

# Preface

## *Setting the Stage*

This volume explores China's current effort to join with its continental Southeast Asian neighbors and Singapore to realize a broadly shared vision of connecting the People's Republic of China (PRC) to its southern neighbors by a high- and conventional-speed rail network. This effort needs to be understood from many perspectives, one of which is the context of the last four decades' accumulated economic, political, and policy developments in China that have made this effort possible and driven it forward. This undertaking in Southeast Asia also needs to be viewed in the context of Beijing's broader national purposes, namely to sustain growth at home and change the political and economic geography of the PRC's entire periphery in a direction favorable to China's economic and strategic interests. These past developments and current purposes and interests predictably create reactions among other states in the region and beyond that are important considerations throughout this book.

Looking back to the time of Chairman Mao Zedong's 1976 death, the PRC was economically impoverished and unable to effectively project economic, military, or intellectual power much beyond its own borders. To address the gigantic challenges facing the nation that Mao had bequeathed to his successors, beginning from the late 1970s Deng Xiaoping focused on domestic economic development energized by market incentives, human and institutional capacity building, and reassurances to the world that China would be benign as its power grew. By pairing

gains in modernization with foreign policy reassurances, Deng fostered a pacific external environment that provided a strategic window of opportunity for China to grow unmolested. Much like George Washington, Deng wanted to free his country of premature and costly entanglements that might detract from the task at hand—modernization.

To this end, Deng was more than willing to have his country temporarily play the part of student to more “modern” countries, notably the United States. He even instructed his officials to “learn from Singapore,” a small city-state.<sup>1</sup> For the next three decades, Beijing was often a seemingly passive participant in an increasing range of international organizations and bilateral relationships, allergic to assuming heavy international burdens and responsibilities prematurely. Deng and his two immediate successors (Jiang Zemin and Hu Jintao) seized the resulting strategic window of opportunity to usher in three-plus decades of high-speed domestic economic expansion and societal change that enormously improved welfare across the entire population, albeit with some segments of society gaining more than others. Between 1978 and 2009, China’s gross domestic product (GDP) per capita grew from about US\$300 to about \$4,100 (or more than thirteen times),<sup>2</sup> and after a costly 1979 border war with Vietnam the PRC waged no other large-scale bloodlettings, though there were a few territorial skirmishes along the way, including South China Sea encounters with Vietnam. All in all, Deng’s two immediate successors carried on the broad modernization strategy of “reform and opening” (*gaige kaifang*) in ways largely compatible with Deng’s vision. Indeed, Deng had chosen *both* Jiang Zemin *and* Hu Jintao as his sequential successors in order to enhance the prospects of policy continuity, something entirely absent from the tumultuous Mao era.

By 2010, however, in the last one-fifth of Hu Jintao’s period in office, the PRC’s comprehensive national power had multiplied and Washington had become distracted, if not hobbled, by prolonged post-9/11 conflicts (Afghanistan, Iraq, and smaller-scale operations in Africa, Central Asia, and the Middle East), the global financial crisis of 2008–9, and political gridlock in Washington born of domestic economic inequality and political polarization. In Beijing, Hu Jintao’s successor, Xi Jinping, came to power in 2012–13 and concluded that the combination of China’s enormous growth and America’s unexpected faltering had combined to create an opportunity for China to step out of the international shadows and resume a great power role after more than 150 years. For their part, the Chinese people are proud of their accomplishments and

anxious to play a greater and more respected role in the world. China's military wants to be a key instrument of the nation's further renewal, to more assertively defend sovereignty claims, and to protect the PRC's expanding equities in its region and globally.

*The birth of the Belt and Road Initiative and reactions to it.* A signal event heralding in this new era was Xi Jinping's announcement in late 2013 of the "One Belt, One Road" (*yidai yilu*) initiative (later rebranded as "BRI," or the Belt and Road Initiative), an effort to construct infrastructure linking the PRC to its land and sea periphery at all compass points. In two speeches in 2013, one in Kazakhstan in September and the other in Indonesia in October, President Xi proposed creating a "Silk Road Economic Belt" and a "Maritime Silk Road Initiative." The grand vision was to create both land and sea connectivity by constructing a web of infrastructure (roads, ports, pipelines, air, rail, cyber, power grids, etc.) as well as people-to-people and other connectivity. Despite the linguistic confusion of land "belts" and watery "roads," this broad policy umbrella has subsequently provided a hook upon which a very dynamic Chinese system can hang an endless number of infrastructure-building and connectivity projects, provide considerable financing to kick-start them, and promote the export of materials and human resources that China has in abundance. This effort also holds out the prospect of constructing an economic and strategic system with China as its hub. Its essence is the creation of economic and other power projection platforms at 360 degrees from China itself.<sup>3</sup>

In May 2014, in remarks that have not been authoritatively repeated since, Xi signaled the underlying impulse of this overall effort, calling for letting "the people of Asia run the affairs of Asia, solve the problems of Asia and uphold the security of Asia."<sup>4</sup> Thereafter, at October 2017's Nineteenth Party Congress, Xi had pursuit of the BRI written into the Party Constitution and at the subsequent National People's Congress held the following spring, Xi engineered the elimination of term limits that applied to him as China's head of state. By early 2018, therefore, one could clearly see that China had entered the post-Deng era both domestically and in terms of its foreign policy. China was no longer hiding the bright light of its national ambitions under a bushel (*tao guang yang hui*), it now had a leader who had the will, constitutional sanction, and potential longevity to pursue a massive international infrastructure-building effort, and the PRC now had much greater resources and advanced technologies with which to pursue those ambitions.

These ambitions, some clearly articulated and others less so, have aroused economic hopes and a sense of opportunity in many parts of the world, as they also have spawned economic and security anxieties. Beijing's proposal to build a regional and global connectivity network is effectively a move to tie the strategic "backyards" of many other powers into the PRC's own network. India has asked itself what tying in Pakistan, the smaller South Asian states, and Myanmar to China means for New Delhi. Russia asks what increasing Chinese integration with "its" so-called near abroad means for Moscow. Japan asks itself what tighter economic and strategic integration between China and South-east Asia implies for its interests in a region central to its supply chains and critical to its maritime security. Likewise, Europe wonders how greater Chinese investment in and connection to its southern flank (Italy, Greece, and Serbia) will affect European standards, governance, economic interests, and rules-based international order. Vietnam ponders what China tying in Hanoi's Southeast Asian neighbors will mean for its own economic, cultural, and political autonomy. And, the United States similarly worries about what a growing Chinese sphere of influence in East, Southeast, and South Asia means for its security, maritime, trading, and resource interests, as well as its five post-World War II alliances and its regional preeminence. In short, the BRI has and will continue to set off a globally diverse set of ruminations and reactions, many strategic and geoeconomic in character.

*The organization and financing of the BRI.* Looking at the effort organizationally, as Nadege Rolland does in her research,<sup>5</sup> this policy initiative is one to which Chinese President Xi Jinping and Premier Li Keqiang have devoted enormous personal attention, travel time, and words. Beneath them is a complex array of central planning, coordination, and implementing institutions (and subordinate counterpart units in the localities), primary among which are: The Leading Small Group on Advancing the Construction of the Belt and Road, its Office of the Leading Small Group, and the ubiquitous National Development and Reform Commission (NDRC).

In terms of the anticipated government budget and capital available for this enormous overall undertaking with fuzzy geographic, bureaucratic, financial, and economic sector boundaries, the Xi administration has not released authoritative total figures about aggregate anticipated expenditures, what actually has been committed, or what may be committed in the future. Indeed, as we see throughout this volume, the very

concept of commitment is an indeterminate notion when dealing with the PRC in this zone of activity. Chinese figures often conflate actual investment, contemplated investment, and the value of China's commercial contracts for projects when the PRC often has little or no role financing an undertaking. The vice-chairman of the NDRC, Ning Jizhe, said in May 2017 that BRI investments would be about \$120–\$130 billion annually for five years.<sup>6</sup> But we do not know which countries, nor which activities of various levels of administration and sectors of the Chinese economy are included in this figure, much less what percentages of these “investments” are grants, loans, joint ventures, contracts, and so forth. The China Development Bank in January 2018 committed \$250 billion for BRI loans,<sup>7</sup> but this does not enlighten us about the activities and commitments of other financial actors including China's Export-Import (Exim) Bank, nor of the more seemingly commercial financial institutions in the PRC. Of course, there is always the problem that current promises fail to be realized in an uncertain future. The future is uncertain not only because Beijing may fail to deliver, but also because partners change their minds.

In 2017, the Asian Development Bank (ADB) estimated that a total of about \$26 trillion would be required to meet Asia's infrastructure needs by 2030.<sup>8</sup> Therefore, whatever the figure for Chinese expenditures on BRI eventually proves to be, even the PRC's ambitious plans leave enormous room for the activities of other governments, multilateral development organizations, or the global private sector.<sup>9</sup> Equally important, it is far from self-evident that the Chinese people and leaders will sustain large external commitments, given the huge domestic needs that remain unmet.

*The Southeast Asia railroad dimension of BRI.* This book examines one part of this overall Asian (indeed global) effort and reactions to it: high- and conventional-speed rail construction in Southeast Asia. In the chapters to follow we tell the story of how this undertaking has unfolded, what it reveals about Chinese power, and how and why the PRC's smaller neighbors are reacting as they are to their huge, dynamic neighbor.

Fed in no small part by domestic efforts to lionize Chinese leader Xi Jinping, as well as by tendencies among outside observers to see the PRC as a juggernaut, almost any economic development or infrastructure project undertaken by Beijing and its state enterprises, localities, or private interests is immediately viewed as a PRC initiative under the signboard of the BRI. In fact, many projects around the world and in

Southeast Asia in which the PRC is involved are not Chinese ideas or initiatives, but rather the ideas, visions, and aspirations of others, the pursuit of which China now can energize with its technology, human resources, and financing, as well as simply competing for contracts. This is certainly the case in Southeast Asia with railroad development.

Under Xi Jinping, there has been a conjunction of long-standing regional aspirations for connectivity, China's desire to play a more robust global role strategically and economically, and the PRC's growing capacity to do so. The PRC has veritable mountains of steel and concrete to sell abroad, a substantial body of personnel to employ overseas, and considerable foreign exchange that Beijing needs to productively deploy internationally. For their part, China's neighbors want the infrastructure these Chinese exports, capital, and engineering talent can construct, even as they fear the dependencies and competitive pressure that such connectivity will entail. All China's neighbors, not least in Southeast Asia, wish to reap the benefits of Chinese involvement while avoiding the many risks they perceive.

*Assessing BRI and the focus on Southeast Asia.* Because BRI is a vast undertaking, involving many actors at home and abroad, involving uncertain commitments, with many long-term and short-term effects, it is difficult to make an overall assessment of individual projects, much less the overall endeavor. Predictably, implementation of specific undertakings has been highly variable, with some stopped entirely, others long delayed, still others encountering societal counterreactions in partner countries, some being built but subsequently proving unsustainable, and still others being reasonably successful. There is also the fact that because most infrastructure projects around the world come in over budget and behind schedule, one should view all this comparatively—infrastructure is not easy anywhere.

A big part of the story is how and why individual countries decide to join with Beijing while others prefer to remain aloof. Some countries are enthusiastic in their embrace, others are reluctant, while some prefer to explore other partnerships. Almost everyone is looking for ways to benefit from Beijing's initiative while minimizing downsides such as strategic dependence, cultural and societal conflict, economic dependency or disruption, and the negative reaction of other big powers and neighbors.

If one tried to consider BRI as a whole, one could easily lose focus and never move beyond superficial generalization. This book, therefore, examines in detail the PRC's efforts in one important sector of connectiv-

ity in a very promising and strategically important area—high-speed and conventional-speed rail construction in Southeast Asia. Exploring rail construction in this region makes sense for several reasons. To start, Southeast Asia is critical strategically to the PRC. Both China’s “Continentalists” and its “Maritime Interests” view the region as a space important to the nation’s future in which to build land routes to reduce vulnerability from shipping lanes through the Persian Gulf, Indian Ocean, and the archipelago around Singapore and Indonesia. Second, both interest groups also see Southeast Asia as a relatively secure place to establish value-added production chains centered on China and to access growing consumer markets as Southeast Asia’s middle class grows rapidly. The region also has rich and relatively skilled human capital to which the PRC can offload the lower value-added components of its manufacturing chains as China’s domestic costs of production increase. Further, by building the pathways of North-South commerce, China directs future economic activity in its direction. And finally, Southeast Asia is a region with lagging infrastructure in which China can seize first-mover advantages to establish its technical and construction standards early in the development process, placing itself in an advantageous position to win future economic competitions.

In short, Southeast Asia is important to the major interest groups that drive Chinese domestic and foreign policy. If it is important to China, it should be important to the rest of the world in the competitive age upon which we have embarked. America and other powers should consider how to benefit from this undertaking, while remaining cognizant of the pitfalls, by seeking to build *balanced connectivity* in this critical region.