

CHAPTER I

INTRODUCTION

A. Background

China is the world first economic leading country nowadays. It has been marked with the economic reformation by Deng Xiaoping in 1978 from the communist to the capitalist, which bring much success to China's growth of economic. Becoming the center of economy makes China has prosperity and the capacity to begin the development within the country. From the last decade, China has focusing itself on the development of high-speed rail industry. The high-speed rail is considered by China bringing much advantages and it is become the sign of development in the country.

China's first high-speed rail system was started in 2004 by buying trains and rail technology from foreign companies such as Japan, Germany, France, and Canada. After that, the experience on train industry in the past had made China capable to develop its own high-speed rail technology in 2007(Chan, 2016). In April 2008, there was a breaking ground of the first China's 1.318 kilometers-long high-speed line which started from Beijing on route to Shanghai. The train operation has begun on June 2011, connecting two major metropolitan cities in less than an hour compared to the old railway, reflecting the great development in the history of railway in China(Fischer, 2012).

Following the vast development, China decided to spread its high-speed railway investment, begin its industrial transition as the creator and the technology innovator. The idea of China's railway route plan is to connect Asia, Europe, Central Asia, and Indo-China. China started to approach Southeast Asia countries which is seen to have the potential market which need to develop. This condition also supported by the high demand of Southeast Asia countries that need high-speed rail technology. Southeast Asia consists of developing countries which only have narrow gauge on railway system. It is only have such 1.067 meters gauge, and speed not faster than 160km/h. Therefore, the need of high-speed rail technology is crucial to support their development and it can become the veins of the economic which leads to open new cities, market, and industrial zones(Shang-su, 2015).

Of course, Southeast Asia not only becomes China's only target to sell such high-speed rail technology. In Southeast Asia, Japan has already occupying railway market. Japan's railway has identically connected with their high-quality and reliability of railway system making Japan so confidence with their railway industry. Outside Southeast Asia, Japan's high-speed rail has successfully gained government's trust following its technology, safety, and efficiency(Kurasawa, 2013). This was very contrast to China's position whose railway technology is still new, which is not yet proven the long-term strength.

Another obstacle which should faced by China is the position of Japan which already holding many Southeast Asia countries for their railway projects. According to the data of Japan International Cooperation Agency (JICA), Japan

already offered assistance for railway projects in 6 countries of Southeast Asia in total of 106 projects since 1970 up until 2016. This condition obviously become the reflection of good relations between Japan and those country, as the purpose of assistance is to restore Japan's confidence to ex-colonialized countries and as a form of aid to maintain good relations.

China shows its efforts and eagerness to realize its purpose to bring its high-speed rail technology overseas. It was evidenced with the successful bidding of China in Indonesia's Jakarta-Bandung high-speed rail project against Japan on September 2015. Japan, in this project, was initially the frontrunner. Japan has completed study that took ten years, estimating the cost, and showing the best commitments to the project following the strong ties of Indonesia-Japan relations. However, China's turned out to give more lucrative deals for Indonesian government to consider. With this project, China offered such as non-government guarantee which lead to manufactures industry and jobs opportunity. Also, China promised to complete all the projects before 2019, which make the offer irresistible (Syailendra, 2015).

Japan's loss at Indonesia high-speed rail project has marked the rivalry of both countries in Southeast Asia. China should be aware of Japan's position in Southeast Asia which already becomes prior master of railway projects and Japan strong ties with Southeast Asia countries can become another burden. After the successful bidding of 142.3 kilometers-long high-speed rail project in Indonesia, China is in plan on offering the same project to other countries such as Laos and Thailand.

For the result of China's ambition, it successfully made agreement with Laos to build the 427 kilometers-long high-speed rail connecting Vientiane to LuangNamtha (Chinese border) that cost over USD6 billion on December 2015. In Thailand, it also successfully built the 800 kilometers-long medium rail connecting NongKhai with Laos and Southern China(Chan, 2016).

The economic behavior of China tends to focus on trading agreement and policy. The agreements made with many countries were intended to open free trade area to strengthen the activity of export and import such as China-ASEAN Free Trade Agreement (CAFTA), China-United States Free Trade Agreement (CHUSFTA), and South Korea-China Free Trade Agreement. The decision to bring railway technology overseas has considered new for China. It has only started in 2014, in contrast with its competitors which already sent its railway technology decades ago. This, of course, would be a minus rating for China as its railway technology has not been reliable enough and tested. It is also followed by several accident caused by design flaws and sloppy management such as the accident in the south-eastern city of Wenzhou in 2011(Public Radio International, 2011). Even when entering the Southeast Asia market, most of the Southeast Asia countries are not countries that close to China. This also makes it difficult to attract Southeast Asia countries which are tend to close with Japan and the United States.

According to general perceptions, goods are usually labeled made in China, but now China wants to turn it into made by China. China's efforts to defeat Japan at the railway project in Southeast Asia, despite many shortcomings

that are owned by the Chinese railway technology, is the form of China's desire to change its economic habits. This also becomes a big question, that China which is likely focus on trading and is only a newcomer for railway technology turn to make efforts on the railway project to defeat the experienced Japanese railway technology and Japan strong ties with Southeast Asiaincountries.

B. Research Question

Why China made efforts on railway projects in Southeast Asia?

C. Theoretical Framework

Theory is the most common form of explanation that tells why things happen. The use of theory is in addition to explanations also can be the basis for predictions (hypothesis). It also used the concept to organize and identifying phenomenon of interest. The theoretical framework functioned as the guidance for the writer to prevent the insignificant explanation, thus the writer trying to propose theoretical framework in the basis of writing the efforts of China on railway projects in Southeast Asia. Thus, the writer uses the Rational Actor Model.

1. Rational Actor Model

According to Graham T. Allison (1971), rationality can be defined as “consistent, value-maximizing choice within specified constrains,” thus the rational decision maker chooses the alternatives which give the most preferred consequences. In this model, the atmosphere of foreign politics is the result of rational actors, that purposively and motivated by goal-oriented behavior. It is an

intellectual process by the government that has rationality and coordination, which within the process; the government uses the intellectual, rationality, and coordination to place the decision over the alternatives(Mintz & DeRouen, 2010).

From the model, the decision maker needs to be ready to the alteration and adaptation in deciding a policy. The actor has to be able to gain information and assessing all alternatives in order to choose which one directed to their goals. Greg Cashman (1993) explains a set of steps in the rational model, which is (1) the rational actor needs to identify the problem; (2) the rational actor needs to identify rank goals; (3) the rational actor needs to gather information and identify alternatives for reaching goals; (4) after that, it needs to be analyzed by considering consequences and effectiveness (cost and benefits) of each alternatives; (5) select the best alternatives over the alternatives chosen in step four; (6) and finally, the rational actor can implement the decision while the actor monitor and evaluate(Mintz & DeRouen, 2010).

In the case of China in which made efforts on railway projects in Southeast Asiathere is a decision-making process as the model of rational actor. China as the new economic leading power in the world which more likely to focus on trading agreement is now turns its behavior into building infrastructure overseas such as railway projects in Southeast Asia. The alteration of China's behavior neglecting the shortcomings owned by China's railway such as inexperienced railway technology and the lack of good relations between Southeast Asia countries. China as rational actor is obviously had been considered and chose this decision

through intellectual process as alternative option, as well as the advantages and disadvantages that may follow from the decision.

With rational actor model, this research can explain how China chooses the best alternative that can bring benefits and reach China’s national goals. In this case, China should choose over the alternatives: making efforts on railway projects in Southeast Asia or not making efforts on railway projects in Southeast Asia. In choosing the alternatives, the advantages and disadvantages that follow China’s decision elaborated on the table below:

Table 1.1 The advantages and disadvantages of China’s effort on railway projects in Southeast Asia

Parameter	China making efforts on railway projects in Southeast Asia	China is not making efforts on railway projects in Southeast Asia
Advantages	<ul style="list-style-type: none"> - It helps China to realize its ‘One Belt One Road’ strategy that can ease China’s economic influence to the world, as several Southeast Asiacountries are part of the route. 	<ul style="list-style-type: none"> - China and Japan relations will remain stable.

<p>Disadvantages</p>	<ul style="list-style-type: none"> - Political relations of Japan and China will become worse. - China should give favorable offers which can burden China itself in order to attract recipient country. 	<ul style="list-style-type: none"> - China will lose its chance to develop its economic through Southeast Asia.
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According to the table, the advantages and disadvantages are the rational reasons that influenced China in decision-making or in changing its political or economic behavior. The advantages if China decided to make efforts on railway projects by sending its railway technology to Southeast Asia, is to help China realize their One Belt One Road strategy. The One Belt One Road strategy can help China develop new economic corridor and expanding its economic influence as its part of diplomacy. However, the decision of China to make efforts on railway projects in Southeast Asia also brings disadvantages for China itself. The relation between China and Japan are never stable following its historical condition, thus this decision makes China have more things to be challenged with Japan which can worsen their political relations. Also, in order to face Japan's existence in Southeast Asia and beat Japan's railway, China should give favorable offers to recipient country which can burden China itself.

Nevertheless, China is considered to be able to determine a decision that taken over the best alternative and the decision to make efforts on railway projects in Southeast Asia is the decision best taken that considered can bring advantages for economic and political condition in China.

D. Hypothesis

According to the background and theoretical framework, China made efforts on railway projects in Southeast Asia because:

1. Southeast Asia is part of One Belt One Road initiative that the cooperation with Southeast Asia is needed to help realize the One Belt One Road.
2. The projects can raises more advantages for China's economic and political strategy.

E. Purposes of Writing

The research aims as follows:

1. To analyze the reason behind China's efforts on railway projects in Southeast Asia.
2. The research use as the media to prove the hypothesis. After proven, it can be a piece of information for public especially who are interested in China and Southeast Asia studies.

F. Method of Research

In order to analyze the efforts of China on railway projects in Southeast Asia, the qualitative method should be applied. The researcher will use content analysis approach in order to examine China's behavior in doing economic diplomacy. Then, the writer should find the reason in China's efforts in railway projects in Southeast Asia which then will be described and explained broadly from several points of view. The data will be gathered through the media and library research, such as official webpage, government webpage, newspaper, journal and prior research related to China, Southeast Asia, ASEAN and railway.

G. Scope of research

In this undergraduate thesis, the writer limits the discussion in China's efforts on railway projects in Southeast Asia that starts in 2015, which in this year China made many agreements related to railway up until 2016. Therefore, the writer chooses to limit the research on China's efforts on railway projects in Southeast Asia from 2015 to 2016.

H. Structure of Thesis

Chapter I : This chapter consists of background of the problem, research question, theoretical framework, hypothesis, purposes of writing, method of research, scope of research and structure of thesis.

Chapter II : This chapter will explain about the dynamic of China's economy and the relations between China and Southeast

Asia countries. The period of research will be set from the era of Deng Xiaoping (1978) when China's economy starts to involve in international arena.

Chapter III : This chapter will discuss about the information of China's railway development and China's railway projects conducted in Southeast Asia from 2015 to 2016.

Chapter IV : This chapter will discuss about the reasons why China made efforts on railway projects in Southeast Asia.

Chapter V : The conclusion is written in this chapter as the result of research from Chapter I until IV. This chapter is the end of the thesis.