

China and Japan's Connectivity Strategies in Southeast Asia: Thailand's Case

Written by Daniele Carminati

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DANIELE CARMINATI, MAR 25 2020

China and Japan's Connectivity Goals in the Region

China is striving to connect most of the world through new networks of trade, investment, and infrastructure which are expected to strengthen its financial and geopolitical relations. Japan aims to constrain such a process through several strategies and initiatives, especially when considering its long-term presence and experience in Southeast Asia. While the Belt and Road Initiative (BRI) appears to be a more comprehensive grand strategy when compared to Japan's Partnership for Quality Infrastructure, there are at least two additional dimensions to be observed beyond the so-called 'infrastructure diplomacy' and the related investments. These are the digital realm, which includes the media-sphere, and the sociocultural aspect involving people-to-people interaction. Thailand is a topical case study where these dynamics are playing out due to its strategic relevance and location. First, this article provides the necessary background while contextualizing China and Japan's efforts. Second, it collects several examples of direct and indirect competition for influence in the Kingdom found within the multiple dimensions of connectivity. Third, it speculates on how the situation might evolve in the foreseeable future while outlining the potential implications for the region.

There is little doubt that Asia is in need of infrastructure. As of 2017, more than 1.7 trillion USD per year was required through 2030, doubling previous estimates. There is also evidence of the relationship between infrastructure projects build abroad and influence. A 2019 report concluded that '[c]ountries with more connections to global flows of trade, finance, people, and data grow by up to 40 percent more than less connected countries.' Japan has been providing funding in multiple forms and technical know-how for decades across Southeast Asia, with tangible returns. Due to domestic issues such as an aging population, the necessity to expand abroad is growing. China is a latecomer, but it is fast catching up, especially following the launch of the BRI in 2013. Yet, with regard to infrastructure, a report showed that as of mid-2019 China was still 'no match' for Japan in Southeast Asia. The former had 255 billion USD of pending projects versus 367 billion for Japan. However, the comparison of FDI tells only part of the story. China and Japan's rivalry for influence encompasses multiple dimensions and it can be observed on different fronts.

Focusing on the geopolitical implications, the growing concern of a so-called 'debt-trap' –often exemplified by the lease of the Sri Lankan port of Hambantota to China– have urged countries to reconsider or at least be more cautious, while also pondering alternatives. In Southeast Asia, the Singapore Kunming Rail Link (SKRL) and the Jakarta-Bandung high-speed rail bidding have raised concerns over technical aspects such as compatibility of different lines, fears of corruption due to the vast amounts of foreign capital, and even the risk of fueling regional and bilateral tensions. Similarly, experts warned that the contest for leadership is troublesome and could even result in regional 'disintegration'. This is because of divergent ideas on how a connected Southeast Asia should look like; an exclusively economic regional integration –as Japan appears to be promoting and favoring– or one that includes political alignment –an aspect feared to be embedded in the BRI? A closer observation of the respective efforts might reveal trends and patterns towards an even fiercer competition or, conversely, that there is room for cooperation.

Complex Interdependence and the Multiple Dimension of Connectivity

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Globalization has allowed the development of multiple patterns of complex interdependence between countries, many of which are asymmetrical and problematic. However, even international actors can still benefit from what can be called the multiple dimensions of connectivity, all supported by technological advancements. These are infrastructure and investments, as the physical and financial backbone; the digital realm which also includes the media-sphere, and people-to-people interaction in its varied forms. More dimensions exist, but these embody the tools that enhance the flows of capital, goods, ideas, and people. Each dimension includes the potential to exert positive influence due to the interaction of economic sources and soft power, but it also carries a potentially negative side.

First, a nation willing to invest and build much-needed infrastructure should generate goodwill and attraction in the benefitting country, while also developing a good reputation towards collaboration. But this is only true if the process is (or appears to be) transparent, fair, and properly executed. For instance, building a new railway could bring tourists or commercial opportunities to some previously overlooked locations. Yet this may create resentment if local communities have little to no part both in the construction of the project and in the potential ensuing benefits, or even left worse off because of displacement, corruption, or embezzlement.

Second, a nation willing to invest and share hardware, software, and technological know-how to provide more chances to develop new industries and communicate should expect to generate goodwill while improving its image and reputation. This, if the actual technology and services are not used with questionable intents, such as digital espionage for strategic or even military purposes. Recently, there have been multiple accusations against the Chinese 'tech giant' Huawei. Several countries shared these concerns with the US, but many have instead ignored them in the hope of economic gains.

Third, the population of a nation that is willing to help, assist, welcome you, or cooperate towards mutually advantageous partnerships –whether financial or of a different nature– is expected to contribute to the national image and reputation, although not necessarily with its government's. This should be supported by the ability to listen and respect sociocultural differences to forge long-lasting relationships. This dimension encompasses the flows of tourists, international students, participants in cultural exchanges, training, apprenticeship, and similar initiatives. While there is evidence that all of the above have the potential to foster intercultural understanding and gratitude, downsides exist, such as 'overtourism'.

The following section explores the impact of these dimensions of connectivity in Thailand while highlighting several examples of strategies for influence and attraction advanced by China and Japan.

Connectivity Patterns and Trends in Thailand

'Thailand has for decades been the centerpiece of Tokyo's strategy for Southeast Asia [and the] rail lines in the nation's east and north were meant to cement the relationship between the two nations.' Yet a mighty competitor is bound to disrupt these plans, and being connected by land is a clear advantage. China and Japan have both an established presence across Southeast Asia. Communities of overseas Chinese are found all across the region. Through multiple waves of migration, they now have deep roots in the sociocultural, economic, and political spheres. This is often referred to as 'brotherhood' in Thailand. Japan, more insular and not directly connected, have instead greatly contributed to the economic and political development of the region through ODA, international democratic assistance, and foreign direct investments to boost productivity. When considering regional connectivity, no nation might have the same relevance as Thailand due to its location. If one external actor manages to connect mainland Southeast Asia, it could result in greater leverage in as many as seven ASEAN countries. Thailand simply cannot be omitted from such a plan.

This situation –the first dimension of connectivity– is best exemplified by the multiple economic corridors spanning across the region. Three major ones pass through Thailand. The first is the North-South corridor which aims to connect Kunming, capital of Yunnan in southwestern China, with Singapore through high-speed rail (HSR), crossing the whole peninsula. The first section until Vientiane, capital of Laos, is set to begin service in 2021, while the Thai section is planned for 2023. Initially, Japan aimed to invest in another major HSR project linking Bangkok to Chiang

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Mai in the north, also to compensate for China's growing presence. However, fears of low profitability resulted in the project being scrapped. Yet Japan is still firmly committed to the realization of two other economic corridors both featured in the 'Free and Open Indo-Pacific Strategy'. The East-West will connect Da Nang, in Vietnam, to the coast of Myanmar, passing through Laos and Thailand. The Southern corridor will connect several cities in Vietnam, including Ho Chi Minh City, with Dawei, in Myanmar, crossing Cambodia and Thailand. Due to the scale and breadth of the projects, developments are gradual and patchy, but Japan is pushing forward through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

One more example, within Thai borders, is the Eastern Economic Corridor (EEC). This is aimed to be a 'strategic gateway to Asia' while ushering the kingdom into the 'Thailand 4.0' era; referring to the shift from heavy industries to more advanced ones and innovative digital services. The EEC flagship project is another HSR link between three airports, two in Bangkok and one in Pattaya, a tourist destination on the East coast. Following early hopes of collaboration, several Japanese companies dropped the bid which was later awarded to a consortium led by Thai conglomerate Charoen Pokphand (CP) Group, helped by China Railway Construction. There seem to be discrepancies between what Tokyo wants as compared to the private sector, while for China these frictions are not present due to greater government control. Although this might result in more projects in the pipeline, whether they will come to fruition within the timeframe, budget, and expected standards or not, has yet to be seen.

Lastly, it is worth mentioning recent developments in bilateral financial flows. Data from 2017 shows that China became the major trade partner with Thailand in both export (\$40.7B) and import (\$38.3B) while Japan is respectively third (\$22B) and second (\$26.2B). Yet Japan still leads by a wide margin when considering cumulative FDI with 5,250 billion US\$ in 2018, and only 662 from China.

Moving to the second dimension of connectivity, the development of smart cities and the next generation of wireless technology (5G) bridge the gap between infrastructure and the digital realm. The first planned smart city, Chachoengsao, is located in the EEC area and currently undergoing feasibility studies. Japan and China appear to be both involved and willing to collaborate. 5G is instead being provided by Huawei, in spite of US repeated warnings, and Thailand is pushing forward towards widespread adoption which is expected to greatly benefit the national economy. The Chinese company has even proposed a training center, and the lobbying seems to have eventually paid back. Observers have lamented the absence of a proper political debate on this matter, which was solely focused on the economic benefits. Yet supporters claimed that the options were limited and any delay in the adoption of 5G would result in missed opportunities.

While there was virtually no contest for the development of 5G, Japan is ramping up its efforts to preserve its position in Southeast Asia's internet sector. Yahoo Japan and messaging application Line, both backed by the multinational holding company SoftBank, have merged to face growing competition. This comes from American 'tech giants' such as Google and Facebook, but also from Chinese companies such as WeChat that are leveraged by a growing number of tourists that are expecting to be able to use familiar services when abroad, and Thailand has been embracing this trend. Yet, beyond Japan, Thailand is arguably the most important market for Line Corporation. The application is ubiquitous and has gradually expanded its functions beyond the sole messaging to include digital commerce services. The latest data shows that more than 84% of smartphone owners in the country used the service daily, equal to more than 44 million users.

The last aspect related to the digital world is the spread of Chinese media and partnerships; seemingly welcomed by Thai news agencies. This might not come as a surprise as 2019 was 'ASEAN-China Year of Media Exchanges', part of a broader global effort to improve China's image and reputation. Combined, all the above examples could be seen as the backbone of China's Digital Silk Road, included in the BRI, which comprises e-commerce, smart cities, and telecommunications. Even in this case, criticism and concerns are present. The initiative has been labeled a tool to 'export political illiberalism' through 'strategic technological competition'. Receiving countries are weighing their limited options but, for many of them, it is often hard to resist in spite of skepticism.

The third dimension of connectivity, people-to-people interaction, is more granular and difficult to grasp as it happens at multiple levels and in many forms; but a few major indicators can still reveal significant trends and patterns. Thais'

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fascination with 'everything-Japan' is not only seen in the plethora of shops, restaurants, malls, activities, and products found in the Kingdom, but also in the ever-growing number of tourists visiting Japan, first in Southeast Asia. The 2013's move by the Japanese government to waive the visa further contributed to this trend. In 2018, more than 1.1 million tourists visited Japan while around 830,000 visited China, in spite of differences in costs. When considering inbound tourism, China leads by a wide margin with more than 45% of arrivals, while Japan's are just below 5%. Yet the problematic dependence on Chinese tourists has also been exacerbated by the behavior of visitors. Moreover, when Thai experts were asked if they were concerned about China using 'economic tools and tourism to punish [their] country's foreign policy choices', 61.5% responded affirmatively. The need to diversify tourism flows is an increasingly pressing matter for Thai authorities.

Another major aspect of connecting people is the flows of students. While China and Japan are considered only after top English-speaking destinations, such as the US or the UK, the cultural appeal and geographical proximity of East Asia can still attract. Due to its declining population, Japan is eager to welcome foreign students from neighboring Asia and beyond. As of 2018, only 4,000 Thais were studying in Japan, out of a total of nearly 300,000. The number of Thai students in China was considerably higher, surpassing 28,000 in the same year, first among Southeast Asian countries. While scholarships might have played a role, the amount of Thais of Chinese heritage is likely to also be a key factor. This closely relates to the choice to study a foreign language. While the interest in learning English is still predominant (96.9%), Chinese is growing fast along with the country's rise and economic clout (40.6%), but Japanese still appeals to a fairly wide audience (13.5%). That said, the exact number of learners is difficult to calculate as there are countless schools across the country offering language courses.

One more aspect which should not be downplayed is the role of cultural organizations such as the Japan Foundation and the Confucius Institute; although gauging the actual impact of their presence and activities might require closer investigation. Considering sheer numbers, the Japan Foundation is only one per country 'by default' (except in the US), while there are no limitations for its Chinese counterpart as they are commonly affiliated with local universities. For instance, as of 2019, there were 16 Confucius Institutes and 11 Confucius Classrooms in Thailand, the highest number in Southeast Asia. Lastly, while the presence of Japanese people in the Kingdom is stable, the impact of the fourth migration of Chinese is likely to create further concerns if the local population perceive them as only reaping the benefits before 'mov[ing] on to greener pastures'.

Conclusion

Direct competition might not be that evident but, considering influence in the region as the greater picture, successful attempts to connect trade routes, people, and ideas are expected to have a long-lasting impact. All combined, they could grant favorable conditions for future relations and policy implementation. If China is truly driven by economic motivations over political intents, Japan would have fewer reasons to oppose cooperation. And if Thailand manages to advance a mutually agreed vision for regional connectivity, it can potentially benefit both from competition and collaboration. The infrastructure dimension is particularly active and ripe with opportunities. China and Japan could agree to focus each on their favored corridors, while cautiously collaborating in the EEC. The digital dimension might be the most problematic one. China's presence and influence is greater and expanding but opaque. Japan is closely focused on the business opportunities arising from digital services, but it might decide to cooperate with allies to uphold liberal values, such as media transparency. The last dimension, involving human interaction and exchange of ideas, is a slow process that needs consistent efforts to maintain a nation's resources attractive to foreign audiences, such as its culture, along with a benign and unthreatening image and reputation. Japan seems to be performing better but China's persistence, although often (over)reliant on its wealth, could eventually yield positive results. Ultimately, there is more at stake from the perspective of the competing actors as, whether one would prevail over the other or not, Thailand would still be ready to accommodate them.

About the author:

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Daniele Carminati is a lecturer in International Relations and Diplomacy at the Beijing Foreign Studies University and holds a PhD in International Relations from the City University of Hong Kong. His research interest revolves around the sociocultural, economic, and political implications of globalization in East and Southeast Asia with a particular focus on soft power dynamics. Daniele is also a former commissioning editor at E-International Relations.