Indonesia	Around USD 5.9 billion	Connecting Jakarta and Bandung (142 kilometers)	Opening a tender that Japan and China participated	Establishing China-Indonesia joint-venture, partially funded by loans from CDB
Malaysia	The expected cost is around USD 17 billion	Linking Kuala Lumpur with Singapore (350 kilometers)	Organizing an international tender	Combining of government budgets and contracts of public-private partnership

Table 1.1 - Dependent Variables (Continued)

Details Countries	Value of the project (USD)	Construction plan	Negotiation method with China	Financing method
Laos	Around USD 6 billion	Linking Kunming with Vientiane (417 kilometers)	Bilateral negotiation	Establishing China-Laos joint-venture and Chinese loans, backed by five potash mines as collateral

Table 2.1 - Rents Generated by the High-speed Railway Projects

Types of Rents	Actors	Conditions
<p>Monopoly rents</p> <ul style="list-style-type: none"> - Construction contracts - System works 	<p>Chinese state-owned enterprises</p> <p>Local private and public contractors</p>	<p>Bilateral negotiations</p> <p>Conditions of local exclusiveness</p>
<p>Rents based on transfers</p> <ul style="list-style-type: none"> - Right to control over railway-related assets - Right to control lucrative resources, e.g., mines - Redistributive measures 	<p>Chinese state-owned enterprises</p> <p>Host governments' entities</p> <p>Local private companies</p>	<p>Types of negotiation</p> <p>Construction plan</p> <p>Financing method</p>
<p>Leaning rents</p> <ul style="list-style-type: none"> - Technological transfer 	<p>Host governments' entities or local private companies</p>	<p>Negotiation of technological transfer</p>
<p>Increase in land rents</p>	<p>Landowners, both private and state</p>	<p>Proposed construction plans</p>

**Table 7.1: Comparison of Chinese and Japanese
Proposals of Jakarta-Bandung High-speed Railway Project**

	China	Japan
Total Cost	USD 5.5 billion	USD 6.2 billion
Government Commitment	No guarantee from the Indonesian government or Usage of the Indonesian budget Business to business deal	Guarantee from the Indonesian government (50% of project value) and financing from the state budget Government to government deal
Business concept	25% equity, 75% loans from CDB Loan terms: 40-year, 10-year grace period	75% loans from JICA, 25% state budget Loan terms: 40-year, 10-year grace period
Financing	60% USD, 2% interest per year 40% RMB, 3.46% interest per year	100% Yen, 0.1% interest per year (government loan)
Construction	142.3 kilometer of track with 4 stations	140.14 kolometer of track with 5 stations
Time frame	Begin construction: 2016 Completed: 2018 Operational: 2019	Begin construction: 2017 Completed: 2019 Operational: 2021

Source: Adapted from Salim and Negara (2016, 8)

Table 8.1 - Typology of Proposals of the High-speed Railway Projects in Southeast Asian Countries

Regimes Resource availability	Democracy	Authoritarianism	Competitive Authoritarianism
Sufficient	Ambitious populist proposal (Thailand under the Yingluck government)	Compartmentalized elitist proposal (Thailand under the Prayut government)	Sufficiently clientelist proposal (No example)
Insufficient	Prudently populist proposal (Indonesia under the Jokowi government)	Dependently elitist proposal (Laos)	Compromising clientelist proposal (Malaysia under the Najib government)

Figure 1.1 – The Tentative Model of the Analysis of the High-speed Politics in Southeast Asia

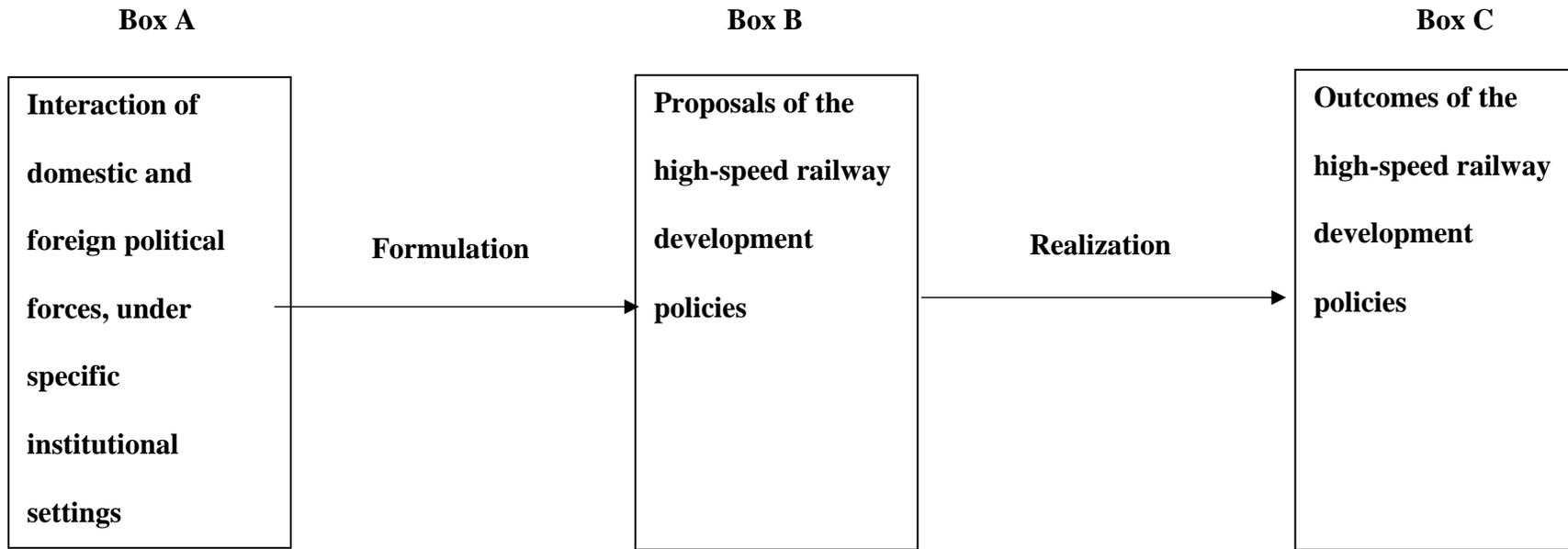


Figure 2.1 - The Common Chain of the Logic of All Frameworks

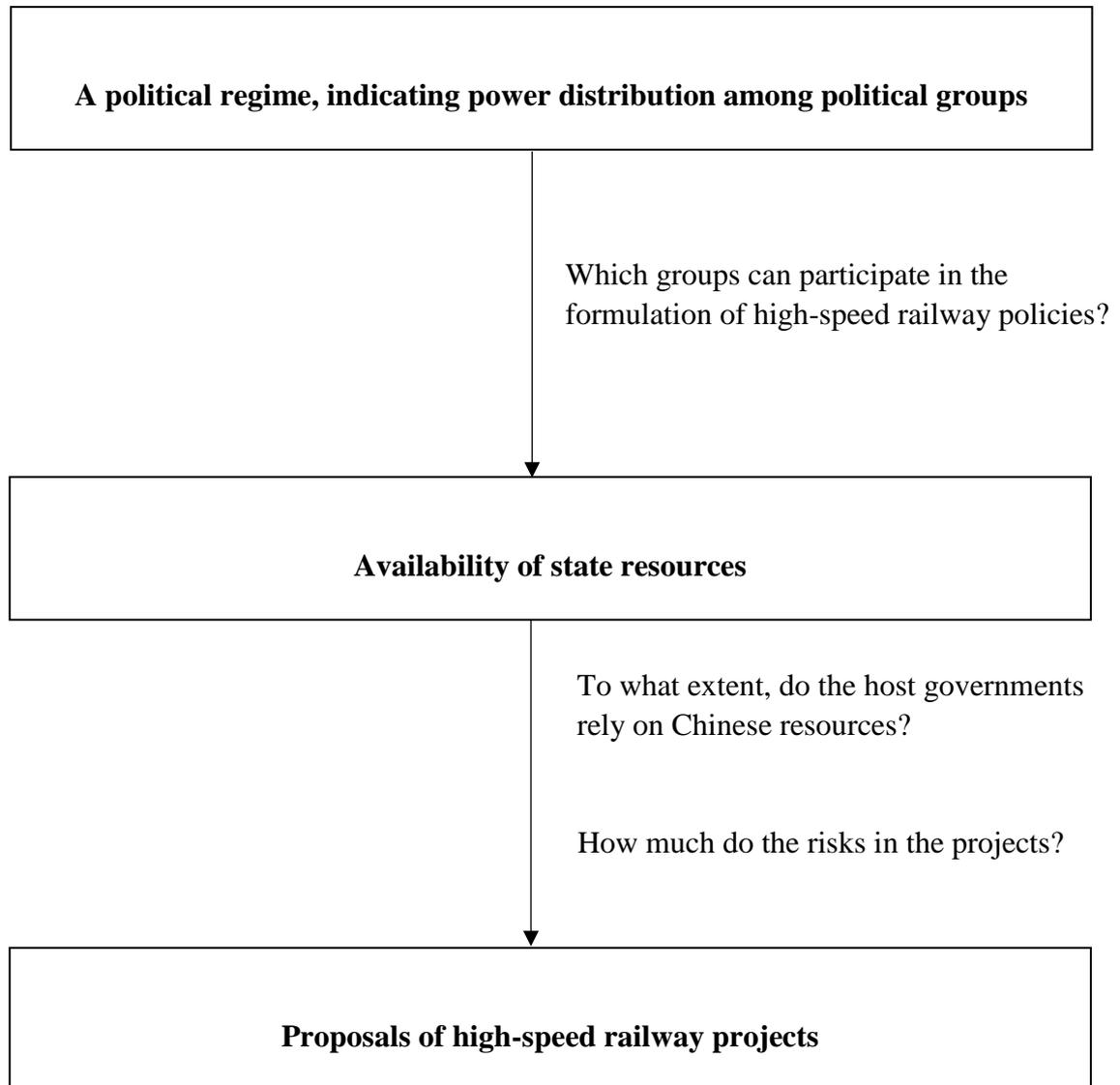


Figure 2.2 - Policy Proposal under the Condition of Democratic Regimes

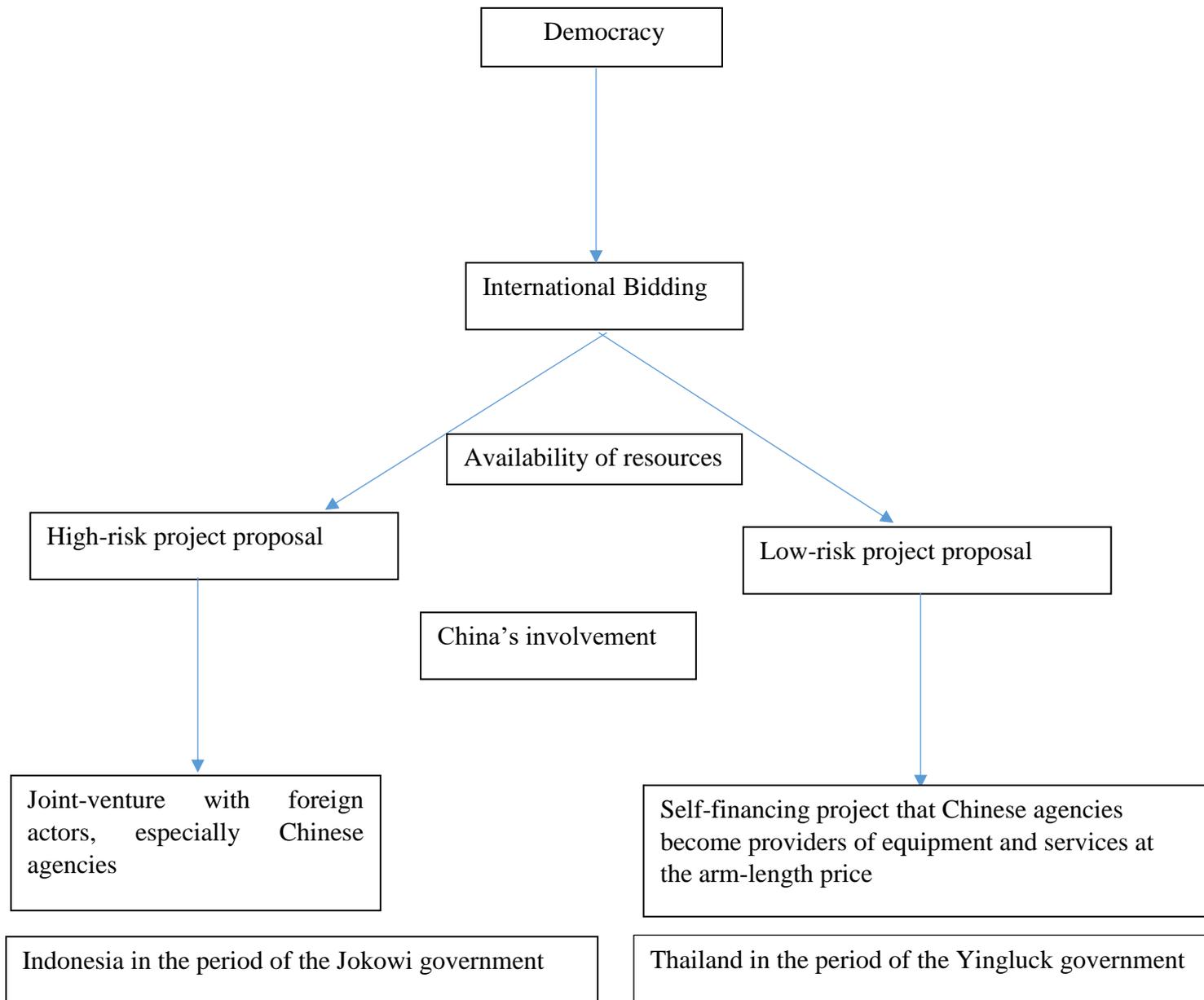


Figure 2.3 - Policy Proposal under the Condition of Authoritarian Regimes

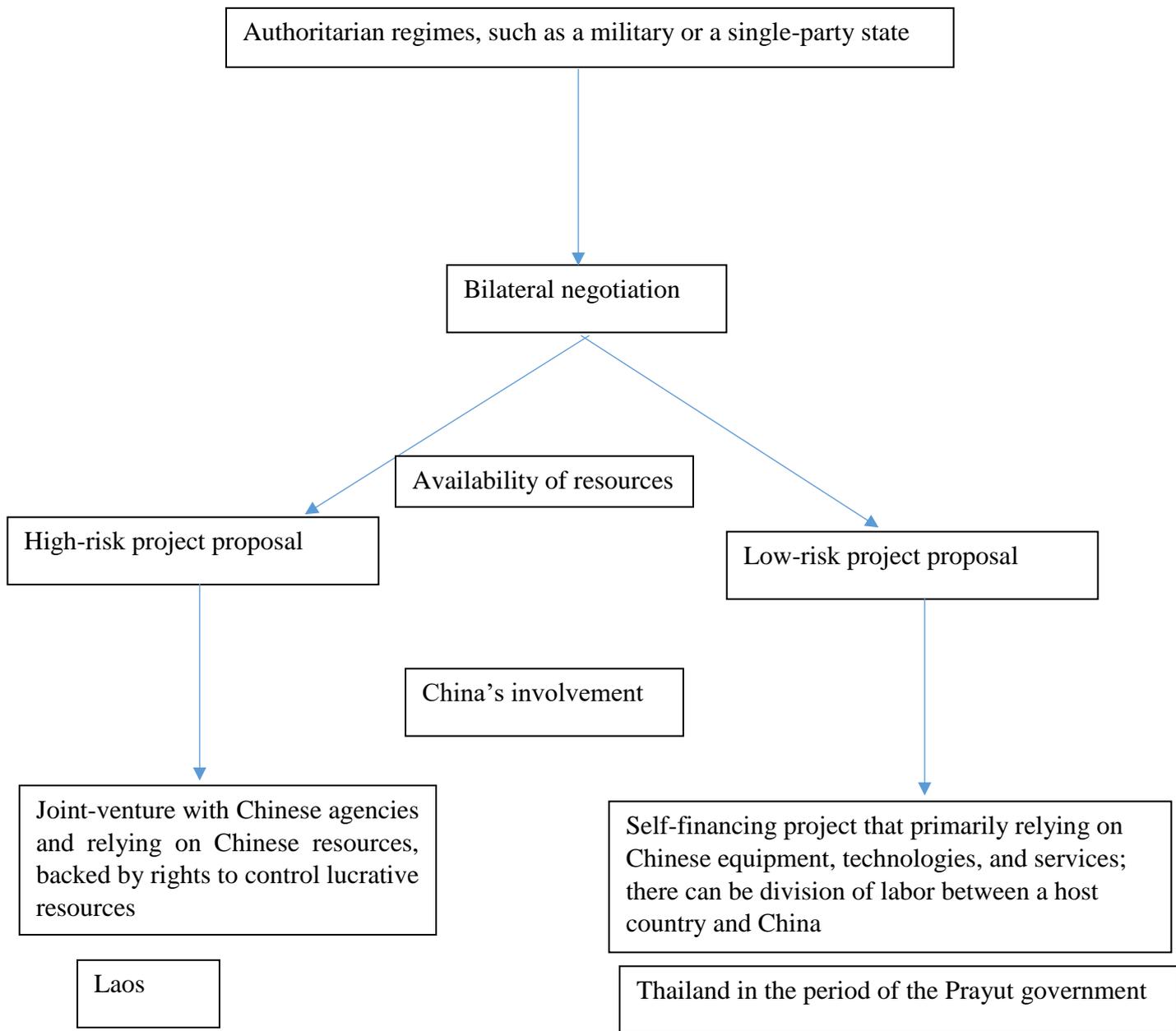


Figure 2.4 - Policy Proposal under the Condition of Competitive Authoritarian Regimes

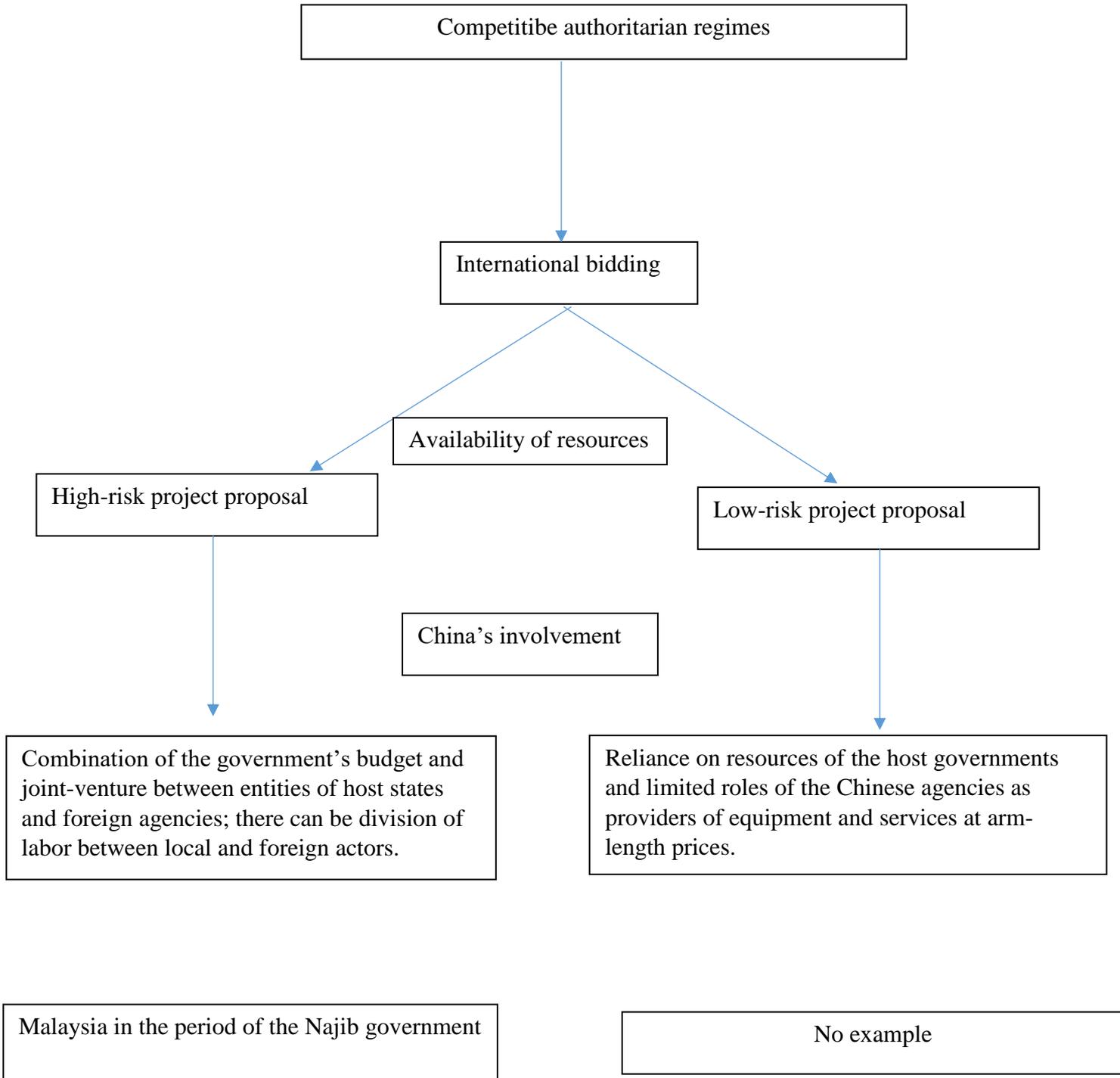
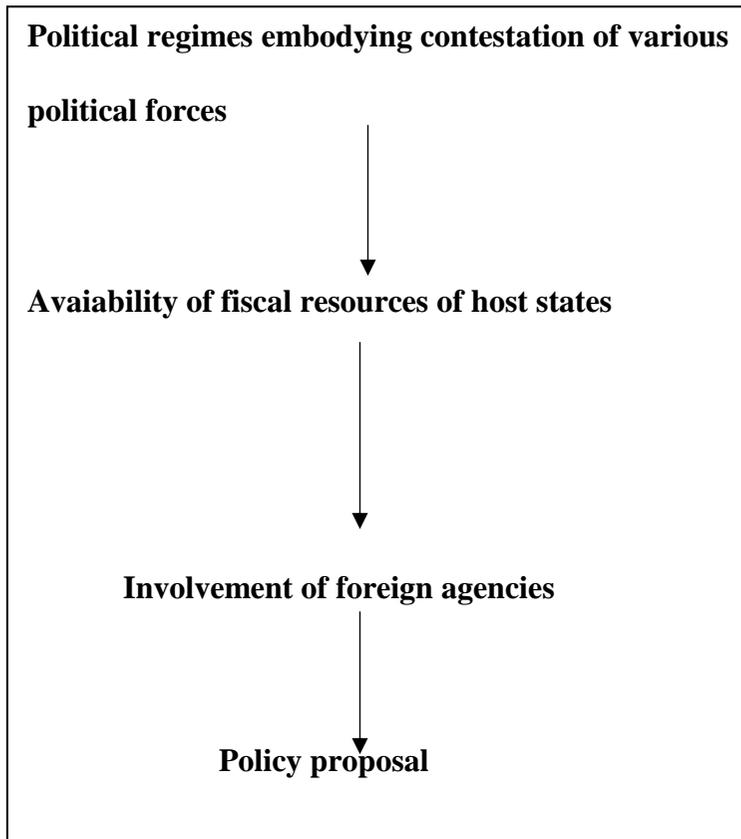


Figure 8.1 - The Ideal Framework for Analyzing the Rise of China and High-speed Politics in Southeast Asia

1. Policy Formulation



2. Policy Realization

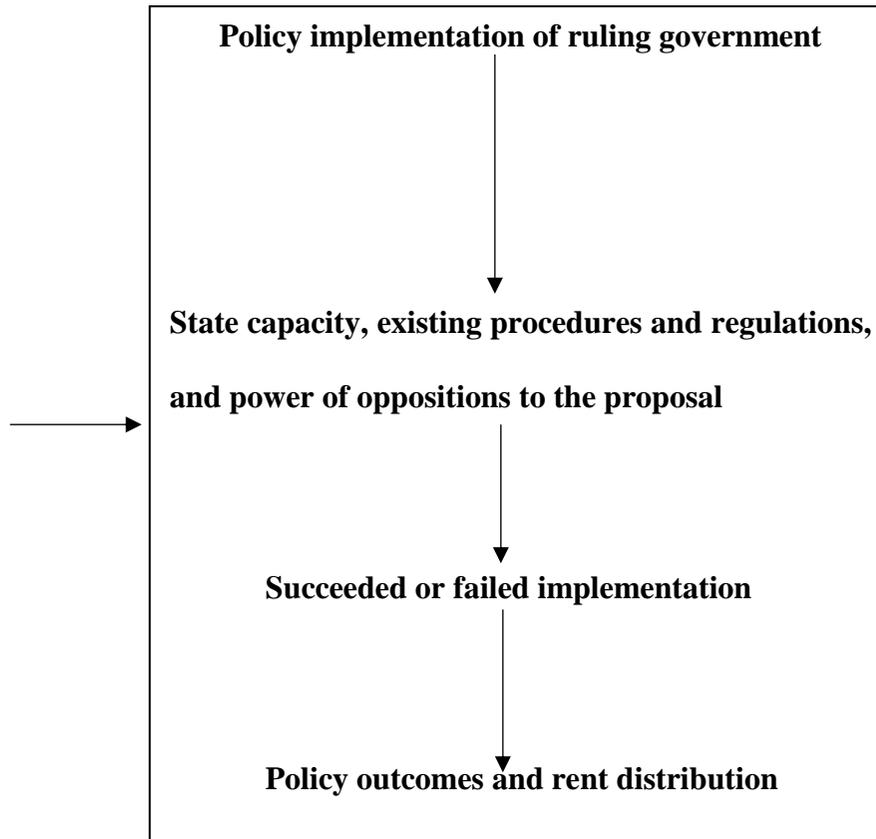
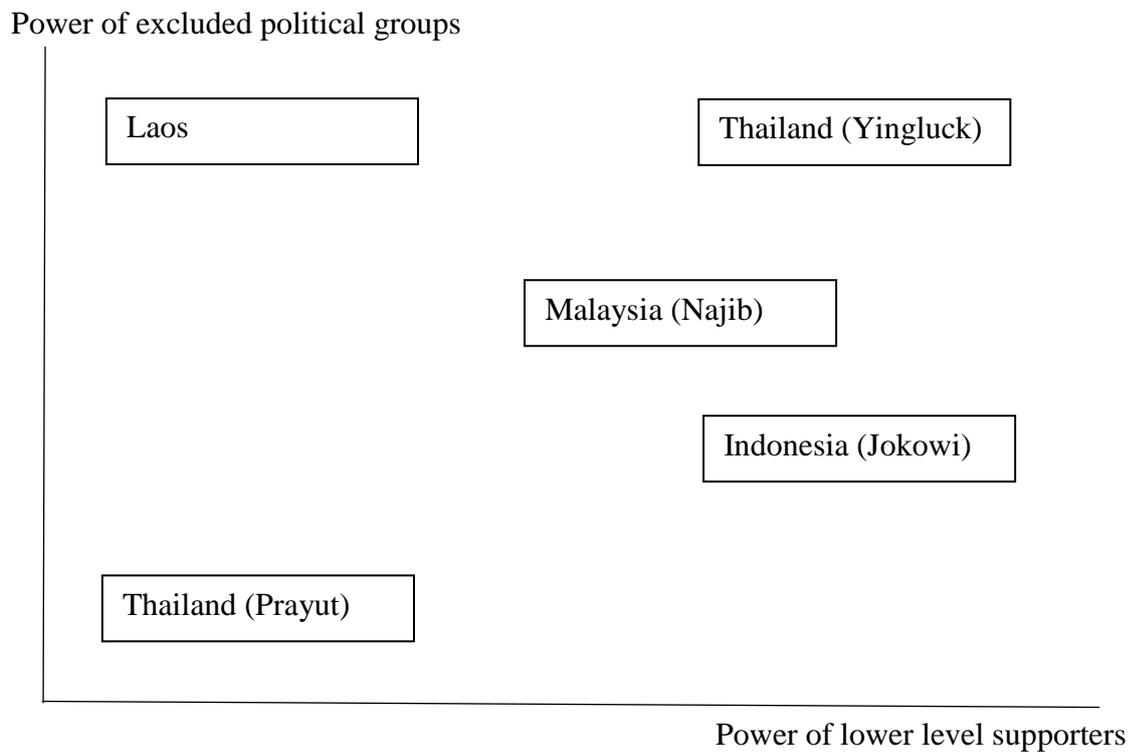
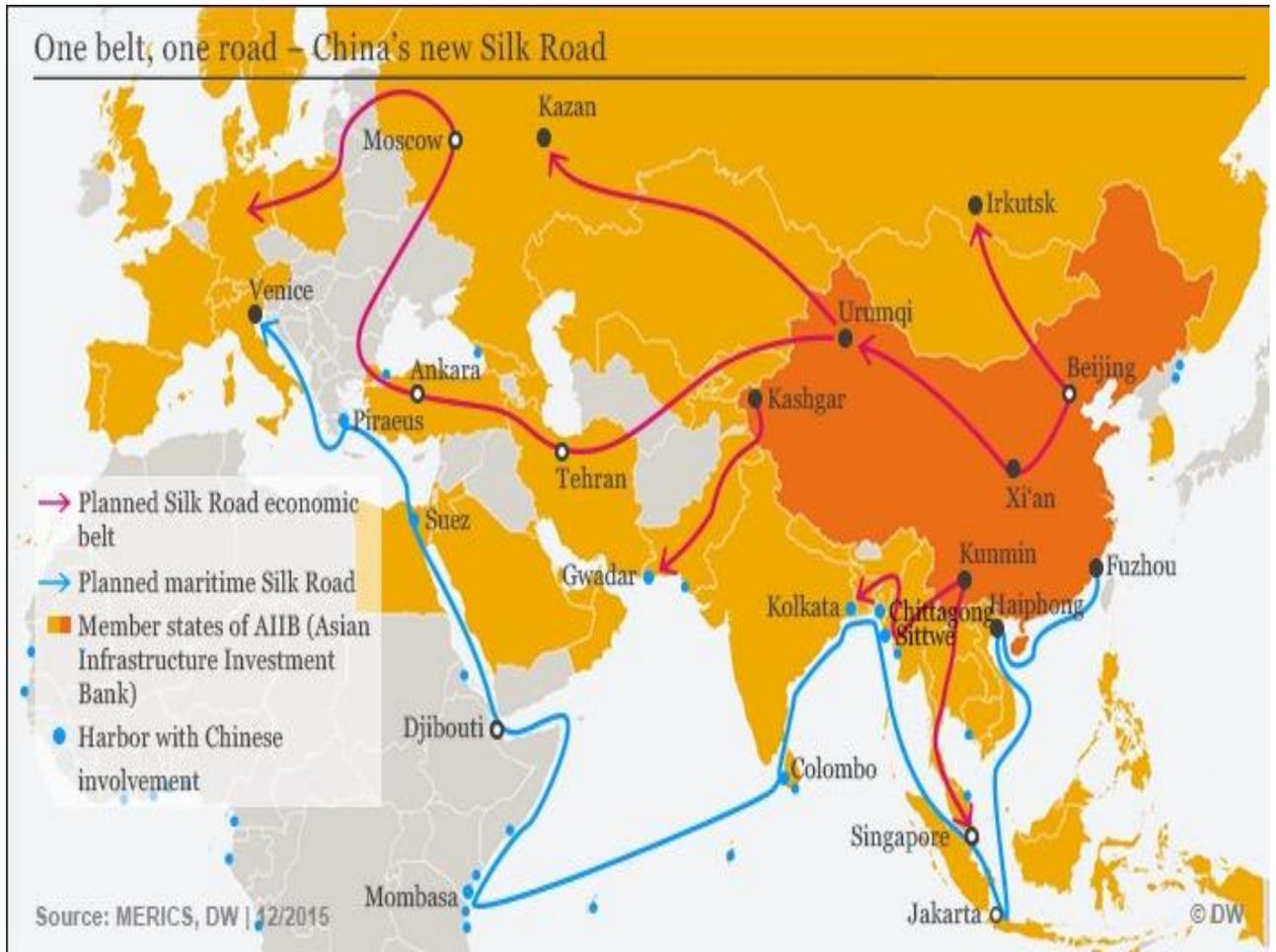


Figure 8.2 - Tentative Suggestion of a Degree of Power Concentration of the Ruling Governments in Southeast Asian Countries



Source: Adapted from Khan (2012)

Map 3.1 - BRI (or OBOR) networks



Source: Rodion Ebbinghausen (December 21, 2015).

Map 3.2 - Pan-Asian Railway Networks



Source: Geopolitical Monitor (December 17, 2017)

Map 4.1 - Current Railway Lines of Thailand



Source: Thailand Trains (2019).

Map 5.1 - The Yingluck Government's Plan of the High-speed Railway Project.



— Phase 1 of the project (2012-2020)

..... Phase 2 of the project (From 2020 onward)

Source: Adapted from VectorStock (2019)

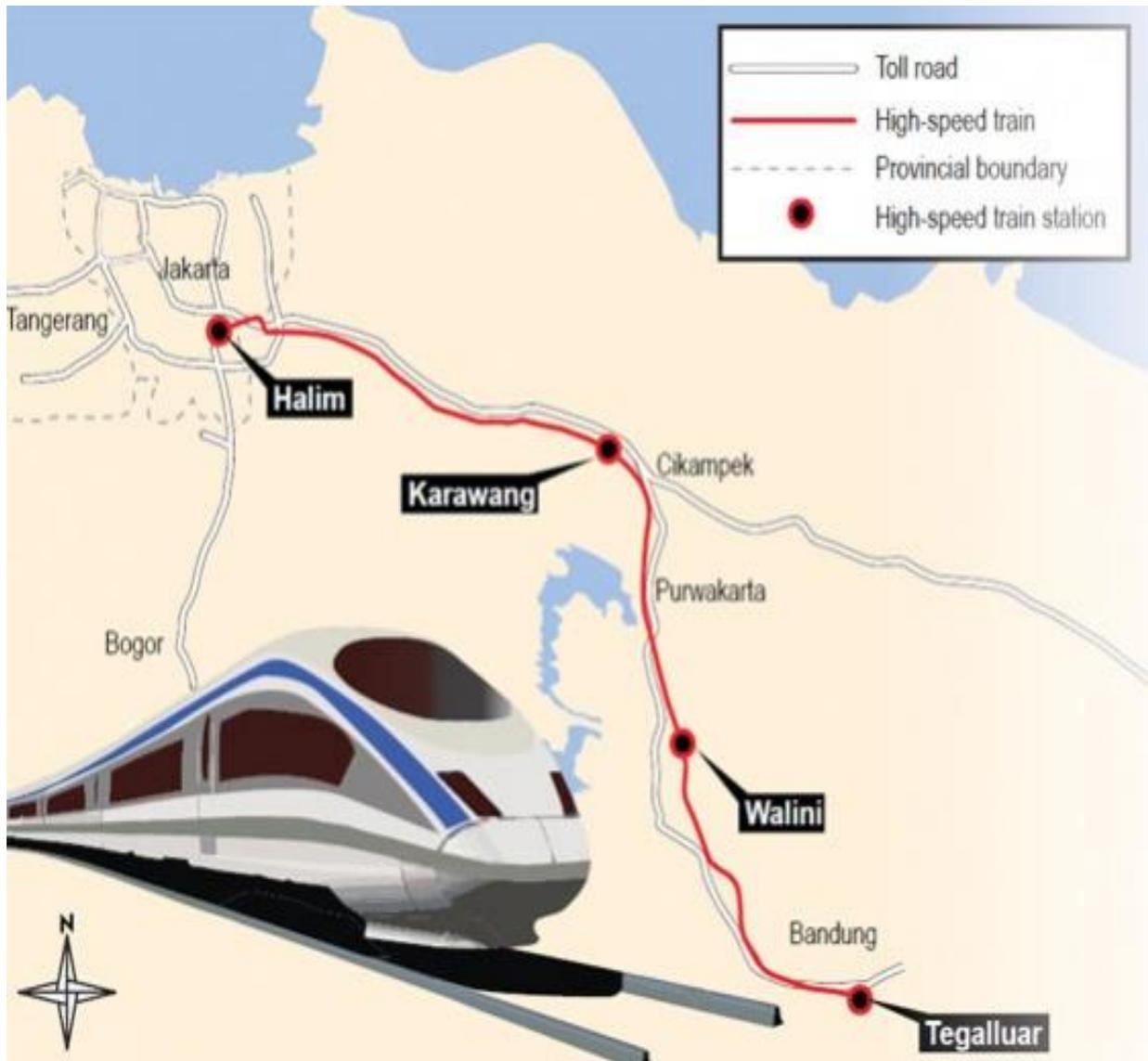
Map 6.1 - The Prayut Government’s Plan of the High-speed Railway Development



- China-Thailand HSR project: Phase 1 (Bangkok-Nakhon Ratchasima); Phase 2(Nakhon Ratchasima-Nong Khai)
- - - -** Japan-Thailand HSR project: Phase 1 (Bangkok-Phisanulok); Phase 2 (Phisanulok-Chiang Mai)
-** The PPP contract of the “three-airport” HSR (Bangkok-Rayong)
- . - . - .** The PPP contract of the southern HSR line (Bangkok-Hua Hin)

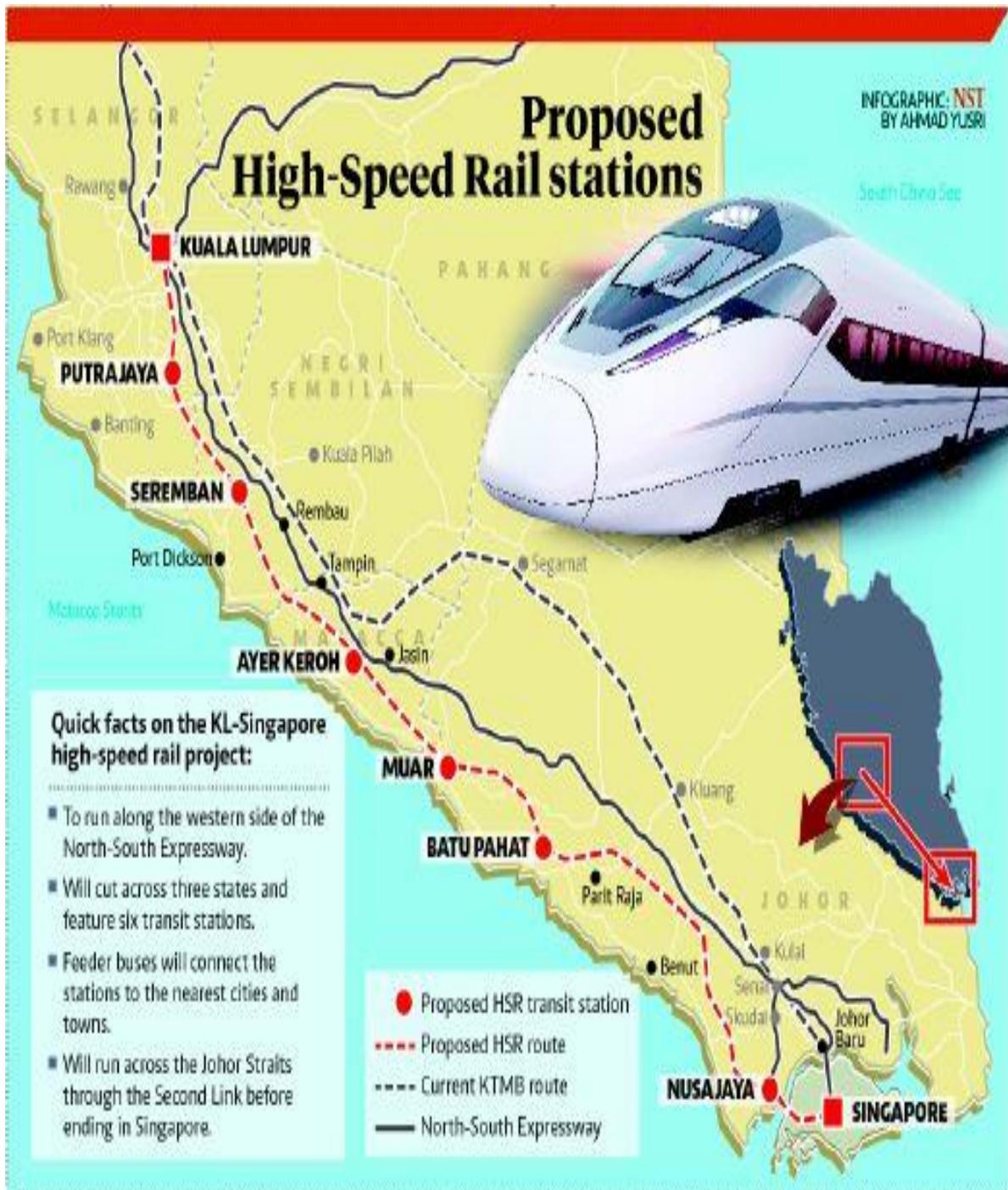
Source: Adapted from VectorStock (2019)

Map 7.1 Jakarta-Bandung High-speed Railway Project



Source: Rail Professional (May 30, 2017).

Map 7.2 - Kuala Lumpur – Singapore High-speed Railway



Source: New Strait Times (Hashini, December 12, 2016)

Map 7.3 - China-Laos Railway Connecting Kunming and Vientiane



Source: Travel China Guide (n.d.)