EXECUTIVE SUMMARY

- The end of the Cold War in 1991 gave Thailand the opportunity to prioritize economic gain through trade and investment in Mainland Southeast Asia, rather than to view its relations with neighbours there through national security lens alone.

- In the past two decades, Thailand has attempted to exert intermediate-level influence over the “CLMV” countries of Mainland Southeast Asia to moderate the influence of China and Japan.

- Thailand’s principal strategy for accomplishing this has been the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy.

- Continuous changes in Thai governments since 2006 have until recently meant that that strategy has not lived up to its potential.

- Growing Chinese and Japanese financial involvement in Mainland Southeast Asia increasingly overshadows Thailand’s financial patronage for CLMV countries, and has diminished the influence of the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy.

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INTRODUCTION

Economics became central to Thailand’s foreign policy with the end of the Cold War; and especially since 2001, it has attempted to become a developmental patron among the countries of Mainland Southeast Asia.

Taking advantage of its stronger economy, Thailand has used developmental diplomacy to enhance its trade with and investment in the neighbouring CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). Such a policy guarantees access to the cheap and plentiful labour and the raw materials and energy necessary to undergird Thailand’s growing economy, in the meantime complementing investment in the sub-region from northern Asia, and establishing positive relations with CLMV countries by helping them achieve robust economic growth and narrowing the income gap among these ASEAN states. In that latter regard, this policy has an important normative aspect, representing a form of assistance designed to foster enhanced “development” in Thailand’s neighbours, with a by-product of positive public relations. Indeed, Thailand promotes the idea of CLMVT rather than CLMV in order to stress its propinquity with the four other countries; and since 2003, it has established policy mechanisms for furthering such normative cooperation while boosting its regional economic interests.

THAI POST-COLD-WAR POLICY TOWARD CLMV COUNTRIES

Thailand’s current policy toward Mainland Southeast Asia derives from attempts by Prime Minister Chatchai Chunhavan (1988-91) to “turn Indochina from a battlefield into a marketplace”. Chatchai’s “constructive engagement” diplomacy sought to assist Thai entrepreneurs and boost Thailand’s economic security.1 Successive Thai governments following Chatchai’s continued constructively engaging with Thailand’s four Mekong neighbours, prioritizing interests based upon state security, economic gain, and positive public relations or stature. In 1993, the Chuan Leekpai government initiated what became known as the Quadrilateral Economic Co-operation (QEC) initiative, which featured multilateralism in place of Chatchai’s bilateral arrangements.2 Thailand’s economic ties with and foreign investment in the Mekong states rose dramatically. It plummeted spectacularly however, during the 1997 Asian Financial Crisis.

The election of Thaksin Shinawatra in 2001 resurrected constructive engagement, now dubbed forward engagement. Thaksin used proactive economic diplomacy to craft sub-regional arrangements that assisted Thai foreign economic interests and Thailand’s Mekong neighbours. Beyond his focus on economic interest, Thaksin also sought to promote Bangkok’s regional stature by supporting the Asia-Pacific Economic Cooperation (APEC) process, the Association of Southeast Asian Nations Free Trade Area (AFTA), the Thaksin-established Asia Cooperation Dialogue (ACD), other sub-regional fora, and bilateral free trade agreements.3 These undertakings complemented Thailand’s broader goals of using “proactive economic diplomacy”, encouraging “closer international cooperation” (specifically with Asian nations), promoting national interests (especially through
Thailand’s private sector), “expeditiously restor[ing] and strengthen[ing] Thailand’s relations and developmental cooperation with its neighbors”, and expanding Thailand’s prominence in global affairs. By early 2006, Thaksin was succeeding in transforming Thailand from a political-economic debtor to a patron in Mainland Southeast Asia. Such a policy derived from Thai-led sub-regional development initiatives for Cambodia, Laos, Myanmar and Vietnam. Thaksin also sought to promote amicable relations and political sway with the CLMV countries to maintain state security and favourable stature.

Thailand’s September 2006 coup, December 2007 general elections and late-2008 ascension to power of the Democrat Party transformed Thaksin’s proactive policy towards Mainland Southeast Asia. Furthermore, between 2008 and 2014, there were continuous changes in prime ministers, violent demonstrations in Bangkok’s streets in opposition to various governments, and a growing emphasis on nationalism in foreign policy by anti-Thaksin political forces. This all took its toll on Thailand’s stability. Such political upheaval combined with the 2009 economic downturn temporarily derailed Thailand’s outward-oriented sub-regional foreign policy. Not until authoritarian stability had entrenched itself following Thailand’s May 2014 coup did the country experience another transformation in its foreign policy, toward “complex engagement”, which means that Thailand now balances among the United States, China, Japan and other countries on security, trade and other issues. Meanwhile, it has reasserted itself as economic patron to its Mainland Southeast Asian neighbours.

Thailand and the ACMECS

The centrepiece of Thailand’s foreign economic policy toward CLMV countries is the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), raised by Thaksin and realised on 29 April 2003, for sub-regional cooperation between Thailand, Myanmar, Laos, and Cambodia. Vietnam joined the ACMECS in May 2004. The initiative cemented Thailand’s status as a sub-regional patron offering collaboration and assistance to its mainland neighbours. It was started partly to boost trade in Mainland Southeast Asian in the face of Beijing’s rise in trading importance. The 12 November 2003 “Bagan Declaration” affirmed five priority objectives for ACMECS. The first centred on deepening trade and investment, specifically along Thailand’s borders. The second sought greater agricultural and industrial cooperation whereby contract farming, industrial parks and export processing zones would be relocated to Thai border areas for which neighbouring ACMECS countries would provide labour. The third focused on upgrading transport linkages to facilitate intra-regional trade and tourism — through, for example, joint ACMECS visa packages. The fourth objective concentrated on tourism cooperation, while the fifth stressed human resource development, for example through training courses in Thailand for ACMECS member countries.

The ACMECS offered CLMV countries a broad range of unilateral reductions in or eliminations of Thai tariffs in return for CLMV participation in cross-border contract farming projects, especially in sugar and cassava.
economic zones include Koh Kong (Cambodia)-Trat (Thailand), Savannakhet (Laos)-Mukdahan (Thailand), Chiang Kong (Thailand)-Luang Namtha (Laos), and Myawaddy (Myanmar)-Mae Sot (Thailand). At the heart of these zones are Thai-dominated industrial estates, tourism development, natural resource extraction and contract farming.

Overall Thai official development assistance consists of Thai grants and provisional loans to “developing” countries. Today the principal official vehicles for that assistance are the TICA (Ministry of Foreign Affairs), the Export-Import Bank of Thailand, and the Neighboring Countries Economic Development Cooperation Agency (NEDA) (Ministry of Finance).

After its creation in 2003, Thaksin placed the ACMECS under the Department of International Economic Affairs in collaboration with the TICA — each an agency of the Ministry of Foreign Affairs. The former was responsible for sub-regional economic initiatives, while the latter was tasked with administrating international development cooperation and aid. The idea was to make Thai foreign policy cohere more closely with development assistance.

The ACMECS initially had a ten-year timeframe, from 2003 to 2012. But the 2006 military overthrow of Thaksin initiated an eight-year period of turbulence in Thai politics which overshadowed, and brought pandemonium to, Thai foreign policy.” Since Thailand’s 2014 coup, ACMECS has enjoyed a quiet resurrection owing to five factors. First, the stability of the military dictatorship generated an opportunity for Thai economic foreign policy to resuscitate itself. Second, though ACMECS godfather Thaksin is gone, his leading economic advisor Somkid Jatusripitak, who helped to originally implement the ACMECS, acted from 2015 onward as the junta’s Deputy Prime Minister and Finance Minister. Today, Somkid is the Deputy Prime Minister in charge of economic affairs in Prayut Chan-ocha’s post-junta government. Third, the ACMECS today, unlike in 2003, offers a possible alternative to funding sources from outside of ASEAN — especially China, which in the last few years has become an economic patron for Southeast Asian countries. Fourth, the ACMECS was rejuvenated after the junta allowed the Foreign Ministry to assert greater control over external relations in order to improve the junta’s international image and also enhance the country’s prestige as a patron in sub-regional multilateralism. Fifth, ACMECS—a function of Thailand’s proactive foreign economic policy in the CLMV countries—reflects a parallel surge in Thai trade and investment in Mainland Southeast Asia, as Figures 1-4 demonstrate.
Figure 1: Thailand’s Exports to CLMV countries (2005-2018)


Figure 2: Thailand’s Imports from CLMV countries (2005-2018)


June 2018 witnessed the ACMECS’s eighth summit meeting. The event saw Thai junta leader and Prime Minister Prayut Chan-ocha ambiguously call for greater connectivity among ACMECS members and announce Thailand’s endorsement of a “Bangkok Declaration” which committed ACMECS member countries to attaining sustainable cooperation towards tangible outcomes. Prayut moreover announced Thailand’s new ACMECS Master Plan (2019-2023). This Strategy contained three objectives to be achieved over five years. The first is for all to work towards a “seamless ACMECS.” The goal is to develop missing infrastructure and transportation links as well as a shift to digital infrastructure and the interconnectivity of energy networks. The second objective is to ensure that ACMECS economies are synchronized, trade harmonized and investment free-flowing but regulated. The third is to develop a smart and sustainable ACMECS, focusing mainly on human resource development; on using technology in areas like the environment, agriculture, energy efficiency, tourism and public health; and on the creation of smart cities and cyber-security development. Most importantly, Prayut announced a new ACMECS fund, of which Thailand would offer the first financial instalment as seed money, though the amount was unspecified. The fund is supposed to raise money by issuing debt for specific infrastructure projects and could be a major source of future ACMECS projects, especially along the East West Economic Corridor and Southern Economic Corridor. Thailand has invited ACMECS partners — including the Asian Development Bank, dominated by Japan, and the Asian Infrastructure Investment Bank, dominated by China — as well as other international financial institutions such as the World Bank to help subsidize the fund. In a related move, November 2018 saw the United States formally accept Thailand’s invitation to become an ACMECS development partner and to work with ACMECS through Washington’s Lower Mekong Initiative. In April 2019, the U.S. expressed interest in Thailand’s recommendation that it implement ACMECS-prioritized projects under its Lower Mekong Initiative fund in support of the ACMECS fund.

BETWEEN JAPAN AND CHINA

Thailand’s attempt to become a sub-regional economic patron to the CLMV countries has however been somewhat overshadowed by Japanese and Chinese economic tactics in the Mekong region. Japan boosts its influence and role in development primarily under the auspices of the Greater Mekong Sub-region Economic Cooperation Program (GMS) and the Mekong Japan Cooperation (MJC). The GMS has channelled over US$20 billion in investments to Southeast Asia since 1992, with promises of 222 further investment projects. Under the MJC, Japan since 2007 has committed to providing over US$110 billion to Myanmar, Thailand, Laos, Cambodia and Vietnam within the next decade. Japan has established a “Thailand-Plus-One” system whereby companies shift their activities to low-cost production sites in CLMV countries while maintaining operations in Thailand as a sub-regional production centre. The growth of foreign direct investment in CLMV countries has expanded Japanese imports from CLMV countries and thus contributed to their economic development. Prime Minister Abe Shinzo in late 2018 stated that Japan would consider “becoming a development partner, while providing support to...
ensure that ACMECS’ activities become established.”21 Japanese assistance seeks to complement Thai assistance to CLMV countries, in competition with China.

China’s strategies for influencing the CLMV countries and accruing sway across mainland Southeast Asia centre on the Lancang-Mekong Cooperation (LMC) initiative and on the China-Indochina Peninsula Economic Corridor (CIPEC) of the Belt and Road Initiative (BRI). The LMC, initiated in 2015, is based on three pillars: political and security issues, economic development and sustainability, and social, cultural, and people-to-people exchanges.22 It remains a “core element of China’s neighbourhood diplomacy to strengthen its presence and influence in the Mekong region….”23 Indeed, the dredging of the Mekong River, which it seeks to effect, could potentially facilitate Chinese naval vessels’ access to much of that waterway.

Since the LMC’s creation, China has committed US$17.62 billion in preferential loans to support over 100 projects, and set aside a further US$300 million under its LMC Special Fund.24 In 2018, China and Thailand signed a memorandum of understanding whose terms enables Thailand to play host to more Lancang-Mekong Cooperation Special Fund Projects.25 However, Thai leaders have been wary of the LMC; and indeed Beijing’s economic overtures in Mainland Southeast Asia have seriously overshadowed Bangkok’s own ACMECS.

The CIPEC is a multi-billion dollar economic corridor running from Kunming, in China’s Yunnan Province to Vientiane, Laos, and to Bangkok and Singapore. It also includes some auxiliary routes. The BCIMEC runs from China through Myanmar.26 Together, China and Thailand aim to achieve a bilateral trade target of US$140 billion by 2021, from US$80 billion in 2018. Other benefits to Thailand to accrue from the corridor include a major boost in tourism and investment from China. A Chinese high-speed railway under the umbrella of the BRI is currently under construction, connecting Thailand to Yunnan Province via Laos.

China has also sought to promote connectivity with ASEAN by working with Thailand through the ACMECS Master Plan.27 At the 2019 BRI Forum in Beijing, Thai Prime Minister Prayut encouraged Chinese officials to utilize the ACMECS for ASEAN-China linkages. He also encouraged Beijing to see Thailand as the “ASEAN hub for logistics and transport and as ASEAN’s gateway to China.”28 At the same time, Prayut made clear to Chinese officials that Thailand expected Beijing to use multilateral and regional organizations — not Chinese organizations alone — to promote its interests.29

CONCLUSION

The ACMECS had a strong start under Thaksin in 2003. But after the 2006 coup, it never really figured again as an important and stable leg of Thai foreign policy until after the 2014 coup. Today, however, the ACMECS represents a scheme directly related to Thailand’s attempts to engage in contract farming with cheap labour, acquire cheap natural resources, and find easy export markets and lucrative investment opportunities. In this sense, Thai
Industrial estate policies favour companies doing business along the border and in border economic zones which can take advantage of their location to achieve these goals.

Thailand is attempting through the strategy of ACMECS and the mechanisms of the TICA and the NEDA to exert a moderate level of influence across Mainland Southeast Asia. This influence is meant to act as a normative intra-ASEAN alternative to Chinese and Japanese assistance. When navigating through its triangular relationship with these two countries, Thailand has sometimes encouraged the CLMV countries to work through the ACMECS as a way to escape dependency on China or Japan. But at other times, and increasingly, Thailand has simply sought to use the ACMECS as a complement to Japanese and Chinese developmental strategies in the region. For this reason, the ACMECS could soon be in danger of becoming irrelevant.

In 2019 Thailand continues to maximize its interests in the CLMV countries by focusing upon geographical proximity, economic capacity, and the diplomacy of a sub-regional patron. It seeks both to promote “development” and poverty reduction among the four countries and at the same time to enhance bilateral trade and investment among them. Though Thai officials might consider this policy a win-win situation for Thailand and the CLMV countries, the policy’s normative dimension remains superficial, in that it represents a form of sub-regional economic imperialism. As with Japan and China, but at an intermediate level, Thailand is practicing development-oriented self-interest in Mainland Southeast Asia.

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5 Pavin Chachavalpongpon, *Reinventing Thailand: Thaksin and his Foreign Policy* (Singapore, ISEAS, 2010), p. 117.
6 Ibid., pp.278-283.
13 Ibid.
22 Ministry of Foreign Affairs, Thailand, “Phumlang khwamruammue mae khong-lan chang” [Background of Mekong-Lancang Cooperation], 17 March 2015 (0704-191-703-401-57-01), MFA Archives and Library Division, Bangkok.

