

PERSPECTIVE

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Singapore | 19 July 2017

China’s “Shame Offensive”: The Omission of Thailand’s Prime Minister from the Belt and Road Initiative Summit 2017

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EXECUTIVE SUMMARY

- The delay of the Sino-Thai high-speed railway project since 2010 may have led to the non-invitation of Thai Prime Minister General Prayut Chan-ocha to the Belt and Road (BRI) Summit in Beijing in May 2017.
- The following month, Prayut exercised his Executive Power to clear a legal bottleneck in the project, which will now start construction in July or August.
- China’s exclusion of the leaders of Thailand and Singapore from the Summit suggests that Beijing is moving from a “charm offensive” to a “shame offensive” towards its neighbours.
- If so, Thailand and the region need to reassess their current hedging strategy in relation to China. Southeast Asian states may need a coordinated approach towards external powers.

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INTRODUCTION

China's Belt and Road Initiative (BRI) is its new grand strategy. Its leaders have emphasised that the initiative is a win-win solution whose economic benefits will be shared across continents. For China, focusing on building infrastructure projects will help stimulate the economy of its remote regions and reduce domestic capital surpluses.

Southeast Asia has become a major focus of this strategy as it constitutes a significant sea lane for China's maritime trade. ASEAN as a group is China's third largest trading partner accounting for nearly US\$500 billion in 2015.¹ Therefore, it is not a surprise that China firstly declared its nascent idea of reviving the maritime Silk Road in Indonesia during the visit of former Foreign Minister Li Keqiang in October 2013.² Mainland Southeast Asia also offers China alternative routes to seaports for its landlocked provinces. The sub-region is hence included in Beijing's plan to develop transport links and industrial parks.³ Thailand has realised that situating itself in China's blueprint is economically beneficial. Thai leaders have expressed their support for the BRI since its first launch. Thai Prime Minister General Prayut Chan-ocha, for example, has lauded this initiative for its potential to enhance the Thai-Chinese strategic partnership.⁴

However, Prayut was not among the heads of government attending the inaugural Belt and Road Initiative Summit on 14-15 May 2017 in Beijing; five Thai ministers attending instead. How can we interpret this event? How are we to understand the current stage of Sino-Thai relations and Southeast Asia's general relations with China?

ANYTHING HIDING IN THE BUSHES?

The Sino-Thai relationship has been cordial, marked by no major conflicts. Beijing's endorsement of the 2014 military coup in Bangkok has even deepened ties, as the Thai military has since favoured China's policy in many aspects.⁵ Therefore, the recent lack of an invitation for Thailand's premier to the BRI summit raised eyebrows among policy analysts, the media and members of the public. The Thai foreign ministry explained that China did not extend an invitation to Prayut because Beijing had already invited him to another important event—the Ninth BRICS Summit scheduled for Xiamen in September of this year.⁶ Thai Foreign Minister Don Pramadwinai has reaffirmed that China still views

¹Embassy of Switzerland in the PRC, "China 2016 Final Economic Report, 2017", available at <<http://cn.swisscham.org/sites/default/files/EcoReportChinaFinal2016.pdf>>

² "Chronology of China's Belt and Road Initiative" *Xinhua News*, 28 March 2015, available at <http://news.xinhuanet.com/english/2016-06/24/c_135464233.htm>

³ The State Council of PRC, "Full text: Action plan on the Belt and Road Initiative", , available at <http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm>

⁴ "Thailand willing to join in Belt and Road Initiative: PM", *Xinhua News*, 11 May 2016, available at <http://news.xinhuanet.com/english/2016-05/11/c_135351338.htm>

⁵ Pongphisoot Busbarat, "Bamboo swirling in the wind: Thailand's Foreign Policy Imbalance between China and the United States", *Contemporary Southeast Asia*, 38(2), 2016: 233-257.

⁶ "MFA admits China did not invite to 'Silk Road Summit'", *BBC Thai*, 12 May 2017, available at <<http://www.bbc.com/thai/international-39895479>>

Thailand as an important part of the initiative. Therefore, Prayut's presence at the summit was unnecessary at this time and had no political implications.⁷

Does that official explanation make sense? To use Don's logic, does it mean that the leaders attending the BRI Summit had not yet shown clear support for the BRI and that inviting them was an act of persuasion from Beijing?

In the broader context, in fact, Thai Prime Minister was not alone; leaders from Brunei and Singapore were also excluded from the summit. In the case of Singapore, analysts suggest that the exclusion was a sign of Beijing's unhappiness about Singapore's position in favour of The Hague Tribunal's 2016 decision against China's claims on the South China Sea, and its deepening strategic ties with Washington.⁸ In the case of Thailand, some analysts consider that it was due to Thailand's insignificance to the BRI.⁹ However, Thailand is unquestionably a major ASEAN country, an active player in continental Southeast Asia, and a long-term friend of Beijing. It is also within the Indochina Corridor—one of six major economic corridors in the BRI blueprint that links south-western China to Singapore. The Thai leader was the only absent leader from the sub-region, and the Chinese must also have understood that the omission would make Thailand "lose face". Even small countries in the Pacific which are not on the major maritime routes were invited.

So, what were the real reasons for Prayut's exclusion from the summit?

CHINA, THAILAND AND REGIONAL CONNECTIVITY

It appears that the unresolved deal on the Sino-Thai high-speed railway project had become an irritation for Beijing and was the main reason for Beijing not inviting the Thai leader to attend the summit. A Thai government official confirmed the connection between these issues.

From my conversation with people from other ministries, the high-speed railway issue is the reason for the omission. There are a number of issues still unsettled, such as the bringing in of Chinese workers and others that contravene domestic laws and regulations.¹⁰

⁷ "MFA clarifies the lack of China's invitation to 'Silk Road' summit", *Komchadluek*, 16 May 2017, available at < <http://www.komchadluek.net/news/regional/277310>>

⁸ "S'pore sought formal invitation for PM Lee from China for OBOR forum: Bloomberg", *The Independent*, May 20, 2017, available at < <http://www.theindependent.sg/spore-sought-formal-invitation-for-pm-lee-from-china-for-obor-forum-bloomberg/>>

⁹ "What Belt and Road snub means for Singapore's ties with China", *South China Morning Post*, May 21, 2017, available at < <http://www.scmp.com/week-asia/geopolitics/article/2094781/what-belt-and-road-snub-means-singapores-ties-china>

¹⁰ Personal communication, 25 May 2017.

Why is the railway project in Thailand so important to China?

In fact, Thailand and China had shared the idea of expanding the transport network between China and mainland Southeast Asia since the early 1990s. In 1993, the two countries developed a sub-regional framework called Quadrangle Economic Cooperation (QEC), which focused on this issue. However, the Asian Development Bank (ADB) subsumed the QEC under its broader Greater Mekong Sub-region (GMS) framework because of Thailand's economic difficulties in 1997.¹¹ The tangible outcome of QEC/GMS was the completion of the Western sub-corridor route (R3 route) in 2010, linking Kunming to Northern Thailand via Laos and Myanmar.¹² With that continuing idea, China's focus has shifted from roads to railroads. There is also a strong sentiment in Thailand in favour of upgrading the country's outmoded infrastructure, and the expansion of rail network has emerged as an option.

Therefore, BRI is not totally new but rather a more expansive and ambitious version of an older plan.

OPENING A PANDORA'S BOX IN SINO-THAI RELATIONS

Thailand and China have discussed the construction of a high-speed rail since 2010, during the Abhisit Vejjajiva government. The two signed a Memorandum of Understanding to set up a joint venture company in which Thailand would hold a 51 per cent share. Thailand agreed to allow China to utilise the land along the existing railway for 50 years. However, the agreement was aborted when parliament was dissolved in 2011.

The second attempt took place during the Yingluck Shinawatra government in 2012, when it finalised an infrastructure development plan. The government proposed four lines for the high-speed trains, stretching from Bangkok to the North, the Northeast, the East, and the South (See Figure 1). Thailand invited China to invest in the North-eastern line, as it would connect to the China-Laos high-speed railway running from Kunming to Vientiane, opposite the Thai border. The two countries signed MOUs in 2012 and 2013 for feasibility studies and the training of Thai personnel. However, the project drew public criticism, especially from anti-government groups concerned with its cost and potential for corruption. The Constitutional Court finally vetoed the project in early 2014, and the Yingluck government was ousted by a military coup later that year.

After the coup, the Prayut government reviewed the project and sought to start construction in May 2016 to commemorate the fortieth anniversary of Thai-PRC diplomatic relations. Both signed another MOU in late December 2014 that would let China build a railroad from Nongkhai Province to Bangkok and to Thailand's Eastern Seaboard, for a total distance of 867 kilometres, but running at speeds of only 180km/hr. Thailand agreed to take a Chinese

¹¹ Pongphisoot Busbarat, "A review of Thailand's foreign policy in mainland Southeast Asia: Exploring an ideational approach", *European Journal of East Asian Studies*, 11(1), 2012: 127-153.

¹² Jonathan Holslag, "China's Roads to Influence", *Asian Survey*, 50(4), 2010: 641-662.

loan, to be repaid in cash and in kind—in the latter case with agricultural products, especially rice and rubber.¹³

Figure 1: The Proposal for Four Lines of High Speed Railways During the Yingluck Government



Source: Train lines drawn by author on Thailand Transportation Map 2013, US Intelligence Agency.¹⁴

¹³ “The end of the romance of Thai-Chinese railway”, *MGR Online*, 13 February 2016, available at < <http://www.manager.co.th/Astv/Weekend/ViewNews.aspx?NewsID=9590000015819>>

¹⁴ Central Intelligence Agency, “Thailand Transportation Map 2013”, available at <<https://www.cia.gov/library/publications/resources/cia-maps-publications/Thailand.html>>

However, the long process of negotiations opened a Pandora's Box for the Thai government. The initial problems were related to the shareholding structure and to the interest rate on the Chinese loan. Thailand proposed China to hold a 70 per cent share in the project, but China insisted on a 60 per cent share unless it received the same benefits as in the case of the Chinese-Laos railway project. In that latter case, China received the rights to develop the land along the railway and adjacent to stations for 50 years. Also, Thailand proposed that China lower the interest from 2.5 per cent to 2 per cent.¹⁵ In early 2016, China finally agreed to offer a 2 per cent interest rate if the project were scaled down from dual-track train to a single track in the face of rising costs.

At the Lancang-Mekong Cooperation Summit on 22-24 March 2016 in Hainan Province, the Thai and Chinese premiers surprisingly announced that Thailand would finance the entire project through domestic loans and that the speed would be 250km/hr. China would only invest a 60 per cent share in work on the rail system and train operation, including the construction of bridges and tunnel excavation.¹⁶

BIG BROTHER FLEXING HIS MUSCLES

To put the exclusion of Prayut from the BRI Summit in May 2017 in the context of the long process of negotiation, one may be able to infer how China has been asserting pressure on the Thai government.

It was reported that the 17th meeting of the Sino-Thai joint committee on rail collaboration held on 9-10 April 2017 met with difficulties in coding construction materials from the Chinese coding system into the Thai system. The Thai transport ministry accepted that it might take a long time to do so. Without that, the committee cannot set the medium price in the project's terms of reference and check whether the materials needed are available in Thailand. According to Thai law, such a joint venture cannot use foreign materials.¹⁷

However, the sentiment of the subsequent 18th meeting on 24 May, nine days after the BRI Summit, turned positive. The two parties nearly reached agreement on outstanding issues. The Thai Transport Ministry will now submit the detailed project to the Thai cabinet for approval and aims to start construction in July or August.¹⁸

¹⁵ "Revamp Thai-Chinese train: the Kangkhai-Mabtaput route is suspended", *Prachachat Thurakij*, 9 February 2016, available at

<http://www.prachachat.net/news_detail.php?newsid=1454912261>

¹⁶ "Reveal the secret of Big Tu's decision to end the Thai-Chinese train deal and opt for domestic finance of THB170 billion. *Prachachat Thurakij*, 4 April 2016, available at

<http://www.prachachat.net/news_detail.php?newsid=1459780995>

¹⁷ "Sino-Thai meeting on 9-10 April expects to conclude the train design and specify the medium price for 3.5 km construction", *MGR Online*, 31 March 2017, available at

<<http://www.manager.co.th/iBizChannel/ViewNews.aspx?NewsID=9600000032735>>

¹⁸ "38 firms look at key project", *The Nation*, 25 May 2017, available at

<<http://www.nationmultimedia.com/news/business/EconomyAnd Tourism/30316235>>

Although details of the negotiations were not revealed, there was already a tendency for Thailand to accommodate China's requests. In early June 2017, a Thai deputy prime minister consulted Councils of Engineers and Architects to resolve the technical issues and the use of Chinese personnel in Thailand. He proposed that the prime minister exercise his executive power under Section 44 in the interim constitution.¹⁹ On 8 June 2017, General Prayut showed his irritation with the progress of the project during an address to the National Legislative Assembly.: "I have lost my face so many times and we [Thailand] couldn't conclude the deal. I will exercise my prerogative on this railway project. It must be started within this year. If it [the project] isn't born, people involved in this project wouldn't be either!"²⁰

The prime minister eventually did what he had said he would do. On 15 June 2017, the National Council for Peace and Order issued Decree No. 30/2017 in the Royal Gazette to clear existing legal issues and allow the project to start.²¹ The decree exempts Chinese engineers and architects from taking Thai professional licence exams and allows the use of up to 25 per cent Chinese materials.²² The recent 19th meeting in early July concluded that the construction will start in October this year.²³

"SHAME OFFENSIVE": A NEW DIPLOMACY?

The hurdles in the Thai-Chinese railway project offer several lessons.

Chinese discontent suggests that Thailand is important to Beijing's strategic planning in the BRI initiative. Certainly, the ultimate plan to link China with continental Southeast Asia would be impossible without progress in Thailand. Therefore, Thai policymakers may be able to utilise this advantage wisely to attract foreign investment to upgrade the country's economy.

However, the delay in the project demonstrates Thailand's own inefficiency to expedite such a big project. Without a push from foreign counterparts, many past megaprojects might not have been successful. It was Japan, for instance, that actively pushed in the 1980s for the construction of Laem Chabang deep seaport, the initial idea for which dated to the late

¹⁹ Somkid proposes the use of Section 44 to solve Thai-Chinese Railways deal," *Post Today*, June 7, 2017. Section 44 empowers the military coup leader to issue any orders deemed necessary for the national interests which can overwrite any pre-existing laws and regulations.

²⁰ "Big Tu pushes Thai-Chinese Railways by himself, saying that he has promised for 3 years, and never starts, but it must start in 2017 (vdo clip)", *Matichon Online*, 9 June 2017, available at <<https://www.matichon.co.th/news/577666>>

²¹ "S44 invoked for Thai-Chinese railway", *Bangkok Post*, 14 June 2017, available at <<http://www.bangkokpost.com/news/general/1269743/s44-invoked-for-thai-chinese-railway>>

²² "Section 44 and Thai-Chinese train: different views from Chulalongkorn University", BBC Thai, 22 June 2017, available at <<http://www.bbc.com/thai/thailand-40369155>>

²³ "The Thai-Chinese train valued B179 billion passed without hassle; Department of Highway will start the construction of the initial phase of 3.5km and the train is expected to start running in 2021", *MGR Online*, 11 July 2017, available at <<https://www.manager.co.th/Business/ViewNews.aspx?NewsID=9600000070533>>

1950s.²⁴It became Thailand's largest infrastructure investment in history. In the fast-moving globalised economy, Thailand cannot afford monetary and opportunity costs. These affect not only Thailand's own competitiveness but also its relations with foreign counterparts.

Second, Thai policymakers cannot take China for granted and need to update their understanding of China. A history of cordial ties matters, but so does distance in time and generations. The new blood in Chinese leadership may not value the historical ties as much as its predecessors did. Hence, Beijing is less likely to compromise its national interest for the sake of maintaining a warm relationship with Bangkok.

Third, China's diplomacy has been a charm offensive focused on carrots, but now it is more willing to use the stick. Beijing is not reluctant to adopt shaming and intimidation when its national interests are affected. It is apparent that the absence of the Thai leader from the BRI summit was directly linked to the delay of the high-speed railway project. It looks like minor diplomatic intimidation, but it allowed Beijing to send a message about its unhappiness with the current situation. However, China has still offered Thailand a second chance, as it has promised a carrot for Prayut at the BRICS summit in Xiamen.

Furthermore, Beijing's more assertive approach may also develop into a situation in which regional states need to choose sides. In the case of Southeast Asia, China is now pressuring the region to favour China's regional leadership. Singapore's position in both the South China Sea disputes and in supporting the American role in the region clearly does not align with Beijing's objectives. In Thailand's case, the likelihood of Thai-American appeasement may also play a role besides the railway issue. Before the BRI summit, United States President Donald Trump made a phone call to three Southeast Asian leaders—those of the Philippines, Singapore, and Thailand—with invitations to Washington. While Philippine President Duterte was non-committal, the Thai government accepted the invitation and has enthusiastically arranged an official visit. Beijing is perhaps sending a signal that it is unsatisfied being treated only as a political cushion and secondary power on which Bangkok can fall back whenever its relations with Washington grow rough.

CONCLUSION

Southeast Asia may need to realise that its attempt to engage with Beijing is not a one-way process. China is not only learning to cooperate through regional engagement. It also expects smaller neighbours to accommodate its rise and leadership. China's diplomatic pressure on Thailand and Singapore indicates that Southeast Asia may face more difficulties in dealing with Beijing in the future. Whilst China's power is growing, it may see the region's old tactics such as silence, delays, indecisiveness, or enmeshing of multiple external powers as obstacles to its growing influence and interests in its own backyard.

Beijing putting more pressure on Southeast Asia to choose policies that at least do not obstruct Chinese interests is a likely future scenario. However, this situation benefits neither China nor Southeast Asia. China's punitive approach, if sustained, will only leave a negative

²⁴Transportation Institute Chulalongkorn Universit, "History of seaport construction in the Eastern Seaboard", available at <<http://www.tri.chula.ac.th/triresearch/learnchabang/history.html>>

image of Beijing and deepen suspicion of its intentions in the region. The mantra of peaceful rise and win-win cooperation may sound less and less convincing, and that could lead to repercussions that escalate tensions between China and Southeast Asia. However, the question is how Southeast Asia can communicate this concern to Beijing and whether the latter will listen and re-evaluate its policy approach.

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