

CHINA TARGETS ASEAN'S HIGH SPEED RAIL SECTOR

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Executive Summary

1. The new Chinese government has given the railway sector top priority in expanding China-ASEAN (Association of Southeast Asian Nations) cooperation and seeking out business opportunities. It aims to forge a close strategic partnership with ASEAN based on tangible infrastructure and trade cooperation and not rhetoric.
2. A well-connected inter-regional infrastructure network is critical to bringing the ASEAN's Connectivity Master Plan to fruition and to achieving the goal of the ASEAN Community by 2015. A modern and efficient infrastructure network is important to boosting intra-regional and inter-regional trade, as well as economic and cultural linkages.
3. Most ASEAN member nations performed very poorly internationally in terms of infrastructure quality according to the global competitiveness index by the World Economic Forum in 2013. Upgrading existing transportation facilities and constructing new infrastructure projects to boost economic growth and realize their development potential is urgently needed.
4. During their trips to five ASEAN countries in October 2013, Chinese President Xi Jinping and Chinese Premier Li Keqiang announced China's plan to establish the Asian Infrastructure Bank to finance Asian infrastructure development, in particular, ASEAN Connectivity-related infrastructure projects.
5. The promotion of high-speed rail and associated technology is in line with the Chinese government's "going out" strategy to promote China's high-end and high value-added manufacturing industries overseas and strengthen the global competitiveness of China's industrial products.

6. This high-speed railroad initiative will help forge closer economic cooperation between China and ASEAN apart from boosting manufacturing investment and lifting China's economic growth.
7. The severity of its manufacturing overcapacity issue has prompted China to look for foreign markets for its high-speed rail products and associated technology in order to support its wide-ranging industrial sectors.
8. China will have to convince ASEAN that its high-speed railway and other infrastructure development in ASEAN is purely commercial and based on a win-win formula.
9. China faces fierce competition from other countries (e.g. Japan) in railroad construction. Participating in ASEAN high-speed railroad projects is part of Japanese Prime Minister Shinzo Abe's strategy to promote strong Japan-ASEAN relations and revive the stagnant Japanese economy.
10. Given Thailand's influence within ASEAN, China is seeking to achieve a breakthrough in relations with Thailand to further its foray in the railway sector in this region.