From Neoliberalism to Goeconomics

The Greater Mekong
Subregion and the
Archaeology of the Belt and
Road Initiative in Mainland
Southeast Asia

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In mainland Southeast Asia, China's Belt and Road Initiative (BRI) builds on plans and routes that the Greater Mekong Subregion (GMS) program laid down over the last few decades. While the BRI is likely to continue alongside various other national and regional development plans, schemes, and programs in the GMS for years to come, this essay argues that the establishment of the BRI marks the transition between the era of liberal economics and that of goeconomics.

China's Belt and Road Initiative (BRI) markets itself as the re-creation of the ancient Silk Road that linked Europe and Central Asia hundreds of years ago. In mainland Southeast Asia, the archaeology of the BRI is somewhat more recent. Here, the Indochina Peninsula Economic Corridor of the BRI is being built on plans and routes laid down just a few decades ago. In particular, the BRI is integrating with the five subcorridors of the North–South Economic Corridor (NSEC) of the Greater Mekong Subre-

gion (GMS) program (GMS Secretariat and ADB 2018). Today the GMS, a multilateral infrastructure program, and the BRI, an expression of China's heft as the world's second-largest economy, appear to come together productively enough. But below the surface geopolitical tensions are developing. While the BRI is likely to continue alongside various other national and regional development plans, schemes, and programs for years to come, future observers looking back may see the establishment of the BRI as a faultline marking a transition between the post-Cold War and post-Global Financial Crisis periods: the eras of, respectively, liberal economics and geoeconomics. In what follows, I first sketch out the origins and challenges of the GMS, before situating the BRI as a new dynamic in the story of the increasing connectedness of mainland Southeast Asian states and southern China.

The Greater Mekong Subregion program

In October 1992, Noritada Morita, Director General of the Programs Department (West) of the Asian Development Bank (ADB), held a gathering of Mekong officials at the bank's headquarters in Manila. It was, he later recalled, 'probably the first meeting where all the countries previously in conflict in the subregion got together in a room to talk about cooperation for common development' (McCawley 2017: 186). Connectivity through physical infrastructure and economic corridors was a key objective, along with improving competitiveness through cross-border movement, and creating an enhanced sense of community (McCawley 2017: 278).

Like the Association of Southeast Asian Nations (ASEAN) itself, the GMS was an economic route to peace. In the aftermath of the Cold War, many institutions were founded to promote peace, substituting US military presence with institutions promoting economic integration, enmeshing countries further in the US-led regional order. The fact that China, Laos, and Vietnam embraced market-based economic policies in the early 1990s made this vision feasible. Moving away from the Cold

War-era ideological struggle, China's Reform and Opening-Up and Vietnam's *Đổi Mới* (translated literally as 'restoration') reform policies launched in 1986 meant there was more harmony in outlook, and more interest in subregional economic cooperation to achieve national goals of development. There was also a need to recover from the Indochina wars, from which Laos, Vietnam, and Cambodia had emerged devastated. Statistics give some sense of the legacies of this conflict: in one year of its secret war between 1963 to 1974, the United States dropped more ordnance on Laos than it did on Japan in the whole of World War II (Kurlantzick 2016: 177). This left a massive burden, with accidental detonation of unexploded ordnance killing 8,000 people and injuring 12,000 since that time (Ounmany and Andriesse 2018). There are still around 100 such deaths annually.

Technically, the GMS was a multilateral regulatory dialogue comprising the five Mekong states—Cambodia, Laos, Myanmar, Vietnam, and Thailand—and China's Yunnan and Guangxi provinces. While it coordinated rather than financed infrastructure projects, it was and probably remains the most important program for improving transport connectivity in the subregion. The member states signed on to the theory that increasing transport connectivity would attract private capital investment in tourism, agriculture, and manufacturing, thereby reducing poverty. China, for its part, saw the GMS as a means to develop its poorer western provinces—a goal written into the Tenth Five-Year Plan (2001–05) (Siriluk 2004: 306). Adopted in 1998, the flagships of the GMS program were three economic corridors: the NSEC, running from southern China through to coastal ports in mainland Southeast Asia; the East–West Economic Corridor, running from Vietnam to Myanmar; and the Southern Economic Corridor, also joining Vietnam and Myanmar but at a lower latitude (GMS Secretariat and ADB 2018: 1). These zones were intended to facilitate the movement of people, goods, services, capital, and information within and across borders.

Finding the resources to fund the infrastructure was, however, challenging. In the wake of the 1997 Asian Financial Crisis, the ASEAN states established an infrastructure fund, but at US\$485.3

million, it represented less than 0.1 per cent of the amount needed (ADB 2019). It was hoped that other donors, such as the World Bank and the ADB, together with development with capital markets and private investment, might offer an answer. But private investors are generally unwilling to accept the risks of infrastructure investments, and public–private partnerships have disappointed, as additional costs are shouldered by governments and users (Elek 2018). At the same time, both the ADB and the World Bank were gradually withdrawing from funding infrastructure, more by default than design, as their need to ensure that projects met high social and environmental standards restricted their capacity to invest (Dollar 2020: 3). When first established, the World Bank had devoted, for example, some 70 per cent of its funding to infrastructure, but this had reduced to 29 per cent by the second decade of the twenty-first century (Dollar 2020: 3). Some GMS projects did progress, however, and changed China–Southeast Asia connectivity fundamentally.

For centuries, the borderlands of China and mainland Southeast Asia lay at the fringes of states and empires. Mountainous topography and complex ethnic makeup made the borderlands difficult to incorporate into either Chinese or Southeast Asian states. In his 2009 book *The Art of Not Being Governed*, American anthropologist James C. Scott named the region ‘Zomia’. He argued that the hill tribes who populated Zomia—like the Akha, the Lahu, the Lisu, and the Hmong—were anarchists who refused to submit to the authority of the lowland rice-growing states. Because of the difficulty of sending armies into the mountainous terrain, they remained out of reach, including from the Qing Empire. It was mainly Buddhist monks who travelled between what is now China and Southeast Asia, using old routes of pilgrimage from Sipsongbanna to northern Thailand (Davis 2003: 182). Indeed, in the nineteenth century, it was quicker to sail from Saigon to Paris than to travel overland from Saigon to Luang Prabang in Laos (Eyler 2019: 8).

As decolonisation and the twentieth century progressed, the emerging states built infrastructure connecting the outlying parts of their territory with their capital cities. But road and rail did

not link states so much as segment them, with new transportation routes leading away from the Mekong, reflecting the divisions of the bipolar world of the Cold War (Acker 2001 182). So, when China and Thailand decided to jointly fund, as part of the GMS, the R3 Highway linking Yunnan Province with Thailand via Laos, it was a momentous occasion, and a nail in Zomia’s coffin. Thailand loaned Laos US\$28.5 million for the construction of 85 kilometres of the 228-kilometre road between Huay Xai on the Mekong River and Boten on the China–Laos border, while China funded the remainder (Pasuwat 2015: 208). Finished in 2008, the road connected to a bridge across the Mekong, which opened in 2013. In 2015, 300,000 Chinese tourists drove into northern Thailand (Lei 2017: 1).

Nonetheless, the lingering effects of the 1997 Asian Financial Crisis continued to slow progress. By 2003, for example, after 12 GMS conferences, few of the GMS land transport projects had been rolled out (Siriluk 2004: 303).

Enter China’s Asian Infrastructure Investment Bank (AIIB) and the BRI, the announcement of which in September 2013 promised a new means of propelling GMS connectivity. Some of the AIIB’s lending was allocated to GMS projects, such as road improvements in Laos (Xinhuanet 2018). Moreover, China regarded all five subcorridors of the GMS’s NSEC as opportunities for advancing the Indochina Peninsula Economic Corridor of the BRI (GMS Secretariat and ADB 2018). This, in theory, gave the NSEC access to the resources available for funding BRI projects.

From Liberal Economics to Geoeconomics?

As the principal means by which the state penetrates the lives of its citizens and enforces its will, infrastructure is never only about economics. Infrastructure endows the state with the power to obtain and store information about its citizenry, as well as the power to affect the built environment to deliver services (Mann 1984). The rulers of China and the more powerful Mekong states, like Thailand, have always known this. In the late

nineteenth and early twentieth centuries, Thailand pursued railway building to incorporate its outlying provinces, seeking to ‘centralize the country’s communications while the Ministry of the Interior was centralizing its provincial administration’ (Bunnag 1968: 391). In 2001, then Chinese President Jiang Zemin answered critics of the Qinghai–Tibet railway, saying: ‘Some people advised me not to go ahead with this project because it is not commercially viable. I said: “This is a political decision”’ (Amighini 2020: 103).

Control, of course, is paramount to the Chinese Communist Party (CCP). And so is economics. The CCP leaders today are set on China becoming a superpower by occupying strategic, structurally advantageous positions in the global economy. China’s aim will be to ensure that it commands the heights of this increasingly integrated economy envisaged through the BRI, including through its production of standards and ownership of intellectual property (Mações 2018: 138).

Observers of international politics argue that with this intent and its economic size, China is ushering in an era of geoeconomics, in which the logic of war is expressed through the tools of commerce (Luttwak 1990: 19). There is, increasingly, the ‘securitisation of economic policy’, in which fewer trade and investment decisions will be taken purely on economic grounds (Wesley 2016: 4). For American observers Blackwill and Harris (2016: 111), China’s size and proximity mean Southeast Asia is one of the first regions where economics will nakedly serve geopolitical goals and where geoeconomics will be the cardinal principle.

Today, China’s BRI drive is accelerating GMS projects—most prominently, in Laos. There is an impressive pace and speed in China’s construction of roads, buildings, and infrastructure. As one Cambodian observer noted, ‘nobody has been able to match China in terms of development intensity, certainty and speed’ (Eng 2020). In 2021, the Laos–China Railway will commence operations and will be one of the most significant BRI projects to be completed in mainland Southeast Asia (Global Times 2021). Linked directly to China’s internal rail network, trains will run 414 kilometres from Boten in northern Laos to the capital, Vientiane, at

speeds between 120 and 160 km/h, passing over 67 bridges and through 10 passenger stations. Meanwhile, a Lao and a Chinese company from Yunnan are currently building a 460-kilometre four-lane expressway between Vientiane and Boten, under a build–operate–transfer model. Laos will hold a 5 per cent stake while the Chinese company holds a 95 per cent share and a 50-year concession (Somsack 2020).

The rapidity and scale of the BRI, as well as the expansion of China’s presence and influence more generally in Laos, are creating nervousness in Vietnam and Thailand—powerful states that have each held their own aspirations for subregional dominance at various times. Le Duan, the principal leader of Vietnam in the postwar era, advised the Soviet Union in 1975:

In peace we want to make Vietnam into the centre of socialism in Southeast Asia. That is the direction of our political and economic policy. Southeast Asia with more than a hundred million people is a large area. In this region, besides Japan, no other country is [as powerful] as Vietnam. (Vu 2019: 28)

Thailand had its own aspirations and was an early mover on regional integration. Thai officials spoke of creating a Thailand-centred region, a *Suvarnabhumi* (‘Golden Land’) in which Thailand helped its neighbours develop and the Thai baht became the regional currency (The New York Times 1989).

But relatively speaking, both Thailand and Vietnam have been shrinking in economic power, making these aspirations increasingly unattainable. In 1990, the combined gross domestic product (GDP) of China’s Guangxi and Yunnan provinces was about one-fifth the size of Thailand’s economy (Thailand, US\$243 billion; Guangxi, US\$27 billion; Yunnan, US\$27 billion, at purchasing power parity, or PPP). By 2017, their combined GDP was roughly equal: Thailand, US\$1,233 billion; Guangxi, US\$575 billion; and Yunnan, US\$465 billion at PPP (GMS Statistical Database 2020). Vietnam has experienced a similar relative decline. In 1990, Guangxi and Yunnan were together smaller than the Vietnamese economy (US\$64 billion, PPP). In 2017,

Cranes, Ho Chi Minh City, Vietnam. PC: (CC) Lex Kravetski, Flickr.com.

they were almost double, with Vietnam at US\$647 billion (GMS Statistical Database 2020). By 2008, a Thai diplomat was prophesising Beijing's rising influence among Thailand's neighbours, as Laos, Cambodia, and Myanmar turned to China for infrastructure investment, aid, knowledge, and technology (Distagul 2007: 123).

Thailand and Vietnam were not the only states concerned. There was also an external power alarmed by the rapid progress of the GMS corridors most conducive to a China-centred regional economy. This was a state with the wherewithal to do something about it: Japan.

Japan, Geoeconomics, and the GMS

The lineage of the GMS traces back to Japan. It was the brainchild of the ADB, and the ADB has generally reflected the interests of its primary proponents, Japan and the United States. The President of the ADB has always been Japanese, and many

of the ADB's staff have been drawn from Japan's Ministry of Finance (Glassman 2010: 42). This has allowed the transmission of many of Japan's policy preferences.

A cable from the US Embassy in Japan published in 2009 by WikiLeaks provided insight into the content of those policy inclinations. 'Japan's outreach to Mekong countries, and to Southeast Asia in general, is aimed in part to counter what the Japanese perceive as China's growing presence in the region,' the cable noted (Wikileaks 2009). The dispatch further stressed Japanese 'concern about the prospect for these countries to fall within China's "orb of influence"'. Hence, it was not surprising that, when Japan held its first Mekong–Japan foreign ministers' meeting, funding announcements were for the East–West Economic Corridor and Southern Economic Corridor, but not the NSEC (Yoshimatsu 2010: 97). According to Japanese scholar Hidetaka Yoshimatsu (2010: 99), Japan was seeking to retain influence 'by pushing forward the horizontal economic corridors against China-initiated vertical economic corridors'.

Considering Japan is the most significant funder of infrastructure in Southeast Asia other than China (Jamrisko 2019), this is not without significance. Japanese investment can help Vietnam and Thailand to push ahead with transport corridors other than those running north to Beijing. Furthermore, while weaker economically, Mekong states can still leverage their geography. Thailand's Eastern Economic Corridor (EEC), at the junction of the three GMS economic corridors, is an example (GMS Secretariat 2017). The EEC, comprising high-speed rail linking its Suvarnabhumi, Don Mueang, and Utapao airports, will develop Thailand's industrial heartland. At the same time, it will link the EEC to the East-West Economic Corridor of the GMS. This will allow Thailand to leverage its geographical location to produce an 'ASEAN sea transportation hub': an east-west arc of development stretching from Vietnam, through Cambodia and Thailand, to Myanmar (UOB Global Economics & Market Research 2017).

states overall and 28 per cent to East Asian countries such as Japan, China, and South Korea (Glassman 2010: 51).

As China seeks to build its BRI on the foundations of the GMS, it is meeting an occasionally chilly reception, mostly in the West but also, from time to time, in the Global South. While China's BRI may employ similar rhetoric to that of the US-led liberal trade order, the strictures the Party-State imposes on China's private sector make this claim less credible. The nature of the Party-State, as well as China's ambition to scale the heights of new technologies, has resulted in the revival of an old school of international relations thought: geoeconomics. The fracturing of the global economy, as China's Party-State sees Western states retreat from globalisation, appears to offer China a new route to control and dominance. But Japan and the strong states of mainland Southeast Asia, Thailand and Vietnam, have different interests and the capacity to protect them. The GMS will not be buried under the BRI as it rolls out; both will continue to coexist, even if uneasily. ■

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Integration in the new era of geoeconomics means something different to what it did in the era that is now ending: the era of neoliberal globalisation (Roberts et al. 2019: 655). The so-called Washington Consensus envisaged integration as the free movement of goods, services, and global capital in a global community of democracies. Reducing barriers and borders and increasing the connectivity of both information and borders would realise this vision and would be an unmitigated good for the world's peace and prosperity.

This was the mythology of the GMS. Critics would counter that the GMS was perhaps never as much about integrating the countries of the Mekong and southern China as it was about integrating GMS countries into the East Asian regional economy, connecting nodes like Singapore and Beijing. Of Vietnam's exports between 1998 and 2005, only 6 per cent went to GMS countries, for example, compared with 18 per cent to ASEAN

This text is taken from *Made in China Journal: Volume 6, Issue 2, 2021*,
edited by Ivan Franceschini and Nicholas Loubere, published 2021 by ANU Press,
The Australian National University, Canberra, Australia.

doi.org/10.22459/MIC.06.02.2021.18