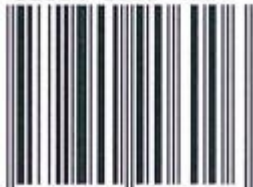


**IKMAS WORKING PAPER 2/2020**

**ELITE LEGITIMATION AND  
THE AGENCY OF THE HOST  
COUNTRY: EVIDENCE  
FROM LAOS, MALAYSIA,  
AND THAILAND'S BRI  
ENGAGEMENT**

**KUIK CHENG-CHWEE**

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# IKMAS WORKING PAPER 2/2020

## **Elite Legitimation and the Agency of the Host Country: Evidence from Laos, Malaysia, and Thailand's BRI Engagement**

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## ABSTRACT

Why do China's Belt and Road Initiative (BRI) projects progress relatively smoothly in communist Laos, but slowly and selectively in military-ruled Thailand and substantially, albeit with volatility, in quasi-democratic Malaysia? This paper argues that differences in political systems are only part of the answer. By focusing on Laos, Malaysia, and Thailand's BRI engagement, the study highlights the agency of the host countries in shaping the patterns of foreign-funded infrastructure cooperation. China, as a stronger partner, will always 'push the envelope' in its partnerships. Nevertheless, it is the host country, specifically the ruling elites who will engage China-backed projects based on their need to optimize their respective pathways of legitimation vis-à-vis the contending elites and masses domestically, leading to varying responses.

Keywords: BRI, elite legitimation, host country agency, Laos, Malaysia, Thailand

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## Introduction

As China's Belt and Road Initiative (BRI) gains ground globally, much has been written about the motivations, approaches, and impact of its economic statecraft (Ferchen 2016; Rolland 2017; Jones & Zeng 2019; Li Mingjiang 2020; Ye 2020). Likewise, the number of scholarly works focusing on the *responses* of smaller states to the BRI has also increased (Goh 2016; Liu & Lim 2019; Ba 2019; Kuik 2020). While the vast majority of such studies, which are either single country or region-wide, provide useful insights into host countries' responses to the BRI, there is still a dearth of comparative research that theorizes about this international phenomenon.

This paper addresses this research gap by answering the question of why smaller states in the same region respond to big-power economic inducement differently. It focuses on Southeast Asia and compares the patterns of BRI engagement in Laos, Malaysia, and Thailand. Why focus on Southeast Asia and why these three countries? Southeast Asia is a region that is being prioritized in China's BRI statecraft. BRI-related projects have been making progress across the region, even during the COVID-19 pandemic. In March 2020, the Association of Southeast Asian Nations (ASEAN) as a whole replaced the EU as China's largest trading partner. The three ASEAN countries have been selected because they represent three different patterns of BRI engagement in Southeast Asia (and for that matter, other regions as well): enthusiastic embrace (Laos), partial participation (Thailand), and intense but occasional turbulent involvement (Malaysia). These differing patterns provide analytical space to consider why similarly-situated smaller states have responded to the People's Republic of China (PRC)'s BRI-related inducements differently. Methodologically, this study is based on first-hand interviews, fieldwork research in all three countries, and open-source data, including media, scholarly work, official statements, and policy reports.

Malaysia's involvement with the BRI, which includes an industrial park, port cooperation, rolling stock production, e-commerce, and rail projects, is widest in terms of scope. In comparison, Thailand's BRI partnership is limited to high-speed rail cooperation. Meanwhile Laos is involved with constructing a high-speed rail connection from its capital, Vientiane, to the northern town of Boten close to the border with China. It is also cooperating on industrial parks, as well as hydropower and mining projects. In terms of scale of BRI partnerships and speed of project cycles (from initiation to negotiation and implementation), Malaysia, overall, also represents the highest and fastest of the three case studies (see Table 1 below).

These variations in the patterns of these smaller states' BRI engagement are primarily a function of their domestic politics, specifically, their ruling elites' legitimation. In all three cases, development-based performance legitimation is the primary pathway that drives the smaller Southeast Asian states to participate in the BRI and leverage China's infrastructure-based economic statecraft. However, this impetus has been supplemented, softened, or optimized by other pathways of justification (socialist authoritarianism in Laos, Thai identity discourse in Thailand, as well as ethnic balancing and democratic legitimation in Malaysia). Such optimization of legitimation pathways has shaped and limited the respective states' receptivity to foreign-funded partnerships. As the extent of these partnerships has been further filtered by the varying degrees of domestic power diffusion in these states, differing patterns of BRI engagement have emerged.

By focusing on elite legitimation as the key explanatory variable, this paper thus unpacks the agency of the host country in shaping the progress and prospects of such foreign-funded infrastructure projects as the China-backed BRI. This approach challenges the prevailing view in the existing literature, which appears to over-emphasize – explicitly or otherwise – the power of China as the provider of capital and technology in infrastructure connectivity partnerships in smaller states.

The research fieldwork and findings of this study indicate that the situation is much more complex. Despite their strengths, China's state-linked investors and entities do not always have the upper hand. Indeed, the varying patterns and pace of the three selected Southeast Asian countries' BRI engagement – from enthusiastic and smooth to selective, partial, and protracted – evidently highlight the agency of host countries, particularly their respective ruling elites. Whether, to what extent, and in what ways a foreign-backed infrastructure connectivity project progresses in a desired direction depends largely on the elites that are in power in the host country. These elites seek to advance their authority and interests by optimizing their legitimation pathways vis-à-vis contending elites and sociopolitical actors at home.

This paper proceeds in four sections. The first presents a theoretical discussion of elite legitimation as a shaper of agency in the host country in managing foreign-funded infrastructure connectivity cooperation. The remaining sections identify and explain the different patterns of BRI engagement in Laos, Malaysia, and Thailand, respectively. These sections analyse the impact of elite legitimation-optimization on the scope, scale and speed of these countries' engagements with China's BRI-related projects, as illustrated in Table 1 below.

**Table 1:**  
**Laos, Malaysia, and Thailand’s BRI Engagement with China**

	Rail Projects	Non-Rail Projects
Laos	<ul style="list-style-type: none"> <li>• <b>Vientiane-Boten high-speed railway (HSR)</b>  * 414 km  ** \$7 billion  *** Expected completion: December 2021</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Industrial Parks</b> <ul style="list-style-type: none"> <li>➢ Mohan-Boten Economic Cooperation Zone</li> <li>➢ Vientiane Saysettha Development Zone</li> </ul> </li> <li>• <b>Dam projects</b></li> <li>• <b>Mining projects</b></li> </ul>
Malaysia	<ul style="list-style-type: none"> <li>• <b>Gemas-Johor electrified double-tracking project (EDTP)</b>  * 192 km  ** RM8.9billion</li> <li>• <b>East Coast Rail Link (ECRL)</b>  * 640 km  ** US\$10.56 billion (RM44 billion)  *** Signed 2016; Suspended July 2018; Resumed April 2019</li> <li>• <b>CRRC Rolling Stock Centre @ Batu Gajah</b>  ** RM251 million  *** MoU signed 2012, operation began 2015</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Kuantan Industrial Park</b></li> <li>• <b>Kuantan Port Expansion</b></li> <li>• <b>Digital Free Trade Zone (DFTZ), incl. eWTP</b></li> <li>• <b>CGN Edra Solar Power Plant</b></li> </ul>
Thailand	<ul style="list-style-type: none"> <li>• <b>Bangkok-Nongkhai high-speed railway (HSR)</b>  ** 615 km  ** \$9.9billion</li> </ul>	

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\*\*\* Construction of the 1st phase started in Dec 2018

- **EEC Inter-Airport high-speed railway (HSR)**
    - \* 240 km
    - \*\* \$6.8 billion
    - \*\*\* Expected completion: 2023
- 

(Source: Author's compilation)

### **Analytical Framework: Legitimation and the Agency of the Host Country in Infrastructure Cooperation**

This section develops a theoretical framework to explicate elite legitimation as a shaper of the agency of the host country in determining smaller states' responses to foreign-backed infrastructure connectivity cooperation such as the BRI-related projects. By 'agency', I refer to the capacity of unit-level actors to translate their own preferences into a desired outcome despite asymmetric power structure. They exercise this agency either by active actions of initiating, influencing, and renegotiating, or by passive actions of denying, delaying, or distancing from a stronger power's initiative. Agency is thus conceived here as an intermediary between micro-processes and macro-structures (Parsons 1951; Giddens 1984; Sewell 1992; Wight 2006). By 'elite', I mean a small group of actors who exercise disproportionate power and influence over a given society on the grounds of governance authority, coercive capacity, wealth possession, and/or ideational excellence (Bottomore 1964; Lipset and Solari 1967; Parry 1969/2005; Axelrod 2015). This study focuses on governing elites or political class.

I hypothesize that it is elite legitimation – defined here as a process through which the ruling elites seek to justify and consolidate their authority before their targeted constituencies – that explains individual countries' differing patterns of BRI engagement and differing forms of agency. All elites claim their 'right' to rule by appealing to certain ideals, constructing substantial or substantiated narratives, and



resorting to corresponding pathways. They do this in order to justify, enhance, and consolidate their domestic authority vis-à-vis other contesting elites and wider society (Kuik 2013; Lampton, Ho, and Kuik 2020). These legitimation pathways include multiple manifestations of development-based *performance* legitimation (e.g. ensuring growth and delivering development fruits, managing nation-wide problems). The pathways also include identity-based, *particularistic* legitimation (including nationalist sentiments, ethnic and religious appeals, personal charisma), and ideology-based *procedural* legitimation (e.g. democratic values, social justice). No ruler relies on one single pathway to rule. In practice, all rulers resort to a combination of legitimation pathways – with different degrees of emphasis and mobilization – for their inner justification (Weber 1947 & 1978; Beetham 1991; Alagappa 1995; Gilley 2009). The combinations of pathways and degrees of emphasis matter because they determine the direction and prioritization of major state policies, both internal and external.

Given this paper's focus on the responses to BRI-related projects in Laos, Malaysia, and Thailand, I concentrate on a state's *relative* emphasis on *development-centred performance legitimation* vis-à-vis *other inner justifications* (i.e. particularistic and/or procedural legitimation).

All things being equal, governing elites who emphasize performance legitimation more than other pathways of justification are more likely to embrace external investment, assistance and partnerships that can boost their country's economic growth. Hence, the above-named Southeast Asian countries are relatively receptive because they see the BRI as an opportunity. Vietnam is a major contrast. While Vietnamese Communist Party elites attach importance to performance legitimacy, they also resort to nationalist legitimation much more than other state elites in the region. The centrality of nationalist legitimation colours the Vietnamese perceptions of Chinese power, driving them to view Beijing-backed projects more suspiciously

than other countries in the same region. Hence, it can be inferred that the more the ruler emphasizes development performance over other pathways of legitimation, the more receptive they will be towards external partnerships, and the reverse is also true (in the case of Vietnam).

Nevertheless, this receptivity is also subject to the degree of power diffusion. In the one-party states of Laos and Vietnam (and to some extent, polities with one dominant political actor, namely, Cambodia, Singapore, Brunei), the ruling elites' authority and decisions are rarely openly contested, challenged, or criticized. Because the state is strong (in cooption and coercion) and society is weak (in mobilization and opposition), elite contestation usually takes place within rather than outside the establishment, with few instances of policy changes that are attributable to bottom-up constraints or societal pressure. This is in contrast to other Southeast Asian countries, such as Indonesia, the Philippines, Malaysia, Thailand, and to some extent, Myanmar. Power diffusion is the most dominant political feature in these countries, where the ruling elites' authority and decisions are not only contested and challenged publicly, but also constrained persistently.

The next three sections illuminate the complex political and developmental logics underlying the responses to the BRI from Laos, Malaysia, and Thailand respectively.

### **The Case of Laos: Legitimation in a landlocked communist country**

Laos's engagement with the BRI is openly receptive, and it has gradually intensified, albeit also being quietly contentious. Laos had collaborated with China on infrastructure development well *before* the BRI. It enthusiastically embraced the BRI when Chinese president Xi Jinping launched it in 2013. In addition to the 414-kilometre Vientiane-Boten high-speed railway (HSR), which is considered China's signature BRI project in Laos, the bilateral connectivity cooperation has gradually extended to special economic zones and other sectors, with intense but unequal partnerships in hydropower, mining, and agricultural projects.

The Lao-China HSR project is unique and significant in numerous ways. Its origins had more to do with *the agency of small-state pull* than big-power push. Contrary to the widespread impression that China pushed the HSR idea to its small neighbour, it was Laos that took the initiative to partner with China for its most ambitious infrastructure development project. In the early 2000s, Lao leaders proposed to their Chinese counterparts that they should collaborate in building a railway line in the land-locked country (personal communications with Bangkok-based and Vientiane-based researchers, June 2019 and January 2020). This coincided with Beijing's 'going-out strategy' (*zouchuqu zhanlüe* 走出去战略), which included encouraging Chinese firms to invest overseas, promoting intra-regional links, and accessing natural resources. China subsequently undertook a feasibility study of the Laos rail project. Eventually, in 2009, Laos and China agreed to pursue the project. At the same time, Laos launched its very first railroad line (in collaboration with Thailand) – a 3.5 kilometre track from the Lao capital, Vientiane to Nong Khai, a city in northeast Thailand.

Laos and China signed a Memorandum of Understanding (MoU) on 7 April 2010. The Laos-China Railway Company was formed, with 30% owned by Lao state railway and 70% by Chinese state-owned firms. China agreed to provide Laos with a long-term loan of about US\$4 billion. Another MoU was signed later that year after the Chinese Railroad Minister Liu Zhijun visited Laos and held further talks with Lao authorities regarding the railway construction (Radio Free Asia 2010).

The Laos rail project is also significant because it is, thus far, the only China-related high-speed railway (HSR) venture in Southeast Asia that is undergoing construction with a specific date of completion for the entire project. In comparison, only a small stretch of Phase One of the Thailand-China HSR is under construction, with no firm date set for the second phase (from Nakhon Ratchasima to Nong Khai). In Malaysia, the planned Kuala Lumpur-Singapore HSR was delayed after the Mahathir-led Pakatan Harapan (PH) came to power in May 2018. In Indonesia, although the authorities had set 31 December 2021 as the completion date for the Jakarta-Bandung HSR (after years of delay), at the time of writing the ongoing coronavirus crisis was compelling the authorities to consider extending the completion date (Wahyudi, 21 March 2020). In Laos, despite the coronavirus situation, the rail project is still scheduled to be completed and opened for service in December 2021. The Laos-China Railway Company has been carrying out epidemic prevention measures, while aiming to complete sub-rail civil engineering and start track engineering this year (*The Star*, 15 February 2020).

Another unique aspect of the Laos-China rail project is that its importance extends beyond national development and bilateral ties. When completed, the 1,435-meter standard-gauge railway will be the first and only modern rail line directly linking Southeast Asia and China. It will connect Laos, and eventually also other Southeast Asian countries, to China's vast high-speed railway network via the Yuxi-Mohan railway, a project linking the city of Yuxi in the centre of China's Yunnan province with the town of Mohan on the border with Laos (Lampton, Ho, and Kuik 2020).

Once the Laos line extends southward, crossing the Laos-Thailand border and linking with the Beijing-backed Sino-Thai HSR from Vientiane to Bangkok, it will be the first cross-border railway running through the heart of Southeast Asia to Bangkok, a regional transportation hub (see Figure 1). If, and when, this trans boundary HSR line extends further southward and crosses into Malaysia and Singapore, it will result in the actualization of the 'Central Route' of the planned Singapore-Kunming Rail Link (SKRL), which has been envisaged since the mid-1990s.

Its significance notwithstanding, the US\$7 billion Laos-China rail project has attracted criticism from the beginning. For years, critics have pointed to the dual long-term risks of debt and dependency. Others have highlighted the problems associated with transparency, resource mobilization, labour management, displacement of people, compensation for land acquisition, environmental sustainability, etc. (interviews with Lao academics, Vientiane, January 2020). There are also fears about large-scale migration of Chinese workers into the tiny Southeast Asian country, which has less than 7-million population. A report by the United States' National Public Radio (NPR) cited a local from Luang Prabang, Laos' ancient capital, about midway along the rail route from the Mohan-Boten border station in the north to Vientiane: 'I worry that when the trains are completed, there will be many, many Chinese [moving] in from China to live in Laos and they will take the job[s] from local people.' (Westerman, 26 April 2019)

Given these risks and challenges, it has puzzled many observers that Laos, which is a small and underdeveloped country, has proceeded with this fiscally and politically costly megaproject. Several signs indicate a difficult negotiation process with China and an arduous decision-making process within the ruling Lao People's Revolutionary Party (LPRP). One sign was the lengthy period from the inking of the MoU to the beginning of construction. Although the two MoUs were signed in 2010,

it took the LPRP regime about two years to approve the project, and then another three years to have the ground breaking ceremony in December 2015, only to have the ceremony postponed to December 2016. Some of the problems were disagreements with Chinese firms over the project arrangements, including workers, social and environmental impact, and loan details such as the interest rate (Doig 2018:33; personal communications with Lao researchers, June 2019). These disagreements must have sparked internal debates among the ruling LPRP elites. According to scholar Vathana Pholsena (2012:62), there were ‘hiccups in the decision-making process’ that took place behind closed doors regarding a party decision in 2011 to delay the high-speed rail project. The project was suddenly postponed to a later date, supposedly because there were ‘concerns at the highest levels’ of the party ‘over the terms of the contract, which included the hiring of a massive number of Chinese labourers’.

Nevertheless, the project was eventually given a firm go-ahead in 2016 and has been progressing without disruptions and delays since (unlike the cases of Malaysian and Thai BRI engagement). Its progress despite the aforementioned concerns, perceived risks, and internal debates, indicates there are strong political imperatives at play. I would argue that the two most paramount political imperatives are a robust performance justification and a low power diffusion in the one-party country.

The LPRP’s performance legitimation has been tied to a national narrative that speaks of transforming Laos from a ‘land-locked’ to ‘land-linked’ nation in order to bring the Lao people out of their generations-long poverty. This political justification – and the associated discourse mobilization – is rooted in Laos’ geographical and socioeconomic realities.

Laos is one of the poorest countries in the region. As its neighbours have slowly opened and developed their economies, Laos – where subsistence agriculture constitutes half of its economic output – has remained on the list of ‘least developed countries’ (LDCs) according to the United Nations Conference on Trade and Development (UNCTAD). This is primarily because Laos is the only land-locked nation in Southeast Asia and also because of such structural problems as weak infrastructure, inadequate labour, lack of skilled workers, low technological capabilities, and a low ranking in the business-enabling environment (Vilavong 2016).

To overcome these problems, the Lao government has emulated the developmentalist strategy of fellow communist countries China and Vietnam, of striking ‘a balance between economic and social development’, while drawing inspiration from non-communist regional economic powerhouses, most notably Japan, South Korea, and Taiwan (Forbes & Cutler 2005; Howe & Park 2015). Laos has undertaken ambitious projects in hydroelectricity and mining, embraced regionalist policies, and perhaps, most importantly, endeavoured to build better international connectivity within its region (Forbes & Cutler 2005).

Constructing a north-south railway, which can connect Laos with China and the developed ASEAN markets, is thus a central component of such a development strategy and the legitimisation-driven ‘land-linked’ discourse. Lao leaders view the railway as an ‘iron river’ that can transform the economic future of Laos by improving transport connectivity, attracting investment, and stimulating growth in multiple sectors (interview with senior policy official, Vientiane, June 2017).

The former deputy prime minister of Laos, Somsavat Lengsavad, who reportedly played an instrumental role in negotiating hydropower dam deals on the Mekong, as well as promoting the high-speed railway deal and pushing through a special session of Lao National Assembly in 2012 to approve the deal, has said that the rail project 'will boost the Lao economy because many investors are now looking for a production base [in Laos]'. He added that the railway would help 'reduce their transportation costs', thereby making Laos 'more attractive to investors' (Doig 2018:30-33).

According to Laos's 8<sup>th</sup> Five Year National Socio-Economic Development Plan (2016-20), part of the national strategy to elevate Laos out of being a 'Least Developed Country' (LDC) involves the construction of large-scale infrastructure projects, particularly railways, hydropower dams, and mines (Tappe 2018:169). At the ground-breaking ceremony of the railway project, which took place in the city of Luang Prabang in December 2016, the Lao Minister of Public Works and Transport, Bounchanh Sinthavong, remarked: 'Once completed, the railway will benefit Lao people of all ethnic groups, facilitate and reduce costs of transportation, stimulate the development of agricultural and industrial sectors, tourism, investment and trade, as well as generate income for Lao people and the country' (Chengliang & Bianji, 25 December 2016). His vice minister and the chairman of the Laos-China Railway Project Management Committee, Lattanamany Khounnivong, stressed that the railway 'will facilitate Laos's ability to transport goods around the region faster and "about three times cheaper" than today' (Reed & Hille, 30 October 2019). The train, which can travel at up to 160 kilometres per hour (100 miles per hour), is expected to cut travel time between the capital Vientiane and the northern border town of Boten from three days to three hours.

Beyond the high-speed railway, the Lao People's Revolutionary Party (LPRP) elites have also partnered with China on developing economic zones (namely, the Mohan-Boten Economic Cooperation Zone and the Vientiane Saysettha Development Zone).

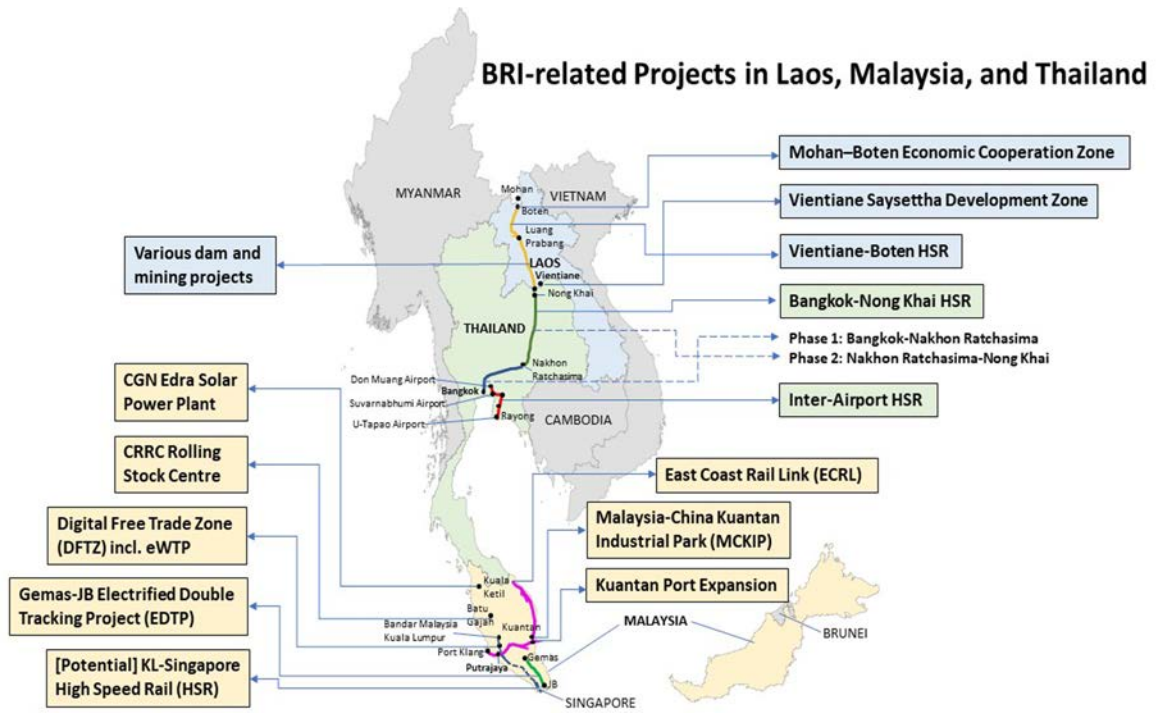


They have also cooperated on building hydropower dams, as part of the government's long-term vision to make Laos the 'battery of Southeast Asia'. Key dam projects include: the US\$1.3 billion Nam Ngum 3 hydropower projects in the mountainous central Xaysomboun province and the US\$308 million Nam Khan 2 dam project in Luang Prabang province. Both of these projects are operated by Sinohydro of China (personal communications with Lao researchers, Vientiane and Bangkok, January 2020 and April 2020).

These development benefits are central to the Party's legitimacy, as the 'Lao party-state (*phak lat*)' relies on continuous economic growth and growing prosperity for the 'Lao multi-ethnic people' (Tappe 2018:172). Mega infrastructure projects such as the railway and the hydropower dams are viewed as key to bringing economic prosperity to Laos.

Low power diffusion explains why, once the top-down decision was made by the ruling elites, the high-speed rail project has progressed relatively smoothly without disruptions. As a communist-ruled country with no independent media and very limited civil society groups, the Lao one-party political system is characterized by high power concentration and low authority diffusion. Under such a system, the party's authority and the government's key policy decisions are rarely challenged openly. This neither means that there is no policy disagreement among party elites and government officials, nor that there is no bottom up resentment from the society. Rather, policy disagreements among party elites and officials are usually aired behind closed doors, as has already been noted. Bottom-up sentiments and misgivings are typically contained and at times suppressed, with individual interests often sacrificed for the sake of social stability. A Vientiane resident reportedly told a foreign reporter that, despite local misgivings, ordinary people 'cannot go against [the railway project] because it's already been decided by the top people and we just have to accept [it]' (Westerman, 26 April 2019).

**Figure 1:**



(Author's compilation)

### **The Case of Malaysia: Legitimation in a multiethnic quasi-democratic country**

Among the Southeast Asian cases, Malaysia's engagement with China's BRI has been the most receptive and regionally transformative. However, it has also been repeatedly recalibrated according to changing political circumstances. Malaysia's case displays the agency of the host country in multiple manifestations: mostly in the forms of proactive initiation and active involvement (driven largely by elites' performance and particularistic legitimation), but periodically also in the forms of passive recalibration and active renegotiation. The latter recalibration and renegotiation occur especially when inter-elite contestation and bottom-up resentment combine to increase the imperative for democratic procedural legitimation, compelling the government of the day to recalibrate the country's BRI involvement while correcting the terms of cooperation.

Malaysia's receptivity towards the BRI is evidenced by the extensive presence of China-backed connectivity projects in the multi-ethnic Southeast Asian country. As shown in Figure 1 above, Malaysia's BRI engagement covers a broad scope of infrastructure and connectivity projects, including rail transport and port development, industrial park and manufacturing investment, and solar energy and digital connectivity cooperation. Most of these projects are of large financial and operational scale. Many were initiated and implemented at a speed faster than other regional cases.

Malaysia-China connectivity cooperation is not only the most extensive, it is also among the earliest, predating the BRI. Interestingly, the earlier projects were all initiated by the host country Malaysia, rather than China. These include the Second Penang Bridge project, which was proposed during the Abdullah Badawi premiership (2003-2009), and the Malaysia-China Kuantan Industrial Park (MCKIP), which was initiated under Najib Razak (2009-2018). In late 2006, during a closed-door meeting with his Chinese counterpart Wen Jiabao, Abdullah proposed securing

a loan to build the 23-kilometre bridge in his home state Penang. In a matter of months, the two governments had signed a deal paving the way to their first bilateral infrastructure cooperation. In this deal, China provided a US\$800 million loan, reportedly the largest loan 'for any single project given to a foreign country by China' at that time (Wong, 11 July 2007 & Mazwin Nik Anis, 14 July 2007). The interest rate was set at 3% for 20 years, and China waved the 7% insurance usually applied to developing countries and handled by Sinosure (China Export & Credit Insurance Corporation, a state-funded and policy-oriented insurance company) (personal communication with Abdullah Badawi's senior aide who was directly involved in Malaysia's dealing with China on the project, 30 April 2020).

The Malaysia-China Kuantan Industrial Park was also proposed by Malaysia. In April 2012, Najib mooted the idea when he was in China launching the Qinzhou Industrial Park (QIP) in Guangxi Zhuang autonomous region. He suggested to his counterpart Wen Jiabao establishing a 'sister industrial park' in Kuantan, the capital of his home state Pahang on the east coast of the Peninsular Malaysia. The proposal came to fruition in less than a year, when the two governments officiated it in February 2013. The Malaysia-China Kuantan Industrial Park and the Qinzhou Industrial Park, known as the 'twin industrial parks', are probably the only BRI-linked 'sister industrial parks' in the region.

The two countries have since forged more infrastructure and connectivity projects. Some of these projects – such as the China Railway Rolling Stock Corporation (CRRC) rolling stock centre, and the controversial East Coast Rail Link (ECRL) – will be regionally transformative. Because of Malaysia's geographical centrality in Southeast Asia (between the continental north and the maritime south, and between the Indian and the Pacific Ocean regions), many of the infrastructure connectivity projects in the country have cross-border *regional* implications, with planned or potential links extending into neighbouring countries.

Besides the Malaysia-China Kuantan Industrial Park - Qinzhou Industrial Park port city links, several other China-backed projects in Malaysia also have a significance that extends beyond the bilateral. There are the rail links that will cross northward to link with Thailand and southward with Singapore. There is also a bilateral 'port alliance' that may evolve into a regional network. Then there are the rolling stock manufacturing centre and an Alibaba-backed e-commerce hub that are being established in Malaysia but eyeing ASEAN markets. A growing number of Chinese firms, such as Huawei, China Railway Group (CREC), China General Nuclear Power Group (CGN), and Alibaba, are opening their regional headquarters or hubs in Malaysia.

Despite Malaysian leaders' early embrace of China-backed infrastructure, the BRI has not always been smooth sailing in the country. Far from it, a number of the BRI-linked projects have been reviewed, revised, and even revoked by the Malaysian authorities in recent years, after Mahathir Mohamad (1981-2003; 2018-2020)'s stunning return to power following the May 2018 general election. In fact, as early as 2016, Mahathir, who fell out with Najib and formed the Parti Pribumi Bersatu Malaysia (PPBM), had already openly criticized Najib's various deals with China, warning that they 'may end up threatening Malaysia's sovereignty.' (Malaysiakini, 2 November 2016). His attacks intensified during the election campaign period. Once back to office, Mahathir displayed the agency of the host country by announcing his *Pakatan Harapan* (PH) coalition government's decision to review and eventually suspend three controversial, China-funded, big-ticket deals, namely the East Coast Rail Link (ECRL) and the two pipeline projects in Sabah and Malacca.

Many observers were quick to opine that Malaysia under Mahathir 2.0 was 'pushing back' against Beijing's BRI, 'confronting' China's assertiveness in the South China Sea, and 'resisting' Chinese hegemony in the region. These views are too simplistic. In reality, Mahathir's policy was more complex than widely perceived.

Despite his decision to suspend the three projects, Mahathir allowed many other China-related projects, such as the Malaysia-China Kuantan Industrial Park and the Digital Free Trade Zone (DFTZ), to continue. He also repeatedly stressed Malaysia's support for both the BRI and Chinese investments. To underscore these points, he chose to make an early official visit to China in August 2018 (a few months after assuming office), and opted to visit the headquarters of the Chinese tech giants Alibaba and Zhejiang Geely (which owns a 49.9% stake of Proton, the Malaysian national car maker) in Hangzhou before flying to Beijing. While in China's capital, Mahathir raised the 'unfair deals' and loan issues with Chinese leaders, but put all the blame on Najib's Barisan Nasional (BN) government for the country's debt (Jaipragas, 19 August 2018; Teoh, 16 August 2018).

Mahathir's moves were part and parcel of his active 'renegotiation' with China. This renegotiation was not only regarding the controversial contracts but also the two countries' bilateral relations. This exercising of agency is an extension of, and not a departure from, Malaysia's China policy during Mahathir's first tenure (Kuik 2013). It is less about a maverick leader rejecting Chinese power, but more about a smaller state's pragmatic posturing to renegotiate its asymmetric relations with the increasingly powerful neighbour at a time of growing uncertainty. In addition to seeking to reduce the costs and correct the terms of China-funded projects, as was expected by many voters who supported his coalition during the 2018 election, Mahathir was also leveraging Malaysia's decades-long diplomatic cordiality with China and also its geographical advantages for a more favourable, long-term relationship with Beijing.

Such a recalibration is part of the ruling elites' legitimation-optimization efforts, through which they seek *to strike a balance* between performance, particularistic, and procedural pathways of justification.

Since the early 1970s, performance and particularistic legitimation have motivated Malaysia's development and foreign policies, including its longstanding and multifaceted ties with China. Indeed, engaging China and ensuring a stable, productive, and balanced bilateral relationship has been a central component of the country's pragmatic external posture. This pragmatism is due in part to China's economic importance, in part to China's geopolitical clout, and in part to Malaysia's demographic structure: 68% of the Malaysian population are 'Bumiputera' ('sons of the soil', a term used to refer to Malay Muslims and indigenous peoples), 23% are Chinese, 7% Indians, and others. As most local ethnic Chinese are today much more conscious of their *national* identity as Malaysians (and have a shrinking identity-attachment to their ancestor's motherland), the growing economic and geopolitical significance of China has become the more important determinant driving Malaysia's policies towards China, rather than identity politics. Indeed, this has become the principal driver behind the successive ruling elites deepening of Malaysia's pragmatic policy vis-à-vis China.

China has been Malaysia's largest trading partner since 2009. It has also emerged as one of Malaysia's top investors since 2014. This reverses the earlier pattern of bilateral investment ties, when Malaysia was one of the earliest investors in China after Deng Xiaoping launched the 'Reform and Opening Up Policy' in 1978. Since the launch of the BRI in 2013 by Xi, Chinese foreign direct investment (FDI) in Malaysia has increased steadily and grew by over 1000% between 2012 and 2015, spreading over almost every state of the federal country (Ngeow forthcoming; Wan Saiful 2017; Gomez et al. 2020). Chinese investments cover diverse sectors, including manufacturing, real estate, infrastructure, transport, edible bird's nests, and e-commerce (Tham 2018).

A deepening and widening economic engagement with China – including a closer BRI partnership – is politically important to Malaysian ruling elites' development-based performance legitimation and patronage politics.

Significantly, it is also a boost to the elites' identity-based particularistic legitimation. Although Malaysia's identity politics have long been constructed and contested along race-based grounds, this does not necessarily extend to external relations. Indeed, Malaysia's BRI engagement, and broader Malaysia-China economic ties, are shaped less by a simple Malay-versus-Chinese equation and more by a complex political dynamic. That is, Malaysia-China infrastructure ventures are driven and dominated by politically-connected forces surrounding leader-centred interest coalitions, e.g. Najib's BN coalition, the Mahathir-led PH bloc, and now (since the political coup in late February 2020) Muhyiddin Yassin's Perikatan Nasional (PN) government. Accordingly, *Malay* elites – and those politically connected to them – are the principal beneficiaries and key promoters of China-backed projects. The local ethnic Chinese are subordinates, partners, or executors of Malay-dominated interests and ventures.

These Malay-dominated, identity-based power contestations and the successive ruling polities' patronage politics have combined to push Malaysia to lean towards, not distance itself from, China's economic inducements over the past few decades. Interestingly, the identity-based particularistic legitimation does not just converge with the BRI-related, development-based opportunities horizontally (across ethnic groups, at least at the elite level), but also vertically along federal-state relations. Because the key BRI projects (the Malaysia-China Kuantan Industrial Park, the Kuantan port expansion, and the East Coast Rail Link) are located in or pass through the east coast states (populated predominantly by the Malays), and because these state governments are all supportive of the infrastructure development projects, the successive federal governments in Putrajaya have viewed these ventures as a platform to pursue both developmental and political purposes (some of these state governments are from the opposing coalition).



The *convergence* of performance- and particularistic-justifications aside, Malaysia's BRI engagement is also shaped by procedural legitimation. This distinguishes Malaysia's case from Laos and several other states that have embraced the BRI, where democratic, procedural ideals only play a marginal role. Of course, in semi-democratic Malaysia, procedural justification is not always at the forefront.

However, if and when inter-elite struggle escalates and when the public mood swings against nationwide problems that transcend ethnic-based concerns, procedural legitimation would become the centre of political contestation.

This happened during the run-up to the 2018 general election, when the Mahathir-led opposition mobilized grassroots anger against Najib's 1Malaysia Development Berhad (1MDB) financial scandal and certain policies, including the China-backed East Coast Rail Link project, as has been noted above. Once Mahathir won the election and announced the suspension of the three China-funded projects, he made clear to China that renegotiation of those projects was necessary because of Malaysian people's resentments over the excessive debt, the lack of transparency, and other unfavourable terms. The renegotiated deals signed by the two governments in April 2019, which reduced the cost and altered the terms of the East Coast Rail Link while restoring Bandar Malaysia (a China-funded project suspended during Najib years), conferred some procedural legitimacy on the BRI ventures in Malaysia. Thus, democratic sentiments can provide leverage for small states to exercise agency in bargaining with a major power.

### **The Case of Thailand: Legitimation in a military-ruled kingdom**

Thailand's partnership with China on BRI-related projects is highly selective, slow, and swiftly swayed by major domestic political vicissitudes such as regime change. Whenever there is a different government in Bangkok, key elements of previously agreed upon arrangements are amended.

Unlike Laos and Malaysia, which maintain BRI partnerships with China that cover several sectors, Thailand's BRI engagement is confined to only one area: high-speed rail (HSR) cooperation. This is manifested primarily in the Bangkok-Nong Khai HSR. Although some would consider the inter-airport HSR (linking Suvarnabhumi and Don Mueang international airports in the capital with U-Tapao airport in Rayong) as another BRI-related project, most Thai officials and researchers would reject this label, insisting that this – a component of the Eastern Economic Corridor (EEC) – is Thailand's own national project (personal communications with Bangkok-based officials and researchers, January and March 2020). The inter-airport HSR is being developed by a consortium led by a Thai conglomerate, the Charoen Pokphand (CP) Group, which owns a 70% stake. The China Railway Construction Corporation (CRCC) holds only a 10% stake in the consortium.

Thailand's BRI involvement is not only limited and selective in scope but also comparatively slow in implementation. Unlike the Laos-China high-speed railway that has been progressing as planned with a definite completion date of December 2021, the Thailand-China high-speed railway has been marked by a long and protracted process of on-again, off-again bargaining, renegotiations, and delayed implementations (Aiyara 2019; Sawasdipakdi forthcoming; Kuik forthcoming). Bilateral talks started under Abhisit Vejjajiva (2008-2011), progressed through Yingluck Shinawatra (2011-2014), and accelerated – but later dragged on – under the coup-installed Prayut Chan-o-cha government (2014 – present).

After dozens of rounds of negotiation over the past few years, the high-speed rail project has thus far resulted in the construction of a 3.5 kilometre section of the project's Phase One, which is intended to cover the 253 kilometre route between Bangkok and Nakhon Ratchasima, the gateway to Isan, the country's northeast region. Negotiations are still ongoing for Phase Two, the 350 kilometre route between Nakhon Ratchasima and Nong Khai on the Thai-Laos border (see Figure 1 above), with no concrete date set for the completion of the overall project.

This protracted process is attributable to the third feature of Thailand's BRI engagement: its progress is directly affected by the country's periodic domestic political turmoil. The 2019 general elections did not change this pattern. Whenever there is a change of government, some core components of previously negotiated arrangements are altered or abandoned. For instance, the Abhisit administration's 2010 framework for Thailand-China high-speed rail cooperation called for three routes: the first connecting Nong Khai to Bangkok, the second going from Bangkok eastwards to the industrialized Thai Eastern Seaboard, and the third going from Bangkok southwards to the Thai-Malaysian border at Padang Besar (*AsiaNews*, 22 October 2010). Under the present military-led regime, the first route was retained, the second adapted, while the third was ignored. The regime similarly dismissed Yingluck's 'rice for high speed rail' program (Meyer, 14 September 2014).

Thai patterns of BRI involvement can be puzzling if we consider the key contextual factors that underpin Sino-Thai relations. First, Thailand is a close partner of China, with longstanding bilateral political cordiality and broad cooperation. During the Cold War, the two countries were de facto allies against Vietnam's occupation of Cambodia. Their strategic partnership has extended into the post-Cold War era, with expanding areas of bilateral cooperation ranging from commerce and tourism to military and security domains. Thailand, despite its status as one of the two US treaty allies in Southeast Asia, is the first ASEAN country to have maintained security consultative mechanisms and bilateral military exercises with China.

Second, Thailand has been active in promoting intra-regional integration and connectivity-building in the ASEAN region and beyond, for example through the Asia Cooperation Dialogue (ACD) and the Master Plan on ASEAN Connectivity (MPAC). Thailand has considered China as a key partner in nearly all of these endeavours (except perhaps in the Mekong, where China's Lancang-Mekong Cooperation [LMC] is regarded by Thai elites as a rival initiative to its own Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) (personal communications with Thai senior officials and researchers, Bangkok, March 2020). Given the centrality of Bangkok's geographical location, a railroad connecting Thailand with south China and various parts of Southeast Asia will further position it as an *indispensable hub* for the envisaged Kunming-Singapore rail route and the wider pan-Asian railway networks. Third, Thai elites have generally been receptive to forging rail partnerships with China and this political will converges with development logic on the ground. Given that Isan is one of the less developed areas in Thailand, constructing a rail line linking Isan with Bangkok and northwards to southern China makes long-term developmental sense.

Thai elites' receptivity towards rail cooperation with China can be traced back to the Abhisit years. In a 2017 interview, the former prime minister recalled that when his government began negotiations with China on the project, what China already had in mind was a regional rail network - a high-speed railway from Yunnan through Laos and Thailand and southward to the Thai-Malaysian border. Abhisit met with the Chairman of the China Railway Engineering Corporation (CREC) during his visit to China in November 2009. Abhisit found the idea of linking south China to Singapore 'an attractive one'. His government began negotiations with the Chinese government but they were not completed by the time he left office (interview with Abhisit Vejjajiva, 30 May 2017).

Considering these converging political and development reasons at various levels, why then is the high-speed rail project still undergoing prolonged negotiation with several rounds of postponed dates?

I would argue that the prolonged negotiations are a result of the Thai elites' continuous attempt to optimize two *competing* pathways of inner-justifications, namely performance legitimation and particularistic justification. The former necessitates that the Prayut regime forge closer ties with China for both developmental and diplomatic gains (showing that the regime is not isolated internationally, and offsetting Western pressure). Meanwhile, the latter demands that it project an image of being independent and preserving national autonomy. The more the perceived dependence on China, the greater the need for the regime to project the kingdom's autonomy. As a result, Thailand exercises passive agency by *delaying* and *limiting* its BRI engagement.

Like Laos and Malaysia, performance legitimation has been a driver motivating Thailand's successive governments' decisions to engage with China in high-speed rail construction. Indeed, the fact that the military junta called off most of the Yingluck administration's key policies but decided to reinstate the Thai-Chinese rail project is indicative of strong development and political logic, where legitimation drives policy choices. Thai scholar Pavin Chachavalpongpun observes that the military junta 'is eager for the legitimacy that comes with large-scale infrastructure investment from China at a time when relations with traditional Western partners, especially the US, are strained' (*World Politics Review*, 18 May 2017). Another analyst notes that because of the widespread impression that the junta has to look to China for diplomatic and strategic support in the face of the US and EU's criticisms over the military's suspension of democracy, the ruling elite had faced politicized criticism for not driving a harder bargain vis-à-vis Beijing, a not-so-subtle insinuation that the country has grown overly dependent on Chinese succour under his military rule' (Crispin 2016).

Elite legitimation is almost always pursued through *multiple* routes, particularly for General Prayut Chan-o-cha, the army head who launched a coup d'état and seized power in May 2014. As Prayut's military government lacks a democratic mandate, he has considered multiple ways to compensate for the deficit in procedural legitimacy. Projecting developmental aspirations and preserving national autonomy have been the principal pathways to providing inner justification for Prayut and his now defunct National Council for Peace and Order (NCPO). His government has sought to accomplish this through the ambitious 20-year National Strategy (2017-2036) and Thailand 4.0 policy, which involves, among other things, investing in quality infrastructure and leveraging Fourth Industrial Revolution technologies to transform the Thai economy. At the same time, however, the Prayut administration has also turned to identity-based particularistic legitimation. It has sought to resonate with and mobilize the unique 'Thainess' identity and its associated values of autonomy, which have been a salient source of the kingdom's external conduct (Kislenko 2002; Funston 1998), in order to use these as an additional basis of political authority and legitimacy before the domestic audience.

To optimize and balance between performance legitimation and autonomy-based particularistic justification, the military government has therefore been cautious. It has engaged China for developmental gains but without being too compliant vis-à-vis Beijing's preferences. Being too compliant would have further eroded the junta's domestic authority. As such, the Thai negotiators for the Thailand-China high-speed rail project have taken a cautious and firm stance on a number of politically sensitive issues, including financing arrangements, land use, and labour. According to Arkhom Termpittayapaisith, the Transport Minister who led the Thai negotiation team for the project, 'the Chinese wanted everything, just like in Laos'. He added: 'They wanted the right to use the land, the right to develop the station[s] and to import the labour[s], but what we started with was – *this is Thailand*, so we will do our part [emphasis added] (Janssen, 28 October 2018)'.

Thailand refused China the rights to develop land along the planned route. It rejected the management of the proposed line by Chinese firms. The two countries also disagreed on the interest rate of the loan and the total costs of the project. China put the total costs at 468 billion baht, but Thailand estimated these costs at only 369 billion baht (US\$10.31 billion) (Temphairojana & Dhanananphorn 2 December 2015). As a sign of disagreement between the two sides on the financing plan, Prayut announced in March 2016 that Thailand alone would finance the 250 kilometre Bangkok to Nakhon Ratchashima section through domestic loans, but would use Chinese technology, equipment, and construction firms (*Bangkok Post*, 24 March 2016).

The long-drawn-out delay must have irritated China, leading to China's 'non-invitation' of Thai leaders to the BRI Summit in Beijing in May 2017. The move was described by a Thai scholar as China's 'shame offensive' (Busbarat 2017). Beijing's pressure seemed to have worked. The following month, Prayut exercised his executive power, invoking Article 44 to push through the rail project by waiving legal restrictions, allowing the employment of Chinese engineers for the project and bypassing normal procurement procedures to hire a Chinese state firm to do design work and construction consulting. In the language of legitimation, the government claimed that the special treatment was necessary to clear many legal obstacles faced by the project and in order 'to deepen the bilateral relationship and bring great benefit to people' (Tan, 17 June 2017).

To strike a balance between the twin pathways of performance and particularistic justification, Thailand's responses to China-related ventures have been selective and uneven. This is discernible when one compares the junta's protracted approach to negotiating the Bangkok-Nong Khai line discussed above with the regime's more decisive push in advancing the inter-airport high-speed rail in the Eastern Economic Corridor (EEC).

Although the Eastern Economic Corridor (EEC) mega-project was only launched in mid-2017, Prayut's cabinet and the Parliament have fast-tracked the US\$20 billion worth of EEC-related infrastructure, pushing through the ambitious plan before the 2019 election (Janssen, 28 October 2018). In November 2018, the Thai government awarded the contract to a Charoen Pokphand Group-led consortium. The China Railway Construction Corporation, which holds a minority stake in the consortium, is helping the Charoen Pokphand Group enter the rail business by filling the gap in critical rail technology (Kishimoto 2019). Since the consortium is led by a Thai conglomerate, the development- and autonomy-based pathways *converge*. Compared to the relatively swift and smooth process in advancing the Eastern Economic Corridor high-speed airport rail link, the junta's approach to the Sino-Thai high-speed rail project – particularly regarding the second phase, the Nakhon Ratchasima-to-Nong Khai portion of track – appear more cautious and selective.

The junta's more concerted and focused efforts in promoting the Eastern Economic Corridor as its 'flagship program to broaden the drivers of economic growth', for instance, may have to do with the fact that the military government views it as a 'low hanging fruit'. It is seen as a relatively easy and fast way for the junta to project its output legitimacy, by promising more tangible progress on the ground (interview with a Thai scholar, Bangkok 2017). Indeed, the Eastern Economic Corridor – which covers the eastern provinces of Chachoengsao, Chonburi, and Rayong – is already among Thailand's best-developed areas, thanks to the successful implementation of the Eastern Seaboard project in the same region two decades ago (Janssen, 28 October 2018.). It includes Thailand's largest port of Laem Chabang. Further upgrading key infrastructure in the area, especially through the high-speed airport rail link, will be crucial to the junta's goal as part of the Thailand 4.0 agenda of attracting advanced, added-value industries like aircraft, robotics, and next-generation automobiles to Rayong and its surroundings (Kishimoto 2019).



## Conclusions

This paper analyses the agency of the host country in foreign-funded infrastructure connectivity partnerships. Different forms and degrees of agency result in different manifestations of connectivity cooperation. It contends that the patterns of smaller states' BRI involvements are a function of their ruling elites' respective legitimation-optimization efforts. These elites pursue multiple narratives and approaches of inner justification, supplementing and optimising them in ways that enable the elites to consolidate and broaden their authority at home. The primary pathway of legitimation is crucial because it sets the direction through which ruling elites pursue the corresponding prioritized 'national' goals. It determines the country's relative receptivity towards foreign-backed projects, as evidenced by how successive Lao, Malaysian, and Thai leaders have decided in favour of forging BRI connectivity cooperation with China. Nevertheless, this pathway alone does not explain: (a) why BRI-related projects proceed more smoothly in certain countries (e.g. Laos) than others; (b) why policy reviews or recalibrations might occur among originally enthusiastic countries (e.g. Malaysia under Mahathir 2.0); and (c) why some project negotiations are more protracted than others, and why some partnerships are more limited than anticipated, despite their developmental benefits and bilateral cordiality (e.g. Thailand).

The findings of this study indicate that it is legitimation-optimization processes amid power diffusion that explains the varying patterns and pace of the three countries' BRI engagement. While Lao, Malaysian, and Thai elites have all relied on development-based performance legitimation as their primary pathway of domestic justification, there are important distinctions as to how they pursue this pathway *in tandem with* differing supplementary, augmenting approaches. In Malaysia and Thailand, where power is more diffuse across the state and society, such legitimation pathway-optimizing processes are moulded and manipulated by inter-elite contestation and the associated grassroots mobilization.

In Laos, where the power structure is highly centralized, the process is shaped almost exclusively by inter-elite dynamics behind the scenes.

Future studies may further examine to what extent and in what way inter-elite dynamics are a key determinant of host country agency in shaping the prospect and progress of foreign-backed connectivity partnerships. The preliminary observations from this study suggest that the variable can interrupt the functioning of governance and democratic processes (especially those which are inadequately or inappropriately institutionalized), either by strengthening or weakening the checks and balances on a given connectivity project. The greater the power diffusion, the greater the inter-elite narrative competitions and mobilizations, and the higher the likelihood of a project being reviewed, recalibrated, and even disrupted or terminated. More research should be conducted on examining power diffusion at multiple levels, i.e. how political power is distributed among the political elites, between the state and society, and within society, in order to further unpack the relations between elites' legitimation-optimization and the country's patterns of involvement in connectivity cooperation.

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