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BEYOND THE BORDERS BETWEEN CHINA AND SOUTHEAST ASIA

EURASIA CENTER

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INTRODUCTION

Editors' Foreword

It is with great pleasure and pride that we present to you the latest issue of *Eurázsia Szemle*, the result of a fruitful collaboration between the Eurasia Center at John von Neumann University and the esteemed Faculty of Social Sciences at Kasetsart University in Thailand. This publication is a testament to our shared commitment to promoting a deeper understanding of the diverse nature of the Eurasian era and to advancing academic dialogue across borders.

The Eurasia Center attaches great importance to the development of Thai–Hungarian academic cooperation, and in addition to this joint issue being proof of the success of our efforts, I firmly believe that it is only the first step towards closer cooperation, and that the future will bring further mutual research and publications.

In today's rapidly changing world, the importance of rigorous academic inquiry has never been more apparent. The articles in the present publication address a wide range of topics reflecting the rich web of social, political and economic phenomena in the Eurasian context. Critical scrutiny is devoted to such complex issues as bilateral cooperation, cultural exchange, environmental sustainability and regional conflicts. In this way, readers are encouraged to recognize the nuances inherent in these issues and to consider the innovative solutions that emerge from collaborative interdisciplinary research.

What distinguishes this issue of our journal is not only the rich diversity of perspectives but also the dedication of our authors, who come from a variety of disciplines and backgrounds. Their work is an example of the power of cross-cultural collaboration, and it demonstrates how shared knowledge can transcend geographical and ideological boundaries. The findings presented here are particularly important given the interconnected nature of the global challenges of our time, and we hope that they will stimulate further discussion and investigation among academics, policy makers and practitioners alike.

Issue 1 of *Eurázsia Szemle* in 2025 is entitled *Beyond the Borders Between China and Southeast Asia*. The China Column opens with Ladawan Khaikham and Olan Sumananusorn taking a closer look at the conflicting interests in the South China Sea. Thereafter, Sornkitja Boonprong, Ladawan Khaikham, Wichien Prechathamwong and Anisara Pensuk Tipkaew examine the hydrological impact of the Jinghong Dam, and Georgina Oláh explores the potential geopolitical impact of the digital yuan.

In the Southeast Asia Column, Péter Klemensits discusses the complex relationship between China and the Philippines, while Apicha Chutipongpisit summarizes the lessons of trade between Siam and China in the nineteenth century. In the following study, Kamilla Balla examines fifty years of diplomatic relations between Thailand and China, and finally Blanka Székely, Szilvia Erdei-Gally and György Iván Neszmélyi proffer an insight into trade relations between Hungary and Thailand. The two book recommendations – which underpin the aforementioned articles – aim to provide readers with a more detailed perspective on Eurasian integration and the rise of China.

We wish to express our sincere gratitude to all of the authors who have contributed their expertise to this issue. Their hard work and dedication are evident in the quality of the research presented. We would also like to thank the editorial team, whose tireless efforts in reviewing and refining the articles have contributed significantly to the success of this publication. Without their commitment to scientific excellence, this issue would not have been possible.

We are confident that the present collaboration will pave the way for further partnerships as we continue this journey of intellectual discovery. Through such connections, we can expand our understanding of the complexities and interdependencies of our world and foster a community of researchers and scholars who will rise to the challenges of the future.

We finally wish to thank our readers for their unwavering support and for taking the time to participate in this important discourse. May these pages inspire new ideas, provoke profound discussion and ultimately contribute to a deeper understanding of the diverse yet interconnected issues that shape our Eurasian landscape.

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I
CHINA COLUMN

LADAWAN KHAIKHAM –
OLAN SUMANANUSORN

Between Realism and Liberalism in the South China Sea Dispute: Key Issues, China's Stance, and ASEAN's Roles

BETWEEN REALISM AND LIBERALISM IN THE SOUTH CHINA SEA DISPUTE: KEY ISSUES, CHINA'S STANCE, AND ASEAN'S ROLES

Ladawan Khaikham[1] – Olan Sumananusorn[2]

Abstract

The South China Sea (SCS) dispute is a multifaceted conflict involving territorial sovereignty, maritime rights, resource claims, and geopolitical tensions among multiple claimants, including China, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan. This paper analyses the SCS dispute through the perspectives of realism and liberalism to examine China's assertive claims, the diplomatic efforts of the Association of Southeast Asian Nations (ASEAN), and the broader geopolitical implications. From a realist perspective, China's militarization, historical claims via the "nine-dash line", and coercive tactics reflect power maximization and strategic competition with the United States. These actions have exacerbated tensions, prompting balancing measures by neighbouring states like Vietnam and the Philippines, supported by external actors such as the USA and Japan. Conversely, the liberal framework emphasizes the role of international law, particularly the United Nations Convention on the Law of the Sea (UNCLOS), and ASEAN-led multilateral diplomacy in fostering dialogue, legal compliance, and regional cooperation. However, efforts towards resolution are undermined by internal divisions within ASEAN, economic dependencies on China,

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and the geopolitical rivalry between the major powers. The study concludes with recommendations for the management of the dispute by the strengthening of ASEAN unity, the enhancement of legal frameworks, and the promotion of economic collaboration. Achieving sustainable peace and stability in the SCS requires adherence to international norms, multilateral engagement, and a commitment to dialogue among all stakeholders.

Keywords: South China Sea dispute, territorial sovereignty, ASEAN, China, nine-dash line, UNCLOS

1. Introduction

The South China Sea (SCS) is a strategically significant body of water that is pivotal in global trade, regional security, and geopolitical dynamics. Covering an area of approximately 3.5 million square kilometres, it is bordered by several countries. The SCS is not only rich in natural resources but also serves as a critical maritime corridor for international shipping, making it a focal point of interest for regional and global powers alike.

The SCS has immense economic value. The region is believed to hold substantial reserves of oil and natural gas, estimated to be around 11 billion barrels of oil and 190 trillion cubic feet of natural gas (Macaraig & Fenton, 2021). The SCS is also home to some of the world's most productive fishing grounds, providing a livelihood for millions of people. Additionally, the SCS is a major shipping lane, with approximately one-third of global maritime trade – worth up to USD 5 trillion – passing through it annually (Forbes, 2021). Thus, the economic activities associated with the SCS – including shipping, fishing, and resource extraction – contribute significantly to the economies of both the surrounding nations and the global economy.

Moreover, the SCS is also ecologically important, as it is home to diverse marine ecosystems, including coral reefs, mangroves, and various species of fish and marine life. Overfishing, pollution, climate change, and the construction of artificial islands and military installations by China have raised concerns about environmental degradation and the destruction of marine habitats. The loss of biodiversity in the SCS may result in long-term impacts on fisheries and the livelihoods of dependent communities (Li, 2018).

In light of the above, the SCS is of paramount importance due to its economic potential, geopolitical significance, and environmental value. However, the overlapping territorial claims and rising tensions pose challenges that require careful management and cooperation among all parties to ensure stability and sustainable development in this vital maritime region.

This paper emphasizes the fact that the South China Sea dispute is an intricate and multi-dimensional issue involving territorial sovereignty, maritime rights, resource claims, and geopolitical tensions among multiple claimant states, including China, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan. The theoretical frameworks of realism are employed to examine the historical context, China's assertive claims and actions, the liberal perspectives of the Association of Southeast Asian Nations (ASEAN), and international legal frameworks that provide pathways towards peaceful resolution. Ultimately, the SCS dispute remains a significant challenge due to the competing interests of the parties involved it in, the strategic contestation between China and the United States, and the internal divisions within ASEAN.

2. Key Issues in the South China Sea Dispute

Six countries – China, Taiwan, Brunei, Vietnam, the Philippines, and Malaysia – are involved in the South China Sea dispute, which revolves around five key issues: territorial and sovereignty disputes, maritime issues and exclusive economic zones (EEZs), resource claims and economic interests, freedom of navigation and strategic importance, and geopolitical and military tensions. This multifaceted conflict is shaped by historical, political, and economic factors, making it one of the most complex challenges in the whole of Southeast Asia (Kipgen, 2020).

2.1. Territorial and Sovereignty Disputes

Sovereignty claims in the SCS are underscored by two primary territorial disputes: those over the Paracel Islands and the Spratly Islands. China, Vietnam, and Taiwan all claim the Paracels, with China asserting "historical rights" over these territories through the "nine-dash line", a boundary first depicted on Chinese maps in 1947 (Bhatt, 2024). China's historical claims, however, have been disputed by Vietnam, the Philippines, and Malaysia, and were deemed to be without legal foundation by the Permanent Court of Arbitration (PCA) in The Hague in 2016 (Forbes, 2021).

2.2. Maritime Issues and Exclusive Economic Zones

Other states base SCS claims on the 1982 United Nations Convention on the Law of the Sea (UNCLOS), which allows coastal nations to claim an exclusive economic zone extending up to 200 nautical miles from their shores. These EEZs often overlap with China's nine-dash line, creating conflicts over rights to fishing grounds and oil, gas, and other marine resources. The United States and other nations advocate the assertion of internationally recognized rights and regularly conduct Freedom of Navigation Operations (FONOPs) in the SCS, directly challenging China's claims. These FONOPs are perceived by China as provocations, adding a layer of tension to the regional dispute (Forbes, 2021).

2.3. Resource Claims and Economic Interests

China's extensive claim over the SCS – framed by the nine-dash line – stems in part from its interest in accessing the region's natural resources. With a growing demand for energy, through the China National Offshore Oil Corporation (CNOOC) Beijing has invested heavily in exploring and

extracting resources in the area. Meanwhile, the Philippines depends on parts of the SCS for natural gas to reduce its reliance on coal. Other claimants, such as Brunei, Malaysia, Indonesia, Taiwan, and Vietnam, also assert rights over portions of the SCS, each citing their own economic security, fisheries, and energy interests (Macaraig & Fenton, 2021).

2.4. Freedom of Navigation and Strategic Importance

The SCS functions as a crucial global trade route. Although estimates vary widely, the goods that pass through its waters are reckoned to be worth around USD 3.4 trillion to over USD 5 trillion annually. Approximately one-third of the world's shipping traffic – including more than 30% of crude oil shipments (around 15 million barrels per day) – traverses this sea, connecting the energy supplies of the Middle East to major Asian economies such as China, Japan, and South Korea. For countries like Japan, nearly 42% of international trade, including essential energy imports, depends on this route (Wirth & Schatz, 2020).

Moreover, the United States is another economic beneficiary of trade through the SCS, with USD 1.2 trillion worth of American trade passing through these waters annually (Macaraig & Fenton, 2021). Thus, emphasizing the importance of freedom of navigation and overflight in international waters, the USA conducts FONOPs to challenge China's claims and assert its commitment to maintaining a rules-based international order (Wirth & Schatz, 2020).

2.5. Geopolitical and Military Tensions

The dispute over the SCS carries profound implications for regional stability, particularly as the United States engages as a counterbalance to China's growing influence, positioning the conflict within the larger framework of global power rivalry (Bican, 2023). The situation is further complicated by the involvement of numerous regional and non-regional players, rendering resolution efforts increasingly challenging (Chitadze, 2024).

China's actions in the SCS – including militarizing parts of the region through the construction of artificial islands in the Spratlys and the deployment of military infrastructure such as missiles and radar systems – have heightened tensions. These moves have alarmed neighbouring nations and the United States alike, such activities being viewed as efforts to assert control over the area (Forbes, 2021). Consequently, the military dimension of the dispute has escalated into a broader power struggle involving China, the USA, and regional actors such as Japan, as each seeks to expand its influence in the Asia-Pacific. This dynamic significantly affects peace and security across Southeast Asia (Roy, 2018).

3. A Realist Perspective on China's Stance

China asserts its claims over vast maritime territories in the SCS on the basis of historical narratives, legal arguments, and strategic interests. From a realist perspective, China's actions in the region can be understood as part of its broader strategy of power maximization, with additional catalysts being national security concerns and the anarchic nature of the international system. Realists would argue that states prioritize their own survival and seek to enhance their relative power, often at the expense of others (Waltz, 1979). China's assertive claims, military buildup, and reliance on historical narratives align closely with this perspective, as Beijing seeks to consolidate power and secure strategic advantages in the region.

3.1. China's Assertive Claims and Military Buildup

China's assertive maritime strategy in the SCS is evident through its extensive land reclamation activities and the establishment of military installations on various islands and reefs. These actions serve multiple purposes: they enhance China's military presence in the region, project power, and reinforce its claims over disputed territories. The construction of artificial islands equipped with military infrastructure such as airstrips and radar systems has raised concerns regarding freedom of navigation and regional stability both among ASEAN member states and in the international community (Kipgen, 2020).

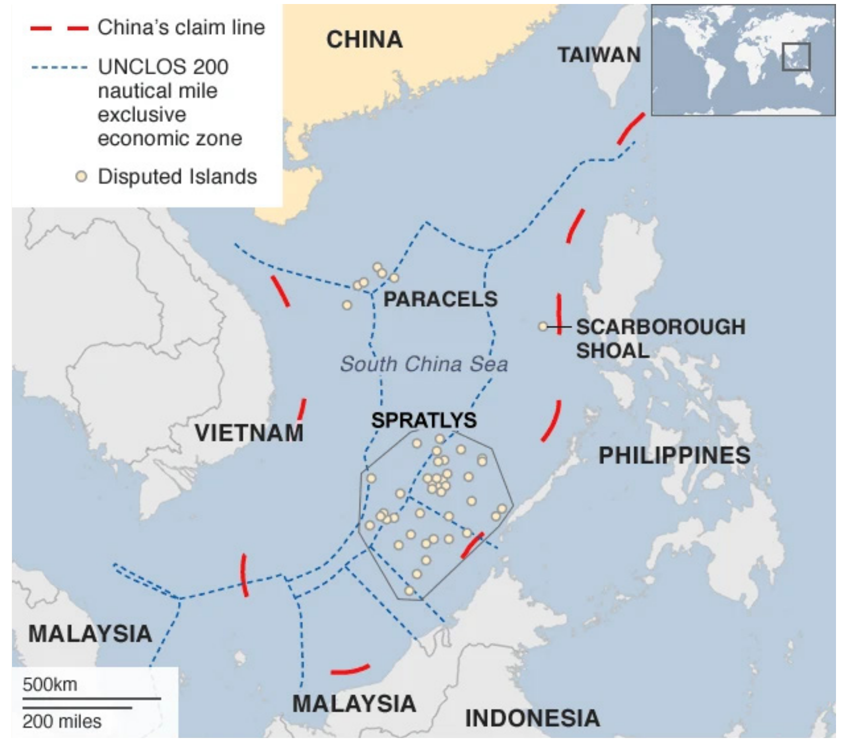
In addition to military enhancements, China has employed a range of coercive tactics, including the deployment of fishing fleets and maritime law enforcement vessels to assert its claims and intimidate other claimant states. These actions have often led to confrontations at sea, further escalating tensions and complicating diplomatic efforts to resolve the disputes peacefully.

China's construction of artificial islands, deployment of military infrastructure (for example, airstrips, radar systems, and missile installations), and frequent maritime patrols are consistent with realist principles of power projection and territorial predominance. These actions are aimed at securing strategic advantages, such as control over vital shipping lanes and access to natural resources, which are critical for China's economic and military security (Mearsheimer, 2014).

3.2. Historical Claims and Power Politics

China invokes historical narratives to substantiate its claims over the South China Sea. It has historically employed various mechanisms to assert sovereignty over unclaimed territories, as recognized in international law. These include the occupation of *terra nullius* (land without ownership), prescription (effective and prolonged administration), cession (territorial transfer by treaty), and natural accretion (land growth). However, these claims are complicated by the contentious nine-dash line, a demarcation China submitted to the United Nations in 2009. Encompassing nearly 90% of the SCS, including the Paracels and Spratlys, this line is grounded in historical maps which, China asserts, establish its sovereignty over the region through the concept of historical rights (Bhatt, 2024).

Figure 1: The nine-dash line, UNCLOS exclusive economic zones, and disputed islands



Source: What is the South China Sea dispute? (2011)

The lack of a precise definition of the nine-dash line has raised critical issues with neighbouring states concerning China's adherence to international law, particularly the United Nations Convention on the Law of the Sea, which it ratified in 1996 (Hong, 2012). Despite the United Nations Charter invalidating conquest and suppression as a legitimate means of acquiring territory, China continues to assert its claims, citing "historical rights" and "historical waters" as being integral to its national identity and territorial integrity (Bhatt, 2024).

From a realist perspective, these claims are less about historical legitimacy and more about strategic interests and power consolidation. By asserting control over the SCS, China aims to project its influence in the region and counter the presence of the USA and its allies, reinforcing the realist view that states prioritize power and security over legal or moral considerations (Jervis, 1978).

3.3. Security Dilemmas and Regional Tensions

China's militarization of the South China Sea has triggered security dilemmas among neighbouring states. A security dilemma occurs when one state's efforts to increase its security – via, for example, military buildup or territorial expansion – are perceived as threats by other states, leading to spiralling tensions and counteractions (Jervis, 1978). Activities such as building artificial islands, deploying military infrastructure, and increasing naval patrols have heightened tensions, particularly for Vietnam and the Philippines, who view China's actions as threats to their sovereignty and security.

In response, both Vietnam and the Philippines have adopted balancing strategies, strengthening their military capabilities and forming alliances. Vietnam, for instance, has modernized its naval forces and strengthened its defence ties with external powers, including the United States and Japan. Similarly, the Philippines has sought to bolster its military capabilities through agreements with the USA, such as the Enhanced Defense Cooperation Agreement (EDCA), which allows for increased US military presence in the country (Quilop, 2024). These actions reflect the realist notion that states will seek to balance against a rising power to prevent it from dominating the region.

Moreover, the USA plays a pivotal role in counterbalancing China through Freedom of Navigation Operations and strengthening alliances with regional partners like Japan and the Philippines. Other actors, including Japan and Australia, have also increased their involvement by providing maritime resources and conducting joint exercises to uphold a rules-based order and counter China's growing influence. Japan has increased its defence cooperation with Southeast Asian countries, providing patrol vessels and maritime surveillance equipment to countries such as Vietnam and the Philippines (Singh, 2022). Moreover, Australia has conducted joint naval exercises with ASEAN member states and advocated a rules-based approach to maritime disputes (Chan, 2019). These actions reflect a broader regional effort to counterbalance China's influence and prevent it from establishing hegemony over the SCS (Mearsheimer, 2014).

This militarization and external involvement exacerbate the risks of miscalculation and unintended escalation, as seen in close encounters between Chinese and American vessels. For instance, such near collisions during FONOPs have raised concerns about accidental clashes that could spiral into broader conflicts (Kennedy, 2022). Furthermore, the lack of a clear and binding Code of Conduct (COC) in the SCS further complicates efforts to manage tensions and reduce the risk of conflict.

4. A Liberal Perspective on ASEAN's Roles

In contrast to realism, liberalism emphasizes the role of international institutions, legal frameworks, and cooperative mechanisms in managing conflicts and promoting peace (Keohane, 2005). The South China Sea dispute provides a compelling case for analysing how international law and multilateral cooperation, particularly through the Association of Southeast Asian Nations, can mitigate tensions and foster stability.

ASEAN is a regional organization that plays a vital role in promoting peace, stability, and cooperation among its member states. The SCS dispute involves four of the ten ASEAN members – Brunei, Malaysia, the Philippines, and Vietnam – each having overlapping claims. Due to this, ASEAN has been deeply engaged in the SCS dispute, balancing its principles of consensus, non-interference, and regional solidarity with the geopolitical complexities and the economic pressures from China (Forbes, 2021).

4.1. The Role of International Law

The 1982 United Nations Convention on the Law of the Sea serves as a cornerstone of the liberal approach to the SCS dispute. Liberalism underscores the significance of international institutions, legal frameworks, and multilateral cooperation in addressing conflicts and fostering peace (Moravcsik, 2012). UNCLOS establishes legal parameters for maritime boundaries, resource rights, and dispute resolution mechanisms, providing a critical framework for mediating regional tensions. ASEAN member states underscore the importance of UNCLOS as a foundation for equitable and peaceful solutions, emphasizing its role in maintaining order and stability in the contested waters (Nathan, 2023).

For example, the 2016 Permanent Court of Arbitration ruling further strengthens ASEAN's legal position by rejecting China's extensive claims over the SCS based on its nine-dash line. This landmark decision reinforces the primacy of international law and supports smaller states in resisting unilateral assertions of power in the region. ASEAN's reliance on the PCA ruling and UNCLOS demonstrates a commitment to resolving disputes through legal avenues rather than military confrontation, reflecting the emphasis of liberalism on institutions and norms as pathways to sustainable peace and cooperation among stakeholders (Nathan, 2023).

The liberal framework also highlights the importance of multilateral diplomacy and collective action through organizations such as ASEAN. By uniting as a bloc, ASEAN strengthens its capacity to engage with China and other major powers via dialogue and collaboration. Mechanisms like the Declaration on the Conduct of Parties in the South China Sea (DOC) and the ongoing negotiations for a binding Code of Conduct illustrate the region's commitment to shared rules and mutual respect, consistent with the liberal ideals of cooperation and interdependence.

Be that as it may, China's refusal to accept the PCA ruling highlights the limitations of legal mechanisms when powerful states prioritize their national interests over international norms (Keohane, 2005). While liberalism advocates adherence to international law and institutional frameworks, it acknowledges the challenges posed by disparities in power and the need for ongoing multilateral engagement to bridge these divides and uphold the principles of a rules-based order (Moravcsik, 2012).

4.2. ASEAN's Multilateral Diplomacy

ASEAN has consistently prioritized diplomacy as its central strategy for managing the South China Sea dispute. By leveraging confidence-building measures and fostering collaboration between member states and external stakeholders, ASEAN has sought to promote dialogue, reduce tensions, and advocate peaceful resolutions. Key mechanisms such as the ASEAN Regional Forum (ARF) and the ASEAN–China Dialogue have provided platforms for multilateral engagement, enabling ASEAN to emphasize adherence to international norms and encourage trust-building. These forums aim to create a neutral environment that facilitates compromise and fosters long-term stability in the region (Fitria, 2023).

In spite of this, ASEAN's diplomatic efforts face significant challenges due to internal divisions among its member states, which have differing priorities and varying levels of economic dependence on China. For instance, countries like Vietnam and the Philippines – both of which are directly impacted by territorial disputes in the SCS – advocate a stronger stance against China's assertive actions. In contrast, nations which have closer economic ties with China, such as Cambodia and Laos, tend to favour a more conciliatory approach. This divergence in interests complicates ASEAN's ability to present a unified stance, thereby weakening its leverage in negotiations with external powers. Despite these challenges, ASEAN remains committed to fostering regional cohesion through ongoing engagement, recognizing that unity is essential for achieving long-term stability in the SCS (Aziz & Basir, 2024; Fitria, 2023).

In contrast, China's policy and diplomatic approaches regarding the SCS are characterized by a combination of assertiveness and strategic engagement, reflecting its broader geopolitical ambitions and national interests. Central to China's stance is its controversial nine-dash line claim, which asserts sovereignty over a vast area of the SCS, including numerous islands and maritime features. This claim, rooted in historical narratives, has been a major source of tension with neighbouring countries, particularly Vietnam and the Philippines, both of which contest China's assertions on historical and legal grounds alike.

4.3. Economic Interdependence

Liberalism emphasizes the role of economic interdependence in fostering cooperation and reducing conflict among states. According to the liberal perspective, when countries are economically interconnected, they have a vested interest in maintaining stable relationships, as the costs of conflict would outweigh the benefits of cooperation (Keohane & Nye, 1977). In the context of the South China Sea dispute, China has strategically used its economic power to cultivate goodwill and strengthen ties with its neighbours, particularly in Southeast Asia. This approach is evident in China's extensive investments in infrastructure and development projects across the region, often under the umbrella of its Belt and Road Initiative (BRI).

China's economic diplomacy is designed to achieve multiple objectives. Firstly, by providing financial assistance, building infrastructure, and supporting development projects, China aims to cultivate goodwill among Southeast Asian nations. For example, China has funded major infrastructure projects in countries like Cambodia, Laos, and the Philippines. These investments – in, among other things, the construction of roads, ports, and energy facilities – not only boost local economies but also create a sense of dependency on Chinese capital and technology. By strengthening economic ties, China seeks to mitigate opposition to its territorial claims in the SCS, as countries benefiting from Chinese investment may be less inclined to challenge Beijing's assertive actions (Kipgen, 2020).

Secondly, China's economic incentives serve as a tool for soft power projection. By positioning itself as a reliable economic partner, China aims to enhance its influence in the region and shape the political and economic priorities of its neighbours. This strategy has been particularly effective in

countries with weaker economies or those that are heavily reliant on Chinese investment, such as Cambodia and Laos. These nations often adopt a more conciliatory stance towards China in regional forums like ASEAN, prioritizing their bilateral economic relationships over collective ASEAN positions on the SCS dispute (Forbes, 2021).

While economic interdependence can foster cooperation, it also has the potential to create asymmetrical dependencies that undermine regional unity. In the case of ASEAN, the varying degrees of economic reliance on China among member states have led to internal divisions, complicating the bloc's ability to present a unified stance on the SCS dispute. For instance, Cambodia and Laos, which receive substantial economic aid and investment from China, often align with Beijing's interests in ASEAN discussions. This has occasionally resulted in the watering down of joint statements or the blocking of initiatives that challenge China's claims in the South China Sea (Keohane & Nye, 1977).

This dynamic was starkly illustrated in 2016, when ASEAN initially issued a statement expressing concern over Beijing's militarization of the SCS, only to retract it shortly afterwards under pressure from Cambodia, a close ally of China. This incident highlighted how economic interdependence can be exploited by powerful states to influence the decision-making processes of smaller, economically dependent nations, thereby weakening regional cohesion (Forbes, 2021).

Moreover, economic interdependence can create a moral hazard for smaller states. While they benefit from Chinese investment in the short term, they may become overly reliant on China, limiting their ability to pursue independent foreign policies. This dependency can undermine their sovereignty and make them vulnerable to political and economic coercion. For example, countries that rely heavily on Chinese infrastructure projects may find it difficult to oppose Beijing's actions in the SCS, even when those actions violate international law or threaten regional stability.

4.4. Strategic Initiatives

In a liberal framework, ASEAN's efforts to address the South China Sea dispute emphasize institutional cooperation, rules-based order, and collective action. A key initiative is the development of a Code of Conduct, a legally binding framework designed to establish clear behavioural guidelines for all parties. Complementing existing instruments like UNCLOS, such a COC is intended to institutionalize a rules-based order, reducing the risk of conflict escalation and promoting peaceful dispute resolution. This reflects the liberal belief in the power of international law and multilateral agreements to foster stability (Prayoga et al., 2023).

ASEAN has also proposed the creation of a unified naval force to enhance maritime security and safeguard regional interests. This initiative aligns with the liberal emphasis on collective security and regional cooperation, as it seeks to deter unilateral actions and protect freedom of navigation. However, the success of this effort depends on ASEAN's ability to overcome internal divisions, as member states like Cambodia and Laos – which have closer economic ties to China – often prioritize bilateral relationships over collective ASEAN positions (Kaloko & Utari, 2024).

Despite these challenges, ASEAN's strategic initiatives reflect a commitment to diplomatic engagement and confidence-building measures, both of which are key tenets of liberalism. By fostering dialogue and promoting trust, ASEAN aims to manage external pressures while advocating regional rights. However, in order to effectively address the complexities of the SCS dispute and ensure long-term stability, the bloc must navigate the delicate balance between economic interdependence and regional unity.

5. Regional Stability and Cooperation in the South China Sea

For the promotion of regional stability and cooperation in the SCS, this paper proposes the adoption of a comprehensive approach in addressing the complexities of overlapping territorial claims, geopolitical tensions, and the need for sustainable development. First and foremost, strengthening ASEAN unity and cohesion is crucial; member states should prioritize a unified stance to enhance their negotiating power with external actors, including China and the United States. Regular consultations and joint statements might help align positions and foster a collective response to assertive actions in the SCS. Additionally, facilitating dialogue among member states may build trust and explore common ground, which is vital for a cohesive approach to regional security (Prayoga et al., 2023).

Furthermore, enhancing legal frameworks and adherence to international law is imperative. ASEAN should advocate strict compliance with UNCLOS as the legal basis for resolving maritime disputes, promoting equitable solutions and discouraging unilateral actions. Supporting international rulings, such as the 2016 Permanent Court of Arbitration decision that rejected China's extensive claims, could further strengthen ASEAN's legal position and encourage adherence to international norms (Melaneekhul, 2021).

Another key strategy is promoting diplomatic engagement and confidence-building measures. Establishing a legally binding Code of Conduct for the SCS would outline clear behavioural guidelines for all parties, aiming to reduce tensions and prevent conflicts. Additionally, ASEAN can facilitate bilateral and multilateral dialogues between China and other claimant states to address specific disputes and foster mutual understanding (Peng & Ngeow, 2022).

Encouraging economic cooperation and development is also important. ASEAN member states should explore joint development initiatives in the SCS, focusing on shared resources and economic benefits, a step likely to build trust and demonstrate the potential for cooperative management. Strengthening economic ties with external partners, such as the United States, Japan, and Australia, could counterbalance China's influence and enhance ASEAN's bargaining power (Rubel & Anderson, 2024).

Lastly, enhancing maritime security and regional defence cooperation is critical. ASEAN should work towards establishing a comprehensive maritime security framework that includes mechanisms for information sharing, joint exercises, and coordinated responses to maritime threats (Peng & Ngeow, 2022). Exploring the possibility of forming a collective defence arrangement would further enhance military cooperation and interoperability among member states, enabling them to better respond to potential conflicts and safeguard their maritime interests. By implementing the aforementioned strategies, ASEAN and its member states can navigate the complexities of the SCS dispute and work towards a peaceful and prosperous future for the region.

6. The Challenges for ASEAN

ASEAN's effectiveness in resolving the South China Sea dispute remains uncertain, being contingent upon the collective commitment of its member states, China's actions, and external influences. Despite these challenges, ASEAN persistently endeavours to serve as a platform for dialogue and cooperation, aiming to facilitate effective dispute management and foster regional peace and stability. Nevertheless, the complexity of the conflict over the SCS necessitates sustained commitment and collaboration from all stakeholders, making resolution a prolonged and intricate process (Roy, 2018).

While ASEAN has an essential role in addressing the SCS dispute, it faces significant challenges due to the "ASEAN Way": the principles of non-interference, reliance on non-binding agreements, quiet diplomacy, non-violence, and consensus-based decision-making. These principles often limit its capacity for taking decisive action over maritime territorial claims (Simões, 2022). Moreover, ASEAN's member states have diverse political systems, languages, and levels of economic dependency on China, all of which complicate the creation of a unified policy. ASEAN members hold different views on the SCS issue. Some are directly involved in the dispute, while others are not, and some have individual border conflicts that are unrelated to China (Simões, 2022).

Importantly, China's economic and political influence affects all ASEAN countries, but not to a uniform degree. The case of the retraction of ASEAN's statement in 2016 illustrates these internal challenges. Following a joint ASEAN–China foreign ministers' meeting, the Association initially issued a statement expressing deep concern over China's construction of artificial islands and its military buildup in the region. However, shortly afterwards, the foreign ministry of Malaysia retracted the statement under alleged pressure from Cambodia and Laos. This situation underscored ASEAN's vulnerability to external influences, specifically from China, and revealed the difficulties in achieving collective decisions (Forbes, 2021).

In addition, ASEAN's decisions are affected by Beijing's economic and political power, as China poses a significant obstacle to a legally binding Code of Conduct, under negotiation since 1999. The COC would impose legal obligations and a dispute resolution mechanism, limiting China's claims. Furthermore, the SCS dispute is complex and historically rooted, making the achievement of a universally acceptable solution a huge challenge (Simões, 2022).

7. Conclusions

The South China Sea dispute is a complex and multi-dimensional issue that encompasses territorial sovereignty, maritime rights, resource claims, and geopolitical tensions among multiple claimant states, including China, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan. The dispute is further complicated by the involvement of global powers, among them the United States, which seeks to counterbalance China's growing influence in the region. The SCS is not only a critical sea corridor for global trade but also a region rich in natural resources, making it a focal point of economic and strategic interest for both regional and global actors.

From a realist perspective, China's assertive actions in the SCS – including the construction of artificial islands, militarization, and the use of coercive tactics – can be understood as part of its broader strategy to maximize power and secure national security interests. China's reliance on historical claims such as the nine-dash line and its refusal to accept international rulings like the 2016 decision of the Permanent Court of Arbitration highlight its prioritization of strategic interests over international legal norms. This has led to security dilemmas, with neighbouring states like Vietnam and the Philippines strengthening their defence capabilities and seeking external support from the United States and Japan to counterbalance China's influence.

The liberal perspective, on the other hand, emphasizes the role of international institutions, legal frameworks, and multilateral cooperation in managing conflicts and promoting peace. As a regional organization, ASEAN has played a significant role in fostering dialogue and cooperation among its member states. The 1982 United Nations Convention on the Law of the Sea serves as a cornerstone for resolving maritime disputes, and the bloc has consistently advocated peaceful resolutions through legal avenues and multilateral diplomacy. However, internal divisions among ASEAN member states, varying levels of economic dependence on China, and China's influence have complicated the Association's ability to present a unified stance.

Economic interdependence, while promoting cooperation, has also created asymmetrical dependencies that undermine regional unity. Although Beijing's extensive investments in infrastructure and development projects across Southeast Asia, particularly under the BRI, have cultivated goodwill and strengthened ties with its neighbours, this economic leverage has also allowed China to influence the decision-making processes of smaller, economically dependent nations, weakening ASEAN's collective bargaining power.

To promote regional stability and cooperation in the SCS, a comprehensive approach is necessary. Strengthening ASEAN unity and cohesion, enhancing legal frameworks, promoting diplomatic engagement, encouraging economic cooperation, and improving maritime security and defence cooperation are all critical strategies. The development of a legally binding Code of Conduct for the SCS, along with the establishment of a unified naval force, would go a long way towards institutionalizing a rules-based order and reducing the risk of conflict escalation.

ASEAN's ability to resolve the SCS dispute remains uncertain due to significant impediments, including internal divisions, the constraints of the ASEAN Way with its emphasis on non-interference and consensus-based decision-making, and the intricate strategic rivalry between China and the United States. Despite these obstacles, ASEAN remains committed to fostering dialogue and cooperation, acknowledging that regional unity and adherence to international norms are crucial for ensuring lasting stability in the South China Sea.

In conclusion, the SCS dispute is a protracted and intricate issue that requires ongoing commitment from all parties. While ASEAN and the relevant international legal frameworks provide pathways towards peaceful resolution, the competing interests of the claimant states, the strategic contestation between major powers, and the internal divisions within the Association make the resolution of the conflict a lengthy and challenging process. Notwithstanding this, fostering regional cooperation, strengthening legal frameworks, and promoting economic interdependence remain vital steps towards the achievement of a peaceful and prosperous future for the South China Sea region.

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SORNKITJA BOONPRONG –
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WICHIEN PRECHATHAMWONG –
ANISARA PENSUK TIPKAEW

A Quantitative Analysis of the Hydrological Impacts of the Jinghong Dam Using Satellite-Derived Water Area, Rainfall, and Temperature Data

A QUANTITATIVE ANALYSIS OF THE HYDROLOGICAL IMPACTS OF THE JINGHONG DAM USING SATELLITE-DERIVED WATER AREA, RAINFALL, AND TEMPERATURE DATA

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Abstract

This study quantitatively assesses the hydrological impacts of the Jinghong Dam – operational since 2008 – on the Mekong River Basin using satellite-derived datasets (2006–2024). By analysing water area, rainfall, and temperature, the research evaluates the interactions between dam operations and climate variability, and their effects on ecosystems and agriculture. Findings reveal significant hydrological changes post-2008, likely influenced by additional dam constructions and regulated water releases rather than natural precipitation patterns. Statistical analysis confirms substantial differences in pre- and post-2008 water area, while correlation analysis highlights temperature-driven evaporation effects. Forecasting results suggest continued hydrological regulation, with SARIMA effectively capturing seasonal variations and VAR indicating limited climate-driven water level fluctuations. The study underscores the importance of transboundary water management to balance development and environmental sustainability. The findings provide crucial insights for both policymakers and stakeholders, supporting the development of sustainable water resource management strategies for the Mekong River Basin.

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Keywords: Mekong River, Jinghong Dam, hydrological impacts, time-series analysis, transboundary water management

1. Introduction

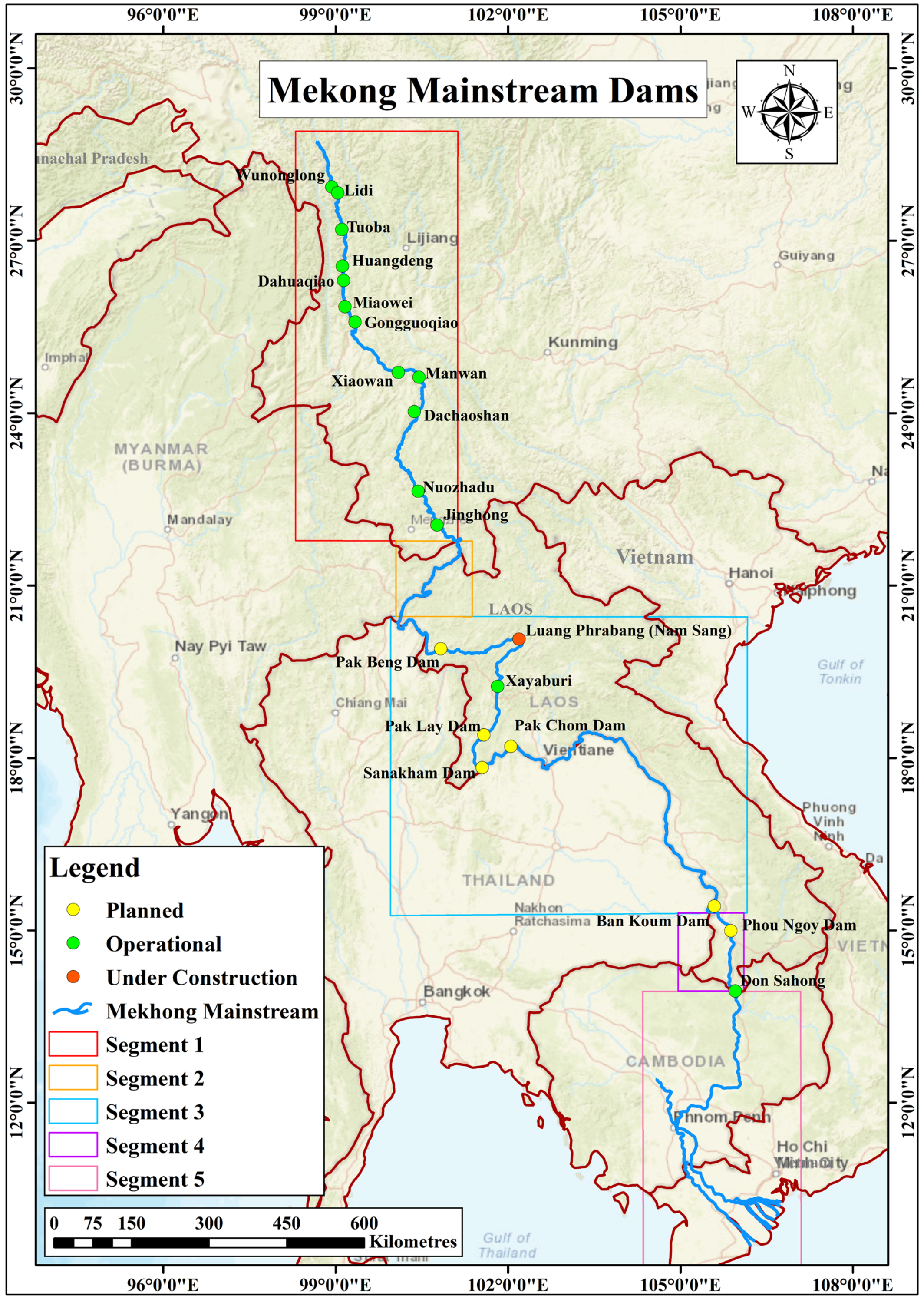
1.1. The Importance of the Mekong River

The Mekong River (Figure 1), one of the most biodiverse and economically significant river systems in the world, serves as the lifeline for millions of people across Southeast Asia. Flowing through six countries, the river supports essential activities such as agriculture, fisheries, and hydropower generation, making it a critical resource for regional development. However, the construction and operation of hydropower dams – particularly the Jinghong Dam located in Yunnan Province, China – have significantly altered the hydrological dynamics of the Mekong River Basin (Grumbine & Xu, 2011; Khoeun et al., 2024; Vu et al., 2024).

The Mekong River Basin is divided into five key segments based on hydrological and geographical characteristics. Each segment experiences varying levels of dam influence, natural tributary inputs, and seasonal hydrological patterns:

1. Upper Mekong (China: Lancang River section)
   This segment, located in China, is the most heavily regulated due to the presence of multiple operational dams, including the Xiaowan, Nuozhadu, and Jinghong dams. These reservoirs significantly control downstream flow, altering natural seasonal fluctuations.
2. Northern Mekong (Laos–Thailand border)
   As the river enters Laos and northern Thailand, it receives contributions from major tributaries. Although dams such as Xayaburi and Pak Beng regulate flow, tributary inputs still maintain some degree of natural hydrological variation.
3. Central Mekong (Laos–Thailand border to southern Laos)
   Flowing along central Laos and forming the Laos–Thailand border, this segment experiences a mix of dam regulation and natural hydrology. Dams such as Pak Lay, Pak Chom, and Sanakham influence seasonal flow patterns, while tributaries continue to provide some natural variability.

Figure 1: The area under study and this paper's segmental divisions of the Mekong River



Source: Authors' own elaboration

4. Southern Mekong (southern Laos and Cambodia)
   This region encompasses southern Laos and Cambodia, including ecologically significant areas like the Tonlé Sap Lake and the Mekong floodplains. While fewer dams exist in this section, controlled water releases from upstream significantly affect flood dynamics, reducing peak seasonal floods and altering sediment transport.
5. Mekong Delta (Vietnam)
   The Mekong Delta in Vietnam represents the final stage of the river before it empties into the South China Sea. While this region has no mainstream dams, cumulative upstream flow regulation has led to reduced seasonal flooding, increased dry-season stability, and greater risks of saltwater intrusion affecting agriculture and fisheries.

1.2. The Hydrological and Ecological Impacts of the Jinghong Dam

Completed in 2008, the Jinghong Dam has substantially modified natural flow regimes, affecting seasonal water availability and increasing flow variability in the region. For instance, studies have reported that in the Sekong River, a tributary of the Mekong, minimum flow rates have risen by 290% to 412% following the dam's construction (Khoeun et al., 2024; Piman et al., 2013). These changes have shifted up to 20% of the annual flow volume between dry and wet seasons, exacerbating drought conditions, delaying the onset of the wet season, and significantly affecting agricultural productivity and biodiversity (Vu et al., 2024). The redistribution of water across seasons has also disrupted flood pulses critical to ecological health, particularly in areas such as the Tonlé Sap Lake and the Mekong Delta, which rely on predictable flooding for nutrient replenishment and fisheries (Wild et al., 2019; Zhang et al., 2024).

1.3. Energy Development vs. Environmental Sustainability

Beyond the hydrological changes, the construction of the Jinghong Dam highlights broader debates about the balance between energy development and environmental sustainability. While hydropower projects provide renewable energy and economic benefits, they also pose serious challenges for ecosystems and local communities (Vu et al., 2024). The Mekong River's aquatic biodiversity, among the richest in the world, has been threatened by the disruption of natural flow patterns. Migratory fish species, which rely on the river's seasonal flow regimes for spawning and feeding, face declining populations (Khoeun et al., 2024; Ziv et al., 2012). These ecological shifts, compounded by the impacts of other dams in the basin, emphasize the need for sustainable management strategies to minimize environmental degradation while still meeting energy demands (Middleton & Allouche, 2016).

1.4. The Role of Satellite-Derived Data in Hydrological Analysis

To address these challenges, satellite-derived data has emerged as a valuable tool for analysing and understanding hydrological changes in regions with limited ground-based observations. Satellite datasets estimating precipitation,[5] water surface elevation, and albedo provide crucial insights into the dynamics of water systems. For instance, satellite-derived precipitation datasets have shown high accuracy in regions like the Yellow River Basin, improving hydrological modelling at both daily and seasonal scales (Shuya et al., 2024). Additionally, the assimilation of satellite albedo data has enhanced streamflow predictions during extreme events, while multi-observation frameworks like MoLEnKF have demonstrated significant reductions in prediction errors by integrating multiple satellite observations, such as soil moisture and water surface elevation (Shuya et al., 2024; Velpuri et al., 2012). These advances underscore the potential of satellite technology to enhance hydrological modelling, particularly in data-scarce regions like the Mekong Basin.

1.5. Climate Variability and Its Impacts on Water Resources

The integration of satellite-derived data also facilitates real-time updates to model parameters, improving the accuracy of hydrological simulations. This is especially critical in capturing the complexities of rainfall-runoff relationships, which play a key role in understanding the interplay between dam operations, climatic factors, and hydrological responses. Rainfall and temperature, as climatic drivers, significantly influence water availability, agricultural productivity, and human health. Research indicates that increased rainfall correlates with improved childhood growth due to enhanced food security, while higher temperatures negatively affect growth and exacerbate health risks such as childhood diarrhoea (Dang, 2024). Similarly, variability in rainfall and temperature adversely impacts cereal crop yields, leading to potential crop failures (Shrestha et al., 1999; Vu et al., 2024).

1.6. Research Objectives and Framework

This study conducts a time-series analysis to quantitatively assess the hydrological impacts of the Jinghong Dam, focusing on changes in water area, precipitation patterns, and temperature variations over time. Utilizing high-resolution satellite-derived datasets, it examines the interactions between dam operations and climate variability to evaluate their effects on ecosystems and agriculture. The research emphasizes the need for transboundary water management strategies that balance developmental priorities with environmental preservation. By highlighting the trade-offs inherent in large-scale dam projects, actionable insights are offered to policymakers and stakeholders alike, contributing to sustainable water resource management in the Mekong River Basin.

1.7. The Importance of Transboundary Cooperation

This study emphasizes the importance of transboundary cooperation in addressing the shared challenges posed by the Jinghong Dam and other hydropower projects in the Mekong Basin. Frameworks such as the Lancang–Mekong Cooperation (LMC) and the Mekong River Commission (MRC) play crucial roles in facilitating dialogue and data sharing among riparian countries. Effective

5 For example, IMERG-F (Huffman et al., 2020) and GSMaP-Gauge (Kubota et al., 2007).

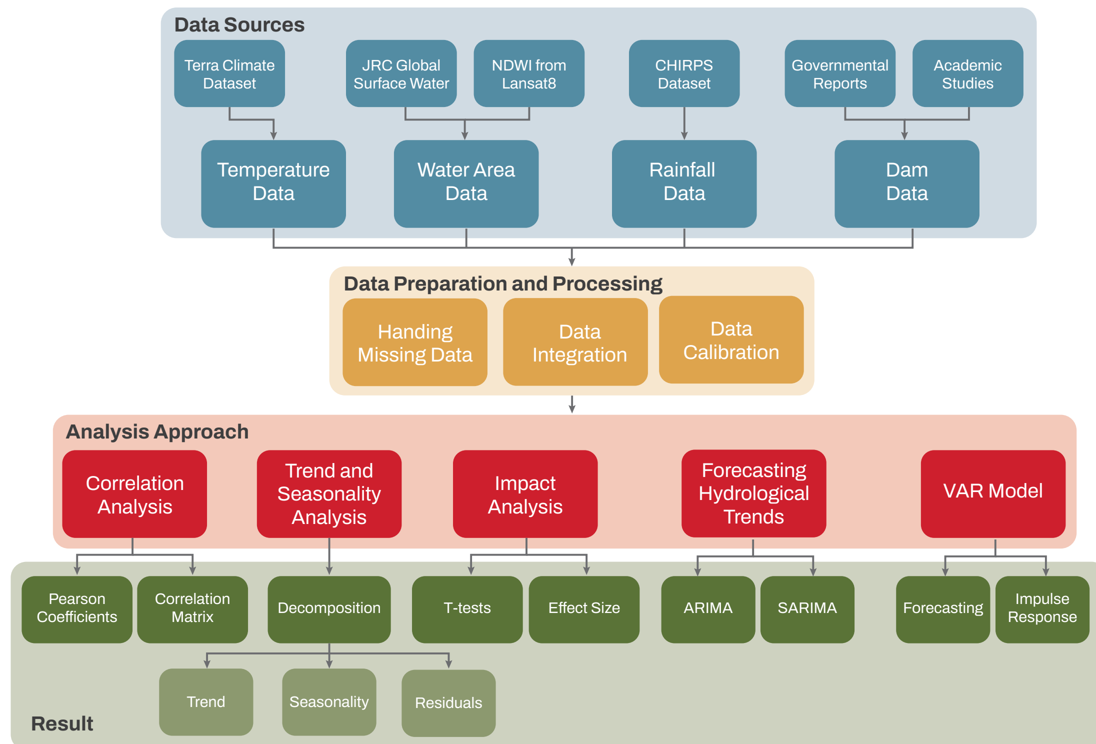
governance mechanisms that promote transparency and equitable water distribution are essential to mitigating conflicts and fostering regional cooperation (Hirsch, 2010; Zhang et al., 2024). Through the integration of scientific data and policymaking, this study aims to support the development of sustainable strategies for managing shared water resources in the face of growing climatic and anthropogenic pressures.

In conclusion, the Jinghong Dam serves as both a cornerstone of regional energy development and a source of significant hydrological and ecological challenges. This study's focus on satellite-derived data and time-series analysis offers a robust framework for both understanding the dam's impacts and guiding future decision-making. By addressing the complex interactions between hydropower operations, climate variability, and socio-economic outcomes, the research presented here seeks to inform sustainable management practices that balance development and conservation in the Mekong River Basin.

2. Methodology

Figure 2 presents an overview of the framework for our analysis.

Figure 2: Framework for hydrological impact analysis of the Jinghong Dam using satellite-derived data



Source: Authors' own elaboration

2.1. Data Sources

2.1.1. Water Area Data

Water area data were obtained from two sources to ensure comprehensive coverage and accuracy over the study period (2006–2024).

- From 2006 to 2021, data were sourced from the JRC Global Surface Water Monthly History dataset, which provides validated, high-resolution global-scale water dynamics derived from Landsat imagery. This dataset ensured consistency in historical water area measurements and was selected for its long-term reliability.
- From 2019 to 2024, additional water area estimates were derived from Landsat imagery using the Normalized Difference Water Index (NDWI), extracted via Google Earth Engine. This dataset facilitated the near-real-time monitoring of water bodies, allowing for the detection of more recent hydrological changes.

To ensure comparability between the two datasets, an overlap-based calibration approach was applied using the overlapping period of 2019–2021, where both sources provided measurements. A regression-based correction model was developed to align the newer dataset (2019–2024) with the historical dataset (2006–2021), ensuring measurement consistency before further analysis.

2.1.2. Rainfall Data

Rainfall data were sourced from the Climate Hazards Group InfraRed Precipitation with Station data (CHIRPS). This high-resolution dataset integrates satellite-based and in-situ observations, offering daily rainfall records across the Mekong River Basin from 2006 to 2024. For this study, daily data were aggregated into monthly means to align with the temporal scale of the water area dataset.

2.1.3. Temperature Data

Temperature records were retrieved from the TerraClimate dataset, which provides monthly temperature data based on interpolated climate station observations. The dataset's high spatial resolution accurately captured temperature variations across the Mekong River basin for the 2006–2024 period.

2.1.4. Dam Data

Information on dam construction and operations was collected from government and institutional reports as well as academic studies. Key data points included dam names, geographical coordinates, capacity (MW), operational status, and commissioning years. The dataset encompassed both commissioned and planned dams on the Mekong River, including major projects such as the Jinghong, Xiaowan, Nuozhadu, Xayaburi, and Don Sahong dams.

2.2. Data Preparation and Processing

2.2.1. Data Calibration of Water Area

Since water area data were obtained from two different sources, calibration was necessary to ensure consistency. A regression-based calibration model was developed using the overlapping period (where both sources provided data). The following steps were applied:

1. Identify Overlapping Period
   The period from 2019 to 2021, where both datasets provided measurements, was extracted.
2. Regression-Based Adjustment
   A regression model was fitted to align the newer dataset (2019–2024) with the historical dataset (2006–2021).
3. Calibration Implementation
   The calibrated equation was applied to all 2019–2024 values to ensure that they matched the scale of the historical dataset.

2.2.2. Handling Missing Data

To ensure data consistency and reliability, non-numeric entries in the datasets, such as those in water area data, were converted to NaN values for standardization. Missing values were addressed using Seasonal Decomposition Imputation (SDI), which decomposes the time series into trend, seasonal, and residual components. For Trend Components, missing values were interpolated to restore long-term variations. The Seasonal Components remained unchanged to preserve natural wet-dry cycles. This approach ensured that missing data were handled without distorting hydrological patterns, maintaining dataset integrity for further analysis.

2.2.3. Data Integration

Data from multiple sources were harmonized to ensure temporal and spatial alignment. (1) All datasets were resampled to monthly intervals to maintain consistency with the study's coverage (2006–2024). (2) Spatial alignment was achieved using GIS tools, standardizing all data to a consistent projection and resolution, ensuring comparability and accuracy across regions.

2.3. Analysis Approach

2.3.1. Trend and Seasonality Analysis

A seasonal decomposition of time-series data was conducted to identify underlying patterns in water area changes. This method separates the data into three components as follows:

1. Trend
   The long-term direction of the data, reflecting whether the water area is increasing or decreasing over time. Quantifying trends helps evaluate the overall impact of dam construction and climatic factors (Chatfield, 2003; Kendall & Stuart, 1976).
2. Seasonality
   Recurring fluctuations within a fixed period, such as annual wet and dry cycles. Understanding seasonal patterns is crucial to distinguishing natural variations from human-induced changes.
3. Residuals
   The irregular or random variations that cannot be explained by the trend or seasonal components. High residual values may indicate unusual events or potential errors in the data.

Seasonal decomposition was performed using additive models, where the observed value is the sum of the trend, seasonal, and residual components. Since missing values affect the decomposition process, a post-decomposition imputation was applied. Trend values were interpolated, and Residuals were adjusted to maintain data consistency. This ensured that the dataset retained its natural seasonal patterns while being free of missing values (Chatfield, 2003; Kendall & Stuart, 1976).

2.3.2. Impact Analysis

The impact analysis assessed hydrological changes associated with dam construction, focusing on differences in water area before and after 2008 – a critical milestone in dam operations. The following statistical techniques were applied:

1. T-Tests
   Independent two-sample t-tests were conducted to compare the mean water area before and after 2008.
   - Null Hypothesis (H_0): No significant difference between the two periods.
   - Alternative Hypothesis (H_1): Dam operations had a measurable impact.
   - The t-statistic quantified the degree of difference, and statistical significance was determined using the p-value (Cohen, 1988).

   If normality assumptions were violated, a Mann-Whitney U test was applied instead.
2. Effect Size
   To complement the t-tests, effect size metrics such as Cohen's d were calculated to assess the magnitude of observed changes. Effect sizes provided a practical interpretation of statistical differences, ensuring that findings were not only statistically significant but also hydrologically meaningful (Cohen, 1988).

2.3.3. Correlation Analysis

Correlation analysis examined the relationships between water area, rainfall, and temperature, using Pearson's correlation coefficients (ρ) to quantify the strength and direction of linear associations:

1. Positive Correlation
   A positive correlation (e.g. $\rho = 0.8$) indicated that increases in one variable (e.g. rainfall) were associated with increases in another (e.g. water area).
2. Negative Correlation
   A negative correlation (e.g. $\rho = -0.6$) suggested an inverse relationship, where increases in one variable corresponded to decreases in the other.
3. No Correlation
   Values near zero (e.g. $\rho = 0.1$) implied negligible or no linear relationship.

A correlation matrix was generated to summarize pairwise associations among variables, and the results were visualized using heatmaps for clarity. This analysis helped identify key drivers of hydrological variability (Pearson, 1895).

2.3.4. Time-Series Forecasting Models

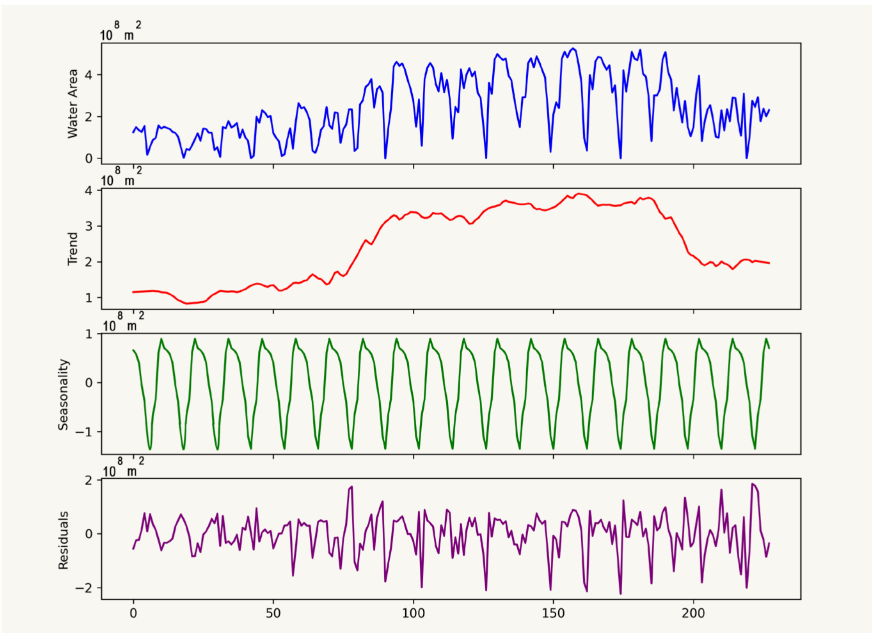
1. Seasonal ARIMA (SARIMA)
   The SARIMA model extends ARIMA by incorporating seasonal components, making it well-suited for hydrological data with periodic fluctuations. The model's parameters (P, D, Q, S) account for seasonal autoregressive terms, differencing, and moving average components within a specified seasonal cycle (e.g. twelve months). Given that water levels in the Mekong River are heavily influenced by annual monsoon patterns, SARIMA effectively captures these recurring trends. This model was applied to forecast water area variations across all five segments and provided insights into seasonal hydrological behaviour.
2. Vector Autoregression (VAR) Model
   The VAR model was used to analyse the interdependencies among water area, rainfall, and temperature, recognizing that hydrological changes do not occur in isolation. This multivariate approach allowed for a more comprehensive understanding of how climate variables influence water availability in the Mekong Basin. The key components of the VAR model included:
   - Lag Structure
     The model considered past values (lags) of all three variables to predict their future states. The optimal lag length was determined using the Akaike Information Criterion (AIC) and the Bayesian Information Criterion (BIC), ensuring an optimal balance between model complexity and predictive accuracy.

- Forecasting
  Multi-step forecasts were generated for each river segment, illustrating how changes in rainfall and temperature impact future water area. This provided a more dynamic perspective than univariate models like SARIMA, as it incorporated external climatic influences.
- Impulse Response Analysis
  This analysis assessed the sensitivity of the system to sudden changes in rainfall or temperature. Results showed that rainfall variations had a limited short-term effect on water area, further reinforcing the influence of dam operations over natural hydrological cycles in the region.

3. Results

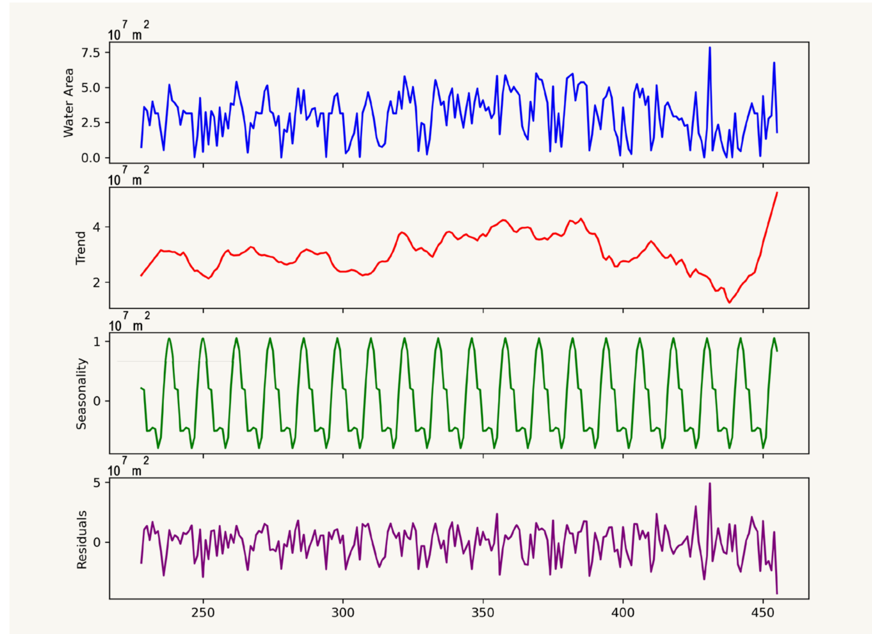
Figures 3 to 7 show the seasonal decomposition results for the five segments of the Mekong River Basin.

Figure 3: Seasonal decomposition for Segment 1



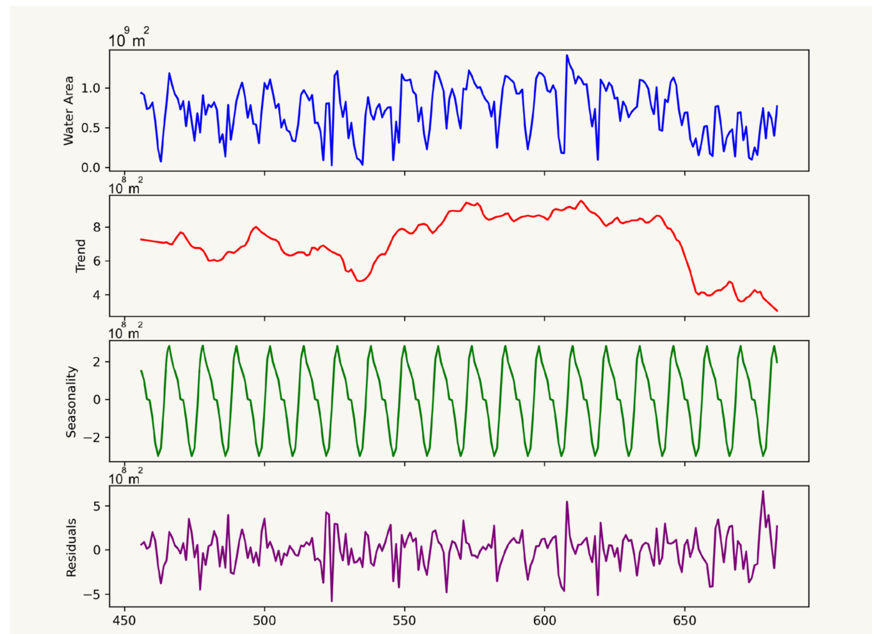
Source: Authors' own elaboration

Figure 4: Seasonal decomposition for Segment 2



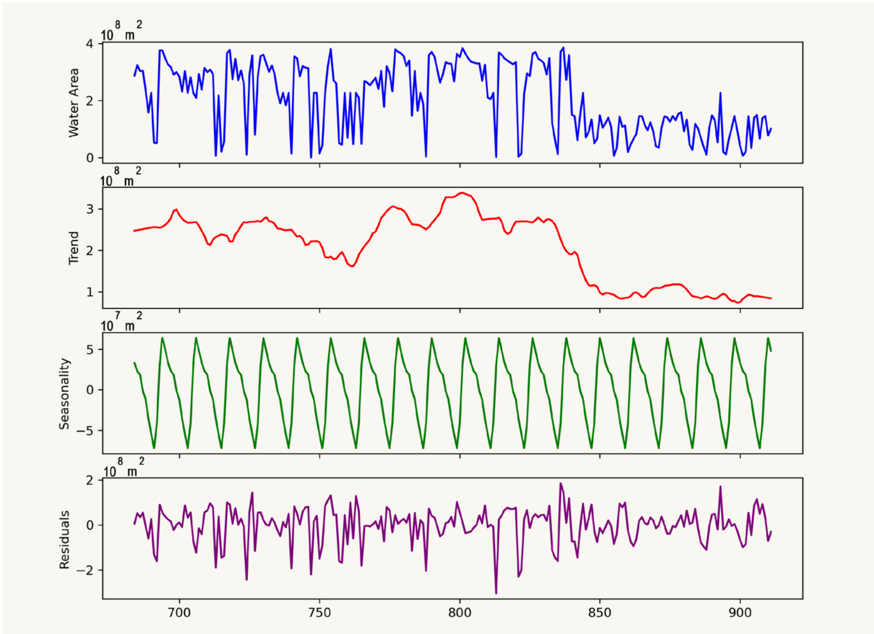
Source: Authors' own elaboration

Figure 5: Seasonal decomposition for Segment 3



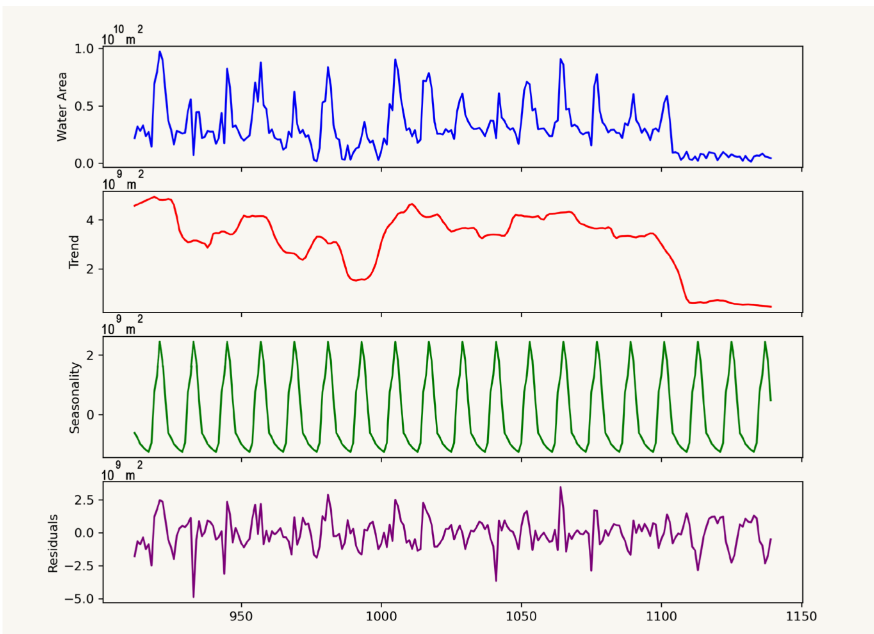
Source: Authors' own elaboration

Figure 6: Seasonal decomposition for Segment 4



Source: Authors' own elaboration

Figure 7: Seasonal decomposition for Segment 5



Source: Authors' own elaboration

3.1. Hydrological Trends and Seasonal Patterns

The decomposition of the time series data for the water area provided a detailed view of the hydrological dynamics across different river segments. By breaking down the observed data into trend, seasonal, and residual components, significant patterns were identified.

3.1.1. Trend Component

The trend analysis revealed distinct shifts in water area across different river segments, particularly after 2008. While some segments exhibited an overall increasing trend in water area, others displayed fluctuations influenced by local hydrological conditions and dam operations. The stabilization of water levels in traditionally dry months suggests regulated water releases from upstream reservoirs, particularly the Jinghong and Nuozhadu dams. Notably, segments 1, 3, and 5 demonstrated a marked increase in water availability, aligning with intensified hydropower regulation and increased storage capacity.

3.1.2. Seasonal Component

The seasonal component analysis confirmed strong annual patterns across all segments, with clear wet-season peaks (June–October) and dry-season troughs (November–May). However, the magnitude of these seasonal variations varied by segment:

- Segment 1 (Figure 3) and Segment 2 (Figure 4) showed higher seasonal amplitude post-2008, suggesting enhanced dam regulation strategies.
- Segment 3 (Figure 5) and Segment 4 (Figure 6) exhibited relatively stable seasonal cycles, with minor fluctuations in peak water levels.
- Segment 5 (Figure 7) displayed the most pronounced seasonal shifts, indicating a significant influence from both hydropower operations and local precipitation variability.

These findings highlight how human interventions, such as controlled water discharges, have modified natural hydrological cycles, amplifying seasonal water availability in some segments while maintaining stability in others.

3.1.3. Residual Component

The residual component, which captures anomalies and irregularities unexplained by trend and seasonality, highlighted several key events:

- Increased residual variability in 2021 and 2023, possibly linked to extreme climatic events such as unseasonal floods or emergency water releases.
- Unusual fluctuations in Segments 1 and 5, indicating potential local hydrological influences, operational shifts, or extreme weather conditions.

These residual patterns suggest that, despite dam operations providing a degree of control, external climatic factors and operational adjustments still contribute to unexpected variations in water area.

3.1.4. Key Observations

1. Post-2008, some segments experienced increased stability, most likely due to improved hydropower regulation.
2. The wet-season peak water levels appear more pronounced in Segments 1, 2, and 5, possibly due to upstream water management.
3. High residual variability in 2021 and 2023 suggests external influences such as extreme weather events or unexpected dam operation shifts.

3.2. Statistical Impact Analysis

The statistical comparison of water area data before and after 2008 provided clear evidence of hydrological changes influenced by dam operations. Using the Mann-Whitney U test, the analysis evaluated whether significant shifts occurred in water area distributions across different river segments.

3.2.1. Segment-Wise Impact Analysis

The results of the Mann-Whitney U test revealed varying levels of impact across river segments.

- Segment 1
  A highly significant difference was observed ($p < 0.001$, test statistic = 818.000), with a large effect size (Cohen's d = 1.49). This suggests substantial alterations in water availability post-2008, likely due to increased water regulation.
- Segment 2
  No significant difference was found ($p = 0.556$, test statistic = 2267.500), with a small effect size (Cohen's d = 0.18), indicating minimal hydrological change.
- Segment 3
  The difference between pre- and post-2008 periods evidenced no statistical significance ($p = 0.693$, test statistic = 2327.000), with a negligible effect size (Cohen's d = 0.05).
- Segment 4
  A statistically significant difference was detected ($p = 0.032$, test statistic = 3105.500), with a moderate negative effect size (Cohen's d = -0.60), suggesting a decline in water availability post-2008.
- Segment 5
  A significant decrease in water area was observed ($p = 0.033$, test statistic = 3099.000), with a moderate negative effect size (Cohen's d = -0.47), highlighting a potential reduction in water levels.

3.2.2. Effect Size and Interpretation

The effect size (Cohen's d) varied across segments, with Segment 1 showing the largest impact and Segments 4 and 5 indicating moderate negative shifts. These variations suggest that dam operations have had localized hydrological effects, with some areas experiencing increased water retention, while others saw reductions in water availability.

3.2.3. Implications of the Findings

The results underscore the uneven hydrological impact of dam operations across different segments of the Mekong River. The significant increase in water availability in Segment 1 suggests intensified water regulation, while the observed declines in Segments 4 and 5 may indicate altered flood dynamics or reduced downstream flows. These findings emphasize the need for continued monitoring and adaptive water management strategies to mitigate potential adverse effects on ecosystems, agriculture, and local communities. The observed variations across segments highlight the complexity of human-induced hydrological changes, reinforcing the importance of sustainable transboundary water governance in the Mekong Basin.

3.3. Relationships Between Variables

Table 1 presents the correlation coefficients between water area, temperature and rainfall for each river segment in the Mekong River Basin. Negative correlations indicate an inverse relationship, while positive correlations suggest a direct association. The influence of dam operations is reflected in the weak relationship between rainfall and water area across most segments.

Table 1: Hydrological correlation coefficients in the Mekong River Basin

Segment 1	Water area	Temperature	Rainfall
Water area	1	-0.410043442	-0.432826582
Temperature	-0.410043442	1	0.814071327
Rainfall	-0.432826582	0.814071327	1
Segment 2	**Water area**	**Temperature**	**Rainfall**
Water area	1	-0.242687056	-0.218289556
Temperature	-0.242687056	1	0.692807149
Rainfall	-0.218289556	0.692807149	1
Segment 3	**Water area**	**Temperature**	**Rainfall**
Water area	1	-0.391089745	-0.574995528
Temperature	-0.391089745	1	0.614500716
Rainfall	-0.574995528	0.614500716	1
Segment 4	**Water area**	**Temperature**	**Rainfall**
Water area	1	-0.186023022	-0.299774626
Temperature	-0.186023022	1	0.225178123
Rainfall	-0.299774626	0.225178123	1
Segment 5	**Water area**	**Temperature**	**Rainfall**
Water area	1	-0.202207952	0.104089105
Temperature	-0.202207952	1	0.301115463
Rainfall	0.104089105	0.301115463	1

Source: Authors' own elaboration

3.3.1. Correlation Results

The correlation analysis assessed the relationships between water area, rainfall, and temperature across the five river segments, providing insight into climatic and hydrological interactions.

1. Water Area and Rainfall
   - The correlation between water area and rainfall varied across segments, ranging from -0.57 in Segment 3 to 0.10 in Segment 5.
   - Negative correlations in Segments 1, 2, 3, and 4 suggest that rainfall alone does not drive changes in water levels, probably due to the dominant influence of dam operations regulating water flow.
   - A slight positive correlation in Segment 5 (ρ = 0.10) indicates that in certain areas, rainfall may contribute modestly to variations in water area.
2. Water Area and Temperature
   - The correlation between water area and temperature was consistently negative across all segments, with values ranging from -0.41 (Segment 1) to -0.18 (Segment 4).
   - This suggests that higher temperatures may contribute to increased evaporation, leading to lower water area values, particularly in upstream segments where natural flow influences are stronger.
   - The strongest negative correlation, in Segment 1 (-0.41), highlights a greater sensitivity of water area to temperature variations, likely due to higher exposure to direct solar radiation or reduced inflows.
3. Rainfall and Temperature
   - The strongest correlation was observed between rainfall and temperature, particularly in Segment 1 (ρ = 0.81) and Segment 2 (ρ = 0.69), indicating a high degree of seasonal dependence.
   - Lower correlations in downstream segments (e.g. Segment 4: ρ = 0.22, Segment 5: ρ = 0.30) suggest that in these areas, additional climatic or hydrological factors influence precipitation patterns, reducing their direct association with temperature.

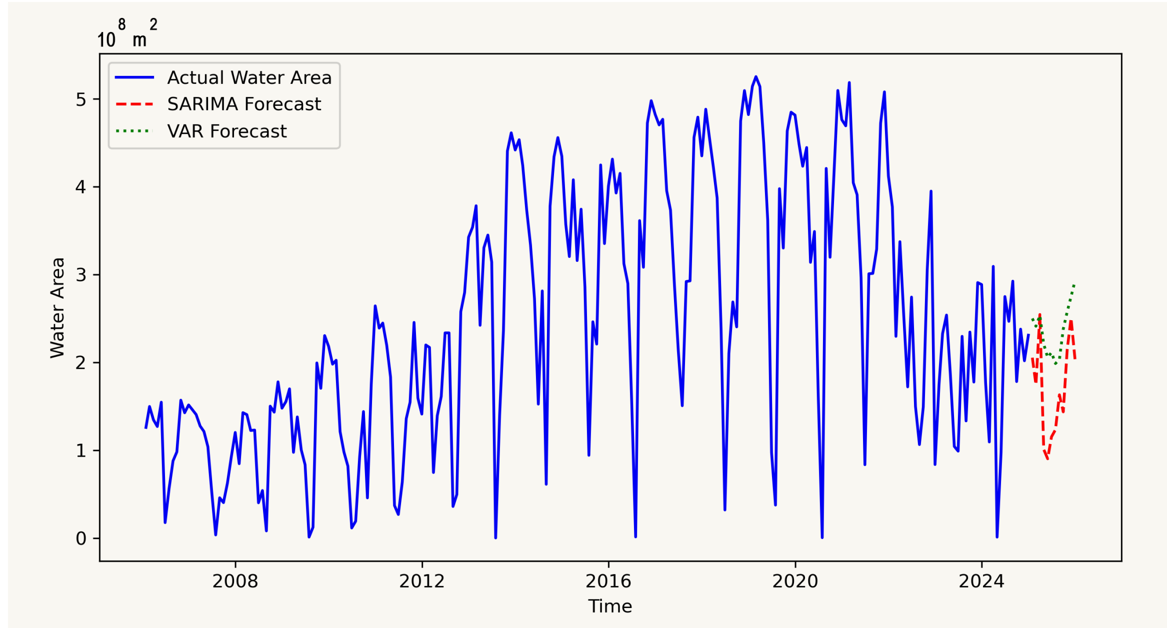
Key Observations

1. Rainfall has a limited direct impact on water area due to controlled dam releases, as seen in negative correlations in most segments.
2. Higher temperatures are associated with lower water areas, likely due to increased evaporation rates and seasonal water management practices.
3. Temperature and rainfall are closely linked, particularly in upstream segments, where monsoon-driven precipitation patterns are dominant.

3.4. Forecasting Water Area

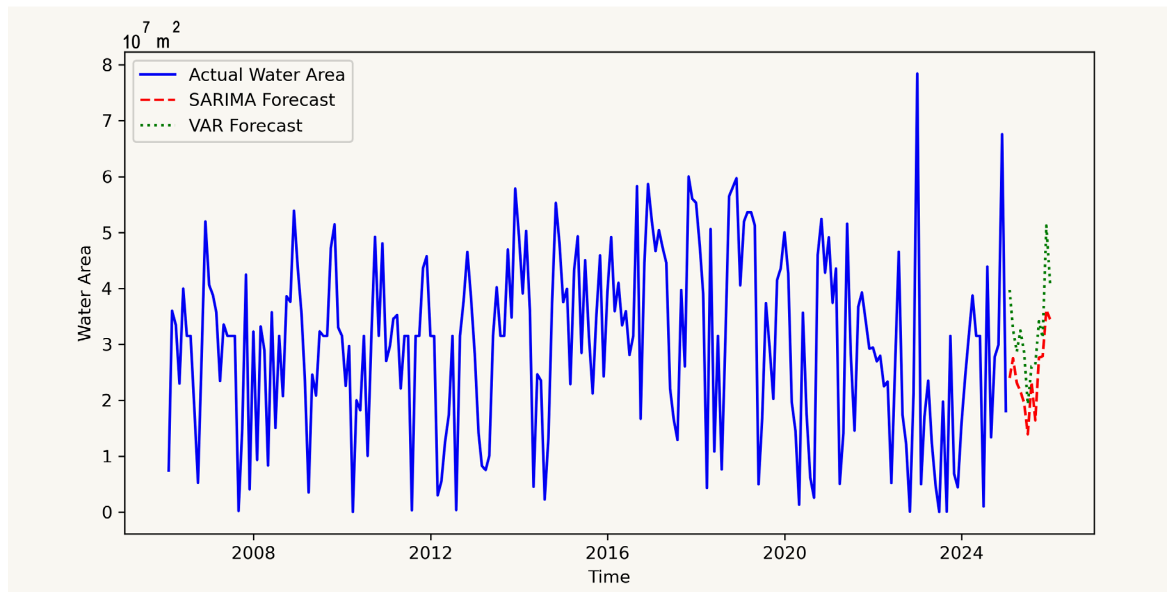
Figures 8 to 12 show the forecasted water area for the five segments of Mekong River Basin.

Figure 8: Forecasted water area for the Mekong River Basin (Segment 1)



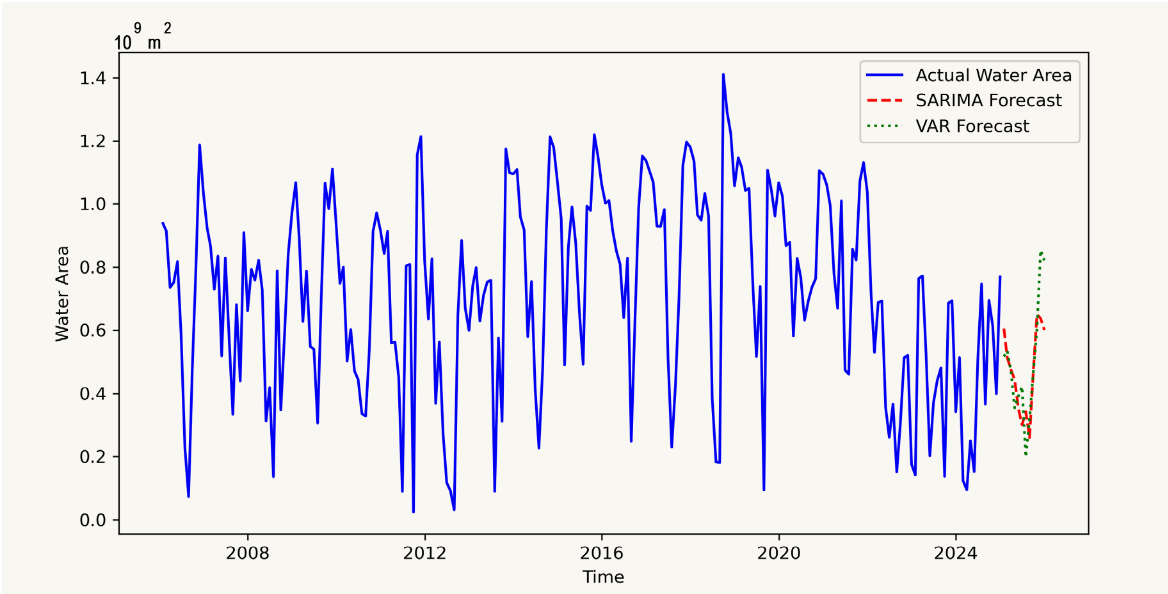
Source: Authors' own elaboration

Figure 9: Forecasted water area for the Mekong River Basin (Segment 2)



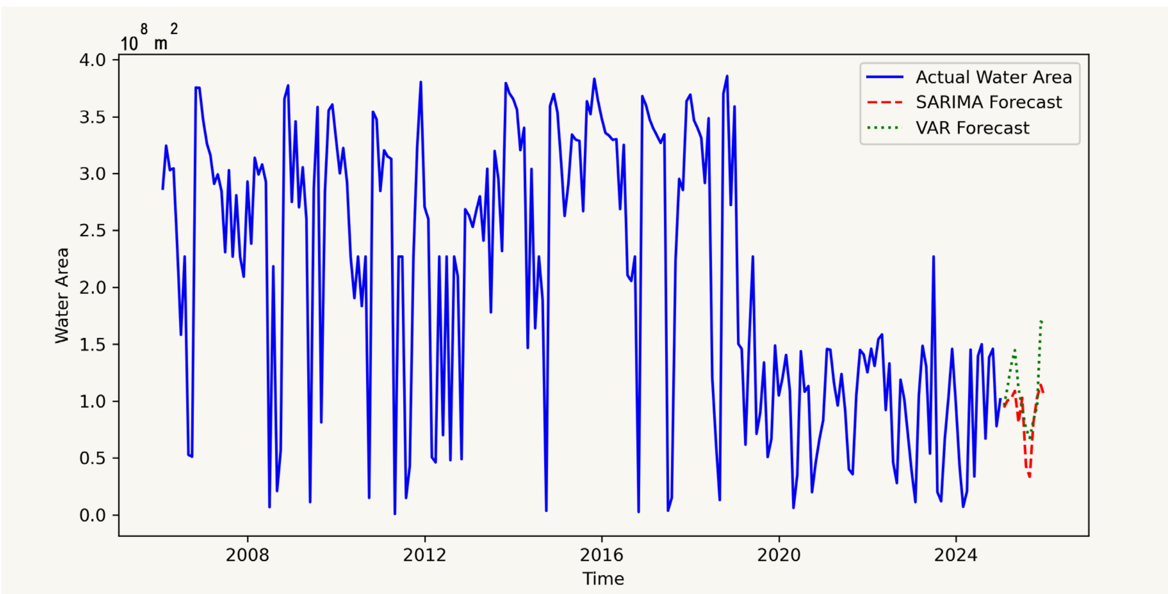
Source: Authors' own elaboration

Figure 10: Forecasted water area for the Mekong River Basin (Segment 3)



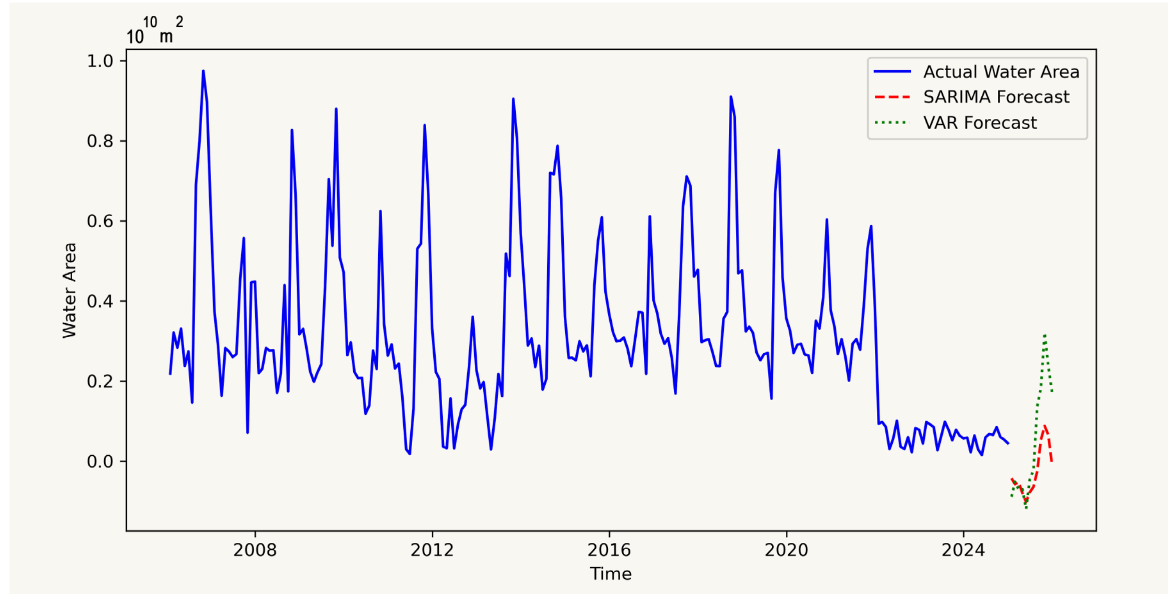
Source: Authors' own elaboration

Figure 11: Forecasted water area for the Mekong River Basin (Segment 4)



Source: Authors' own elaboration

Figure 12: Forecasted water area for the Mekong River Basin (Segment 5)



Source: Authors' own elaboration

3.4.1. ARIMA Forecast

The ARIMA (1,1,1) model was applied to forecast water area trends across all river segments, providing insights into the long-term stability of water levels. The results indicate a steady increase in water area, particularly in Segment 1 (Figure 8), where a clear upward trend suggests sustained hydrological regulation post-2008. Segment 2 (Figure 9) and Segment 3 (Figure 10) exhibit similar trends, with water area projections remaining relatively stable. However, Segment 4 (Figure 11) and Segment 5 (Figure 12) show less pronounced growth, likely due to localized water management strategies that moderate seasonal variations. While the ARIMA model effectively captures long-term trends, it does not fully account for seasonal fluctuations, which are critical in understanding short-term hydrological changes.

3.4.2. SARIMA Forecast

To address the limitations of ARIMA in capturing seasonal cycles, the SARIMA (1,1,1) × (1,1,1,12) model was employed. The results reveal well-defined seasonal patterns in all segments. Segment 1 (Figure 8) shows strong seasonal peaks during the wet season, with water area exceeding 1.26×10^9 m^2, while dry season troughs remain stable. A similar pattern is evident in Segment 2 (Figure 9) and Segment 3 (Figure 10), where controlled water releases align with seasonal monsoon-driven inflows. Segment 4 (Figure 11) exhibits slightly dampened seasonal variations, likely due to its downstream location and moderated reservoir discharges. In Segment 5 (Figure 12), seasonal fluctuations are less pronounced, reflecting the influence of regulated dam operations that prioritize hydropower generation and downstream flow stability.

3.4.3. Comparison of the ARIMA and SARIMA Models

Both the ARIMA and the SARIMA models indicate that water area in all segments will remain stable in the coming years, with SARIMA offering additional insights into seasonal variations. The ARIMA model is effective for long-term projections, particularly in Segment 1 (Figure 8) and Segment 2 (Figure 9), where trends remain consistently upward. However, SARIMA provides a more detailed representation of seasonal hydrological cycles, which is crucial for understanding short-term fluctuations in Segments 3 (Figure 10), 4 (Figure 11), and 5 (Figure 12), where water levels are more directly influenced by seasonal precipitation and reservoir operations.

3.4.4. VAR Model Forecast

The Vector Autoregression (VAR) model was utilized to explore the dynamic interdependencies between water area, rainfall, and temperature across all segments. The forecasts indicate that Segment 1 (Figure 8) and Segment 2 (Figure 9) will experience gradual increases in water area, with minimal influence from temperature and rainfall. In Segment 3 (Figure 10) and Segment 4 (Figure 11), VAR results suggest that changes in rainfall have a limited short-term impact, reinforcing the dominance of controlled dam operations. Segment 5 (Figure 12) shows a more stabilized water area, reflecting the cumulative effects of upstream flow regulation. The impulse response analysis further confirms that shocks to rainfall or temperature do not significantly alter water levels in the short term, emphasizing the controlled nature of the system.

3.4.5. Implications of the Forecasts

The forecasting models collectively highlight the continued stabilization of water area in the Mekong River. Being closer to major upstream dams, Segment 1 (Figure 8) and Segment 2 (Figure 9) exhibit more regulated hydrological patterns, while Segment 3 (Figure 10), Segment 4 (Figure 11), and Segment 5 (Figure 12) demonstrate a combination of natural seasonal fluctuations and controlled water releases. These findings emphasize the need for adaptive water management strategies that align dam operations with seasonal hydrological cycles. By integrating ARIMA, SARIMA, and VAR forecasts, policymakers can develop more effective water resource management plans, ensuring that both hydropower generation and ecological sustainability are balanced in the long term.

3.5. Key Findings

The hydrological impact assessment across the Mekong River Basin reveals significant modifications in flow patterns due to dam operations, particularly in areas where multiple reservoirs regulate water releases.

1. In the upper reaches of the Mekong, within China, flow is almost entirely controlled by large reservoirs such as Xiaowan and Nuozhadu, leading to stable water levels year-round. The forecasting results indicate that seasonal fluctuations are dampened, with water availability being maintained even during traditionally dry months. This artificial stabilization has significant implications for downstream hydrology, as natural flood pulses no longer originate from this region.
2. As the river enters northern Laos and Thailand, tributary inflows contribute to hydrological variability, but the influence of upstream dam releases remains dominant. The water area forecasts for this region show a moderate seasonal signal, although peak flood levels appear lower than historical norms. The controlled flow regime suggests that floodplain agriculture and riverine ecosystems, which rely on natural flooding, may experience long-term shifts.
3. Further downstream, in central Laos and along the Laos–Thailand border, the hydrological trends reflect a mixed influence of natural inputs and regulated discharges from hydropower projects. The forecasted water area variations remain cyclical, yet they do not fully align with historical monsoonal cycles, indicating artificially sustained dry-season flow and reduced peak floods.
4. In southern Laos and Cambodia, the controlled release of water from upstream has significantly altered the flood dynamics of the Tonlé Sap Lake and surrounding wetlands. The forecasts show that while seasonal peaks still exist, their intensity is reduced, affecting fisheries, sediment transport, and traditional agricultural practices that rely on natural inundation.
5. Finally, in the Mekong Delta of Vietnam, the effects of upstream regulation are most pronounced. The seasonal flood cycle has been heavily disrupted, with lower flood pulses and extended dry-season stability. This has major implications for coastal erosion, sediment deposition, and saltwater intrusion, which threaten agricultural productivity and freshwater ecosystems.

Overall, the findings highlight that human intervention, primarily through dam operations, has transformed the Mekong River's hydrological cycle. While controlled water releases ensure year-round availability, they also reduce the natural flood regime, affecting ecological sustainability, agriculture, and livelihoods across the region. These results underscore the need for integrated transboundary water management strategies to balance hydropower benefits with environmental conservation.

4. Conclusions

This study provides a quantitative assessment of the hydrological impacts of the Jinghong Dam, operational since 2008, and subsequent dam developments in the Mekong River Basin. The results confirm that post-2008 increases in water area are primarily driven by regulated dam releases, mitigating natural seasonal fluctuations. Statistical tests reveal significant hydrological shifts, while forecasting models project continued stability, emphasizing the role of human-controlled water management over climate variability. These findings highlight the need for transboundary cooperation in water governance, ensuring that hydropower expansion aligns with the sustainable management of water resources. The research offers data-driven insights for policymakers, advocating integrated water management strategies to balance energy production, agricultural demands, and ecological preservation in the Mekong River Basin.

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GEORGINA OLÁH

Even a Five-Thousand-Year-Old Dragon Can Learn New Tricks: The Digital Yuan as a Geopolitical Tool

EVEN A FIVE-THOUSAND-YEAR-OLD DRAGON CAN LEARN NEW TRICKS: THE DIGITAL YUAN AS A GEOPOLITICAL TOOL

Georgina Oláh[1]

Abstract

This study examines China's geopolitical strategy through the introduction of the digital yuan (e-RMB) and the Belt and Road Initiative (BRI). Historically more reclusive, China now strives for global power within the BRI framework through concepts of land, sea, air, and digital Silk Roads. The role of the digital yuan is emphasized, as it serves to strengthen China's financial and technological influence while offering an alternative to traditional currencies, thus challenging the hegemony of the US dollar. China's digital development – particularly in mobile payments, internet access, and the expansion of 5G technology – has transformed everyday life for its citizens. "Superapps" like WeChat and Alipay have become central to cashless payments, a trend further amplified by the Covid-19 pandemic. In the Chinese economy, the introduction of the digital yuan has become a tool for the renminbi's internationalization. This transition is supported by the evolution of China's banking system. As digital payment systems expand globally, more countries than ever before – including China and India – are now at the forefront of real-time payments. The strategy for the yuan's internationalization, the development of the central bank's digital currency, and the growing significance of cryptocurrencies, such as Bitcoin, indicate that central banks worldwide are seeking to introduce new payment instruments. The emergence of central bank digital currencies (CBDCs) poses a challenge to traditional financial systems while potentially transforming the nature of financial transactions.

Keywords: CBDC, renminbi, Belt and Road Initiative, cryptocurrency, mobile payment

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1. Introduction

Throughout its thousands of years of history, China formerly pursued a regional geopolitical strategy that did not take on an initiator role (Maddison, 2007). In light of this, while it had been preceded by signs of change, the world was still somewhat surprised by the announcement of the Belt and Road Initiative (BRI), the creation of the digital yuan (e-RMB),[2] and China's plans to challenge the hegemony of the US dollar (Horváth, 2022). According to the analysis of China expert Levente Horváth, these steps by China are not merely economic but also ideological in nature, as the traditions of Chinese geopolitical thinking and the centralized structure of its governance deeply influence these decisions. The fundamental transformation of China's economic and geopolitical strategy in the twenty-first century has opened new dimensions on the international stage. The research question that this study aims to address is the following: What role does the e-RMB play in China's geopolitics? To examine this question, the study applies a theoretical framework rooted in political economy and international relations theory. This framework enables a better understanding of how the digital yuan might cause a shift in global financial power dynamics.

This paper examines the background of the emergence of the BRI and the different types of Silk Roads. Additionally, it explores China's digital landscape, including the extent to which mobile payments are accepted and how the country's digital economy is evolving. Following an analysis of digital development, the study discusses China's international currency, the renminbi, as well as the Chinese banking sector, where in 2024, twenty banks were listed among the world's 100 largest banks by S&P Global. Subsequently, the topic of central bank digital currency (CBDC) is introduced. Finally, the study delves into the digital yuan itself, which serves as a connecting thread throughout the research. While the paper covers various aspects of China's digital ecosystem, a crucial consideration is to always link these aspects to the central question of how the e-RMB functions as a geopolitical instrument. China's ambition to challenge the dominance of the US dollar, the creation of digital financial alliances through the BRI, and the potential to bypass Western-led financial sanctions are all core strategic elements. These elements reinforce China's broader geopolitical goals, demonstrating that the digital yuan is not merely a technological innovation but also a tool of economic diplomacy and statecraft.

2. China's Geopolitics

The emergence of Chinese geopolitical thinking can be traced back to ancient times, where – unlike in Western countries – the primary founders of this mindset were strategists (Horváth, 2022). The most outstanding historical geopolitical thinker, whose work remains influential to this day, was Sunzi (Sun Tzu) with his book *The Art of War*. It was these ancient philosophers who laid the

2 The terms "digital yuan" and "e-RMB" refer to the same currency. Yuan (CNY) is the unit of account, while renminbi (RMB) is the official name of China's currency.

foundations for Chinese strategic and geopolitical thinking, allowing them to develop further over time.

Until the nineteenth century, China's geopolitical focus remained at the regional level, primarily because natural borders protected the country. Additionally, China was more advanced both economically and politically compared to the surrounding nations and was not dependent on them. While China did engage in trade with other countries, it maintained the belief that foreign nations should consider themselves fortunate if China was willing to conduct commerce with them.

Throughout history, China followed an isolationist policy and only opened up to the world when forced to do so by external powers. Its centuries of self-imposed isolation led to a balanced domestic trade system – when one province faced shortages, another's surplus compensated for them. However, this seclusion also meant that the industrial revolutions which transformed Western nations did not occur in China. As a result, the nation's development stagnated; wherever possible, everything was produced manually and commerce was unable to progress. By the nineteenth century, China's leadership had weakened, military expenditure was high, and the Opium Wars, fuelled by widespread opium addiction, led to the country becoming a semi-colony (Kiss, 2018).

The events of the nineteenth century compelled China to move beyond its regional mindset (Horváth, 2022). In 1949, Mao Zedong emphasized the importance of geographical knowledge in politics; all the same, he banned geopolitics as a scientific discipline, even though its strategic thinking continued to influence leadership decisions.

Deng Xiaoping's openness to the world also contributed to the evolution of Chinese geopolitical thinking. From 1978, his Reform and Opening Up policy ended the country's economic isolation, which had once again become prevalent after 1949. Following this policy shift, geopolitical literature reappeared, and both the country and its geopolitical strategy began to develop once more.

The establishment of special economic zones in the late 1970s boosted China's economy. In 1984, fourteen coastal cities were opened to foreign investment, contributing to economic revitalization. The influx of foreign capital and markets led state-owned enterprises to transition towards market-oriented operations, creating a distinct Chinese economic model that still persists today. In key sectors such as high technology, the government has maintained strong influence through state-owned enterprises.

In 1992, General Secretary of the Chinese Communist Party Jiang Zemin introduced the Go Global foreign economic strategy, which continued the Reform and Opening Up policy (Center for Strategic and International Studies, 1992). To support its export-driven growth, in 2001 China joined the World Trade Organization (WTO), although it was fully aware that this move came with risks – likened to the Sword of Damocles hanging over its head, waiting for an opportunity to strike the dragon down. Aware of such challenges, China has since been focused on strengthening its position in the global economy.

China has now reached a phase in its geopolitical development where it must think beyond the regional level and position itself on a global scale. One of the key instruments for achieving this is

the Belt and Road Initiative. This strategic shift for China is about not only asserting its economic interests but also expanding its political and cultural influence worldwide. The BRI involves over sixty countries and aims to establish new trade routes, support infrastructure development, and strengthen China's economic and diplomatic positions on the global stage (Horváth, 2022). China's new geopolitical role also entails a more proactive and initiative-driven approach to global challenges such as the transformation of financial systems, technological advancements, and competition among currencies. The development and introduction of the digital yuan are also part of this ambitious plan, with the goal of weakening the dominance of the US dollar in the international financial system and positioning the yuan as a stronger global currency (Baranyai, 2018).

2.1. The New Silk Road

Sunzi once said, 'In ancient times, those who truly understood warfare first made themselves invincible and then awaited the moment when the enemy could be defeated' (Sunzi, 2001). China's leadership first strengthened itself and its economy, and then patiently waited for the right moment – when the world was recovering from a global economic crisis – to take decisive steps and attempt to assume a leading role.

In 2013, Xi Jinping announced the Belt and Road Initiative, a well-planned geopolitical move by China to restore its historical role in the global economy (Eszterhai, 2016). After 2013, the Chinese leadership embraced the slogan "the Chinese Dream", a multifaceted concept aiming on one hand to ensure social stability by emphasizing national identity, and on the other hand seeking to drive economic growth (Soós, 2023). The 13th Five-Year Plan (2016–20) focused on sustainable development, whereas the 14th Five-Year Plan (2021–25) prioritizes technological advancements, including the development of a digital central bank currency, which is also supported by the BRI (Salát, 2021). The official action plan for the BRI was released in 2015; subsequent to its review for the same year, the International Monetary Fund (IMF) decided that the Chinese renminbi met the criteria for inclusion in the Special Drawing Rights (SDR) currency basket, with the currency joining the US dollar, the euro, the Japanese yen, and the British pound sterling in the basket the following year. These two events clearly indicate China's growing global influence in both the economic and financial sectors. The publication of the BRI's action plan marked the beginning of a new era in which China is building global infrastructure and trade networks while strengthening its economic dominance worldwide. At the same time, the inclusion of China's currency in the IMF's SDR basket not only symbolized the international recognition of its economy but also demonstrated that the country had reached a stage where its monetary policies could have a global impact.

The integration of the yuan into the international financial system was a crucial step for China, as it facilitated the gradual liberalization of the currency and reinforced its role in global trade (Subacchi, 2016). This economic strategy was closely tied to the BRI, since China aimed not only to develop infrastructure but also to establish a new economic and financial order in which the yuan would play a larger role in international trade and investment.

Since the launch of the BRI, multiple types of Silk Roads have been established, with the most significant being:

1. The Land Silk Road: Developed along the route of the ancient Silk Road, focusing on railway and highway network expansion.
2. The Maritime Silk Road: Aiming to enhance maritime trade and river transport networks, revitalizing sea trade, and developing ports.
3. The Air Silk Road: Focusing on air trade and the construction of aviation networks.
4. The Green Silk Road: Prioritizing environmental sustainability, the reduction of pollution, and the promotion of eco-friendly technologies; also supporting the achievement of environmental protection goals.
5. The Digital Silk Road: Aiming to develop digital infrastructure, smart cities, big data, and technological innovation, including the introduction of digital central bank currency.

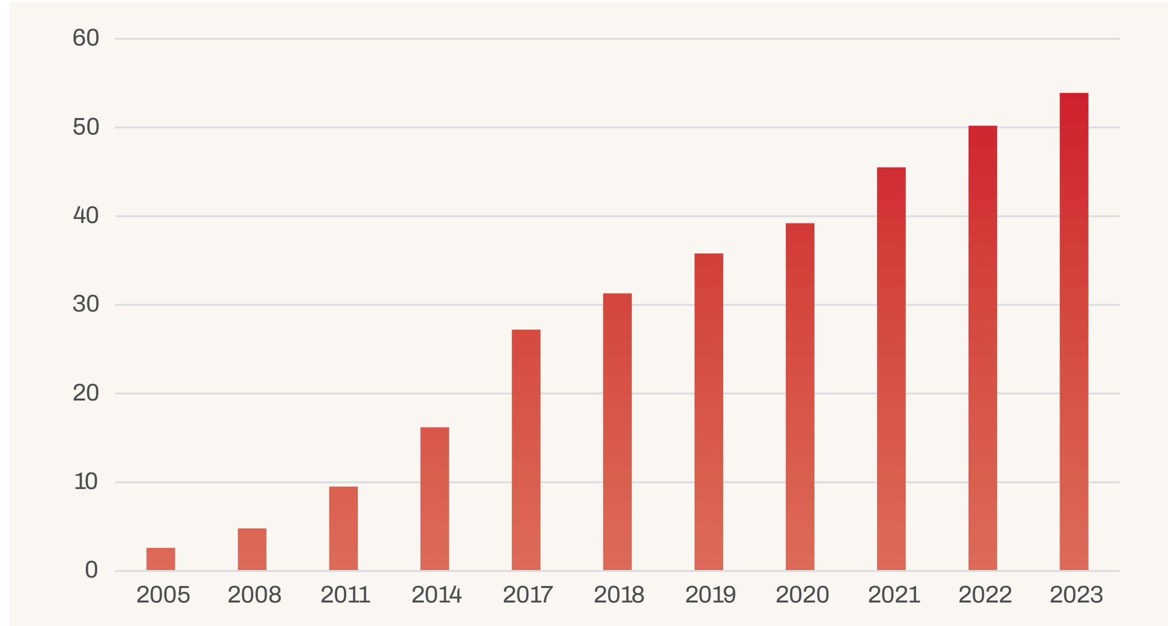
3. The Digital Leap That Lays the Foundation for China's Geopolitics

China's digital economy has experienced rapid growth in recent years. Figure 1 illustrates the size of the country's digital economy. According to data from Statista, the digital economy grew significantly after the Covid-19 pandemic. In 2023, China's digital economy reached CNY 54 trillion, reflecting a nominal annual growth rate of 10.3%. Although this figure significantly exceeds the country's general economic growth, the official nominal GDP growth rate for that year is debated, and some sources misreport it. Therefore, caution is advised when comparing these statistics directly.

In China, it has been realized that technological development arises from the interactions within society. Members of society view the internet and technology as tools that help to improve their daily lives (Macaes, 2018). In the case of China, mobile phones actually spread before laptops or desktop computers, resulting in the fact that today the majority of Chinese people handle most tasks using their phones (Hlács, 2014).

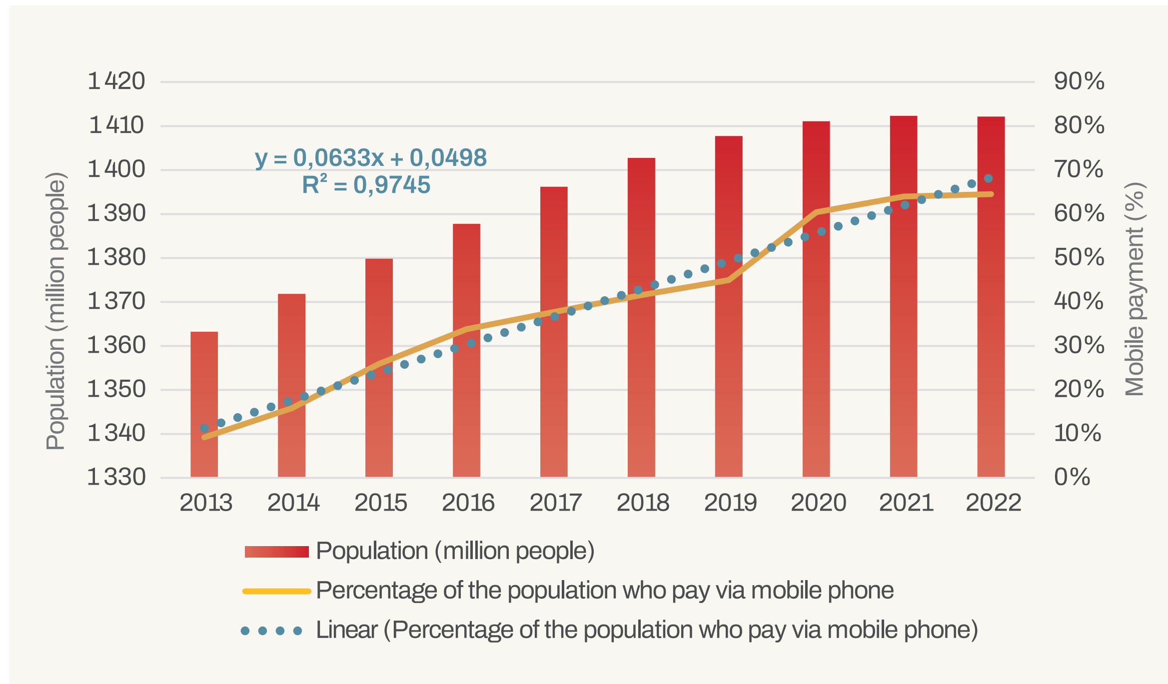
Figure 2 shows China's trends in population and mobile payments from 2013 to 2022. The population bars clearly show continuous growth until 2021. In 2022, there is a slight decrease, which is barely noticeable but significant. The mobile payment percentage is represented by the yellow line. It is evident that as the population increased, the percentage of mobile payments also rose. A linear regression calculated for the percentage of phone users shows a y-value of 0.0633, indicating the slope and representing the change for every unit increase in x. The obtained value suggests low growth. The R^2 value of 0.95745 indicates a strong fit, suggesting that mobile payment adoption has increased consistently alongside population trends. This reinforces the hypothesis that China's digital infrastructure – including e-RMB readiness – is strongly embedded in everyday usage patterns. As we can see, 'China is leading the new revolution in digital payments' (Klein, 2020).

Figure 1: The size of China's digital economy, 2005–23 (CNY trillion)



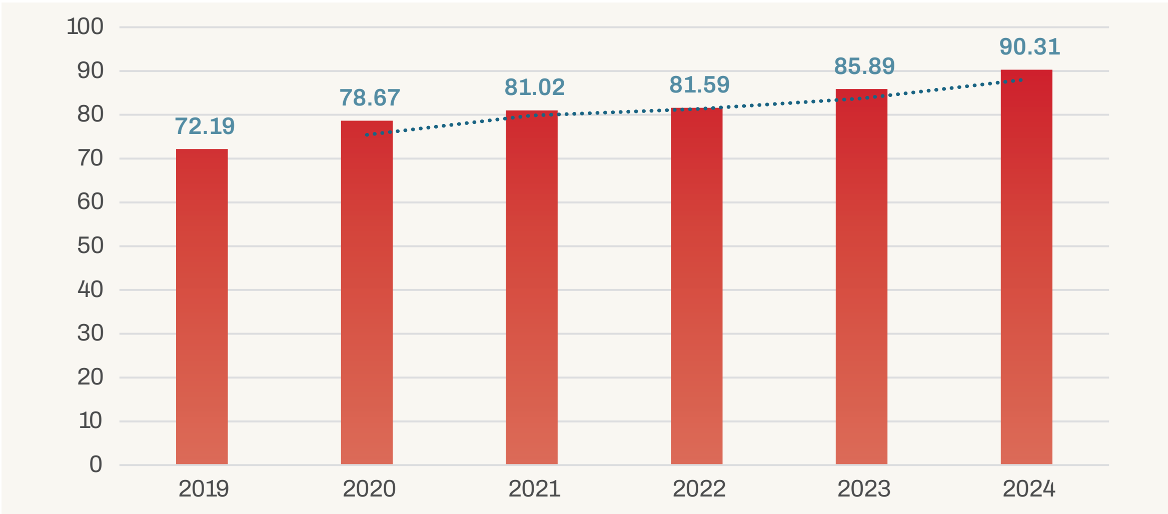
Source: Author's own elaboration based on data from Statista (2025a)

Figure 2: Population and mobile payment trends in China, 2013–22



Source: Author's own elaboration based on data from Statista (2025b, c)

Figure 3: Internet penetration rate in China, 2019–24 (%)



Source: Author's own elaboration based on data from Statista (2025d)

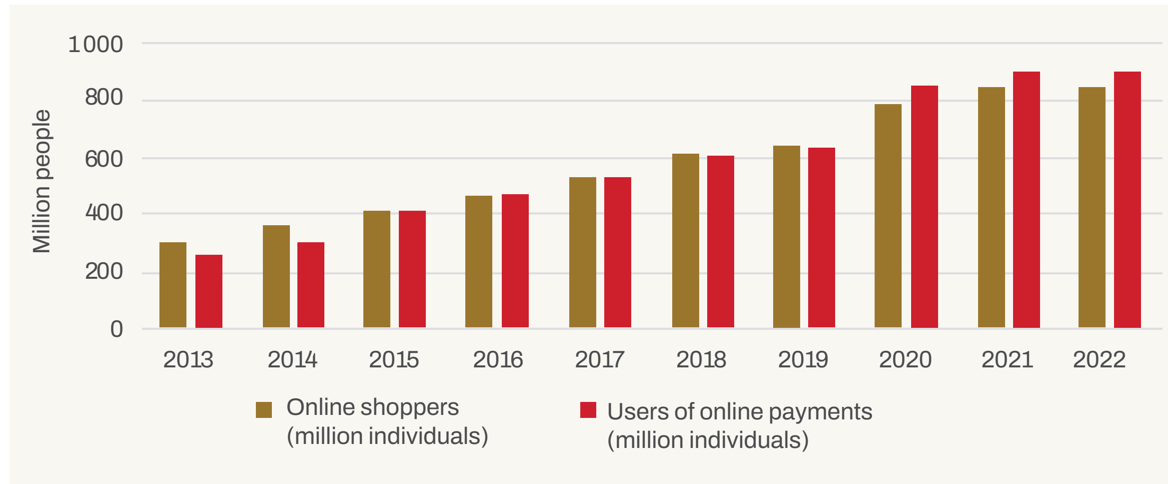
The data in Figure 3 reflects individual user penetration, not household internet access. While the figures do not specifically quantify household connections, they provide a useful proxy for general digital accessibility. A two-period moving average helps to understand the growth, smoothing the data and aiding in the identification of trends. Since the moving average takes two periods into account, there is no data available for the period from 2019 to 2020. The growth is evident from the recorded data. It is likely that it will take a long time for internet access to reach households in underdeveloped regions, especially in the interior of the country.

The development of the internet is closely linked to the rollout of the 5G network. China was one of the first countries to introduce and develop 5G technology (Pham, 2019), where radio waves are transmitted to precisely defined geographical locations, saving energy and making data transmission more efficient. This has given China a competitive edge in the era of digital capitalism (Schadlow & Kang, 2021).

Mobile payments are much more widely accepted in China than in other countries. The "superapps" developed by Tencent, WeChat, and Alibaba have gained great success. These apps provide users with unlimited possibilities through in-app applications, such as messaging apps like Messenger, shopping apps like C&A, or food delivery apps like Foodora. Additionally, they handle digital currencies, including the use of e-RMB. These superapps are widely used, from in simple marketplaces to restaurants, hotels, and bars, enabling phone payments everywhere, especially in the coastal areas where the majority of the population lives. Thanks to technological advancements, users can scan and pay for a product without having to stand in line at the checkout or pay in cash at certain stores. The apps also offer investment opportunities, and it is not necessary to have a bank card to use them. While employees in European countries are paid through their bank accounts, in China, wages are received via one of the aforementioned apps.

The Covid-19 pandemic further alienated the Chinese population from cash, which only reinforced the need for the digital yuan (Cheng, 2022). Physical cash poses a potential source of infection, as it is handled and exchanged by multiple people. On the other hand, digital payment methods enable contactless transactions, minimizing the risk of contagion. Moreover, the pandemic encouraged many people to become familiar with new digital payment tools which can be used comfortably and safely from home or other locations, reducing the number of human interactions.

Figure 4: Online shoppers and online payments in China, 2013–22



Source: Author's own elaboration based on data from Statista (2025c, h)

Figure 4 shows the number of people, expressed in millions, using online shopping and online payments between 2013 and 2022. During the online shopping process, people select the desired product or service and place an order. For example, when ordering a book from an online bookstore, the necessary details are provided, and, if desired, payment can be made upon delivery. In the case of online payments, a financial transaction takes place. In 2013, 2014, 2018, and 2019, online shopping surpassed online payments in China, meaning that during online shopping, the payment was not necessarily made immediately, and the population preferred paying upon delivery. Between 2015 and 2017, online shopping and online payments reached a balance. However, from 2020, the number of online payments increased, likely driven by the coronavirus pandemic and technological innovation.

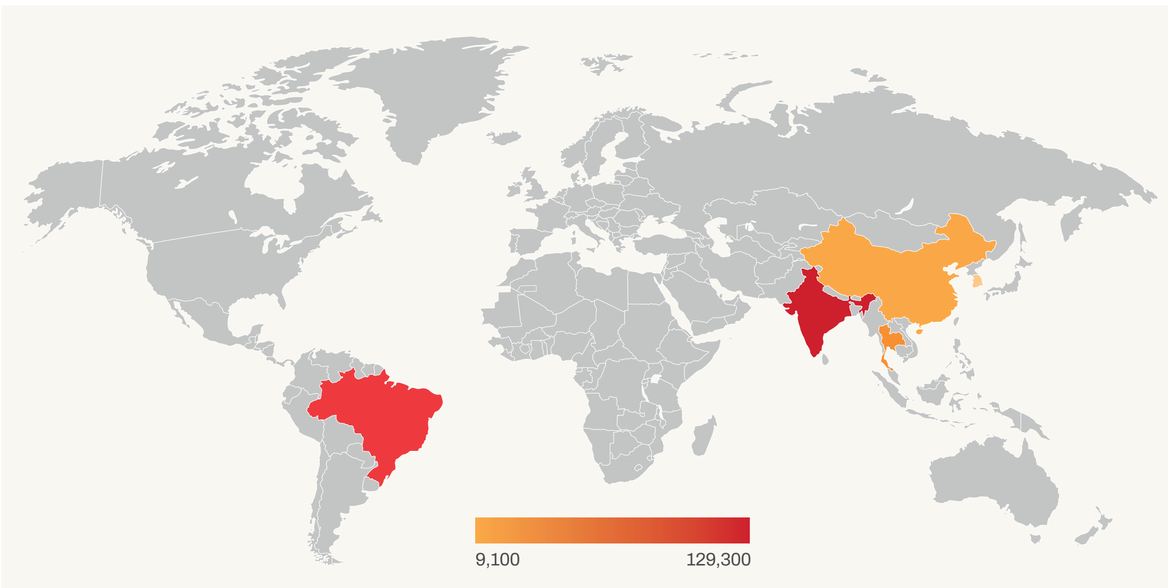
The biggest surge in the number of people using online payments occurred in 2020, when the popularity of digital transactions dramatically increased due to the Covid-19 crisis, raising the number from 633 million to 854 million in a single year. This change was likely caused by the closure of physical stores and the rapid transformation of purchasing habits. The number of online shoppers also showed a similar level of growth, with the highest increase occurring in 2020, when 782 million shoppers used this option. The growth rate remained high in 2021, but by 2022, the numbers somewhat stagnated, which may indicate market saturation.

4. The Renminbi as a Tool

China's economic and trade influence has been significantly enhanced by the Belt and Road Initiative, a geopolitical strategy that has developed infrastructure, provided long-term loans, and reinforced relationships through financial support. The internationalization of the Chinese currency has become a central focus (Müller & Kerényi, 2022). The renminbi plays a key role in this process, with banks being crucial to its internationalization. The 2008 global economic crisis prompted Chinese banks to liberalize the previously strictly regulated RMB exchange rate set by the People's Bank of China (PBoC) (Gao & Yu, 2011). In cities like Shanghai, Guangzhou, Shenzhen, Zhuhai, and Dongguan, restrictions on the settlement of current account items were lifted in 2009. This policy also extended to ASEAN member states. In 2010, the lifting of restrictions was further extended to additional provinces, as well as to Beijing.

To facilitate financial transactions, the Cross-Border International Payments System (CIPS) was launched in 2015. This was a significant step towards the renminbi's journey to becoming a global currency.

Figure 5: The five countries with the highest real-time payment transactions, 2023



Source: Author's own elaboration based on data from Statista (2025e)

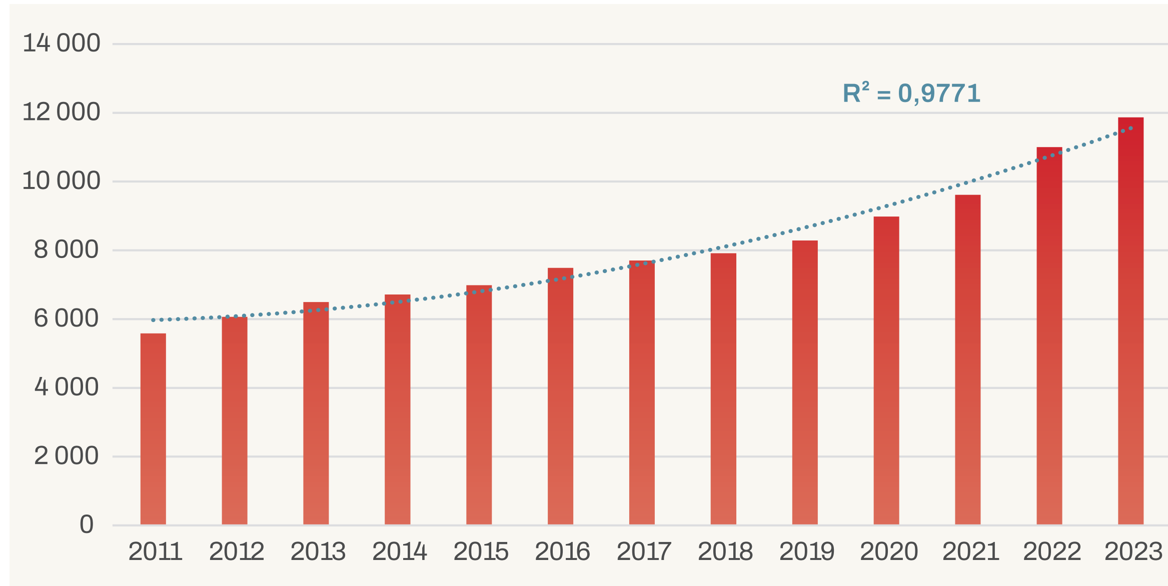
Figure 5 shows the five countries with the highest real-time payment transactions in the world. China's position as the world's fourth largest user of real-time payments highlights the maturity of its domestic payment infrastructure. However, this dominance does not automatically translate to international adoption. For the e-RMB to become a true geopolitical tool, it must overcome institutional and trust-based barriers that go beyond technical efficiency. Listed in descending order

of transaction volume, the following five countries are highlighted on the map: India (129.3 billion), Brazil (37.4 billion), Thailand (20.4 billion), China (17.2 billion), and South Korea (9.1 billion).

The People's Bank of China has been promoting the RMB since the 2008 global economic crisis. The year 2015 saw two major developments, with the IMF including the renminbi in its SDR basket (effective from 2016) and the Chinese leadership announcing the creation of the Digital Silk Road. However, these steps alone were not enough for the RMB to become an international currency. In 2023, Xi Jinping set new foreign policy goals, one of which was to make the renminbi a global reserve currency (Horváth, 2023). Several factors contribute to a currency becoming international. Key aspects include whether countries use it for foreign exchange reserves, its presence in international trade, and its role in foreign exchange markets. Additionally, the currency must have a liquid financial market – and factors such as trust, stability, low levels of corruption, and minimal capital controls are essential (Baranyai, 2018).

Figure 6 shows the amount of currency issued in China between 2011 and 2023. The polynomial regression analyses the impact of time on the amount of currency issued. The R^2 value of 0.9771 indicates a good fit, meaning that the data is well explained.

Figure 6: Amount of currency issued annually in China, 2011–23 (CNY billion)



Source: Author's own elaboration based on data from Statista (2025f)

5. S&P Global Ranking

S&P Global ranks the world's banks annually and compiles a list of the top 100 banks globally. In both 2023 and 2024, twenty Chinese banks secured a spot, with slight changes being noticeable in the rankings of certain institutions. To just consider the very highest reaches of the list, the world's top four banks by assets in 2023 and 2024 alike were all Chinese. In the newest ranking, the Industrial and Commercial Bank of China (ICBC) held first place, maintaining its position from the previous year. The Agricultural Bank of China moved up to second place, improving from third place in 2023. In 2024, China Construction Bank ranked third, falling one spot compared to the previous year. The Bank of China remained in fourth place. Table 1 shows the ranking of the top twenty Chinese banks based on their assets.

Table 1: Chinese banks in the top 100 banks by assets list, 2024

World ranking 2024	World ranking 2023	Name	Assets (billion USD)
1	1	Industrial and Commercial Bank of China Ltd.	6,303
2	3	Agricultural Bank of China Ltd.	5,623
3	2	China Construction Bank Corp.	5,400
4	4	Bank of China Ltd.	4,578
11	12	Postal Savings Bank of China Co. Ltd.	2,217
15	15	Bank of Communications Co. Ltd.	1,982
25	25	China Merchants Bank Co. Ltd.	1,555
27	28	Industrial Bank Co. Ltd.	1,432
29	29	China Citic Bank Corp. Ltd.	1,276
31	30	Shanghai Pudong Development Bank Co. Ltd.	1,207
34	34	China Minsheng Banking Corp. Ltd.	1,082
39	39	China Everbright Bank Co. Ltd.	955
46	45	Ping An Bank Co. Ltd.	787
61	65	Hua Xia Bank Co. Ltd.	562
71	70	Bank of Beijing Co. Ltd.	503
72	67	China Guangfa Bank Co. Ltd.	495
75	76	Bank of Jiangsu Co. Ltd.	457
79	82	China Zheshang Bank Co. Ltd.	443
81	79	Bank of Shanghai Co. Ltd.	435
93	89	Bank of Ningbo Co. Ltd.	365

Source: Author's own elaboration based on data from S&P Global (2024)

6. The Crypto-Asset That Laid the Foundations for Digital Currencies: Bitcoin

In the early 2000s, technological developments emerged that facilitated the birth of crypto-assets. One of the most well-known crypto-assets is Bitcoin. During the 2008 global economic crisis, Satoshi Nakamoto[3] created Bitcoin (Nakamoto, 2008). Bitcoin is a decentralized cryptocurrency built on public blockchain technology. It has no central authority overseeing it. Bitcoin operates on a peer-to-peer (P2P) network system, utilizing a proof-of-work mechanism. The essence of this mechanism is that special machines compete for the right to validate already completed transactions (Pogátsa, 2014).

Bitcoin uses blockchain technology, which is validated by "miners", who receive new coins for their work. Blockchain is a decentralized ledger technology enabling transparent and immutable transaction records, so called because transactions are validated in blocks (Nakamoto, 2008).

Due to the traceability of blockchain, mixers were created to make it more difficult to identify the person using Bitcoin. The mechanism is similar to putting names into a hat and then drawing one at random. These "names" represent an identical Bitcoin amount. If someone drops their amount into the common pool and then draws one out, they will receive a Bitcoin that has been used by someone else. Bitcoin's market capitalization is significant, with numerous investors, businesses, and institutions showing interest in it. Bitcoin is also commonly referred to as "digital gold", as many compare it to traditional gold as a store of value. However, this comparison is flawed, as Bitcoin lacks any backing and is not stable.

Miners of Bitcoin are essentially part of a modern pyramid scheme. The more they mine, the more they need to mine, but they will never make as much profit as the people at the top of the pyramid. Furthermore, new entrants must take into consideration the fact that their efforts may not be worth the massive energy consumption involved. The total supply of Bitcoin is limited: the maximum issuance is 21 million coins, a figure which is expected to be fully realized by 2140. In 2013, after the shutdown of the Silk Road website,[4] where drugs were purchased with Bitcoin, its value plummeted. It survived mostly due to the naivety of new entrants who believed that they could get rich quickly. While some view Bitcoin as a revolutionary financial innovation that is the digital equivalent of gold due to its limited supply and decentralized nature, others argue that its lack of regulatory oversight poses risks related to market speculation, illicit activity, and financial instability, making it a speculative asset. Academic studies have also questioned its suitability as a long-term store of value due to its high volatility and lack of intrinsic backing (Baur & McDermott, 2010). The actual mining of Bitcoin has been criticized for its high energy consumption and environmental impact, and several governments, including that of China, have banned the activity due to financial and climate-related concerns (Cheng, 2024).

3 The true identity of Satoshi Nakamoto is still unknown, and it is uncertain whether this is one individual or an organized group.

4 The Silk Road website, an online marketplace for drugs and illegal services, was in no way connected with the "Silk Roads" of the BRI.

Alongside its environmental dimension, the ban on Bitcoin mining in China addresses the primary consideration of ensuring financial stability. For a long time now, the Chinese government has been strictly monitoring activities related to cryptocurrencies, as they pose potential risks to the financial system. Decentralized cryptocurrencies raise concerns regarding the facilitation of money laundering and capital flight, as well as the circumvention of state financial regulations.

The discourse surrounding Bitcoin is becoming increasingly nuanced. First and foremost, due to the dramatic fluctuations in Bitcoin's value, many experts view it as a speculative asset that carries significant risks for investors. After peaking at USD 64,000 in 2021, Bitcoin's price quickly dropped in early 2022, raising further questions about its stability. The future of Bitcoin is uncertain, and while some view it as digital gold, others question its utility in future financial systems due to the risks involved in speculative trading.

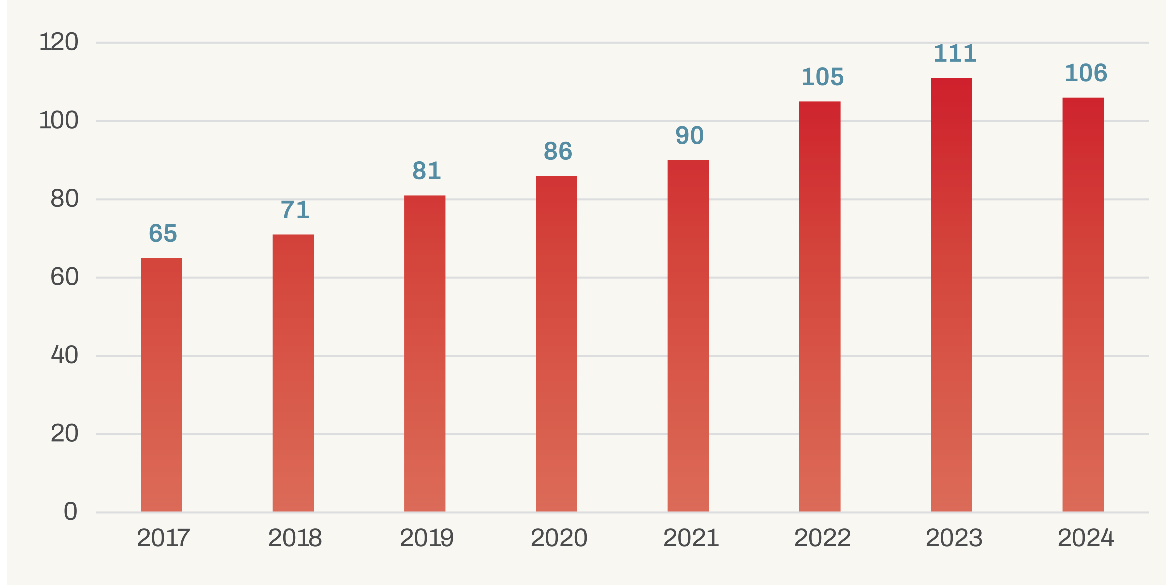
7. What is Central Bank Digital Currency?

Issued by central banks, central bank digital currency is an electronic form of money that – like cash and Bitcoin – enables peer-to-peer transactions without the need for a central intermediary (Bech et al., 2017). It differs from money in bank accounts as it is not created by commercial banks. According to the Bank for International Settlements (BIS), 'A CBDC is a digital payment instrument, denominated in the national unit of account, that is a direct liability of the central bank' (BIS, 2020). CBDC is a new, modernized form of money that keeps pace with technological advances. The value of digital money is expressed in the official currency of the country, for example, in dollars in the USA and in yuan in China.

In the current financial system, there are three types of money: central bank money, bank account money, and cash. Central bank money is issued by national banks and is used for transactions between commercial banks. Bank account money falls under the jurisdiction of commercial banks, and is not physical but rather virtual money, stored in users' bank accounts. Cash consists of physical banknotes and coins. In general, retail customers encounter cash and bank account money. Cash is a risk-free claim on the central bank, whereas bank account money is a claim on commercial banks in digital form. So far, only commercial banks have encountered central bank money, but central bank digital currency would become available to retail users as well (Borsányi & Kóczián, 2023).

In the modern world, the rapid technological development driving global change is the reason why central banks are beginning to develop their own digital currency. Due to technological advancements, nearly all central banks worldwide are working on the development of a digital central banking system and many are considering the introduction of their own CBDC. Figure 7 shows the number of countries developing CBDCs by year. Excluding from 2023 to 2024, the number of countries actively engaged in the development of central bank digital currency shows a constant increase.

Figure 7: Number of countries developing Central Bank Digital Currencies, 2017–24



Source: Author's own elaboration based on data from Statista (2025g)

The use of digital money was accelerated by the Covid-19 pandemic, with a further catalyst being the fast pace of the current economic and financial world order, where instant payments have become the norm (Auer et al., 2020). During the pandemic, countries encouraged their populations to use money in their bank accounts instead of cash, which led to a significant worldwide decrease in cash circulation by 2024.

The growing popularity of cryptocurrencies and digital payment methods poses a serious challenge to traditional financial systems. People are increasingly interested in alternative payment methods that are faster, cheaper, and more anonymous than traditional banking transactions. In light of this, the introduction of CBDC is motivated by the existence of cryptocurrencies, such as Bitcoin and stablecoins.

7.1. Wholesale and Retail Central Bank Digital Currency

Wholesale CBDC facilitates inter-bank financial transactions, which become faster and more cost-effective with its use. In contrast, retail CBDC refers to the use of central bank digital currency by the public and businesses for everyday transactions, such as purchases. An example of this is the digital yuan in China.

7.2. The Advantages and Disadvantages of Central Bank Digital Currency

The advantages of central bank digital currency include better control and regulation of the financial system by central banks, crucial factors in the fight against tax evasion, money laundering, and other criminal activities. As the currency is not paper-based, it can help formalize the grey economy and eliminate counterfeit money. What's more, CBDC could also contribute to sustainability, as it eliminates the need for physical cash, reducing paper usage and the environmental impact of cash production (Náñez, 2023).

However, CBDC also has its disadvantages, and even one of its advantages – traceability – can also be a drawback. Since user transactions can be tracked, governments can potentially monitor these transactions. In addition, while CBDC offers greater traceability and thus control over the financial system, it does not fully eliminate criminal activities, and CBDCs may still be vulnerable to cyberattacks, such as phishing or hacking.

Another downside is that the use of CBDC is tied to digital devices such as smartphones and computers. This could pose technological challenges for those who do not have access to such devices or for those who have difficulty understanding and using them. Additionally, the implementation of CBDC may require significant upgrades in infrastructure, especially in less developed or underdeveloped areas. In China, for example, moving from the coastal cities towards the interior of the country, there are several underdeveloped regions. Improving these areas is essential for the country to achieve its goal of making CBDC accessible everywhere.

8. The Digital Yuan

The digital yuan project would have been difficult to establish without the technological and knowledge-sharing aspect provided by the Belt and Road Initiative or the stability of the renminbi and Chinese banks. The introduction of central bank digital currency is an important step forward in the Chinese financial system, as it enables more efficient financial transactions and payments. The following subsections will discuss the launch, functioning, and impact of the digital yuan.

8.1. The History of the Digital Yuan

The digital yuan (数字人民币, shùzì rénmínbì) project was initiated in 2014. The digital yuan is pegged to the renminbi, with the government backing it. The People's Bank of China acts as the issuer, while Chinese commercial banks handle the distribution. In 2016, China established a research institute to oversee the development of the currency. In 2017, Bitcoin mining was banned in an attempt to limit the presence of other payment systems, although the digital currencies created by Alibaba and Tencent were allowed to continue operating in the country.

In 2018, the research institute of the PBoC established the Shenzhen Fintech Co. Ltd., focusing on technology and fintech development. By 2019, the project had reached the stage where it could enter

the testing phase. In 2020, the digital yuan was tested in three cities: Shenzhen (pop. 13 million), Suzhou (7.1 million), and Chengdu (15 million). During the 2022 Winter Olympics, the digital yuan was used in Xiong'an New Area (pop. 1 million)[5] (Feng, 2022).

8.2. The Relationship Between Bitcoin and the Digital Yuan

Bitcoin is a cryptocurrency created using public blockchain technology. This means that there is no central authority or institution overseeing or controlling the Bitcoin network. Bitcoin transactions are publicly recorded and verifiable on the blockchain. Bitcoin has a significant market capitalization and attracts interest from various investors, businesses, and institutions. In contrast, the digital yuan is a digital payment tool issued by the People's Bank of China and is officially accepted in China. The digital yuan is centrally issued and regulated, unlike Bitcoin, which is decentralized.

The digital yuan is pegged to the renminbi, and one major difference from Bitcoin is that users are identified by their personal information, such as their identity and telephone number, when performing a transaction. While user anonymity is maintained among individuals, it is not ensured in the case of the central authority monitoring the transaction. The digital yuan's transactions can be traced, and analysing this data enables real-time monetary policy adjustments.

Another key distinction is that although the design of the digital yuan owes much to Bitcoin, it is not built on blockchain technology. Instead, it uses tokenization, meaning that the currency appears in digital form as tokens in a central ledger. The central ledger records transactions and money flows, ensuring the stability of the currency. The transfer of tokenized currency is performed via a digital signature, which verifies the user's identity. This signature is created using an elliptic curve-based algorithm, which differs from the one used in cryptocurrency (Working Group on E-CNY, 2021).

Since the digital yuan is centrally issued and regulated by the People's Bank of China, its success will primarily depend on how widely it is adopted and used. If it successfully integrates into China's economy and society, it could have a significant impact on the country's financial infrastructure and economic activity (Szegő, 2022).

8.3. Usage of the Digital Yuan

According to Sándor Borsányi and Balázs Kóczián (2023), financial and economic analysts at the Hungarian National Bank (MNB), there are two possible models for the implementation of central bank digital currencies such as the digital yuan. The first model is a single-tier direct CBDC system, where the central bank directly provides central bank digital currency to retail customers. In contrast, the second model involves intermediaries who facilitate transactions between central banks

5 Located 100 kilometres from Beijing, the Xiong'an New Area was announced in 2017 as a project led by Xi Jinping to ease the capital's administrative, industrial, and population burdens and create connections promoting the integrated economic, infrastructural, and urban development of the Beijing–Tianjin–Hebei region. By 2023, construction of the brand-new urban area had been completed, making it one of China's most modern smart cities (Zheng & Zhang, 2024).

and retail customers. This system operates as a two-tier hybrid CBDC system. In a two-tier banking system, it does not pose a risk to the financial system.

In China, central bank digital currency transactions are handled by commercial banks, based on the Hong Kong system[6] (Pogátsa, 2014). The digital yuan is available in twenty-three cities and regions across China. The intermediaries in the country are Chinese commercial banks authorized to facilitate digital yuan transactions; these include the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, China Construction Bank, the Bank of Communications, the Postal Savings Bank of China, and China Merchants Bank, all of which feature in the S&P Global list of the world's top twenty-five banks in 2024. It is important to note that although Alipay, MyBank, WeChat, and WeBank can also distribute the digital yuan through their commercial banks, they are not involved in its creation.

Table 2: Cities and provinces where the digital yuan is available
Beijing (sites of the Winter Olympics and Paralympics)
Changsha, Hunan Province
Chengdu, Sichuan Province
Chongqing Municipality
Dalian, Liaoning Province
Fuzhou, Fujian Province
Guangzhou, Guangdong Province
Hainan Province
Hangzhou, Zhejiang Province
Huzhou, Zhejiang Province
Jinhua, Zhejiang Province
Ningbo, Zhejiang Province
Qingdao, Shandong Province
Shanghai
Shaoxing, Zhejiang Province
Shenzhen, Guangdong Province
Suzhou, Jiangsu Province
Tianjin
Wenzhou, Zhejiang Province
Xiamen, Fujian Province
Xi'an, Shaanxi Province
Xiong'an New Area, Hebei Province
Zhangjiakou, Hebei Province (sites for the Winter Olympics and Paralympics)

Source: Author's own elaboration based on Huld (2022)

6 The "Hong Kong system" refers to a model in which commercial banks act as intermediaries for central bank digital currency transactions, rather than the central bank dealing directly with individual users.

From a technological standpoint, it is worth noting that transactions occur online, but there is the option to deduct an amount after a specific purchase. The system supports offline transactions via peer-to-peer mode. P2P mode is also popular in cryptocurrencies, as it ensures direct real-time transactions which are secure due to digital signatures. Since transactions occur offline, they are finalized when the system is online. This safeguard is necessary for the digital yuan, as rural areas in the country – where technology is not sufficiently developed – would otherwise be unable to use it.

The digital yuan is convertible to physical cash at a 1:1 ratio. Consequently, it does not earn interest, just like in the case of cash. Although with technological advancements and emerging demand, it might be possible to develop an option that would allow the digital yuan to earn interest, this is unlikely to transpire, as such an eventuality would make it a competitor to the renminbi itself. The amount of digital yuan in circulation within the economy is regulated by the People's Bank of China.

To use the digital yuan, users must create a digital wallet, which requires a telephone number. The digital wallet has multiple tiers, which differ in functionality and security (Huld, 2022). There is a maximum and minimum transaction limit for users who register via phone rather than through a bank. The minimum transaction amount is USD 282; the daily transaction limit is USD 705. The wallet is available on Android and iOS devices with internet access, but an offline solution is also in the pipeline. Before use, the wallet must be loaded; after that, it functions like any other online payment app, with the difference that users can also pay by scanning QR codes. If users accidentally load too much money, or if tourists do not use all of the funds in their wallets, the amount can easily be refunded to the payment card linked to the digital wallet (Feng, 2022).

8.4. Limitations and Geopolitical Challenges

While China has made significant progress in the development and domestic implementation of the e-RMB, several limitations hinder its global geopolitical impact. First, the limited convertibility of the yuan and China's tight capital controls restrict its use as an international reserve currency. Second, concerns about transparency and surveillance deter many countries and private actors from embracing Chinese digital financial infrastructure. Third, Western powers such as the United States and the European Union are developing their own digital currencies (FedNow and the digital euro), which may serve as counterweights to China's ambitions. These dynamics illustrate that while the e-RMB is a powerful tool of digital statecraft, it faces significant external resistance and systemic constraints.

9. Conclusions

The evolution of China's geopolitical thinking throughout history has been a complex and dynamic process, moving from regional isolation to a global presence. During the initial period, when strategists played the key role, Chinese geopolitics relied on natural borders and internal development. However, twentieth-century events, such as Mao Zedong's political line and Deng Xiaoping's reforms, shifted

China's focus towards thinking at a global level. Deng's Reform and Opening Up policy not only spurred economic growth but also reshaped the scientific framework of geopolitical thought.

In terms of addressing the research question, the e-RMB plays a crucial role in China's geopolitical strategy, as the digital currency is not merely a new financial tool but a comprehensive strategy to strengthen global economic influence. First, the introduction of the digital yuan aims to reduce the dominance of the US dollar in the international financial system, thereby enhancing China's position in the global economy. With the help of digital currency, China can build new trade relations, particularly with countries that are already in close cooperation with it (Subrahmanyam, 2023).

The e-RMB also offers China the opportunity to strengthen control over its financial system. The use of the digital yuan enables the tracking of transactions, which can help not only in the regulation of money flows but also in the avoidance of international sanctions, such penalties having the potential to be especially damaging in a dollar-based system. With its CBDC, the People's Republic of China can strengthen its financial sovereignty and better respond to future economic and political challenges.

The digital yuan may also give China a competitive advantage by potentially increasing the use of the renminbi in global trade, especially considering that those countries involved in the Belt and Road Initiative may increase their renminbi reserves. Additionally, since 2015 the Cross-Border International Payments System has facilitated trade using the renminbi in several countries. In unstable nations, the digital yuan could provide an alternative.

Furthermore, digital currencies offer any country several benefits, including better control and regulation of the financial system, which helps in combating tax evasion, money laundering, and other criminal activities. In addition, the use of digital money could contribute to sustainability by reducing the demand for physical cash and thus reduce paper usage, which would have a positive impact on the environment.

The introduction of CBDCs is, however, not without challenges. Due to the traceability of transactions, there is a risk of privacy violations. Although the system helps combat financial crime, it does not eliminate the possibility of cyberattacks.

Moreover, the use of CBDCs is tied to technological devices such as smartphones and computers, which might cause issues for users with limited access to digital tools. Necessary infrastructure developments are of particular importance in economically underdeveloped regions, such as those to be found in China.

As China enters the era of digital currencies, the e-RMB not only serves to modernize the economy but also embodies a new stage in geopolitical games, where the concept of money – as a tool of power – may well be redefined. With the digital renminbi, China could cut through its old problems, which have appeared to be like a Gordian knot, and step into a new era.

Future research on this topic should explore the comparative development of digital currencies across major geopolitical actors, including the EU and the USA. Additionally, the potential use of e-RMB in crisis-prone or sanction-affected economies presents a crucial area for further investigation. As the global monetary order becomes increasingly digitized, the political implications of programmable money will likely become a key frontier in international relations.

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II
SOUTHEAST ASIA COLUMN

APICHA CHUTIPONGPISIT

From Tribute Trade to Modern Business: Revisiting Trade Between Siam and China in the Nineteenth Century

FROM TRIBUTE TRADE TO MODERN BUSINESS: REVISITING TRADE BETWEEN SIAM AND CHINA IN THE NINETEENTH CENTURY

Apicha Chutipongpisit[1]

Abstract

Beginning in the thirteenth century, trade between Siam and China expanded for many centuries through the tribute system and favourable relationships between the Siamese king and the Chinese emperor. A small state with a deep respect for China, Siam was granted special permission and privileges from the emperor to trade in China. This allowed Siam to gain profits from its China trade until the 1840s. After the end of the First Opium War, which was followed by the establishment of treaty ports and the emergence of British Hong Kong, the arrival of free trade environments in South China transformed this region into highly fertile ground for private traders. Siam, of course, lost its profits from the tribute trade, as well as the privileges granted by the Chinese emperor. Despite this, Siam–China trade continued to grow by relying on Hong Kong as an entrepôt port and on the ability of private traders to introduce modern business operations to generate commercial profits during the new era of trade between the two countries.

Keywords: Siam–China trade, Western traders, Chinese traders, British Hong Kong, rice trade

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1. Introduction

The story of Siam–China trade has been examined for many years. Some scholars focus on the growth of the trade under the tribute system, which was known as the royal trade (Deng, 1997; Erika, 2011; Fairbank & Teng, 1941; Gunn, 2011; Hamashita, 1988; Thinanont, 1979; Viraphol, 1977/2014). They point out that Siam began to send envoys with valuable tributes to China during the Yuan Dynasty (1279–1368). This trade flourished during the Ming Dynasty (1368–1644) and the Qing Dynasty (1644–1911) due to a high demand for Siamese goods such as forest products, pepper, tin and various woods, the Siamese demand for valuable goods in return, and the Siamese policy to establish a good relationship with China, the most powerful kingdom in Asia during this period. To enhance profits from the Siam–China tribute trade, the Siamese government relied on Chinese migrants who had the business and language skills to operate such commerce. Although members of the Siamese elite were sent to China, they were only royal delegates to present the tributes to the emperor. While Siam generated large profits from the tribute trade, the Chinese traders and court functionaries were likewise beneficiaries of the opportunity to make a fortune as they were permitted to trade on their own account by loading their goods in the royal junks. They also benefitted from tax exemption and special privileges to conduct their business in coastal ports such as Shanghai, Amoy, Ningpo, Fuzhou and Haikow.

When focusing on the expansion of Siam–China trade, some scholars pay specific attention to the role played by Chinese migrants (Antony, 1993; Ch'en, 1994; Cushman, 1993; Lockard, 2010; Ng, 1983, 2017). They explain that in the Ayutthaya Period (1351–1767), the Chinese in Siam acted as private traders. Most of them were Hokkien Chinese who were skilled in exporting various goods such as rice, dried fish, teak, sappanwood, deer skins, ivory and rhino horn. These Chinese traders dealt with several coastal ports in East China by relying on their commercial connections with their counterparts who were based there. The roles played by the Chinese private traders expanded during the Thonburi Period (1767–82) due to King Taksin's (r. 1767–82) encouragement of Chinese migrants from Guangdong Province (Teochew Chinese) to operate the royal trade and also his granting of permission to the Teochew traders to operate their own business with China to revive the Siamese economic downturn after the fall of Ayutthaya in 1767.

The Chinese dominance in the Siamese economy increased in the Early Rattanakosin Period (Rama I–III, r. 1782–1851). Scholars point out that the Chinese private traders benefitted from the policy of the three consecutive kings allowing them to act as both private traders and local producers (Chavarattanawong, 1997; Eoseewong, 2012; Hong, 1984; Macauley, 2021; Ruangrapee, 1975). In the first half of the nineteenth century, these Siam-based Chinese traders began to produce a variety of goods – such as sugar, pepper, tin, cotton and tobacco – to supply the China market. The Siamese government encouraged them to produce these goods for export as it was a source of state income via taxation. Additionally, the business skills of the Chinese traders led to the opportunity for the Siamese elites to establish a profit-making partnership in the trade between Siam and China.

The story of Siam–China trade – focusing either on the tribute trade or the roles played by the Chinese private traders – tends to explain its growth until the middle of the nineteenth century, when Britain defeated the China in the First Opium War (1839–42). This led to the signing of the Treaty of Nanjing in 1842, which contributed to the decline of Chinese government control on foreign trade and the abolition of economic policies excluding the interests of traders from the West. The Chinese government was forced to open five treaty ports – Amoy, Canton, Fuzhou, Shanghai and Ningpo – in which British traders could reside and pursue their commercial activities freely. Thereafter, China fought against Western countries during the Second Opium War (1856–60), which led to the conclusion of the 1858 Treaties of Tianjin, another unequal settlement between China and Great Britain, France, Russia and the United States. Besides conflicts with outsiders, the government faced an acutely challenging situation due to several domestic rebellions aimed at overthrowing the Qing emperors throughout the 1850s and the 1860s. The chaotic situation in China led King Rama IV (r. 1851–68) to stop sending his royal envoy and tributes to the imperial court.

The ending of the tribute trade between Siam and China and the severe situation likely led to a decline in Siam–China trade in the middle of the nineteenth century. Having said that, the trade gained new impetus through private traders who had business skills and commercial connections. This article will focus on the transition of Siam–China trade in the middle of the nineteenth century, and on how private traders dealt with the China trade after the decline of the tribute system and the removal of the special privileges granted by the emperor. It also looks at how Chinese traders adapted in order to prosper under the free trade environment brought about by the Western powers.

2. The Emergence of Hong Kong: A New Chapter in the South China Trade from the 1840s

In 1839, China was attacked by the British fleet in the First Opium War. The war broke out due to the illegal import of opium into China and the Chinese government's prohibition of its sale (Brown, 2002). Moreover, the British frequently experienced difficulties in their trade dealings with China throughout the seventeenth and eighteenth centuries. The English East India Company (EIC) began to send merchant vessels to deal with import and export trade in China in the early seventeenth century. The EIC, however, was unable to deal directly with China, as it was engaged in trade with the Zheng family – the anti-royalist clan based on Formosa[2] – and had established a company factory on the island. This led to a loss of profits from trade in Chinese coastal ports, which were under Chinese government authority, except for Amoy, which was under the control of the Zheng family. Ultimately, throughout the seventeenth century, the company had to rely on Banten – a centre of Chinese goods under the administration of the Dutch East India Company – to buy Chinese products such as tea, silk and porcelain.

2 Modern-day Taiwan.

In the early eighteenth century, the British began to operate their import-export trade directly with the China market, as the Kangxi Emperor (r. 1662–1722) abolished the prohibition on southern coastal ports in 1684 (Viraphol, 1977/2014; Zhao, 2013). This led to the expansion of the South China trade. The emperor gave permission to foreign traders to do business in Canton, Amoy and Ningpo. The EIC was allowed to set up a factory in Canton in 1715 to deal with the tea trade. The rising demand for tea in Britain led the company to ask for further permission to establish bases in Amoy and Ningpo, convenient for buying tea from the production areas in Fujian, Zhejiang and Anhui. The emperor, however, could not allow this, as the Chinese government's enforcement of a new policy – the Canton System (1757–1842) – prohibited Western traders from entering any port except Canton (Zhao, 2013). In addition to the inconveniences involved in the purchase of tea, the British were also at a disadvantage on account of Hoppos – representatives who were appointed by the Chinese government to operate and control foreign trade (Van Dyke, 2007). Hoppos wielded the authority to make decisions as to which trade would be in operation and which people were allowed to trade. An additional handicap for the British traders came in the form of the Hong merchants, who were allowed to monopolize the tea trade. Tea from various production areas was delivered to Hong merchants and sold at a high price. Tea prices increased considerably in the second half of the eighteenth century when Hong merchants began to organize a form of guild known as *Co-hong* in order to control the Canton market and establish their bargaining and selling power. This led the EIC to suffer from trade imbalance, especially when the demand for tea in Britain rose but the company did not have enough funds for the purchase of tea (Tsai, 2003). In addition, the British goods – a variety of textiles, especially woollen products – could not be sold to cover the expense for tea as there was a low demand for them on the Chinese market.

The story of British trade in China throughout the seventeenth and eighteenth centuries demonstrates that the British traders suffered from the *Co-hong* system. They also faced several inconveniences from regulations implemented within the Canton System. For example, foreign traders were confined to their factories in Canton, the Chinese government avoided dealing with Westerners, with all communications between the government and foreign traders having to pass through the Hong merchants, foreigners were not allowed to employ Chinese servants, and the Chinese government imposed high rates of taxation (Carroll, 2010; Downs, 2014).

In 1793, the British attempted to alleviate these inconvenient regulations by sending a deputation led by George Macartney to negotiate with the Chinese government but the mission was unsuccessful. Macartney's requests were aimed at establishing free trade between Britain and China and removing restrictive regulations in order to increase British commercial interests; this approach, however, clashed with China's conception of its superior status as "the Middle Kingdom" and was also against the Chinese government's interests (Alexander, 1896; Ghoble, 1997). The failure of the negotiations to increase British commercial interests in China led the EIC to import opium – together with Indian cotton goods – to the China market in the late eighteenth century in return for tea (Downs, 2014). The import of opium was, of course, harmful to the Chinese people, as it was not used for medicinal purposes as in the seventeenth century, rather rapidly becoming a widely used narcotic for pleasure.

In 1838, thirty million Chinese were addicted to opium (Ghoble, 1997). The government, therefore, outlawed its import but foreign traders were unconcerned with the prohibition (*North Devon Journal*, 1839). The opium trade continued to expand through smuggling. This led the Chinese government to implement stronger measures to suppress the opium trade (Alexander, 1896; *North Devon Journal*, 1839). Several edicts were implemented to forbid a flow of opium into China. This finally led to the outbreak of the Opium War between China and Britain in 1839, the conflict ending with China's defeat and the conclusion of the Treaty of Nanjing in August 1842.

The Treaty of Nanjing contributed to the abolition of the Canton System, *Co-hong* and other interventions of the Chinese government that had previously blocked equal trade between China and Britain. China was forced to open five treaty ports to the British traders and ceded Hong Kong, which became a British Crown Colony (Nield, 2010). Along with the negotiation on ports and land, British traders were permitted to conduct business transactions with their Chinese counterparts, and to reside and conduct their business in the treaty ports with the British Consul's protection. They also benefitted from a low tax rate imposed on British imports and exports and other fair duties which had been notified and promulgated publicly.

After 1842, Hong Kong was transformed into an entrepôt port in the Eastern Sea to link up a triangular trade between Britain, India and China (Dennys, 1867; Tang 2011). The island was suitable for British trade as it offered a shelter at the mouth of the Pearl River; a gateway to the South China trade, it was useful for loading and unloading shipments, fixing steamers and procuring food for their captains and crews. The colonial government welcomed the setting up of businesses in Hong Kong by both foreign and Chinese traders, especially the Cantonese (Lee, 1991). Western and Chinese shops, firms and warehouses ("godowns") established in Hong Kong multiplied rapidly, especially in Victoria Harbour (*The Friend of China, and Hongkong Gazette*, 1844a).

Table 1 shows the number of firms in Hong Kong and the treaty ports – figures which increased in the first five years following the enforcement of the Treaty of Nanjing. By 1848, Hong Kong had been transformed from a fisheries island with a self-sufficient economy into a hub for Western

Table 1: Number of firms in Hong Kong and other treaty ports in 1848

Port	American		British		British Indian		Danish		German	
	Firms	Number of residents	Firms	Number of residents	Firms	Number of residents	Firms	Number of residents	Firms	Number of residents
Hong Kong	3	16	20	79	3	7	1	3	1	1
Amoy	-	-	3	5	-	-	-	-	-	-
Canton	9	46	32	111	32	117	-	-	3	6
Fuzhou	-	-	-	-	-	-	-	-	-	-
Ningpo	-	-	1	2	-	-	-	-	-	-
Shanghai	5	17	21	63	1	3	-	-	-	-

Source: Hongkong Almanack and Directory for the Year 1848 (1848)

traders, who later also set up branches in the treaty ports – especially Canton and Shanghai – in order to reach the consumers and production areas of inland China. A small number of firms were also established in Amoy, Ningpo and Fuzhou throughout the second half of the nineteenth century (*The Colonies and India*, 1898). These emerging firms cooperated with those in Hong Kong to redistribute Chinese goods to global markets while relying on Hong Kong to import foreign goods to supply the China market in return.

Table 2 shows that several Western firms established in Hong Kong had branches in Canton and Shanghai, exceptions being Syme, Muir & Co. in Amoy, and James Stephenson, which engaged another firm, Mitchell & Co., to act as its branch in Amoy. In terms of business operations, Hong Kong became a centre for collecting several kinds of goods from Europe, India and Southeast Asia, such as Indian cotton goods, woollens, metals, opium, rice, pepper, sugar, coffee, indigo, sandalwood and sappanwood (*The Friend of China, and Hongkong Gazette*, 1844b). These primary and manufactured goods were re-exported to the aforementioned branches in Canton and Shanghai for redistribution to consumers in China. Small amounts of these foreign commodities were re-exported to other ports outside China, such as Singapore, Manila and Sydney, as well as to locations in the USA and Europe (*The Friend of China, and Hongkong Gazette*, 1843b). In turn, these branches procured local Chinese goods – especially various teas, silks and sundries – for the firms based in Hong Kong to re-export to other markets in Southeast Asia, as well as to India, Europe and America (*The Friend of China, and Hongkong Gazette*, 1843a; *Hongkong Government Gazette*, 1856b). Table 2 also shows that the firms in Hong Kong were engaged to be agencies for others, mostly insurance companies based in India, London and America. The firms in Hong Kong served to help these companies to identify market opportunities and deal with customers in a region with which they were unfamiliar.

Table 3 illustrates that firms in Canton and Shanghai engaged those in Hong Kong to be their agents for consignments. They consigned local goods collected from inland China to their agents for resale. The firms in Canton and Shanghai were paid after a deduction of commissions for the agents in Hong Kong. In addition, the firms in Hong Kong procured marketable goods from Southeast Asia, Japan, Korea and Europe on the behalf of firms based in Canton and Shanghai.

After the end of the Opium War, the idea of free trade was introduced to Hong Kong and the treaty ports. This boosted the confidence of a number of firms – especially the British ones – to establish their businesses by relying on Hong Kong as a port for transshipment and redistribution (Tang, 2011). The growth of the Hong Kong trade from the 1840s also led to an introduction of vessels and steamers for shipments. By the late 1850s, Hong Kong had become "the great centre of a Chinese coasting trade" due to a free port policy, a convenient bay for loading and unloading cargoes, a fair tax rate for foreign traders, and the security of life and property (*Hongkong Government Gazette*, 1862; *Montrose Review*, 1859). The emergence of Hong Kong as a commercial port and various other agreements subsequent to the Opium Wars, however, presented not only an opportunity for the British and other foreign traders to trade with China, but also contributed to a change in the trading system in South China, which now relied on a consignment system, large freight for shipments and the establishment of business connections.

Table 2: Western firms in Hong Kong – branches and engagement as agencies in 1848		
Firm	**Branch houses**	**Engaged as agency by**
British firms		
Blenkin, Rawson & Co.	Canton / Shanghai	Lloyd's London Underwriter's Liverpool
Dent & Co.	Canton / Shanghai	Bombay Insurance Company Calcutta Insurance Company Constituent's Insurance Co. Forbes's & Co. London Assurance House Tropic Insurance Company Union Insurance Society
Fletcher & Co.	-	Dearie, Calvert & Co. Dirom, Gray & Co. Kennedy McGregor & Co.
Gibb, Livingston & Co.	Canton / Shanghai	-
Gilman & Co.	Canton / Shanghai	India & China Insurance Company
Hegan & Co.	Shanghai	-
Holliday, Wise & Co.	Canton / Shanghai	-
James Stephenson	-	-
Jamieson, How & Co.	-	-
Jardine, Matheson & Co.	Canton / Shanghai	Alliance Insurance Office Canton Insurance Office Bombay Insurance Society Bengal Insurance Society Hope Insurance Company Reliance Marine Insurance Office
John G. Morison	-	-
Lindsay & Co.	Canton / Shanghai	Equitable Insurance Society
Macvicar & Co.	Canton / Shanghai	Asiatic Marine Insurance Society Bombay Commercial Office Calcutta Insurance Office Imperial Fire Office
Oriental Bank	Canton	-
Phillips, Moore & Co.	Shanghai	R. Oswald & Co.
Robert Strachan	-	-
Syme, Muir & Co.	Amoy	-
Turner & Co.	Canton / Shanghai	Commercial Insurance Company of Calcutta Standard Insurance Company of Calcutta
W. & T. Gemmell & Co.	-	-
William Scott & Co.	-	-
British Indian firms		
A. Viegas	Canton	-
Camajee Pochajee & Co.	Canton	-
Framjee Jamsetjee	-	-
American firms		
Bush & Co.	-	-
Drinker Heyl & Co.	-	Underwriters of Boston, NY, and Philadelphia
Rawle, Duus & Co.	Shanghai	-
Danish firms		
Burd, Lange & Co.	-	-
German firms		
Pustau & Co.	Canton	-

Source: Hongkong Almanack and Directory for the Year 1848 (1848)

<table>
<tr><th colspan="3">Table 3: Western firms in Canton and Shanghai and their agents in Hong Kong</th></tr>
<tr><th>Firm</th><th>Nationality</th><th>Agent in Hong Kong (nationality)</th></tr>
<tr><td colspan="3">Firms in Canton</td></tr>
<tr><td>Dallas & Co.</td><td rowspan="32">British</td><td rowspan="6">Rawle, Duus & Co. (American)</td></tr>
<tr><td>George Barnet & Co.</td></tr>
<tr><td>Henderson, Watson & Co.</td></tr>
<tr><td>James L. Mann & Co.</td></tr>
<tr><td>Moul, H. & Co.</td></tr>
<tr><td>Sear, B. & Co.</td></tr>
<tr><td>Boustead & Co.</td><td rowspan="4">Bush & Co. (American)</td></tr>
<tr><td>Comstock & Co.</td></tr>
<tr><td>Rathbones, Worthington & Co.</td></tr>
<tr><td>David Sassoon Sons & Co. (Baghdadi)</td></tr>
<tr><td>Chalmers & Co.</td><td rowspan="3">Jamieson, How & Co. (British)</td></tr>
<tr><td>Murrow & Co.</td></tr>
<tr><td>Seth & Co. (Armenian)</td></tr>
<tr><td>Dirom, Gray & Co.</td><td rowspan="3">Fletcher & Co. (British)</td></tr>
<tr><td>Dearie, Calvert & Co.</td></tr>
<tr><td>Kennedy McGregor & Co.</td></tr>
<tr><td>Crooke & Massey</td><td rowspan="14">Franklyn & Milne (NA)</td></tr>
<tr><td>Fischer & Co.</td></tr>
<tr><td>Aga Mirza Bozrug & Co. (Persian)</td></tr>
<tr><td>Cowasjee Sapoorjee & Co. (Parsee)</td></tr>
<tr><td>Cursetjee Hormusjee Buttewalla & Co. (Surat)</td></tr>
<tr><td>Dadabhoy Burjorjee & Co. (Parsee)</td></tr>
<tr><td>Dadabhoy Neserwanjee Mody & Co. (Parsee)</td></tr>
<tr><td>D. & M. Rustomjee & Co. (Parsee)</td></tr>
<tr><td>Manackjee Bomanjee & Co. (Parsee)</td></tr>
<tr><td>Noor Mahomed Dhatabhoy & Co. (Surat)</td></tr>
<tr><td>P. & D. Neserwanjee Camajee & Co. (Parsee)</td></tr>
<tr><td>Saboo Tyeb & Co. (Surat)</td></tr>
<tr><td>Soomjee Visram & Co. (Surat)</td></tr>
<tr><td>V. Rahun & A. Nayanee (Surat)</td></tr>
<tr><td>Cursejee P. Cama & Co. (Parsee)</td><td rowspan="2">Jamieson, How & Co. (British)</td></tr>
<tr><td>Pestonjee Framjee Cama & Co. (Parsee)</td></tr>
<tr><td>A. A. Richie & Co.</td><td rowspan="9">American</td><td rowspan="5">Rawle, Duus & Co. (American)</td></tr>
<tr><td>Olyphant & Co.</td></tr>
<tr><td>Sword & Co.</td></tr>
<tr><td>Tiers, Bourne & Co.</td></tr>
<tr><td>Wetmore & Co.</td></tr>
<tr><td>Bull, Isaac, M. & Co.</td><td rowspan="4">Bush & Co. (American)</td></tr>
<tr><td>Heard, A. & Co.</td></tr>
<tr><td>Nye, Parkin & Co.</td></tr>
<tr><td>Russell & Co.</td></tr>
</table>

Firm	Nationality	Agent in Hong Kong (nationality)
E. Moorman & Co.	Dutch	Bush & Co. (American)
M. J. Senn Van Basel		Rawle, Duus & Co. (American)
Reynvaan & Co.		
Vanderburg		Phillips, Moore & Co.
Carlowitz, Harkort & Co.	German	Bush & Co. (American)
D. W. Schwenmann		
Bovet, Brothers & Co.	Swiss	F. Spring (NA.)
Reiss & Co.		Holliday, Wise & Co. (British)
Edward Vaucher		Rawle, Duus & Co. (American)
Firms in Shanghai		
Alexander Johnston	British	Bush & Co. (American)
Boustead & Co.		
Henderson, Watson & Co.		
G. F. Hubertson		
Rathbones, Worthington & Co.		
Bilman, Bowman & Co.		Gilman & Co. (British)
Dirom, Gray & Co.		Fletcher & Co. (British)
Dent, Beale & Co.		Dent & Co. (British)
Platt, Hargreaves & Co.		Rawle, Duus & Co. (American)
Ripley & Co.		Syme, Muir & Co. (British)
White J. & Co.		Phillips, Moore & Co.
C. S. Lungrana & Co.	British Indian	Bush & Co. (American)
Heard A. & Co.	American	Bush & Co. (American)
Russell & Co.		
Wolcott, Bates & Co.		
Wetmore & Co.		Rawle, Duus & Co.
Woodbery, Baylies & Co.		Drinker, Heyl & Co.
Bach & Arone	French	Pustau & Co. (German)

Source: Hongkong Almanack and Directory for the Year 1848 (1848)

3. Siam–Hong Kong–China Trade from the 1850s: Commodities, Traders and Business Patterns

After the British took possession of Hong Kong and developed the island to be an entrepôt port, the introduction of a free trade policy contributed to the decline of the tribute trade that had been operated via state relationships for many centuries. A growing number of firms and an influx of foreign traders in Hong Kong and the treaty ports introduced a new pattern of business operations, relying on agents and the consignment system, business connections between private traders, and the large capacities of sailing vessels and steamers (*Chronicle and Directory*, 1864, 1877; *Hongkong Almanack and Directory*, 1850; *Hongkong Government Gazette*, 1856a).

For Siam, although the beginning of the Opium War and the introduction of a free trade system in South China led to the decline of the tribute trade and other privileges which had been granted by the Chinese emperor, this did not represent an obstacle for the continuance of its trade with China. The ending of Chinese government control on coastal trade led King Rama IV to pay less attention to the sending of tribute missions, which had previously been used for requesting special privileges from the emperors (Viraphol, 1977/2014). In addition, the opening of Hong Kong and the treaty ports, as well as the removal of the preferential policy for Chinese junks, led to a freedom for private vessels and steamers to reach the South China markets. Siam, therefore, began to send vessels and steamers for unloading shipments in China, while junks – which had smaller capacity and carried more risk – did not need to ask for favours from the Chinese government, which preferred to welcome the tribute and private junks (Cushman, 1993). In the mid-1840s, Siam began to build large square-rigged vessels to carry the royal cargo to Canton and also engaged British vessels for shipments from Bangkok and other eastern and southern ports of Siam to China (*The Singapore Free Press and Mercantile Advertiser*, 1847). In the 1850s and 1860s, the Siamese kings, elites and Chinese traders invested their capital to build a number of Western-style vessels for shipping cargo to Hong Kong (*Bangkok Calendar*, 1861). Of course, the introduction of square-rigged vessels for shipments was beneficial for carrying large and heavy cargo; in addition, it increased efficiency by saving time and reinforced maritime security. Although junks were used for shipments until the middle of the nineteenth century, they only carried light cargoes. The changing situation in the South China trade and the convenience of using modern vessels contributed to the removal of the Siamese tribute trade policy in the 1850s, by which time it had become ineffective in helping Siam to gain commercial profits and compete with Western private traders.

In addition to the decline of the tribute trade, the transformation of the Siamese economy in the mid-1850s was another factor which led to a change in the pattern of Siam–China trade. The signing of the Bowring Treaty between Siam and Britain in 1855 – followed by other treaties with Western countries – contributed to the abolition of Siamese government control on foreign trade and the role played by the royal junks in dealings with China (*Hongkong Government Gazette*, 1856c). From 1855, the Siamese government introduced a free trade policy that led Siam to become an export-oriented country, relying on the four major commodities of rice, teak, tin and para rubber. This also led Siam to import a variety of consumption goods, especially textiles from India, as the Siamese turned to focus more on rice cultivation and working as an agricultural labour force. As far as production, export and shipping operations were concerned, these were in the hands of Western and Chinese private traders, who now grasped this valuable opportunity to make a fortune while the Siamese government obtained profits from tax income on production and foreign trade.

The introduction of the concept of free trade in Siam contributed not only to a changing local economic structure but also to the way in which Siam participated in the China trade. The emergence of Hong Kong allowed private traders from Siam to rely on the island for the redistribution to China of their products such as rice, paddy, sugar, salt, sappanwood, tin, hemp, teak and rosewood (*Commercial Reports by Her Majesty's Consul-General in Siam*, 1870–1873). Siam also purchased goods such as silk pieces, mat bags, tiles, salt garlic, liquors, gold thread, iron, glassware, brass and copperware, and crockery for its return cargo (*Commercial Reports from Her Majesty's Consuls in China and Siam*, 1864–1867). By the late nineteenth century, therefore, Hong Kong had become one of the most important Asian ports for Siamese trade – especially for exports – compared to other ports such as Java, Manila, Saigon, Bombay and Yokohama, as well as ports on the Malay Peninsula. Ports in South China such as Canton and Shanghai, however, continued to be a destination for Siamese trade but proved to be less important compared to Hong Kong. In contrast, when it came to Siamese imports, Hong Kong was less important than Singapore, which was a major port for loading several kinds of goods from Europe, India and other regions that were destined for Siam.

When Hong Kong became an essential port for Siamese trade in the middle of the nineteenth century, private traders in Siam began to establish business links with it. From the 1850s to the 1870s, the signing of treaties with Western countries allowed Western traders to set up firms in Bangkok, including D. K. Mason & Co., the Borneo Company Limited, Remi Schmidt & Co., Pickenpack Thies & Co., A. Markwald & Co., A. M. Odman & Co., John Gunn & Co., L. Malherbe & Co., and Windsor & Co. (*Bangkok Calendar*, 1862, 1869). These firms were trading firms dealing with imports and exports by setting up their branches in trading centres; for example, the Borneo Company set up branches in Hong Kong, Shanghai, Calcutta and Southeast Asian ports such as Singapore, Sarawak, Batavia and Surabaya. The Borneo Company relied on its offices in these trading ports to be collection points of local commodities, and transshipment and redistribution centres. In the case of Remi Schmidt & Co., the firm set up branches in Shanghai, Tianjin (Tientsin) and Kanagawa to deal with the China and Japan trade (*Bangkok Calendar*, 1865, 1868).

Once the import-export business of these Western firms grew, they began to invest in production, operating rice mills and sawmills, and later becoming involved in the timber industry. For example, the Borneo Company partnered with A. M. Odman & Co. to operate a rice milling business known as The Bangkok Rice Mill Company (*Bangkok Calendar*, 1868). Another firm worth highlighting was Pickenpack Thies & Co., which took over the American Steam Rice Mill Company in the mid-1860s and was operative until the 1880s. A. Markwald & Co. also invested in the rice milling business under the name of A. Markwald & Co.'s Steam Rice Mill (*Bangkok Calendar*, 1865). The extension of Western investment in the rice milling business was a result of the high demand for

Siamese rice in the second half of the nineteenth century. Rice was exported to the two centres of the rice trade – Hong Kong and Singapore – for redistribution to inland China and Southeast Asian markets respectively (*The Straits Times*, 1898).

In addition, the Western firms in Bangkok extended their business to shipping. In the case of Windsor & Co., the firm invested in the rice milling business for a short period and then shifted its focus onto shipping by acting as the Bangkok agency for steamship lines. In the mid-1880s, Windsor & Co. started its new line of business by acting as the agent for steamers owned by the Scottish Oriental Steamship Co., running between Hong Kong and Bangkok (*Singapore and Straits Directory*, 1886). Windsor & Co. procured the Siamese goods for loading into these steamers bound from Siam to Hong Kong. The firm cooperated with the Chinese Hongs (the Chinese factories/merchants) in Hong Kong, such as Kien Tye Long, Yuan Fat Hong and Hop Hin Hong, to unload cargos from Siam for resale or redistribution by local firms and shops in Hong Kong (*Chronicle and Directory for China, Japan and the Philippines*, 1869; *Singapore and Straits Directory*, 1891). The cooperation between Windsor & Co. and Yuan Fat Hong, however, terminated in the early 1890s. Windsor & Co. cooperated with a new firm, Butterfield & Swire, based in Hong Kong and Swatow, to continue their shipping business in China (*Singapore and Straits Directory*, 1893). The shipping business operated by Windsor & Co. was one of the major factors which contributed to the expansion of Siam–Hong Kong trade, especially the rice trade. The operations of the firm linked the Siam–Hong Kong–China trade route and facilitated large shipments by high-capacity steamers for consumers in China (*The Singapore Free Press and Mercantile Advertiser*, 1896; Wilson, 1978).

The new phase of Siam–China trade started in the middle of the nineteenth century due to China's defeat in the Opium War, the emergence of British Hong Kong, and the beginning of free trade in South China and Siam. These factors contributed to the rise of private traders, while the role of the state in this trade declined. The Western firms made a fortune from this free trade environment, ensured by several treaties with China and Siam throughout the 1840s and the 1850s. These firms became the first group which was able to gain large profits from the new phase of Siam–China trade. They then passed on modern business techniques to local traders, especially the Chinese, who were able to adapt themselves to participate in this new business operation. Alongside the Western traders, by the 1880s the Chinese traders had therefore risen to prominence in trade between Siam and China, as can be seen in the case of the Siamese rice trade.

4. Chinese Traders and the Siam–Hong Kong –China Rice Trade: Following in Western Footsteps for Profits

In general, many scholars point out that the Chinese traders in Siam dominated the Siam–Hong Kong rice trade, which grew rapidly after the signing of the Bowring Treaty in 1855. This seems to overestimate the role played by the Chinese traders, as in fact the growth of the Siam–Hong Kong rice trade stems from the modern business operations introduced by Western firms. Without these new business operations through the consignment system and the high capacity of steamers, the rice trade would have been unable to grow. In addition, the Western traders were allowed to conduct their business in Siam from the mid-1850s. They went to Bangkok, set up their firms, and found opportunities in the trading business. Rice, one of the more profitable commodities produced in Siam, was expected to be a new fortune for these Western traders, as it could generate high profits from low capital. Without the Western traders' business skills in rice milling, export and shipping, the Siamese rice trade would not have been capable of expansion within an emerging free trade environment.

The Western firms dominated the rice business throughout the 1860s and the 1870s but subsequently lost their position to the Chinese traders who began to participate in the business from the mid-1870s. The Chinese traders followed the Western traders in dealing with production and export, while the shipping business remained in the hands of the Western firms due to their ability to invest large amounts of capital for maritime shipment.

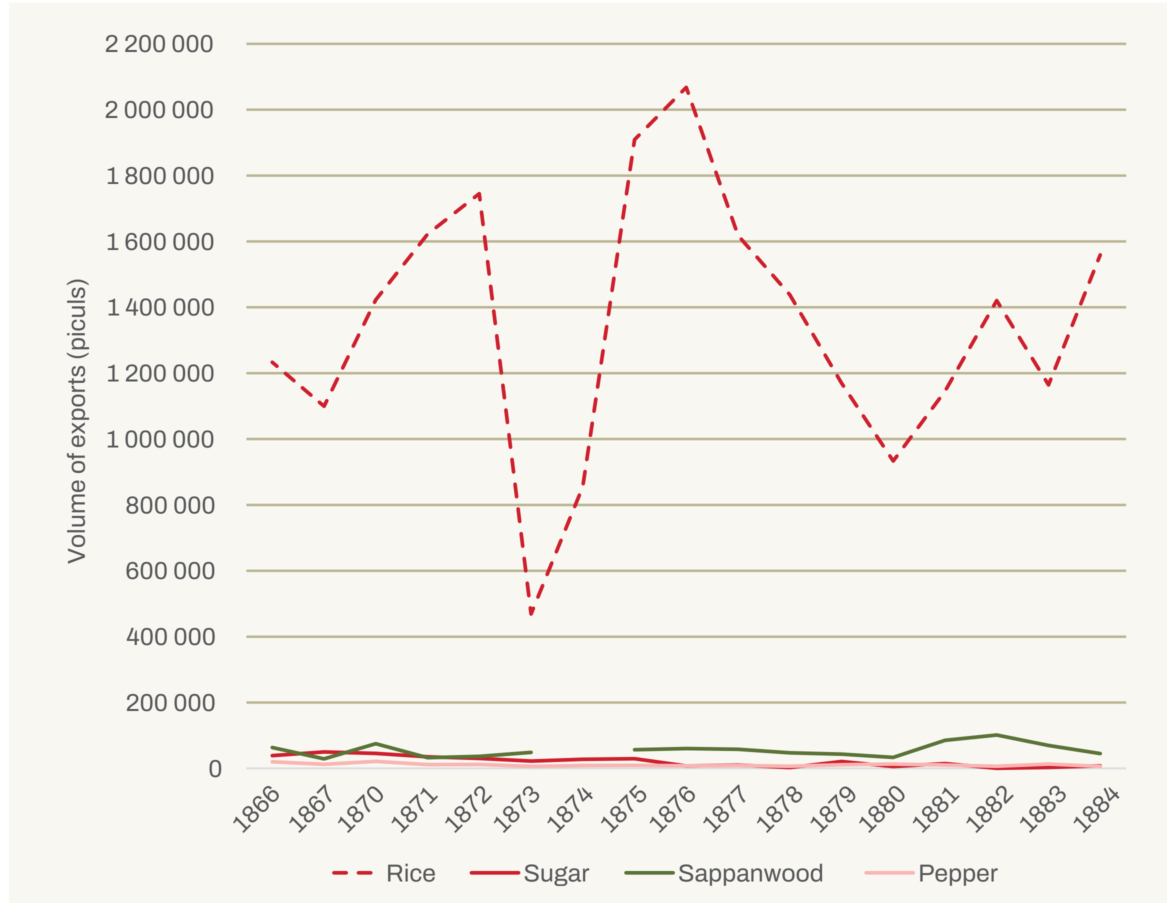
Figure 1 shows the volume of four major Siamese exports to Hong Kong between 1866 and 1884. From the mid-1860s, rice was the most important export from Siam to Hong Kong compared to other commodities such as sugar, sappanwood and pepper, which had been major exports from Siam to China during the first half of the nineteenth century. This was the result of three factors.

Firstly, the demand for rice in South China increased throughout the nineteenth century. A lack of agricultural areas in Fujian and Guangdong Provinces, and an increase in population provided an opportunity for Siam to export rice to supply these two markets (*Commercial Reports by Her Majesty's Consul-General in Siam*, 1875).

Secondly, the introduction of a free trade policy followed by the abolition of the Siamese government control on the exportation of rice from the mid-1850s contributed to a large volume of rice exports except at times when rice was scarce. This new economic policy allowed private traders to invest their capital in the rice business. The Western firms seized this opportunity and introduced modern technologies in rice milling to increase production. The Chinese traders learned how the Western firms dealt with rice milling and began to set up their own mills. In the mid-1870s, the Chinese traders' dominance in the rice milling business increased, while that of the Western traders decreased (*Commercial Reports by Her Majesty's Consul-General in Siam*, 1876). This was a result of the Chinese traders' connections with local Chinese middlemen, by which they sought a low price for paddy for their rice mills. The Western traders, without these connections, suffered from the competition with the Chinese traders in purchasing paddy, which they eventually had to buy at a higher price.

Thirdly, the Chinese traders' businesses adapted to deal with a free trade environment. After the emergence of British Hong Kong, the Chinese traders in Siam had to adapt themselves to a highly competitive environment in the China trade – one which was very different from the tribute system and trade under the patronage of the Chinese emperor. The capacity to increase rice production was not the only factor required for success in the Siam–China rice trade; in addition, there was a need

Figure 1: Volume of Siamese exports from Bangkok to Hong Kong, 1866–1900 (piculs)



Sources: Commercial Reports from Her Majesty's Consuls in China, Japan, and Siam (1866, 1867); Commercial Reports by Her Majesty's Consul-General in Siam (1870–1884)

to cope with the market environment in Hong Kong, which was a centre for rice distribution to South China. The Chinese rice traders in Siam had to do business via a consignment system, which forced them to establish close connections with their compatriot counterparts in Hong Kong for the favour of selling their rice at a profitable price. In addition, the Chinese rice traders in Siam had to cooperate with the Western shipping agents in Bangkok for rice shipments to Hong Kong, as in the late nineteenth century the Chinese traders did not have their own shipping company.

These three factors contributed to a rapid growth in rice exports from Siam to China via Hong Kong throughout the second half of the nineteenth century. The Chinese traders adapted themselves to the new economic environment in the Siam–China trade route. With their eagerness to learn from the Westerners, they began to set up firms in Bangkok to deal with rice milling and exports. The Chinese traders who had large enough capital established branches in Hong Kong; for example, Koh Mah Hua established his firm to operate five rice mills in Bangkok (*Singapore and Straits Directory*, 1895). He also set up his firm in Hong Kong, known as Yeun Fat Hong, to deal with the sale of rice. Some Chinese traders relied on their family firms in Hong Kong to facilitate rice export and redistribution. This was the way in which the Chinese traders could avoid problems from the consignment system once they had to rely on local firms in Hong Kong to manage their rice selling. In the case of the Wanglee family, Chen Cihuan (Tan Che Wang) established his own firm, known as Wanglee & Co., to deal with rice milling and export in 1871. He owned five large rice mills in Bangkok (*Singapore and Straits Directory*, 1887). Without a branch of his own in Hong Kong, Chen relied on his father's firm, Kien Tye Lung Company, which was located there, to manage his rice selling and distribution.

The expansion of the Chinese rice business is a case study which demonstrates how trade between Siam and China grew in the second half of the nineteenth century. Without the tribute system and state relationship, the opportunity arose for Chinese private traders to do business in South China. By relying on the Western business pattern and their commercial connections in Hong Kong, the Chinese rose to prominence in the Siam–China rice trade and remained dominant until the turn of the century.

5. Conclusions

The trade between Siam and China in the nineteenth century is important to revisit, as this was a turning point, marking a transition from the traditional trade – conducted under the tribute system and state patronage – to a modern business structure led by private traders. Earlier studies point out the role of the Chinese traders in this long journey, which – after the opening of the treaty ports and the emergence of Hong Kong – conveyed the former control of the Chinese government and dominance of the Hong merchants into the hands of the Chinese private traders. The developments in Siam–China trade in the middle of the nineteenth century, however, ensured that Western traders – with their modern business operations relying on the consignment system, agents, large shipments and multi-racial business cooperations – became a fundamental factor in the growth of this trade throughout the second half of the nineteenth century. This Western influence was passed on to the Chinese traders, who adapted to engage effectively with these new business conditions in order to ensure the continuity of their profits up until the dawn of the twentieth century.

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PÉTER KLEMENSITS

A Framework of China–Philippines Relations: Historical Context, Economic Partnership and Geopolitical Disputes

A FRAMEWORK OF CHINA–PHILIPPINES RELATIONS: HISTORICAL CONTEXT, ECONOMIC PARTNERSHIP AND GEOPOLITICAL DISPUTES

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Abstract

This article explores the complicated bilateral relationship between China and the Philippines, highlighting the historical antecedents that shape their current interactions. It investigates the multiple dimensions of their relationship, including the political, economic and cultural spheres, highlighting the interplay between cooperation and conflict. The analysis begins with a historical overview, followed by an examination of the economic partnership, which includes significant trade and investment flows. The study also scrutinizes the contentious territorial disputes that have arisen over time and places these issues in the broader geopolitical context. By assessing current trends and potential future developments, this paper seeks to provide a comprehensive understanding of the complexity of the relationship between China and the Philippines, emphasizing the influence of economic interests, national security concerns and regional dynamics.

Keywords: Southeast Asia, China, Philippines, foreign policy, economic relations, geopolitics

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1. Introduction

Presenting the bilateral relations between two countries in the context of a study is no easy task, especially when dealing with two large nations like China and the Philippines. Without centuries of interaction, i.e. without historical antecedents, it is impossible to understand the complex relationship that exists today, which of course requires an in-depth analysis of interactions in the political, economic and cultural spheres. The presentation of these areas would indeed merit a separate analysis, which cannot be undertaken in the present study for reasons of space.

This paper sets the stage for understanding the complex relationship between China and the Philippines, emphasizing their historical ties and the interplay between cooperation and conflict. This relationship is influenced by economic interests, geopolitical realities and national security interests. First, the historical background is outlined; this is followed by a discussion of the economic partnership between the two nations, the territorial disputes that have caused the most controversy, and finally the geopolitical context. The study also surveys trends in current relations and possible future developments, providing a valuable overview of this complex issue.

2. Historical Context

The historical relationship between China and the Philippines encompasses diverse interactions over many centuries. Early Chinese immigration led to trade routes and cultural exchange, creating a foundation of kinship that endures to this day. Spanish colonization introduced Christianity and changed population dynamics, while American colonial rule had strategic implications and fostered dependence on Western support. Understanding this history helps to illustrate the cultural proximity and economic dependencies that exist despite current challenges.

Prior to the arrival of colonial powers, there was already significant trade between Chinese merchants and the Indigenous inhabitants of the Philippines (Scott, 2015). Trade took place mainly via the sea routes, with Chinese traders exchanging goods such as silk, porcelain and spices for local commodities such as gold, pearls and agricultural produce. During this time, many Chinese migrants settled in the Philippines and formed early Chinese communities (the “Sangley” community in the Philippines). This created a cultural and demographic connection that continues to influence Philippine society today.

The arrival of the Spanish colonizers marked a turning point in the relationship.[2] The Spanish sought to control trade in the region and viewed the Chinese merchants as both competitors and potential allies. The Manila–Acapulco galleon trade established direct trade routes between the Philippines and Mexico, further integrating the Philippines into global trade networks. Chinese merchants played a crucial role in the supply of goods and services. At the same time, Chinese immigration

2 The Philippines came under Spanish colonial rule in 1565 and remained under Madrid’s control until 1898.

was accompanied by social and ethnic tensions. The Spanish colonial government imposed various restrictions on Chinese immigrants, which, provoked by economic disenfranchisement and harsh treatment, led to tensions and uprisings – such as the revolts of 1603 and 1639 (Borao, 1998).

With the end of Spanish rule, the USA took over control of the Philippines,[3] and introduced new socio-political structures and measures. During American rule, laws were enacted to regulate immigration,[4] which also affected the Chinese community in the Philippines. Despite the tensions, however, there was also increased cultural exchange during this time, and Chinese cuisine, traditions and practices were integrated into Filipino culture, especially in urban areas.

After the Philippines gained independence in 1946, the country's relationship with China evolved over the course of various political and ideological changes. During the Cold War, the Philippines sided with the United States, which affected its ties with China, especially following the establishment of the People's Republic of China in 1949. Diplomatic relations were strained due to ideological differences.

Ferdinand Marcos, who was elected president in 1965, was a staunch ally of Washington, which allowed his authoritarian regime from 1972 onwards to operate unhindered until 1986. In response to internal problems, Marcos pursued a more open economic policy than before, which also implied an "open foreign policy". Essentially, he used the phase of détente in the international system offered by the end of the Vietnam War to forge closer relations with neighbouring countries, which he was able to do – both in terms of security policy and the economy – after the founding of the Association of Southeast Asian Nations (ASEAN) in 1967. With his export-oriented economic policy, Marcos tried to follow the examples of Taiwan and South Korea. The establishment of diplomatic relations with China also contributed to its success.[5] In line with the Nixon Doctrine, China–Philippines relations began to develop at this time, with the Chinese government enacting a number of economic measures to this end – for example, lowering fuel prices for Manila (Yin, 2017).

Marcos' "independent" foreign policy strategy aimed to utilize multilateral relations aimed at normalizing relations with developing UN member states, the Islamic Conference and the socialist countries of Eastern Europe, in addition to fellow ASEAN states, while maintaining a harmonious relationship with the USA (Resos, 2013).

The 1992 presidential election in the Philippines was won by General Fidel Ramos, who emphasized the need to develop a "new relationship" in which economic and defence issues were embedded in a national security strategy, the successful implementation of which was also in the vital interest of the United States. In addition to ties with the USA, Ramos' strategy of "diplomacy for development" also called for closer cooperation with ASEAN and the Asia-Pacific Economic Cooperation (APEC), including China. The liberalization of the energy and telecommunications sectors, followed by the

3 As a result of the Spanish–American War of 1898, the Philippines came under US colonial rule.

4 There is an echo here of the USA's Chinese Exclusion Act of 1882.

5 The Philippines formally initiated diplomatic relations with China in 1975; a year later, relations were also established with the Soviet Union and the Eastern European countries.

country's membership in the World Trade Organization (WTO), was particularly conducive to the emergence of foreign business circles. Following the policy initiated in 1987 by his predecessor, Corazon Aquino, who had replaced Marcos the previous year, Ramos abandoned the "one China policy" in favour of investment in Taiwan; advocating the principle of "the other China", he essentially continued to prioritize relations with Taiwan (Yin, 2017).

3. Economic Relations

Following the impetus given by the establishment of diplomatic relations in 1975, economic relations between China and the Philippines have intensified significantly in recent decades, especially since 2000. The volume of trade between the two countries has increased remarkably, a fact underscored by statistics showing that bilateral trade has grown exponentially.

Investment relations and extensive cooperation in various sectors are also flourishing. Chinese investments in infrastructure – through initiatives such as the Belt and Road Initiative (BRI)[6] – aim to improve the Philippines' connectivity and development. Nevertheless, concerns about the debt sustainability and environmental impact of these projects have sparked debates about the Philippines' economic dependence on China (Heydarian, 2019).

By 2015, China had become the Philippines' largest trading partner (Xinhua, 2023). The Philippines imports a wide range of products from China, including machinery, electronics, telecommunications equipment, textiles and consumer goods. Regarding exports, the Philippines supplies China with agricultural products, electronic goods and other commodities. The aforementioned agricultural products, such as bananas, coconuts and seafood, are particularly important for the Philippines and greatly contribute to its export earnings.

In 2022, bilateral trade reached about USD 68.9 billion, with the Philippines exporting goods worth about USD 15.3 billion to China and with the value of imports totalling around USD 53.6 billion, highlighting a trade imbalance that raises interdependence concerns in the Philippines (OEC, n.d.). In 2023, China (excluding Hong Kong) accounted for 14.6% of the Philippines' trade (Workman, 2024).

China has become one of the most important sources of foreign direct investment in the Philippines, particularly in the infrastructure, real estate and energy sectors. In 2022, annual Chinese direct investment in the Philippines amounted to approximately USD 271 million (Textor, 2024). The Philippines is a participant in China's Belt and Road Initiative, which aims to improve regional

6 The 21st Century New Maritime Silk Road is of particular importance to Southeast Asian countries, including the Philippines. It is a key component of China's Belt and Road Initiative, which was announced by President Xi Jinping in 2013. The BRI aims to promote global trade and boost economic growth across Asia and beyond through connectivity and infrastructure development. The Maritime Silk Road focuses specifically on developing sea routes and improving maritime trade links between China and various countries in the Indo-Pacific and Indo-Mediterranean, starting in the South China Sea and encompassing ports in Southeast Asia, South Asia, the Middle East, Africa and Europe.

connectivity. Chinese investments in infrastructure projects such as roads, bridges and railroads targeted under the initiative aim to address the Philippines' infrastructure deficits. Certain high-profile projects, such as the USD 4-billion South Commuter Railway project, aim to improve transportation and reduce congestion in urban areas (ADB, n.d.).

Beyond infrastructure, Chinese investment is also notable in the areas of technology, manufacturing and housing. The establishment of special economic zones to attract Chinese companies is intended to boost the local economy and create employment opportunities.

Tourism is another important facet of the economic relationship. Before the Covid-19 pandemic, Chinese visitors were a significant source of revenue for the Philippine tourism sector, making China the country's second largest source of tourist arrivals (Department of Tourism, 2019). Various incentives and marketing strategies have secured the Philippines' reputation as a premier tourist destination, benefiting local economies that are dependent on tourism.[7]

People-to-people exchanges have strengthened bilateral relations and facilitated educational programmes, scholarships and cultural festivals. These initiatives promote goodwill and a better understanding of the partner's culture, which in turn strengthens economic cooperation.

Despite the growth in economic relations, several challenges pose risks to the relationship. Its sizable trade deficit highlights concerns about the Philippines' over-reliance on China for imports, especially as many sectors remain vulnerable to supply chain disruptions. Projects financed with Chinese loans are associated with debt sustainability concerns. Thanks to the country's macroeconomic stability, however, the country is not threatened by the "Chinese debt trap", which is a myth (Cruz & Juliano, 2021).

Philippine companies are concerned about competition from Chinese firms, especially in sectors such as retail and agriculture, and the regulatory framework needs to be improved to ensure fair competition and protect local industries.

Looking ahead, the economic relationship between China and the Philippines offers potential for further growth depending on the following factors:

- Strategic partnerships: Increased cooperation – particularly through public-private partnerships – will drive future investment and facilitate knowledge transfer in key sectors.
- Bilateral agreements: Continued dialogue and negotiations on trade agreements could lower tariffs and improve market access for both countries' products, which might lead to an increase in Philippine exports.
- Regional integration: Participation in major regional trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) is crucial in order to strengthen bilateral relations and increase overall economic resilience.

7 While more than 1.7 million Chinese tourists visited the Philippines in 2019, post-pandemic figures point to a severe downturn, with, for example, only 264,000 arrivals in 2023 (Ocampo, 2024).

In summary, the economic relationship between China and the Philippines is complex, with significant opportunities tempered by significant challenges. A strategic approach that focuses on balancing benefits, promoting local industries and establishing sustainable practices is essential for a long-term, mutually beneficial partnership.

4. Territorial Disputes

The territorial disputes between the Philippines and China primarily revolve around the South China Sea (SCS), an important maritime region known for its strategic significance and rich resources. The disputes centre on both sovereignty over maritime features and access to natural resources such as fisheries and oil (Hawksley, 2018).

China claims a large part of the South China Sea for itself, citing a line of demarcation known as the "nine-dash line".[8] This line includes areas that other countries – including the Philippines, Vietnam, Malaysia, Brunei and Taiwan – also claim as their territorial waters or exclusive economic zones (EEZs). The Philippines claims the rights to several maritime features and areas within its EEZ as defined by the United Nations Convention on the Law of the Sea (UNCLOS). Key disputed features include the Spratly Islands, Scarborough Shoal and Macclesfield Bank.

- Spratly Islands: The Spratlys are a group of over a hundred small islands and reefs claimed by several countries. The Philippines occupies several points in this archipelago, including Pag-asa Island (Thitu Island) and other outposts, but China has built artificial islands, using them as bases for military installations, resulting in an escalation of tensions.
- Scarborough Shoal (Bajo de Masinloc): Scarborough Shoal, located about 120 nautical miles from the Philippine island of Luzon, is a flashpoint in the dispute. In 2012, there was a standoff between Philippine and Chinese vessels, which resulted in China's de facto control of the area ever since. The shoal is important because of its rich fishing grounds and strategic location.
- Macclesfield Bank: Macclesfield Bank is an underwater landscape in the South China Sea that has been a point of contention between the Philippines and China, particularly with regard to maritime boundaries and territorial claims. It is located east of the Paracel Islands, southwest of Pratas Island and north of the Spratly Islands.

8 The "nine-dash line" is a term used to describe the demarcation line used by the People's Republic of China to outline its extensive claims in the South China Sea. Initially appearing on Chinese maps in the mid-twentieth century, the line is cartographically represented by a series of dashes, with the original version being an eleven-dash line. In September 2023, China published a new map now showing a ten-dash line, which drew the ire of its Southeast Asian neighbours (Clayman, 2023).

- Benham Rise: While not part of the SCS, the submerged landmass of Benham Rise (also known as Philippine Rise) lies within the EEZ of the Philippines. In early 2017, the Philippine government reaffirmed its rights over this area, while sovereignty concerns were raised by reports of unauthorized Chinese research vessels in the vicinity (Buszynsky & Robert, 2015).

After the Chinese government took possession of Mischief Reef in the disputed Spratley Islands in February 1995 and subsequently established helipads there, the image of a violent and expansionist China seeking regional hegemony came to the forefront of the Philippines' strategic thinking (De Castro, 2014).

During the presidency of Gloria Macapagal-Arroyo (2001–10), the Philippines' economic relations with China became more important. China's cooperative strategy led to an agreement on the joint exploration of resources in the South China Sea, while cultural and trade relations were strengthened (infrastructure investments). During the Benigno Aquino III administration (2010–16), the country welcomed the United States' announcement of the "rebalance" concept[9] in return for military and political support, becoming one of the main pillars of Washington's strategy. Aquino made the protection of interests in the SCS one of his nation's most important geostrategic priorities and was willing to confront China to this end. In 2013, the Philippines filed a lawsuit against China at the Permanent Court of Arbitration (PCA) in The Hague to challenge China's claims in the South China Sea. In July 2016, the PCA ruled in favour of the Philippines, finding China's far-reaching claims to have no legal basis under UNCLOS and reaffirming the Philippines' rights to its EEZ, particularly with respect to Scarborough Shoal (*Full Text: Permanent Court of Arbitration*, 2016). Despite this, the ruling was not effectively enforced, as China rejected the decision and continued its activities in the region. Taking office in 2016, President Rodrigo Duterte (2016–22) correctly recognized that there was no chance of enforcing the ruling and instead sought a compromise with China.

There have been numerous confrontations between Chinese and Philippine vessels in the South China Sea, particularly over Scarborough Shoal and other disputed areas. These clashes often involve fishing activities and naval patrols, prompting diplomatic protests from the Philippines.

There are reports of aggressive actions by Chinese vessels in areas claimed by the Philippines, including the harassment of Filipino fishermen and the obstruction of Philippine maritime activities. Such actions often lead to heightened tensions and an increased Philippine military presence.

9 The rebalance concept, often referred to as the "Pivot to Asia", was a strategic shift in American foreign policy that began around 2011 during the Obama administration. This concept emphasized a growing focus on the Asia-Pacific region in terms of diplomatic, economic and military engagement. The rebalance was initiated in response to the rising influence of China, the importance of the Asia-Pacific as a centre of global economic growth and the ongoing security challenges in the region.

The disputes are closely tied to the overall geopolitics in the region, particularly the US–Philippines Mutual Defense Treaty.[10] The USA has reaffirmed its commitment to defending the Philippines, which it considers an ally, and has conducted military exercises in the region, further heightening regional tensions with China.[11]

The territorial disputes are also complicating relations within the Association of Southeast Asian Nations (Neszmélyi, 2024). Some member states are reluctant to confront China directly, while others support the Philippines' position. This division hampers joint regional efforts to address the disputes and fosters a complex diplomatic environment. Over the years, ASEAN has made many efforts to reduce tensions, but the adoption of a Code of Conduct, seen by many as a solution, has not yet been achieved (Naval, 2024).

The Philippines has pursued a policy of diplomatic engagement with China, seeking to reduce tensions while promoting economic cooperation. Under recent administrations, the focus has been on balancing economic interests with matters of national sovereignty. Immediately after his election, President Duterte recognized the strategic importance of improving economic relations with China. In 2016, he therefore established a completely new basis for the country's foreign and defence policies, its most important elements being a move away from the United States and an opening towards China (Klemensits, 2018).

Fundamentally, it can be said that the territorial disputes between the Philippines and China in the South China Sea are a complex interplay of historical claims, strategic interests and legal frameworks. The ongoing tensions reflect broader geopolitical rivalries and underscore the need for careful diplomacy and adherence to international law. As both nations seek to navigate these challenges, the outcomes will have a significant impact on regional stability and security in Southeast Asia.

5. Geopolitical Implications

We have already touched on the geopolitical components above, but it is worth looking at them in more detail. The geopolitical landscape surrounding relations between China and the Philippines is characterized by the presence of major world powers, particularly the USA. The United States has a long-standing alliance with the Philippines that is based on mutual defence treaties dating back to World War II. The Enhanced Defense Cooperation Agreement (EDCA) allows for an increased

10 On 30 August 1951, the USA and the Philippines signed the Mutual Defense Treaty, which has to this day defined the framework for defence cooperation between the two countries. In ratifying the document, the parties undertook to settle their international disputes by peaceful means, to develop jointly and individually their capacity to defend themselves against armed aggression, and to consult each other in the event of external armed aggression by either party. Article IV states that 'each Party recognises that an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety', while declaring that each will respond to a common threat in accordance with its own constitutional procedures (Mutual Defense Treaty Between the United States and the Republic of the Philippines, Articles I–IV, 1951).

11 There are calls for greater international involvement, including support from the United States and other countries, to uphold international law and ensure freedom of navigation in the South China Sea.

US military presence in the Philippines to counterbalance China's assertiveness in the region.[12] The Philippines finds itself in a precarious situation where it must manage its relations carefully to avoid becoming embroiled in major geopolitical rivalries.

The geopolitical implications of the Philippines–China relationship are significant and they reflect the intersection of national interests, regional dynamics and global power shifts. Ongoing territorial disputes in the South China Sea, particularly over the Spratly Islands and Scarborough Shoal, are straining security dynamics in the region. The Philippines' assertion of its maritime rights and China's militarization of the disputed territories continue to escalate tensions and raise concerns about military confrontations that could destabilize Southeast Asia.

The Philippines maintains a close relationship with the United States, which further complicates the Philippines–China dynamic, as Washington has pledged to stand by Manila in the event of aggression. The presence of the US military in the region serves as a deterrent against possible Chinese expansion but may also exacerbate tensions with China. The Philippines' rapprochement with America may strengthen its stance against China, especially in asserting rights over disputed territories. Military exercises and engagements have underscored the USA's commitment to supporting the Philippines in the defence of its maritime claims.

Since 2016, the Philippines has been increasingly engaged economically with China, especially through infrastructure investments under initiatives such as the BRI. While this offers opportunities for development, there are also concerns about becoming economically dependent on China, which could jeopardize national sovereignty and influence policy decisions. To avoid this, the country needs to manage its economic relationship with China while ensuring robust trade relations with other nations, especially its ASEAN neighbours and the USA. This balance is critical to maintaining economic resilience and political autonomy.

It should also be remembered that the Philippines' relationship with China often influences domestic political considerations. Leaders may be pressured to adopt either a more nationalistic stance in asserting territorial claims or a more conciliatory approach to economic cooperation. Public opinion regarding China's actions, especially in the disputed waters of the South China Sea, can influence election results and political directions.

The Philippine government is forced to constantly reassess its national security strategy in light of its evolving relationship with China. This includes strengthening maritime patrols, modernizing defence capabilities and seeking international partnerships to enhance security in disputed areas.

It is very important to see that the relationship between the Philippines and China cannot be viewed in isolation; rather, it is part of the larger context of the US–China rivalry. As China seeks to

12 In April 2014, the two countries signed the Enhanced Defense Cooperation Agreement, which is not really a new pact, but an amendment to the 1951 treaty. The EDCA provides for US troops to use certain military facilities on a rotational basis 'at the invitation of the Philippines', with the aim of facilitating the modernization of the Armed Forces of the Philippines (AFP). The wording of the agreement states that in principle its effect lasts for an initial ten years, but that it will automatically remain in force thereafter unless either party initiates its termination (Agreement Between the Government of the Republic of the Philippines and the Government of the United States of America on Enhanced Defense Cooperation, Articles I–II, XII, 2014).

assert its influence in Southeast Asia and beyond, the Philippines finds itself at the centre of this geopolitical struggle. Due to its geographical location, the Philippines is a crucial player in the USA's Indo-Pacific Strategy to counterbalance the rising power of China (The White House, 2022). The country's access to major sea lanes makes it strategically important for regional security and trade flows.

In terms of geopolitical dilemmas, it is worth taking a closer look at the Duterte era, during which the country made an important geostrategic shift from the preceding periods. As the foreign policy strategy of 2010–16 did not bring the necessary results, and the policy of countering China and supporting the US concept of rebalancing was not only contrary to economic interests but also to historical traditions, changes were definitely needed. While maintaining US influence in the region is still desirable in the domain of security, China's economic weight cannot be ignored and cooperation offers many advantages. President Duterte therefore rightly recognized the need for a realignment of Philippine foreign policy. It is in the country's best interest to try to strike a balance between the United States and China – as was the case under Gloria Macapagal-Arroyo – while maximizing the support of both of the rival powers (Talamayan, 2019).

Given China's growing political-economic influence in the region, there was no real alternative to opening up to Beijing, and although this involved serious geopolitical risks, they were risks that the Duterte cabinet was willing to take. Between 2016 and 2022, Duterte consented to make certain geopolitical concessions to China (the joint exploration of resources in the South China Sea) in return for geo-economic benefits (infrastructure development), while at the same time he was also willing to show some level of engagement with the USA on security issues in order to maintain the right balance. Of course, neither the balancing act between the great powers nor the opening up to China were free from inherent jeopardy – a fact the president was well aware of – and it is no exaggeration to say that Duterte was essentially forced to make his foreign policy work, i.e. he was compelled to take risks in negotiations with the rival great powers.

The formerly strained relations between the USA and the Philippines improved under the first presidency of Donald Trump, but the close partnership between the two countries that had existed before 2016 did not return during Duterte's term, even after the inauguration of Joe Biden. When it came to strengthening the military alliance and economic partnership between the two countries, both Duterte and Trump were willing to compromise for strategic reasons. Duterte dropped his anti-US rhetoric and ensured continued smooth security cooperation in return for Trump not pushing human rights issues and giving new security guarantees for the South China Sea (Detsch, 2021). Fully aware of the geostrategic importance of the Philippines for the USA, Trump was apparently content with closer security cooperation, as he could not counter China economically, and he tacitly accepted Duterte's rapprochement with China as long as it did not directly harm US interests.

6. Current Dynamics and Future Prospects

The current Philippine administration of President Ferdinand Marcos Jr. is seeking a more balanced approach to foreign relations that will tackle both Chinese and American influences. This pragmatic stance aims to take advantage of economic opportunities with China while reaffirming territorial integrity and defence ties with the USA. The Philippines is increasingly engaging in dialogue with both nations to address mutual interests and security concerns, demonstrating an inclination towards a multifaceted foreign policy that prioritizes national interests while avoiding open confrontation (Rocamora, 2022).

Marcos had originally hoped for fruitful economic cooperation with China, and in January 2023 he travelled to Beijing with the aim of opening a new chapter in strategic cooperation between the two countries. Marcos and Xi Jinping eventually signed fourteen bilateral agreements in areas such as agriculture, infrastructure, development cooperation, maritime security and tourism (Strangio, 2022). During their talks, they agreed to resume joint oil and gas exploration in the South China Sea and to establish a direct communication channel to resolve contentious issues. Like Duterte before him, Marcos was accompanied to the Chinese capital by a large business delegation, as Manila is dependent on Chinese aid (loans, grants, investments) for infrastructure development. In this context, the BRI projects in the Philippines were an important part of the talks. However, the desire to strengthen economic ties has not stopped Marcos from taking a tougher stance than his predecessor in defence of Philippine interests in the South China Sea, as it is an important part of his foreign policy to raise public awareness of China's alleged violations while voicing his grievances bilaterally.

In late 2023, geopolitical tensions once again dominated relations between the two countries. On 22 October, a collision occurred between a Philippine and a Chinese vessel at the disputed Second Thomas Shoal, with the parties blaming each other for the incident.[13] A week later, the Philippines accused China of firing a water cannon at a supply ship (Chen & Nance, 2023). Such incidents continued subsequently. In June 2024, there was another collision involving Philippine and Chinese ships at Second Thomas Shoal, which also severely strained relations between the two countries (Morales & Orr, 2024).

In 2023, not only did President Marcos not travel to Beijing for the 3rd Belt and Road Forum, but the Philippine government also announced that it would cancel three major railroad projects – worth USD 4.9 billion – that were part of the BRI. Since the desired Chinese financial support was still pending, the cabinet no longer saw any chance of implementing them (Furio, 2023). The Marcos government has also admitted that the future of all BRI projects planned in the country is currently in doubt. Of course, this is due not only to territorial disputes and economic considerations but also to the geostrategic ambitions of the USA, to which the Marcos administration is now more

13 The shoal, which is less than 200 nautical miles from the Philippine coastline, is home to a crumbling warship, the Sierra Madre. The Philippine navy organizes regular missions to repair the wreck but in this case, China tried to block the AFP in the endeavour.

accommodating than its predecessor. Of course, it cannot be overlooked that Marcos' actions are probably aimed at securing more favourable economic conditions from China than in the past, and also that he is counting on certain political concessions from Beijing in order to potentially restore some elements of the previous cooperation and to counterbalance American influence.

Looking ahead, economic cooperation can flourish if it is managed effectively, with investment in infrastructure and development remaining a priority. The Philippines could seek to negotiate terms that ensure more balanced benefits and avoid excessive debt burdens.

The Philippines could also seek to diversify its trade and investment partners beyond China, and look for opportunities with other nations that align with its development goals.

Future prospects depend on the success of resolving territorial disputes through diplomatic means. The Philippines could continue to advocate a multilateral approach to resolving issues in the South China Sea, seeking the participation of other members of ASEAN and international actors alike.

While sovereignty issues are paramount, the focus could be on pragmatic solutions that allow for the joint development of resources in the disputed areas, facilitating cooperation rather than provoking conflict.

The effectiveness of US policy towards China will influence the Philippines' strategic choices. A more confrontational dynamic between the United States and China could force the Philippines to strengthen its alliances and improve its self-defence capabilities.

China's actions in Southeast Asia, especially towards smaller nations, will have an impact on the shaping of Philippine policy. If China pursues aggressive tactics, this could lead to greater regional unity in the face of perceived threats and potentially unite the ASEAN nations.

Philippine public opinion on relations with China fluctuates depending on territorial developments and economic benefits. Political leaders must take these sentiments into account when shaping foreign policy and reconcile national interests with the general consensus.

Ultimately, the two nations need to engage in sustained dialogue that fosters mutual respect and understanding, which can lead to a more stable and predictable relationship in the long run.

7. Conclusions

This work has examined the multi-layered relationship between China and the Philippines, highlighting historical ties, economic interdependencies, territorial disputes and geopolitical challenges. Its aim has been to shed light on the complexity of bilateral relations amidst the changing regional dynamics in Southeast Asia.

From the foregoing discussion, it is clear that China is one of the Philippines' most important economic partners, and this cooperation is expected to develop further in future decades. While there are significant opportunities for economic cooperation, challenges such as competition from

Chinese companies and the need for a regulatory framework to protect Philippine industries must also be addressed.

There are, of course, territorial disputes that limit the scope for cooperation between the two countries, and there is little chance of such discord being resolved in the foreseeable future. Under Duterte's presidency, dispute settlement emerged as a realistic alternative, even if the effectiveness of this strategy is questionable.

In geopolitical terms, the biggest stumbling block in China–Philippines relations is of course the United States, which not only guarantees the security of its Philippine ally but also seeks to strengthen its own influence in Southeast Asia vis-à-vis China. Yet as the escalation of tensions between the Philippines and China is not beneficial to either side, it is the responsibility of the leaders of the two nations to choose the path of peaceful cooperation and thus contribute to the development of their countries. All in all, it can be concluded that relations between the Philippines and China are characterized by a balance of cooperation and conflict, which has crucial implications for the relationship's long-term development.

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KAMILLA BALLA

Thailand and China: Fifty Years of Diplomatic Relations but an Even Longer Common History and Confluence

THAILAND AND CHINA: FIFTY YEARS OF DIPLOMATIC RELATIONS BUT AN EVEN LONGER COMMON HISTORY AND CONFLUENCE

Kamilla Balla[1]

Abstract

The Kingdom of Thailand is traditionally known for its "bamboo diplomacy" or hedging foreign policy strategy. It is the only Southeast Asian country which managed to stay out of the rivalry during the colonization times at the end of the nineteenth century and was able to save its independence as a result of mastering a balancing act among the superpowers. Today's Thai foreign policy has managed to preserve this centuries-old technique, and Thailand can still be described as a middle-power, which, instead of taking sides, chooses from all potential allies according to its current national interests. We are living in times when the fundamentals of world politics are being questioned. This applies not only to Euro-Atlantic relations, but to Asia and Southeast Asia as well. Although "bending in the wind" might have been beneficial to Thailand for decades, the newly emerging world order requires the rethinking of its long-established patterns and practices. The strengthening Chinese influence and the new, strictly pragmatic US administration will most likely force Bangkok into a paradigm shift in its traditional foreign policy based on neutrality. While it is clear that Thailand needs both of these superpowers for the sake of its continuous development, how it will simultaneously accommodate the will of both Beijing and Washington remains to be seen.

Keywords: Thailand, China, diplomatic relations, regional security, economic ties, military cooperation

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1. Historical Background

The relationship between the Kingdom of Thailand and the two most influential countries in global politics today – namely China and the USA – dates back to the nineteenth century and beyond. Thailand and the USA established their first official relations in 1818 and signed the Treaty of Amity and Commerce in 1833. With regard to China, its common history with Thailand goes back to the Ming dynasty of 1368 to 1644.

By the historical period of the reign of the Great Ming, the Chinese empire owned a significant, modern and extensive fleet of ships. This imperial fleet was capable of reaching East Africa and even the Red Sea, making China the leading maritime power globally for seven centuries. Due to this comprehensive maritime presence, China was also able to build up a significant base in its closest geopolitical region, Southeast Asia. Chinese traders were well-known on "Southern Waters". They not only established trade relations with the countries of the region, but also formed smaller Chinese communities all around their trading route (Shambaugh, 2020). Chinese culture made a tremendous impact on Siamese[2] society: the predominantly male Chinese traders and merchants assimilated into Thai society swiftly and smoothly. The process went so efficiently, in fact, that King Rama I – the founder Thailand's currently reigning Chakri royal dynasty in 1782 – also had Chinese blood. Immigration from China continued in the late nineteenth and early twentieth centuries, and by the First World War the main key industries in Thailand were owned by different groups of Chinese origin. Unlike the other Southeast Asian countries with large Chinese minorities, in Thailand the assimilation of these groups took place with little incident. Ethnic Chinese began to assume Thai names, some launched political careers, and Chinese schools were opened, where Mandarin language classes proliferated (Strangio, 2020). Anti-Chinese prejudice – evident in other nations of the region – was rapidly shed by Thai society, partly due to the role of the country's main religion, Buddhism, which played a great role in encouraging assimilation (Strangio, 2020). As of today, the Chinese minority accounts for around 10–12% of the whole Thai population, numbering an estimated 6.0–7.2 million (Minority Rights Group, 2018), and even Thailand's prime minister, Paetongtarn Shinawatra, avows that she has Chinese blood in her veins (*PM tells tourists*, 2025).

Despite the long history of merging between Chinese and Thais, official diplomatic relations between the two countries were established only on 1 July 1975 (Ministry of Foreign Affairs, Kingdom of Thailand, 2024b). After the declaration of the People's Republic of China in 1949, the PRC

2 Siam was the official name of Thailand until 1939.

remained relatively isolated from the international community for around twenty years. The rise to power of Deng Xiaoping brought a momentous change to this state of affairs. During the 1950s, only a handful of countries – such as Burma, Indonesia and North-Vietnam – showed any enthusiasm for collaborating with the PRC. After a long hiatus in interest, the People's Republic of China was acknowledged by Malaysia in 1974, and then by the Philippines and the Kingdom of Thailand in 1975. The appreciation of this shift in bilateral relations, as well as the increase in importance of the Southeast Asian region to China, found expression in the 1978 visit of Deng Xiaoping to Thailand, Malaysia and Singapore (Shambaugh, 2020). Regarding Thai–Chinese relations, this period was followed by a long coexistence without any strongly visible engagement or alignment on the political front. Having said that, with the end of the Cold War and the disappearance of the spectre of communism, Bangkok increasingly began to turn to Beijing. By the time of the Asian Financial Crisis of 1997, the bilateral cooperation had improved so much that China helped Thailand by providing aid totalling USD 1 billion, while Bangkok's long-time ally, Washington, supplied only limited support, mainly through a standard structural adjustment programme of the International Monetary Fund (IMF). During the early 2000s, the Shinawatra governments[3] continued this striving to strengthen relations with China (Busbarat, 2024).

The year 2014 held special significance, as it brought a serious change in the traditionally US-friendly Thai foreign policy. This was the year when the government of Yingluck Shinawatra was removed from power by a military coup. This act provoked strong opposition from Washington, meaning that crucial military aid was suspended, while a number of military exercises and visits were cancelled. As a response, the new Thai leader, General Prayut Chan-o-cha, turned to Beijing (Guan, 2019). The main reason behind this shift was to be found in China's stance of non-interference in domestic politics and not criticizing its partners' internal issues (Shambaugh, 2020).

2. Thai–Chinese Relations

Let us now examine Thai–Chinese relations after the two countries' rapprochement in 2014, from which year their strong interconnections became undeniable in all the different areas of traditional and non-traditional security.

It can be stated concerning one of the major elements of non-traditional security – economy and trade – that China is Thailand's largest trading partner, while Thailand ranks as China's third-largest trading partner among the countries that make up the Association of Southeast Asian Nations (ASEAN) (Xiao, 2024). Bilateral trade between the two countries has increased significantly since 2014. The main export products from China to Thailand are electronic equipment, machinery, boilers and vehicles (Trading Economics, 2024a), while the top export products from Thailand to China are mainly edible fruits and nuts, accounting for over 40% of Thailand's whole agricultural production and meeting China's rising demand for Thai produce (Trading Economics, 2024b).

3 Thaksin Shinawatra (2001–06), Yingluck Shinawatra (2011–14), Paetongtarn Shinawatra (2024–).

On top of this, other forms of Chinese economic presence in Thailand are also significant. With approximately a thousand Chinese enterprises having investments in the country, China is now the primary source of the kingdom's foreign investment. Having established a strategic cooperation in August 2001, and taking their partnership further by raising it to the level of a comprehensive strategic cooperation in April 2012 (Embassy of the People's Republic of China in Bangkok, 2023), the trade and economic relations between the two countries – besides the traditional areas of export and import, as well as tourism – have been expanded to new fields such as the production of electric vehicles (EVs), lithium battery manufacturing and the development of green energy (Xiao, 2024). In 2023, of the top five battery electric vehicle (BEV) registrations by model in Thailand, four were Chinese brands,[4] and the data registered in October 2024 showed the same ratio.[5] Moreover, the EV sector has proved to be so successful that eight Chinese EV brands have established or are planning to set up a manufacturing plant in Thailand. BYD started its local production in July 2024, simultaneously with GAC AION, while Changan, Chery and Wuling are due to open their factories in the very near future (Utamote, 2024).

Tourism also plays a crucial part in Thai–Chinese economic relations. Due to recent security concerns among Chinese travellers triggered by the growing number of kidnapping cases, where Chinese tourists are taken to illegal "scam camps", Prime Minister Paetongtarn has underlined on multiple occasions the safety measures implemented by her government especially for the sake of Chinese tourists choosing Thailand as their destination (Channel News Asia, 2025). In order to increase the number of Chinese tourists arriving in Thailand, as well as to improve people-to-people relations, in commemoration of the fiftieth anniversary of the establishment of bilateral relations, a reciprocal visa waiver was announced in March 2024 (Sgueglia, 2024). Although their numbers have declined in the wake of the Covid-19 pandemic, in 2024 Chinese tourists still made up the largest group of foreign tourists in Thailand with 6.2 million arrivals (Fleck, 2025), and the Tourism Authority of Thailand is eyeing an even higher figure of 9 million arrivals in 2025, commensurate to over 80% of the pre-Covid level of 11 million (*TAT targets 9 million*, 2024).

Studying the background of the largest private companies operating in Thailand is also very informative. One example is the leading Thai private business conglomerate, the Charoen Pokphand Group (CP Group). Founded in 1921 in Bangkok's Chinatown by Chia Ek Chor, a Chinese merchant born in Guangdong Province, CP Group is primarily engaged in three sectors: food and agriculture, convenience retailing and communications (*Dhanin Chearavanont*, 2016). By today, the group's revenue has reached more than USD 16 billion per year (Forbes, 2024a). Alongside CP Group, the Central Group could also be mentioned as a good example of the Chinese heritage of the business tycoons of Thailand. Established in 1927 by a poor Chinese immigrant, Tiang Chirathivat, and still owned by his descendants, the country's biggest mall developer is today estimated to be worth USD 9.9 billion (Forbes, 2024b). The Bangkok-based alcoholic and non-alcoholic beverage producer and distributor, Thai Beverage (ThaiBev), with an annual revenue for the 2018–25 period ranging

4 BYD Atto 3, Neta V, BYD Dolphin, GWM Ora Good Cat.

5 BYD, MG, NETA, Deepal.

between USD 5.6 billion and 9.5 billion, was likewise founded by a Chinese immigrant, Charoen Sirivadhanaabhakdi (Forbes, 2024c) – and the list could go on.

As previously mentioned, Thai–Chinese relations were strengthened spectacularly subsequent to the military coup in 2014 and during the government of Prayut Chan-o-cha. Similarly to bamboo – after which it was named – the balance of Thai foreign policy cannot be always kept in the middle, as the wind sometimes blows it in one direction. This explains why bilateral relations with Washington started to weaken following the 9/11 terror attacks. The focus of the US administration was distracted by the Middle East, which created an opportunity for the Chinese government to accelerate its relations with Thailand. Although under Barack Obama, America started to rebalance to Asia, in the case of Thailand this move was impeded by the 2014 coup (Strangio, 2020).

Bangkok's rapprochement with Beijing was manifested in – among other things – the agreement inked in 2014 concerning the almost-900-km railway line linking the Thailand–Laos border and the Thai capital (Guan, 2019). This high-speed railway (HSR) project – being concluded as a part of China's Belt and Road Initiative (BRI)[6] – will connect Bangkok with Kunming, the capital of Yunnan province in China. The railway is expected to be completed by 2028, at an estimated cost of between USD 5 billion and 9.9 billion (Medina, 2024). All the same, a few problematic issues hinder its smooth implementation, a factor that is causing growing dissatisfaction among the Chinese leadership. The main cause of the problem is the Thai public's disapproval. The population is against the Chinese acquisition of the banana plantations in northern Thailand, and is additionally worried about the social, economic and political impacts of the HSR project. Small businesses fear that the railway will boost the influx of cheap Chinese goods, while the possibility of an ever larger number of Chinese tourists is also creating anxiety. On the political side, the Thai leadership was initially also dissatisfied with the terms offered by China. Not accepting the 2.5% interest rate offered by Beijing, Bangkok decided to finance the whole investment by utilizing loans and issuing government bonds, eventually meaning that the HSR will be under Thai ownership. Be that as it may, Chinese engineers and workers will still be involved in the development, although Thai materials will primarily be used and Thai workers will be responsible for the basic construction tasks (Lampton et al., 2020).

Despite all the efforts to convince both political and public opinion of the value of the project, its implementation faces a great delay. Since the start of the construction of the first phase (Bangkok to Nakhon Ratchasima) in 2017, a mere 36% has been completed and the line is only expected to commence full operation in 2027 (*High-speed rail linking Bangkok*, 2025). The actual implementation phase started only after the then prime minister, General Prayut Chan-o-cha, was not invited to the inaugural BRI Summit in 2017, which was translated as a sign of Beijing's frustration. Following this unfriendly act, the Thai leader solved all the legal obstacles which were blocking the inception of the project (Busbarat, 2024). In light of this, it is understandable why many view the HSR as a

6 China's Belt and Road Initiative (often referred to as "the New Silk Road") is a portfolio of development and investment projects launched by President Xi Jinping. Initially, the aim of the BRI was to develop physical infrastructure to link East Asia with Europe, although since its launch the project has also expanded to embrace other regions, such as Africa and Latin America (McBride et al., 2023).

way to boost Thai–Chinese relations. Keeping strong bilateral relations with Beijing – as will be explained in detail in the following – continues to be significant for the current Thai government. Accordingly, the Thai cabinet approved the second phase of the HSR project – worth around USD 10.4 million – in February 2025. This approval came just one day before the official visit of Prime Minister Paetongtarn Shinawatra to China. In accordance with the statement of Transport Minister Suriya Jungrungreangkit, the second phase of the project will stretch for 357.12 kilometres and the line is likely to start operating in 2031 (*Cabinet approves second phase*, 2025).

Since the signing of a Memorandum of Understanding regarding the high-speed railway, Beijing has signalled its frustration at its protracted length of construction several times. During his official visit to Thailand in 2024, Chinese Foreign Minister Wang Yi called for the acceleration of the project's implementation, which is intended to strengthen economic integration between mainland Southeast Asia and China. Since 2023's shift in power in Thailand, when the Pheu Thai party was given the chance to form a coalition government, the political leadership of the country has been committed to speeding up the completion of the HSR (Strangio, 2025).

Apart from the HSR project, the current Paetongtarn administration – similarly to Prayut's premiership after the 2014 coup and the recent Srettha Thavisin government[7] – gives bilateral Chinese relations high priority at a political level, too. As Xi Jinping pointed out during a meeting with Srettha on the margins of the 3rd Belt and Road Forum for International Cooperation in 2023, the new prime minister's first official visit to any country outside ASEAN was to none other than China, which fully underlined the new Thai government's commitment to strengthening Thai–Chinese relations (Ministry of Foreign Affairs, The People's Republic of China, 2023). Following the meeting between Xi and his Thai counterpart, in January 2024 Chinese Minister of Foreign Affairs Wang Yi paid an official visit to Thailand in order to co-chair the bilateral foreign ministers' Consultative Mechanism, which was established during Srettha's official visit to Beijing. Wang Yi was received by Prime Minister Srettha himself at Government House in Bangkok, where two agreements on the export of Thai agricultural products to China were signed (Ministry of Foreign Affairs, Kingdom of Thailand, 2024a).

Since her election in August 2024, Prime Minister Paetongtarn Shinawatra has met high-level Chinese partners on several occasions. On the sidelines of her official visit to Vientiane at the 44th and 45th ASEAN Summits, she had discussions with China's premier, Li Qiang. During their meeting, Thai–Chinese connectivity was reaffirmed, the two leaders agreeing on further building the China–Thailand community, which was said to have a shared future, and seeing eye to eye regarding the concept of "China and Thailand as one family". The two premiers noted the fiftieth anniversary of the establishment of their countries' bilateral relations in 2025, which both parties are

7 After the national elections in May 2023, the Pheu Thai party managed to form a coalition government with the 62-year-old former property tycoon Srettha Thavisin as prime minister. Less than a year and a half later, however, on 14 August 2024, the Constitutional Court dismissed the premier for appointing to his cabinet a former lawyer who had served time in prison (Ghoshal, 2024; *Thai court removes*, 2024).

preparing for with high-level exchanges and a wide range of prestigious events with themes ranging from culture to trade (The State Council Information Office, 2024).

Thailand has recently celebrated similar auspicious anniversaries with several other countries as well. One such instance occurred in 2023, which year marked the 190th anniversary of the establishment of diplomatic relations between the United States of America and the Kingdom of Thailand. During that celebratory year, many large-scale events were organized and the historic United States–Thailand Communiqué on Strategic Alliance and Partnership was signed (Ministry of Foreign Affairs, Kingdom of Thailand, 2022). Despite that, the 2025 anniversary with Beijing seems to be receiving even more emphasis from the leadership of both nations. In the first two months of the year, Prime Minister Paetongtarn paid an official visit to Beijing and met Xi Jinping, Li Qiang and Zhao Leji, Chairman of the Standing Committee of the National People's Congress. The Thai prime minister also extended an invitation to the Chinese president to visit Thailand later in the year as part of the celebration of the Golden Jubilee of Thailand–China Friendship, which he gladly accepted (Ministry of Foreign Affairs, Kingdom of Thailand, 2025b). Apart from the high-level governmental visits, His Majesty King Maha Vajiralongkorn and Her Majesty Queen Suthida will pay an official visit to Beijing during the commemorative year, which will mark a historic event in Thai–Chinese relations. The fact that before 2025 the royal couple had never paid an official state visit of any kind[8] also signals the importance to Thailand of its relationship with China (Government Public Relations Department, 2025).

The recent case of the deportation of forty Uyghurs from Thailand back to China likewise showed the strength of the political relations between the two countries. Despite the condemnation of many international partners like the European Union, its like-minded countries, the different agencies of the United Nations, civilian human rights advocacy organizations and, most importantly, the USA, on 27 February 2025, following an official request from Beijing, Thailand deported forty Uyghurs who had spent more than ten years in Thai custody. The decision to repatriate the group came just two weeks after Prime Minister Paetongtarn had visited President Xi in China. The deportation operation took place despite international concerns, including the condemnation of America's secretary of state, Marco Rubio (Olarn, 2025), and the possible threat of another violent retaliatory attack, like in July 2015, when the worst atrocity of its kind on Thai soil was committed by two Uyghurs at the Erawan Shrine in the centre of the Thai capital (*US embassy issues security alert*, 2025). Reacting to the criticism, Paetongtarn Shinawatra commented that the government had decided to send the Uyghurs back to China because no other country was willing to offer them asylum, adding that since entering the country illegally, they had already been in Thailand for more than a decade. She emphasized that the move was implemented in accordance with the norms of international law and was within the autonomous rights of the country. The prime minister also underlined, that it had been confirmed that the guarantees promised by Beijing regarding the deportees' free return to society would be kept (*Thai PM insists*, 2025). Following the repatriation, the US Department of State released an official statement declaring that as Bangkok's long-standing ally, Washington was 'alarmed by this action, which risks running afoul of [Thailand's] international obligations under the UN Convention Against Torture and the International Convention on the Protection of All Persons from Enforced Disappearance' (U.S. Department of State, 2025). Such censure from the USA demonstrates how sensitive this issue was regarding American–Thai relations, yet although Bangkok was doubtless aware of how Washington would react, it still decided carry out the deportation.

8 The only official state visit before Beijing is a planned visit to Bhutan in April 2025.

3. Military Cooperation

Following the above exploration of the collaboration in politics, let us now examine the ever-stronger military cooperation between Thailand and China.

Bangkok is Washington's oldest ally in Southeast Asia, Thailand being the first country in the region to establish official relations with the USA (MFA Thailand Channel, 2023), and being designated in 2003 as a major non-NATO ally (U.S. Department of State, 2024). The basis of the Thai–US security partnership is the Rusk–Thanat Communiqué, signed in 1962, according to which, the USA is committed to defending Thailand in case of a communist threat. The alliance works both ways, too, with – between 1965 to 1972 – Bangkok sending almost 40,000 military personnel to assist the US army during the Vietnam War. Thailand also opened its air bases to the US air force (Sato & Yaacob, 2023).

The aftermath of the 2014 coup, however, put US–Thai relations on ice, while in the meantime, a trend of intensive military procurements from Beijing began to evolve (Strangio, 2020). During the years of the Thai military regime, China gained priority in the area of arms sales. While Washington had been the primary arms supplier to Thailand since the Cold War, Beijing now took over this position. Between 2016 and 2022, Thailand received arms to the value of USD 394 million from China and to the value of USD 207 million from the United States. These procurements included submarines, anti-ship missiles, air defence systems and armoured vehicles. In 2019, China and Thailand agreed on closing a deal on the supply of a Type 71E amphibious transport dock to Bangkok, while during the same year an arrangement for the procurement of CX-1 and CM-708 anti-ship missiles was also concluded (Shambaugh, 2020).

Moreover, China started to expand the scale and scope of bilateral joint military exercises, which had traditionally been the field of the United States (Sato & Yaacob, 2023). The Cobra Gold military exercise was initiated by the USA in 1982, and since that time it has evolved from being a maritime exercise exclusively between the USA and Thailand into the world's longest-running multinational joint military exercise in the Indo-Pacific region (Bocanegra, 2024). As a sign of its disapproval of the military coup in Thailand, Washington started to downgrade the scale of Cobra Gold; in 2015 it was even considering cancelling the exercise altogether (Campbell, 2014). This gave leverage to Beijing to start to fill the void. The military exercise series designated for the air forces of China and Thailand, named Falcon Strike, was held for the first time in 2015. During the exercises, Chinese J-11 and Thai Saab Gripen combat aircraft were deployed, although Washington was able to prevent the participation of the US-built F-16s. The number of annual joint military exercises concluded between China and Thailand is demonstrating an upward trend: in 2017 only one was held, while in 2023 three were organized, involving not only the respective air forces but also extending to the land and maritime forces (Sato & Yaacob, 2023).

Many argue that behind Prayut Chan-o-cha's turn to China was the aim to demonstrate to the United States that Thailand did not wholly rely on America's support but could count on other partners, too. It has been also pointed out that although in numbers and actions, the military bond with Beijing seems to be overtaking traditional relations with Washington, in reality Thailand's security policy continues to be weighted in favour of the USA (Strangio, 2020). Despite the increase in purchases of Chinese military equipment, it can generally be said that such hardware is cost-conscious but offers lower quality solutions compared to the American equivalents (Sato & Yaacob, 2023). Furthermore, after the hiatus from 2014, following the inauguration of Donald Trump in 2017, US–Thai relations began to revive. In October 2017, General Prayut Chan-o-cha was invited to the White House. Following his visit to Washington, bilateral relations picked up speed: in February 2018, the USA sent more than 6,000 troops to the Cobra Gold exercise, which marked the largest number of American participants since 2014. By 2018, a shift could be seen in Thai foreign security relations, with the balance moving away from China and back towards the USA (Strangio, 2020).

Although Thai relations with the United States may have normalized, Chinese influence still remained. An example of this was an order for three Chinese-made S26T Yuan-class submarines, the largest arms deal in the Thai military's history (Shambaugh, 2020). The agreement to purchase these Chinese submarines, which was finalized in 2017 under the military government of Prayut Chan-o-cha with a projected cost of around USD 367 million, faced not only general criticism but also a number of obstacles. Due to the European Union's sanctions against China, Beijing was unable to integrate German-made diesel engines into the submarines, which, combined with the financial difficulties caused by the Covid-19 pandemic, forced the Thai government to put the project on hold. After the new civilian government came to power in Thailand in 2023, the procurement was further postponed, with Thai Defence Minister Sutin Kluangsang only announcing on 21 May 2024 that the Royal Thai Navy had dropped its demands for the German hardware, clearing the way for the project to proceed (Walker, 2024). During her meeting with Xi Jinping in February 2025, Paetongtarn Shinawatra confirmed Thai–Chinese cooperation in the field of military equipment through the previously announced submarine deal (Royal Thai Government, 2025). This agreement can actually be considered more symbolic than practical. Having caused not only financial but also political turbulence, the provision of Chinese-made submarines seems to have had greater significance for Beijing in the sense of demonstrating its will in an area usually dominated by Washington (Walker, 2024).

4. Multilateral Forums

Last but not least, another aspect of the increasingly interconnected collaboration is that Thailand and China also support each other's ambitions in multilateral forums. This primarily centres on ASEAN, which represents considerable importance for Beijing. The Southeast Asian organization founded in 1967 has received special attention from China in order to prevent it being used by the USA for regional regime-building. The ASEAN Regional Forum (ARF) was seen by China as a similar threat, as it included several Western members, including the United States. In light of this, Beijing has been advocating the institutionalization of the alternative of ASEAN Plus Three (APT)[9], which operates without the participation of any Western countries (Doshi, 2021). During their last meeting, Prime Minister Paetongtarn and President Xi reaffirmed their commitment to promoting an inclusive regional architecture in the frameworks of ASEAN (Ministry of Foreign Affairs, Kingdom of Thailand, 2025a). This intention was reflected in the previous, ninth negotiation round of the China–ASEAN Free Trade Agreement (CAFTA), which was hosted by Thailand from 30 August to 3 September 2024 (Ministry of Commerce, People's Republic of China, 2024).

Speaking of multilateral engagement, the simultaneous application of Thailand to the Organisation for Economic Co-operation and Development (OECD) and BRICS (the collaborative platform spearheaded by Brazil, Russia, India, China and South Africa) was a very symbolic act. The reason behind the double application was officially stated to be purely economic, with the intention being to boost the Thai economy by making it more competitive, professional and transparent. In spite of this, in a political sense it signals that Bangkok cannot fully commit to the West and needs to balance carefully between its Eastern and Western allies while striving to preserve its neutrality. The OECD accession process requires a full-scale review, and in many cases the amendment of the applicant country's laws and regulations, the whole procedure potentially taking as long as seven years. In contrast, BRICS – often seen as a project to offset the dominance of the West in other international institutions (Regalado, 2024) – swiftly accepted Thailand as a partner country starting from 1 January 2025. Moreover, Bangkok also declared its readiness to work as a bridge between the BRICS countries and other regional groupings, like the Association of Southeast Asian Nations, the Asia-Pacific Economic Cooperation (APEC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (Ministry of Foreign Affairs, Kingdom of Thailand, 2024c). Becoming a BRICS partner country meant a swift victory for the Paetongtarn-led Pheu Thai government, although Bangkok once again risked its Western – and especially American – relations by engaging not only with Beijing but with Moscow as well (Regalado, 2024).[10]

9 APT consists of the ten ASEAN member states plus China, Japan and South Korea.

10 Thailand was accepted as a partner country under the Russian presidency of BRICS (2024) – a time when Moscow's isolation by Western countries on account of its invasion of Ukraine had been ongoing for over two years.

5. Conclusions

This study has endeavoured to highlight not only that Thailand and China share a long history – starting with the immigration of ethnic Chinese and their later assimilation into the Southeast Asian kingdom – but also that their bilateral relations have rapidly evolved and strengthened over the past decade. Since the 2014 military coup, which caused a downturn in the traditionally strong US–Thai relations, Bangkok and Beijing have extended their originally solely economic collaboration to include many other fields, such as defence, culture and multilateralism. In the domain of politics, high-level meetings are also becoming frequent, with even a Thai royal visit to China being planned.

When it comes to Thai foreign policy, China has become impossible to ignore or avoid. The historically practised bamboo foreign policy – the main feature of which is hedging between the two superpowers – nowadays seems to be leaning more in the direction of Beijing, sometimes even defying the will of Washington, as in the case of the deportation back to China of the forty Uyghurs, which was not only condemned by the United States but actually drew Department of State sanctions against (unnamed) Thai government officials (Martina & Brunnstrom, 2025). Imposing sanctions against its oldest ally in the Southeast Asian region is a strong sign from the current American administration. It is highly likely an indication that the Thai government's policy of trying to balance between the superpowers in order to gain advantages in its own interests – which has been successfully implemented for decades – is no longer acceptable to the USA, and that now Thailand has to choose a side.

As we have seen, China is of crucial importance for the Thai economy and trade achievements, while in other aspects Bangkok still relies largely on Washington, especially regarding its military and traditional security. With the intensifying conflict between the USA and China, and with the very pragmatic Trump administration, it might no longer be possible for Thailand to only gain advantages without having to relinquish certain benefits. During Donald Trump's first presidency, Thailand was even able to profit from the trade war between Washington and Beijing by opening its own market to Chinese companies and factories, which relocated to Thailand in order to export their products to the USA at a reduced tariff rate. Now, during Trump's second term, even this favourable circumstance is in jeopardy. Thailand may well have to face growing risks due to the threatened US tariffs and the countervailing duties on Thai exports. And if Washington's threats become reality, a barrage of export dumping from China is also likely to follow (Itthiphatwong, 2025). In light of these factors, Itthiphatwong, an analyst for Krungsri Research, asserts that to avoid serious damage from the trade war, Thailand should pursue proactive foreign and economic policies, including hastening the signing of trade agreements with current and future partners alike and making its industrial and service sectors more competitive in the international market.

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BLANKA SZÉKELY –
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Connecting Commerce Across Borders: Thailand and Hungary

CONNECTING COMMERCE ACROSS BORDERS: THAILAND AND HUNGARY

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Abstract

This paper explores the commercial relationship between Thailand and Hungary, emphasizing the significance of economic and agricultural exchanges. Despite their geographical distance, the two nations have developed a partnership that goes beyond traditional diplomatic ties. The article analyses trade and economic indicators to understand the benefits and challenges of this bilateral relationship. It discusses how Hungary's strategic location in Central Europe serves as a gateway for Thai products to enter the broader European market, while Thailand's position in Southeast Asia offers Hungary access to a rapidly growing region. Furthermore, it examines the role of governmental and non-governmental organizations in facilitating these exchanges through trade agreements and educational programmes. The comparative analysis of the two countries' economies shows a relationship where each nation's strengths complement the other's needs. Thailand's labour-intensive agricultural sector contrasts with Hungary's mechanized farming techniques, creating opportunities for mutual growth and development. The Thailand–Hungary relationship exemplifies how commerce can create mutually beneficial partnerships. By utilizing their respective strengths to their fullest potential, both nations can not only enhance their economic standing but also deepen their cultural connections for a more collaborative future.

Keywords: Thailand, Hungary, commerce, economy, agriculture

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1. Introduction

In an era of globalization, the intersection of commerce and culture plays a crucial role in strengthening international relations. The bilateral relationship between Thailand and Hungary exemplifies how economic and cultural exchanges can foster mutual growth and understanding between geographically distant nations. This article explores the dynamic interplay between trade and agriculture in the Thailand–Hungary partnership. The economic landscapes of the two countries present both interesting contrasts and potential for cooperation. Driven by its robust manufacturing sector, tourism industry, and agricultural exports, Thailand has emerged as a significant player in the Southeast Asian economy. Its strategic location and favourable investment climate have attracted foreign direct investment, particularly in the automotive, electronics, and textile industries. Hungary, as a member of the European Union, benefits from its integration into the European single market. Its automotive industry, particularly in the production of high-end vehicles, is a key driver of its economy. Additionally, Hungary has a strong focus on the technological innovation and service sectors.

Economic interactions between Thailand and Hungary are characterized by their complementary strengths. Thailand's labour-intensive agricultural sector benefits from Hungary's advanced technology, which enhances efficiency and productivity. Hungarian exports to Thailand often include high-tech machinery and industrial goods that support the modernization of Thai farming practices. Conversely, Hungary imports high-quality Thai agricultural products, catering to the diverse tastes of European consumers (Chantavanich, 2019). Beyond economic transactions, the cultural dimensions of this bilateral relationship are significant. The exchange of agricultural products and technologies involves the sharing of cultural practices and knowledge. Thai festivals, cuisine, and cultivation techniques have gained appreciation in Hungary, while Hungarian innovations in agriculture have contributed to advancements in Thai farming practices. Educational exchanges and cultural events further strengthen these bonds, fostering a deeper understanding and appreciation of each other's heritage.

Comparative studies related to this topic are not to be found in the academic literature, thus this paper's research placed its emphasis on presenting the two countries' trade relationship, using a wide range of databases and other relevant sources. The study was built on the analysis of selected economic data[4] to highlight the significance of the Thailand–Hungary relationship. By examining some examples of successful collaborations, we aim to illustrate how the two nations utilize their unique strengths for mutual growth. Additionally, we will discuss the challenges and opportunities that lie ahead for this bilateral partnership, considering the evolving global economic landscape. Thailand, with its robust agricultural sector, offers a diverse range of products – including rice, tropical fruits, and seafood – which are in high demand in European markets. In contrast, Hungary,

4 Ministry of Agriculture, Department of Agriculture, Thailand; Office of Agricultural Economics, Thailand; FAO; Department of International Trade Promotion (DITP), Thailand; Embassy of Hungary in Bangkok; CIA; WHO; Worlddata; Statista; ITA, Hungarian Central Statistical Office (KSH); European Commission.

known for its advanced technology and expertise in agricultural machinery, provides essential tools and knowledge that enhance Thailand's agricultural productivity. This exchange not only strengthens economic ties but also promotes cultural understanding as both countries gain insights into each other's traditions and practices.

2. Research Objectives

This paper aims to examine the multifaceted relationship between Thailand and Hungary, with a particular focus on economic, agricultural, and bilateral ties. By delving into historical and contemporary bilateral agreements, as well as analysing economic indicators and agricultural practices, the study seeks to answer the following questions: What are the primary sectors which benefit from Thailand–Hungary trade agreements? How have these agreements shaped agricultural cooperation and economic growth in both countries? Given the changing global economic landscape, can future research questions focus on the prospects for long-term cooperation?

The objectives of the research are to analyse the economic sectors upon which Thailand–Hungary bilateral agreements exert the greatest influence and to examine the role of agricultural cooperation in fostering mutual economic growth. These objectives aim to offer insights into how cultural and commercial ties can be utilized for mutual benefit.

3. Methodology

The methodology of this study involved a comprehensive review of secondary sources – including government reports, sources indicated on the respective embassy sites, trade statistics, and academic articles – to provide a comprehensive overview of the evolving relationship between Thailand and Hungary. This approach provided a well-rounded understanding of the multifaceted relationship between the two nations. First, Web of Science and Scopus databases were used to explore the relevant available literature concerning commerce and agriculture between Thailand and Hungary. As no specific or general articles concerning this field were found, the authors used secondary sources from trusted sources. Analytical techniques included categorized overviews and tables presenting statistics and data. In terms of limitations and risks, bias might be adopted from the analysed literature; it must be borne in mind that no academic studies or scoping reviews were available, and that all information examined relied on the content of the selected databases. The authors' research acknowledges limitations, including possible constraints on generalizability. Despite its potential, this paper faces other limitations that require attention. It provides a foundation for future research work; based on the results, authors may formulate further research areas relating to an in-depth examination of the links connecting the agricultural industries of the two counties.

4. Overview

Thailand, situated in Southeast Asia, is known for its vibrant cultural heritage and strong agricultural economy. The country is a major exporter of rice, tropical fruits, and seafood – products that are in high demand in international markets. Hungary, located in Central Europe, offers a complementary profile with its advanced technological capabilities and expertise in agricultural machinery. This synergy creates significant opportunities for both nations, enhancing their economic ties and cultural exchanges.

4.1. Main Perspectives and Opportunities: the Cooperation Between Thailand and Hungary

Thailand and Hungary are increasingly engaging in bilateral relations, exploring opportunities for cooperation in various fields such as trade, investment, tourism, education, and technology. Several key elements make Thailand a valuable partner for Hungary, and there are areas where Hungary can learn from Thailand's development strategies.

In terms of economic and trade opportunities, Thailand has a robust and diversified economy, and it serves as a regional hub in Southeast Asia. Key sectors include agriculture, automotive manufacturing, electronics, and tourism. Hungary, on the other hand, is highly focused on its manufacturing and engineering industries, particularly automotive, pharmaceuticals, and IT.

Thailand's agricultural sector has a long and rich history that is deeply embedded in the country's culture and traditions. Agriculture has been the backbone of the Thai economy for centuries, with the cultivation of rice dating back over 5,000 years. Traditionally, Thai agriculture was characterized by small-scale subsistence farming, with rice as the dominant crop, particularly in the fertile Central Plain, which is known as the "Rice Bowl of Asia" (Phongpaichit & Baker, 1995).

Among the members of the Association of Southeast Asian Nations (ASEAN), Thailand is the only one which was never under direct foreign rule. That said, the Thai kingdom had to balance between England and France very smartly to avoid giving any European power a reason or opportunity for military intervention. This it managed to achieve, although it could still not completely eliminate political and economic influence from abroad (Sipos, 2022).

The 1855 Bowring Agreement between Thailand and Great Britain significantly boosted Thai agricultural output, particularly that of rice, with a transition in its cultivation for domestic consumption to production aimed at large-scale exports. The agreement removed export bans – especially on rice – and steered Thailand towards free trade, enhancing its agricultural growth. Liberal trade policies under the agreement accelerated the import of processed products and led to Thailand's specialization in rice production (Manarungsan, 1986; Neszmélyi, 1997).

Historically, rice has always been Thailand's most important crop and following the Bowring Agreement, its cultivation underwent significant growth. Between 1850 and 1950, about 90% of agricultural land was dedicated to rice, with the area of its cultivation increasing from 5.8 million rai to 9.2 million rai[5] at an average annual growth rate of 0.8%. Initially, the central part of Thailand saw most of this increase, with nearly all exports in 1905 coming from this region, before expansion moved to include subsistence-oriented regions too (see Table 1).

Table 1: Increase in rice area in Thailand, 1903–50 (million rai)

Region	1903–07	1948–50	Growth rate (%)
Central Thailand	6.5	16.3	151
Other regions	2.2	17.1	678

Sources: Department of Commerce and Statistics (1916); Manarungsan (1986); Ministry of Agriculture, Department of Agriculture (2024)

According to James C. Ingram's estimate (cited by Manarungsan, 1986), all other crops (e.g. corn, tobacco, cotton, coconuts, peas) occupied less than 5% of the total area under cultivation. The production of certain commodity crops – such as cotton, sugarcane, and tobacco – was stimulated by the Second World War.

During the twentieth century, Thailand's agricultural practices underwent significant transformations. The introduction of modern farming techniques, improved irrigation systems, and the use of chemical fertilizers and pesticides during the "Green Revolution" of the 1960s and 1970s led to substantial increases in productivity. Government policies focused on expanding irrigation, and research and development further bolstered the sector. Additionally, the introduction of high-yield rice varieties significantly increased output, cementing Thailand's position as one of the world's leading exporters of rice (Falvey, 2000).

Both Hungary and Thailand place immense importance on education and technology, but they focus on different fields. Hungary has a strong STEM (Science, Technology, Engineering, Mathematics) tradition, with renowned technical universities. Thailand is increasingly investing in its technology and innovation sectors to move towards the Thailand 4.0 vision (CSTD, 2021), which emphasizes a shift from traditional industries to innovative ones like robotics and biotechnology, as well as digital technology, which includes improving 5G connectivity and e-commerce platforms. This can be an excellent collaboration and focus area for Hungary in its relations with Thailand. Educational exchanges between the two countries – especially in fields like engineering, medicine, and information technology – are on the rise. Hungary could expand its scholarship programmes in Thailand, while learning from Thailand's vocational training programmes that cater to industry needs.

5 Rai is a unit of land measurement in Thailand. 1 rai equals 1,600 m^2. 1 acre is approximately 2,500 rai.

Thailand is one of the most popular tourist destinations in the world, known for its rich cultural heritage, beautiful landscapes, and hospitality sector. Hungary, with its own growing tourism sector, can learn from Thailand's success in building an internationally attractive and sustainable tourism industry. Learning points include adopting sustainable tourism practices, because Thailand is making strides in promoting sustainable tourism by preserving its natural and cultural resources. Hungary, with its own historic and natural tourist sites, could adopt some of Thailand's sustainability models to enhance its own tourism development. Hungary could also study Thailand's highly developed tourism infrastructure, which efficiently integrates transport, hospitality, and tourism services, making the country a top global tourist destination (Sudip, 2024).

4.2. Economic Importance

Agriculture remains a vital component of Thailand's economy, contributing significantly to GDP, employment, and foreign exchange earnings. Although agriculture's share in GDP has declined from about 40% in the 1960s to around 8–10% today, the sector still employs approximately one-third of the Thai workforce (Office of Agricultural Economics, 2021). This demonstrates the critical role agriculture plays in rural livelihoods and economic stability. Thailand's agricultural sector is diverse; the country's tropical climate and fertile soils support a wide variety of crops and livestock with distinct characteristics. The most important crop is rice, with Thailand consistently ranking among the top rice-exporting countries globally. An array of other agricultural products are also cultivated, including rubber, sugarcane, cassava, fruits (such as pineapples, durians, and mangosteens), and seafood. Rubber and cassava are particularly significant for export, with Thailand being the world's largest exporter of natural rubber and cassava products (FAO, 2020). Livestock farming in Thailand includes poultry, swine, and cattle, with poultry being the most prominent. The country is a major exporter of chicken meat, known for its quality and compliance with international standards. Swine production is also significant, primarily catering to domestic consumption but with growing export potential. Cattle farming, though less dominant, provides beef and dairy products for local markets (Office of Agricultural Economics, 2021). Additionally, Thailand exports significant quantities of seafood, tropical fruits, and processed food products, all of which contribute substantially to the national economy.

Thailand is also interesting because it provides an example of the fact that modernization does not necessarily displace agriculture from among the central sectors of the national economy: as the world's leading exporter of rice and poultry Thailand proves that the development of the economy – including from technical and scientific perspectives – can be reconciled with the maintenance and even strengthening of agriculture (Nemes-Sipos, 2010).

As for Hungary, the primary markets for its agricultural machinery are Germany, Romania, and the USA, yet Central Asia and the Far East have also shown great interest in Hungarian machines due to their excellent quality-price ratio. Around 20% of Hungary's seed crops are sold in foreign markets and according to the International Seed Federation, Hungary is the eleventh largest seed exporter globally. The primary markets for Hungarian seeds are European countries, but there is increasing focus on Asian and African markets due to newly developed drought-tolerant varieties (HEPA, n.d.).

4.3. Bilateral Economic Cooperation

While geographically and historically distinct, Thailand and Hungary share an evolving commercial relationship strengthened by bilateral agreements. Since its very beginnings, the relationship between Thailand and Hungary has been characterized by strategic partnerships aimed at enhancing trade and cultural connections, paving the way for various agreements and joint ventures facilitating the flow of goods, services, and knowledge. These collaborations have not only bolstered economic growth but also promoted cultural understanding between the two countries. Diplomatic relations between the two countries were formally established in 1973. Later, many bilateral agreements were concluded, for instance – among others – the following:

- Double taxation avoidance agreement (1989);
- Investment protection agreement (1991);
- Aviation agreement (1993);
- Agreement on scientific and technological cooperation (1999);
- Agreement on agricultural cooperation (2000);
- Agreement on economic cooperation (2004) (DITP, 2024).

Over the years, bilateral trade has increased, and it nowadays primarily involves agricultural products, machinery, and transportation equipment. The aforementioned agreements aim to enhance mutual access to markets, reduce trade barriers, and promote knowledge sharing in technology and agriculture.

In June 2004, Hungary and Thailand signed a new Economic Cooperation Agreement, on the basis of which the Thai–Hungarian Joint Commission for Economic Cooperation (JCEC)[6] held its first meeting on 16 December 2005 in Bangkok. Hungary has been a member of the European Union since 2004; accordingly, its trade and customs affairs can only be conducted in line with the regulations of EU policies.

Since 2007, Thailand's Ministry of Agriculture and Ministry of Agriculture and Cooperatives have been running an Agriculture Working Group with regular meetings. The members of the Thai–Hungarian Joint Science and Technology Committee are the National Research, Development and Innovation Office (NKFIH) on the Hungarian side and the Ministry of Higher Education, Science, Research and Innovation (MHESI) on the Thai side. The last meeting took place on 12 September 2024 in Budapest, after which the expansion of the Thai President Foods factory in

6 Also known as the Hungarian–Thai Joint Economic Committee.

Esztergom was announced. In 2023, the Hungarian–Thai Chamber of Commerce (HUNCHAM) was established; this institution will also contribute to strengthening the bilateral trade relations between the two countries. Between 12–14 March 2025, Bangkok hosted Asia's leading agrifood trade show; in attendance were Hungarian companies such as Bábolna Tetra, Dr. Bata, and Expert-Medical, which seized the opportunity to showcase their expertise and innovations (Embassy of Hungary in Bangkok, 2024).

Two major investments are worthy of mention. In 2014, Thai President Foods, Thailand's largest instant noodle company, opened its first factory outside Asia in the Hungarian city of Esztergom. Supplying the European market from this base, the company employs 100 people. A second significant Thai investment in Hungary is the imposing Anantara New York Palace Budapest Hotel in the heart of the capital, which is owned by the Thailand-based hospitality and restaurant multinational, Minor International.

The 2021 Hungary–Thailand Economic Cooperation Agreement has facilitated increased trade in goods and services and encouraged investments in key sectors like energy and innovation. At the third session of the Thai–Hungarian Joint Commission for Economic Cooperation in 2023, the partners agreed to deepen economic ties and broaden their collaboration across various sectors (Tangsathaporn, 2022). Both parties exchanged views on the bilateral partnership, focusing on trade, investment, and sectoral collaboration in areas such as environment protection, water management, the automotive industry, the food industry, innovation, and technology transfer.

Hungarian projects in Thailand

- Thailand is the regional distribution centre of Hungarian pharmaceutical products in Southeast Asia, including the brands Richter Gedeon and Egis, both of which have a growing presence;
- Agrotechnological projects – integrated freshwater farms;
- Solar panel manufacturing;
- Phuket Aquapark – initiated in 2009 by the Hungarian investor Levente Perjesi and developed by the Hungarian firm Csenki Co., the project is aimed at catering to both domestic and international tourists seeking family-oriented recreational activities.

Thai projects in Hungary

- Thai instant noodle factory in Esztergom – Thai President Foods Hungary Kft.;
- Thai restaurants (over twenty);
- Massage salons;
- Regional distribution centre of Thai pickup trucks (DITP, 2024).

Central European round trips – taking in Hungary, Austria, and the Czech Republic – are very popular among Thai travellers. Hungary is becoming an increasingly favoured destination, as shown by the 20,786 overnight stays by Thai travellers in 2023, a significant increase of 68% on the 2022 figure of 12,392. Meanwhile, the number of Thai tourists visiting Hungary all but doubled in 2023, from 4,764 to 9,456 (Embassy of Hungary in Bangkok, 2024).

4.4. Thailand and Thai Agriculture from a Hungarian Perspective

From a Hungarian perspective, Thailand's agriculture is viewed as a rich source of high-quality tropical products and a promising market for advanced agricultural technologies. Hungarian businesses see significant opportunities in exporting goods and technology to Thailand.

Thai–Hungarian cooperation in agriculture has long been characterized by mutual benefits and shared goals. Joint initiatives have focused on enhancing agricultural productivity, promoting sustainable practices, and facilitating technology transfer. One notable area of collaboration is agricultural research and development, where both countries can share knowledge and innovations. For example, joint research projects on crop improvement, pest management, and sustainable farming practices can address common challenges and improve agricultural resilience.

Furthermore, educational exchanges and capacity-building programmes have strengthened bilateral cooperation. Hungarian universities and research institutions offer scholarships and training programmes for Thai students and professionals, fostering knowledge transfer and building human capital. These exchanges not only enhance individual expertise but also create lasting institutional partnerships that benefit the agricultural sectors of both countries.

Trade missions and business forums – organized both governmentally and by industry associations – play a crucial role in promoting bilateral trade and investment. These events facilitate networking, information exchange, and the establishment of business partnerships. Hungarian companies interested in the Thai market can take advantage of these platforms to explore opportunities, understand local market dynamics, and establish strategic alliances with their Thai counterparts (Chantavanich, 2019).

4.5. The Cultural Dimension

Launched from the springboard of the establishment of diplomatic relations between the two countries in 1973, Hungarian–Thai cultural relations have been steadily developing over recent decades. One of the main pillars of cooperation is formed by cultural and educational exchange programmes, through which each country seeks to introduce its own traditions and cultural values to the other. Thai cultural events, such as gastronomic festivals and dance performances, are regularly held in Hungary to present the rich culture of Thailand. At the same time, Hungarian culture is also receiving increasing attention in Thailand, for instance, in the fields of music and the visual arts.

In addition, as part of the educational cooperation between the two countries, Hungarian students can study at Thai universities in the framework of the "Stipendium Hungaricum" scholarship programme, at which time they can also gain a knowledge of the country's language and culture. A number of Hungarian universities have cooperation agreements at inter-institutional level with Thai universities, including Kasetsart, Mahiodol, and Chulalongkorn (KKM, 2025).

Tourism is also an important part of cultural relations, significantly contributing as it does to mutual understanding. Thailand is one of the most popular Southeast Asian destinations for Hungarian travellers, who visit the country not only for its beautiful natural landscapes and rich historical heritage but also for the renowned Thai hospitality. At the same time, more and more Thai tourists are discovering Hungary's cultural attractions, such as the World Heritage Sites of Budapest and the country's thermal spas. Alongside the growth in tourism, diplomatic and economic relations have also been strengthened, providing further grounds for deepening cultural cooperation. According to the Hungarian Tourism Agency, the development of cultural and social relations between the two countries is expected to intensify in the future, as both sides are open to mutual learning and cooperation.

5. Results

On the basis of our investigations, it was found that results in the Thai–Hungarian bilateral relationship can be identified in the fields of both politics and the economy. Our research focused on the two countries' economic relationship.

5.1. Comparison of Economy and Commerce

Economy

- Thailand: An emerging economy with a GDP heavily reliant on tourism, agriculture, manufacturing, and services. Known for its export of electronics, automobiles, and agricultural products, especially rice. In 2022, Thailand's GDP (PPP) was approximately USD 1.255 trillion (CIA, 2024).
- Hungary: A high-income mixed economy with strengths in industries like automotive, pharmaceuticals, IT, and manufacturing. In 2022, it had a GDP (PPP) of about USD 374 billion (WHO, 2023).

Table 2: Economic comparison – Hungary vs. Thailand (2024)		
Category	**Hungary**	**Thailand**
Currency	Hungarian forint (1 HUF = 100 fillér)	Thai baht (1 THB = 100 satang)
Unemployment rate	4.1%	0.9%
Inflation rate	14.61%	6.08%
Cost of living (USA = 100%)	47.96%	33.07%
Commercial taxes and contributions	37.90%	29.50%
Average income	19,010 USD	7,230 USD
Central government debt (% of GDP)	76.65%	53.56%
General government debt (% of GDP)	75.93%	53.77%
Corruption index	58 (bad)	65 (bad)
Total gross domestic product (USD million)	177,337	495,423
Gross domestic product per 1,000 residents (USD million)	18.39	6.91
Total gross national product (USD million)	183,349	518,439
Gross national product per 1,000 residents (USD million)	19.01	7.23
Total exported goods (USD million)	161,761	324,063
Exported goods per 1,000 residents (USD million)	16.77	4.52
Total imported goods (USD million)	169,199	334,478
Imported goods per 1,000 residents (USD million)	17.55	4.67

Source: Worlddata (2024)

Table 2 provides a comparative analysis of key economic indicators for Hungary and Thailand. It covers a range of factors featuring currency, unemployment rate, inflation, cost of living, taxes, income levels, government debt, corruption perception, and the economic output measures of GDP, GNP, exports, and imports. Hungary has a significantly higher unemployment rate (4.1%) compared to Thailand (0.9%). Both countries are currently experiencing relatively high inflation rates. The cost of living is higher in Hungary compared to Thailand. Similarly, commercial taxes and contributions are higher in Hungary. Average income is significantly higher as well. Both countries have similar corruption perceptions, with scores indicating a moderate level of corruption. Thailand has a larger economy in terms of GDP and GNP, with higher exports and imports. However, on a per capita basis, Hungary has a higher GDP and GNP. Overall, while Thailand has a larger economy in absolute terms, Hungary has a higher per capita income and faces greater economic challenges, such as unemployment and inflation. The main figures of Thai–Hungarian trade relations for the first half of 2023 can be seen in Table 3.

Table 3: Key facts in Thai–Hungarian trade relations (2023)	
Trade snapshot: January–July 2023. Total trade value: USD 597.74 million.	
Thai imports from Hungary **Import value: USD 190.28 million**	**Thai exports to Hungary** **Export value: USD 407.46 million**
Top 5 imports from Hungary: • Cars, auto equipment, and components • Computer equipment and components • Radio and television receivers and components • Faucets, valves and components • Electrical transformers and components	Top 5 exports to Hungary: • Electric machinery and components • Automotive components and equipment • Machinery and components • Tools and appliances related to science and medicine • Medical and pharmaceutical products

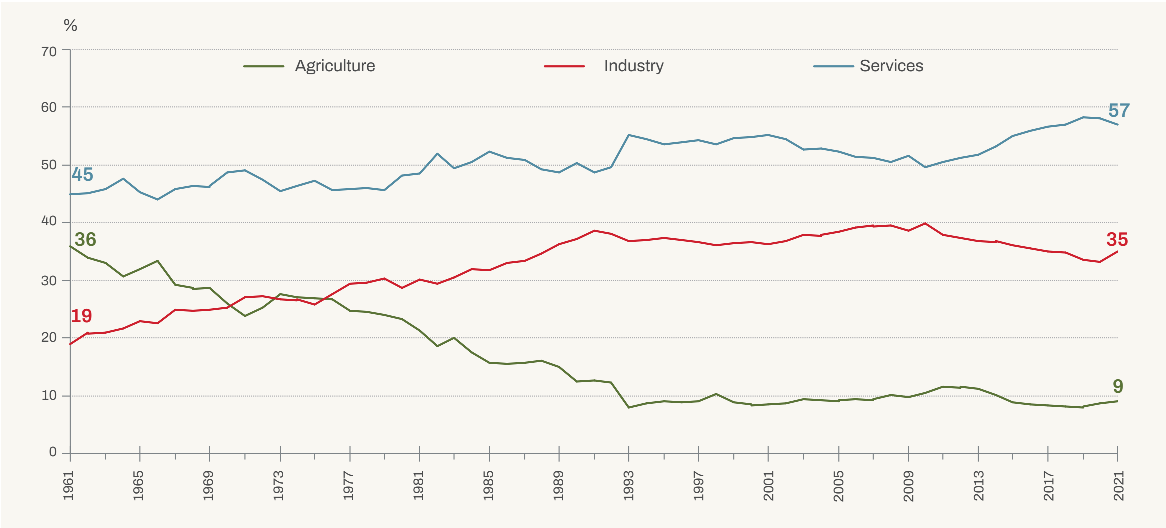
Source: DITP (2023)

Agriculture plays a crucial role in Thailand's economy, contributing significantly to GDP and employing a substantial portion of the population. The country is one of the world's largest rice exporters. Thai agriculture is diverse, ranging from small-scale subsistence farming to large commercial plantations. The country utilizes both traditional and modern farming techniques. Agriculture accounts for about 8–10% of Thailand's GDP, and around 30% of the workforce is employed in this sector (Statista, 2024). Thailand's main export products in 2022 were natural rubber, fruits, rice, cassava, chicken meat, sugar, shrimps, and canned tuna (see Table 4). Their land utilization is above 23%, slightly increasing compared to previous years. Similarly to in most emerging economies, the GDP of the agricultural sector has been decreasing, while the respective share of the industrial and service sectors is growing (see Figure 1).

Table 4: Potential key products and services of Thailand	
Potential key industries	**Growing export products**
• Automotive • Food and beverage • Tourism and hospitality • Healthcare and medical tourism • Electronics and electrical appliances • RHVAC (Refrigeration, heating, ventilation, and air conditioning) • Agriculture and agribusiness • Renewable energy and sustainable technologies • Manufacturing and engineering • Biotechnology and pharmaceuticals • E-commerce and digital services	• Rice • Rubber • Seafood and aquaculture products • Fruits and vegetables • Processed foods and beverages • Auto parts and components • Electronics and electrical devices • Textiles and garments • Gems and jewellery • Medical devices and supplies

Source: DITP (2023)

Figure 1: Share of GDP by sector (%)



Source: Limsombunchai (2023)

The agricultural sector faces challenges such as climate change, water scarcity, the need for modernization, productivity, cost of production, price, and market risk. Government initiatives focus on sustainability and the improvement of productivity through technology and innovation (Statista, 2024). Hungary also has a significant agricultural sector, though it differs markedly from that of Thailand. Hungary's primary crops include wheat, corn, and oilseeds (such as sunflower and rapeseed). The country is also known for its horticultural products and seeds for planting (ITA, 2024; KSH, 2023). Hungary's livestock farming is substantial, including poultry, swine, cattle, and sheep (European Commission, 2024). Agriculture contributes about 4–5% to Hungary's GDP, with around 4.3 million hectares dedicated to arable land and permanent crops. Their land utilization is above 64%. Approximately 30.5% of the population lives in rural areas and engages in agricultural activities (ITA, 2024; KSH, 2023). Hungarian agriculture faces challenges related to climate change, aging farming populations, and the need for modernization and better irrigation systems. Government strategies emphasize sustainable development and improving rural livelihoods (European Commission, 2024; ITA, 2024).

6. Challenges

6.1. Sustainability Issues

Thailand's agricultural sector faces significant sustainability challenges. Intensive farming practices, the overuse of chemical fertilizers and pesticides, and the expansion of agricultural land have led to soil degradation, water scarcity, and loss of biodiversity. Climate change exacerbates these issues,

with the increased frequency of extreme weather events such as floods and droughts impacting crop yields and livestock production (Waqas et al., 2025). To mitigate these environmental impacts and ensure long-term productivity, the government and various organizations are promoting sustainable practices such as organic farming, integrated pest management, and conservation agriculture (Office of Agricultural Economics, 2021).

6.2. Changes in Food Consumption Patterns

Rapid urbanization and rising incomes in Thailand have led to shifts in food consumption patterns. There is a growing demand for high-value foods, including fruits, vegetables, dairy products, and meat, reflecting a shift away from traditional diets centred on rice and staple crops. This change is driven by increased health consciousness and the influence of global food trends. The shift poses challenges for small-scale farmers, who must adapt to new market demands and may struggle to meet the quality and safety standards required by urban consumers and international markets (Chantavanich, 2019).

6.3. Perception of GMOs

The perception of genetically modified organisms (GMOs) in Thailand is mixed. On one hand, GMOs are acknowledged as having the potential to address food security challenges by increasing crop yields, improving resistance to pests and diseases, and reducing reliance on chemical inputs. On the other hand, there is significant public concern about the safety and environmental impact of GMOs. The Thai government has adopted a cautious approach, with stringent regulations on the cultivation and sale of GMOs. The seed business is one of the promoted industries using biotechnology under the Thailand 4.0 policy, which aims at improving economic development towards the fourth industrial revolution. This industry relies heavily on the technological capabilities of multinational corporations; local firms however, have the advantage of understanding the specific needs of Thai farmers (Napasintuwong, 2021). Napasintuwong's study on the corn seed industry in Thailand suggests that public support for research networks and regulatory improvements is crucial to enhancing the technological capacity of the domestic seed industry.

This context underscores a broader perception of GMOs in Thailand, where there is recognition of their potential benefits in agricultural advancement but also a need for support systems to enhance local technological capabilities and ensure the development of locally relevant solutions. In terms of a regulatory framework for commercializing GM agricultural-biotech products, most Asian states have guidelines for research on GMOs, but the necessary procedure for obtaining commercial approval to grow GM crops is still largely unclear in many countries. Thailand was one of the first countries in Asia to initiate agribiotech crop R&D on a large number of species and to implement a regulatory regime for agribiotechnology. However, while maintaining an active research agenda, it now appears to have adopted a "wait-and-see" attitude towards the commercial release of any biotech crops (Teng, 2008).

7. Conclusions

Thailand's economic strength, its innovation in agriculture and tourism, and its push towards a digital economy all make it an attractive partner for Hungary. Hungary can learn from Thailand's sustainable tourism practices, smart agriculture, and digital transformation initiatives. In return, Hungary's strong education and industrial sectors provide fertile ground for technology exchange, educational partnerships, and deeper economic cooperation. Both countries stand to benefit from closer bilateral ties, particularly as gateways to their respective regional markets.

Addressing sustainability challenges requires a multifaceted approach involving policy reforms, technological innovations, and stakeholder engagement. Promoting sustainable agricultural practices, supporting small farmers in adapting to changing consumption patterns, and fostering informed public dialogue on GMOs are all crucial steps towards ensuring the resilience and sustainability of Thailand's agricultural sector.

The perception of Thai agriculture from a Hungarian perspective is based on appreciation and opportunities. High-quality Thai agricultural products have found a receptive market in Hungary, while Hungary's advanced agricultural technologies and expertise offer valuable solutions for Thailand's agricultural challenges. Joint cooperation in research, education, and trade further strengthen this bilateral relationship, creating a foundation for sustainable and mutually beneficial growth in the agricultural sector.

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BOOK REVIEWS

KENT E. CALDER – SUPER CONTINENT: THE LOGIC OF EURASIAN INTEGRATION

Levente Horváth[1]

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Kent E. Calder is a distinguished American scholar and expert on East Asian political economy, currently serving as Director of the Edwin O. Reischauer Center for East Asian Studies at the Johns Hopkins School of Advanced International Studies. He holds a PhD from Harvard and has spent considerable time in Japan to deepen his understanding of the region's political and economic dynamics. In this book, he examines the deepening integration of Eurasia, with China and the Belt and Road Initiative playing a central role. His core premise is that reconnecting Europe and Asia with America by strengthening connectivity will result in the creation of a new supercontinent based on a partnership between Europe and China.

The Thought Process of the Book

Kent E. Calder's *Super Continent* focuses on the integration of Eurasian nations and examines how historical, political and economic factors shape their interactions. The book emphasizes the importance of geographic proximity and common interests in promoting cooperation and stability in the region. The author analyses the role of major powers such as China and Russia in this integration process and examines the implications for global geopolitics. He argues that the complexity of Eurasia, driven by cultural exchange and mutual economic activity, is crucial to an understanding of modern international relations and the shifting balance of power. Furthermore, Calder introduces the concept of "continentalism", which points to a move away from Atlanticism and signals the need for a more sophisticated approach to global dynamics characterized by the growing influence of regional powers within Eurasia.

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The work is based on the premise that in the early twentieth century, North America transcended its geographic boundaries thanks to forward-looking investments in infrastructure, creating the world's first supercontinent as the USA became a global power. Two seminal events in this process were the construction of the first transcontinental railroad in 1869 and the opening of the Panama Canal in 1914. The creation of such new pillars of connectivity enabled the economic and strategic integration of North America and the spread of American power around the world. In our times, similar processes are taking place in Eurasia. Ever since the Cold War, the centre of economic growth has been shifting to East Asia, and the reshaping of geopolitical relations and the reconnection of Europe and Asia foretells the birth of a new supercontinent based on a partnership between Europe and China.

After hundreds of years of division, the first quarter of the twenty-first century has seen a significant acceleration in Eurasia's interconnectedness, with the rise of China and its Belt and Road Initiative (BRI) being a key element. Alongside the BRI, the revolutions in logistics and IT, the political and economic transformation of Europe, Russia and Southeast Asia, and the geo-economic aspirations of India and Iran also play an important role in this story.

The author's aim is to describe the political and economic transformation taking place across Eurasia, predicting that it is likely to lead to the emergence of a new supercontinent. In terms of analytical methodology, he focuses on a detailed examination of four main factors: (1) geographical location (opportunities for increasing connectivity, natural resources); (2) the definition of crises (periods of critical change affecting the political-economic system and its institutions); (3) periods of transition (transitions that extend over an extended period of time, systemic changes); (4) distributive globalism (governance systems that emphasize mutual benefits for participants over expected costs, as opposed to rule-based international systems such as Bretton Woods).

Periods of Transition, Distributive Globalism and Major Crises

In this volume's first chapter, after a description of the logical structure of the book and the methods of analysis, the initial focus is on the periods of transition. In the case of China, the phase following President Xi Jinping's assumption of office is seen as an important transition period in domestic, diplomatic and military terms alike, while in relation to Eurasia, the political and economic changes of the past three decades are acknowledged, with increasing European–Chinese cooperation being a key element. In addition, China's partnerships with Russia and other major regional powers point to the beginning of global change. Using political economy theory, Calder contrasts what he calls distributive globalism, as favoured by China, with the international systems established by the United States, emphasizing the positive, win-win consequences that could make the BRI the basis of a new international cooperation system.

The book's second chapter begins with a discussion of the origins of the ancient Silk Road and trade between Europe and Asia. Here the author analyses the political and economic challenges of long-distance trade over the centuries and speaks of a so-called Silk Road syndrome, i.e. the desire to promote connectivity, which has remained in the minds of political elites to this day. Since the nineteenth century, Russia, South Korea, Japan and Turkey have all formulated grand plans for infrastructure development, yet none of them have kept pace with China's Belt and Road Initiative, although they largely complement it. It is concluded that the BRI – unlike the historic Silk Road, in which China was by no means a dominant player – could fundamentally reshape Eurasia, something which is now in China's interest, and thus also reconfigure the world order shaped by Washington.

Following the above, the author focuses on the key crises to which, in his opinion, the reunification of Eurasia and the integration of the divided nation states can largely be ascribed. The most significant crisis of all is stated to be that catalysed by the Chinese reform measures introduced by Deng Xiaoping in 1978, which can be interpreted as the starting point of the process towards the emergence of a supercontinent. The collapse of the Soviet Union in 1991 offered China the opportunity to build closer relations with the Central Asian states, and the global financial crisis of 2008 and the Ukraine crisis of 2014 both deepened the partnership between Moscow and Beijing while turning China into an assertive global player. The common feature of these crises is that they all gave a new impetus to the continent's integration by overcoming erstwhile political obstacles.

China and Eurasian Integration

Chapter 4 of the book examines the natural and political geography of Eurasia, and several important observations are made: (1) China is geo-economically located in the central part of Eurasia, making it much easier for the country to strengthen connectivity with the West; (2) although Russia and China are essentially continental powers, as the BRI shows, they also have significant maritime ambitions; (3) India has limited access to land trade routes but dominates the Indian Ocean. However, in addition to geography, revolutionary changes in energy, long-distance trade and finance have also contributed to the growing interdependence between Europe and Asia. China's oil and gas imports have brought it into a community of interests with Russia, Central Asia and the Arab world, and the logistics revolution has moved it closer to the European economies. New financial institutions, such as the Asian Infrastructure Investment Bank, should also contribute to the expansion of cooperation.

Calder's next chapter focuses on explaining the factors that have made China the driving force behind Eurasian integration, and on the internal and external factors that have contributed to its success. Stating that China's growth in the 1980s and 1990s was still based on exports, which corresponded to a gradual shift to private interests, he goes on to assert that the 2008 financial crisis and Beijing's response to it shifted the focus to infrastructure development. Under Xi Jinping's leadership, the Communist Party, the armed forces and the heavy industrial complex have all become even more committed to infrastructure projects, while China's economic strength and geopolitical position have led to a strategy of connectivity that has already produced spectacular results on a global scale.

Southeast Asia, Russia and the New Europe

Chapter 6 examines China's relations with Southeast Asia and the significance of the region from the perspective of Eurasian integration. Southeast Asia is of paramount importance for the Chinese economy (investment, trade, raw material supplies), which is why the ASEAN states play a central role in Beijing's new continentalist plans. The most important project to strengthen connectivity between China and the Southeast Asian region is the Singapore–Kunming Railway, which will connect the two end points with Myanmar, Thailand, Cambodia, Laos and Vietnam, and will link up with the railroad to Europe in Chongqing. The investments of the Chinese diaspora in Southeast Asian countries have greatly contributed to both the development of special economic zones in China and the global expansion of production chains. In addition to its economic influence, Southeast Asia also plays an important political role as a mediator between China and the rest of the world, with Singapore in particular being a prominent actor. The author concludes that, apart from trouble spots such as the South China Sea, the region is likely to continue to fulfil a crucial mediatory role between a rising China and the Western world.

The following chapter analyses relations between Russia and China, presenting the background, the main features and the consequences of the emerging alliance between the two powers. Despite the two nations having a history of conflict, the economic interdependence they share is impressive. For China, which within a few years is set to become the world's largest energy consumer, Russia accounted for the majority of its oil imports in 2016–17. In contrast to the 1950s, Beijing has now taken the lead in the alliance, while Russia's commodity exports make it an indispensable partner for China. Because of its energy exports, improving connectivity is also a priority for Moscow, and there is thus no alternative to joining the BRI. According to the author, the creation of a lasting Sino–Russian alliance can be attributed to four fundamental factors: (1) Russia's drift away from the West, exacerbated by NATO enlargement and the 2014 Ukraine crisis; (2) the strong complementarity of the two economies in energy and manufacturing; (3) the correspondence in the nations' strategic plans, the main objective of both being to undermine US unipolar hegemony; (4) China's dominance in bilateral relations, especially in the wake of the Ukraine crisis.

Chapter 8 examines the transformation of post-Cold War relations between Europe and China. Over the past two decades, China's relations with Europe have been strengthened by developments in transportation, finance and industry that build on historical foundations. New trade routes have been established, reducing costs while increasing interdependence between China and Europe. Politically, European fears of Russia and of Donald Trump's protectionist policies are also driving closer cooperation with China. The European Union's relations with China are fundamentally influenced by the former's division and its unanimous decision-making mechanism, which, as experience has shown, can promote harmonious cooperation with Beijing that is in the interests of the countries of Central and Eastern Europe. At the same time, however, China is becoming an increasingly serious competitor for the wealthy Western countries, especially in the steel and high-tech sectors, and there are limits to the development of a more intensive partnership.

The author emphasizes the importance of Central and Eastern European countries and the 16+1 cooperation, which plays an important role in the implementation of China's infrastructure plans and thus promotes the reconnection of Eurasia. Moreover, he emphasizes that relations with China offer a unique opportunity not only for the Visegrad states but also for the German economy that integrates these countries, as the complementary nature of the two regions can be seen through the Chinese market and the flow of capital to Europe. He concludes that the renewed connection between China and Europe marks the beginning of a new transition period, with a historic transformation of the global political-economic system.

The Challenges of the Future and the Dilemma of the New World Order

The synergy between Europe and Asia suggests that a global transformation resulting in the creation of a new supercontinent is very likely. Nevertheless, there are a number of factors that could influence this process, which are discussed in a separate chapter. They are divided into two categories: (1) foreseeable factors, which could hinder the peaceful emergence of an independent Eurasia; (2) uncertainty factors, which make predicting the future much more difficult, as they assume that a number of alternative scenarios are being considered. Foreseeable factors include demographic changes (the aging of Asian societies), the advance of globalization, ongoing and latent ethno-religious conflicts, the proliferation of weapons of mass destruction, and the struggle for natural resources. Among the uncertainty factors, the future of China is the most crucial – both in terms of the stability of the political system, which lacks the "safety valve" of political pluralism, and in terms of the consequences of the expected liberalization of trade and finance. In addition, intra-Asian relations (particularly between India and China), an intensification of the rivalry between the USA and China, the spread of Western populism, and the questioning of America's constructive global leadership role are also factors of uncertainty.

Chapter 10 of the book deals with the emergence of the new world order, its characteristics and its probable consequences. As it is noted, the post-1945 international system and its institutions continue to serve US interests; although the world has changed enormously in recent decades, the basic structure has scarcely altered. Since the 2008 financial crisis, however, the pressure to create a new paradigm for international relations has increased, fuelled by the crisis of globalization and the desire to develop a transcontinental infrastructure. In the author's view, the paradigm of distributive globalism created by China – exemplified by the BRI – is a system of interdependence based on infrastructure investment and personal relationships, yet one that is not in direct contradiction to the architecture of Bretton Woods. Beijing-led distributive globalism – which in the longer term will achieve Chinese dominance – is less intrusive domestically and, rather than rules, it relies on economic incentives for sharing and cooperation. The loose coupling of regional power centres could thus eventually create a decentralized international structure that, as US power declines globally, will serve Eurasia's interests in the future.

Policy Proposals

At the end of the book, the author makes recommendations to the US political leadership. He sees the emergence of a Eurasian supercontinent as a positive development, but believes that Washington must adapt to the changing world – and do so proactively. He advocates closer political and economic cooperation with neighbouring countries (Canada, Mexico) and allies (EU, Japan, South Korea) alike, and advises a dual strategy: the USA should strengthen its position in Eurasia in a cost-effective manner while leveraging its geopolitical advantages in the maritime regions. Expanding trade and military relations is a priority in this regard. Since the only country in Eurasia that can counterbalance China is India, America should pay special attention to developing bilateral relations and always consider India as an ally. In addition to strengthening multilateral cooperation in the areas of energy and finance, the United States must also respond to the BRI, offering a genuine alternative to distributive globalism by initiating institutional reforms, financial assistance and projects of mutual interest to win over the countries of Eurasia. Overall, of course, the process leading to a Eurasian supercontinent will be influenced not only by America – it will be shaped by the whole world.

KERRY BROWN – CEO, CHINA: THE RISE OF XI JINPING

Alexandra Zoltai[1]

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China has recently become one of the centres of the global economy, with the mysterious and all-powerful Chinese Communist Party at the forefront of this incredible boom. However, with the appointment of Xi Jinping as General Secretary of the Party, life has changed for the Chinese elite. Under the guise of an anti-corruption crusade, he has cracked down on his rivals and built one of the most powerful leaderships in the history of modern China. In his book, the author and China expert Kerry Brown reveals the secret history of the man who is often referred to as the "Chinese Godfather". The country Xi leads is strong, aggressive and single-minded. This volume offers valuable insights, especially for the Western world.

Introduction

In the introduction to *CEO, China: The Rise of Xi Jinping*, the author points out that the work was completed in 2016. This means that it only covers the events and contexts up to that point, while speculating about the future and exploring the difficulties of writing about the political system and life in China. At the beginning of the book, Brown singles out the key figures in Chinese politics with a 1:1 characterization and creates a timeline of the most important moments in Xi Jinping's life. The work is then commenced in earnest with the author relating his first meeting with Xi, who at that time was the Party Secretary of Shanghai, thereafter giving an insight into the life and structure of China's leadership, with particular focus on Mao Zedong.

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The Struggle for Power in Modern China

Where does power in China come from? The obvious answer is the Chinese Communist Party (CCP), which bases its legitimacy on three facts: it was part of the victory over the Japanese in World War II, it unified China after the civil war that devastated the country, and it initiated the policy of reform and opening up that began in 1978. The CCP is currently led by Xi Jinping, and the author points out that the Party cannot be understood without an understanding of its General Secretary, while the General Secretary cannot be understood without an understanding of the Party. After all, the strength of the Party is also the strength of its General Secretary and vice versa, which is the hardest thing for outsiders to understand. The history of the Party organization in recent times is also the history of the People's Republic of China itself. Thus, the visions and ideas of the Party are shared by the state, i.e. the power of the Party lies in its control over the destiny of the state. From this, Brown draws the conclusion that the CCP has the right to take a decision-making role in most areas of life, because what is good for the Party is also good for the state, and what is good for the state is good for the Party.

The author gives a good overview of the structure and functioning of the Chinese Communist Party's organization, albeit not in great detail. He often uses metaphors and compares, for example, the structure of the CCP to that of the Catholic Church, in which the Party members are the faithful, the Central Committee is the ecclesiastical assembly, the highest leaders are the Pope's immediate secretaries and the General Secretary is the Pope himself, who is endowed with papal infallibility and acts as legislator, spiritual leader and champion of the purity and correctness of doctrine. The author assumes that this comparison might help Westerners to understand the complex structure of the CCP.

Xi as a Human Being

The book argues that since Xi Jinping came to power in 2012, it is hard to deny that there was something inevitable about his rise, and that he was destined to reach and occupy his current position.

In this chapter, the author begins with a description of Xi's childhood, focusing on his parents, including the Party career of his father, Xi Zhongxun, and his abuse of his position. He then moves on to Xi's youth, which covers the years of the Cultural Revolution; as because of his father's disgrace, the son did not join the Red Guards, he was sent to the countryside in 1969. The bitterness and discomfort Xi experienced while far from his family paid full political dividends later, as these years gave him a taste of rural life and the daily struggles of the peasants, who, according to the 2010 census, make up almost half of China's population. He later returned to Beijing and began his studies. Two years after Mao's death, Xi Zhongxun returned to the capital, at which time his son was studying at the prestigious Qinghua College. It was at this juncture that the young Xi came into contact with his future mentor and one of his most important confidants, Chen Xi.

If China was to survive the void that followed Mao's death, radical change was needed. This happened under Deng Xiaoping, who opened the way for foreign capital and technology by establishing special economic zones. In Guangdong, the reform was led by Xi Zhongxun at a time when it was considered risky, but this gave his son the credibility of reform and opening up.

After his studies, Xi Jinping joined the Central Military Commission, where he came into contact with Geng Biao, a highly respected soldier who was later dismissed because of his disagreements with Deng. As a result, Xi also sought new paths and left Beijing in 1983, not to return for the next twenty-five years. On the advice of his father, who believed that the only way to gain real experience was to climb the ladder from the lowest rung, he began working as an ordinary civil servant in Zhengding, Hebei Province. In 1985, he was sent to Xiamen in Fujian Province, where he also had the good fortune to come into contact with Xiang Nan, who knew how to push through reforms and who had done in Fujian what Xi's father had done in Guangdong. This period left a deep impression on Xi, as he experienced the policy of reform and opening-up in practice for the first time. During this time, Xi met and later married his second wife, Peng Liyuan, a celebrated Chinese singer who at that time was more famous than her husband.

Later, Xi was transferred from the relatively developed Xiamen to Ningde, one of the poorest areas in the province. It is a common practice within the Party to send cadres – especially those who aspire to leadership positions – to the most backward areas so that they may prove their ability to lead the country. During this time, Xi experienced the weaknesses and setbacks of reform and opening-up and encountered rampant corruption for the first time. He later relocated to Fuzhou, where he also initially experienced a difficult time in the wake of Tiananmen Square. In spite of this, Deng Xiaoping decided to continue the reforms and the city was given a new lease of life – as was Xi Jinping's career. In 1996, he was finally appointed to the provincial leadership and became Deputy Governor. However, he was not elected to the Party Central Committee at the 1997 National Congress and shortly afterwards he was given the leadership of Zhejiang Province. Before Xi took office there, two important changes put him in a difficult position. Firstly, in 2001 China became a member of the World Trade Organization and secondly, the ban on businessmen becoming Party members was lifted. This led to rapid development in Zhejiang, and Xi supported local companies such as Alibaba and Geely, which are now globally successful, with the founder of Alibaba, Jack Ma, becoming the richest man in Asia in 2014. As a result of such success stories, several foreign companies later invested in the province.

In 2007, just a few months before the upcoming Party congress, Xi Jinping began to be mentioned in elite circles as a contender for the highest leadership posts, despite the fact that he was not a member of the Politburo. Later, to the surprise of many, his name was indeed added to the shortlist of potential Politburo Standing Committee members. Xi Jinping's ultimate success was not automatic and predictable, but only became clear when he first appeared before the people as the new General Secretary of the CCP and new President of China in 2012.

After coming to power, Xi began to lead China in a much more nationalistic and self-confident way than his predecessor, Hu Jintao. And he demonstrated an abiding quality: his strong reservations about foreign ideas unless seeing them in the context of specific Chinese conditions.

By rising from the lowest level and doing his job well, Xi had a dual legitimacy within the Party that his serious rival in the leadership race, Li Keqiang, could not claim for himself. In 2012, he became the new General Secretary of the Party on account of his curriculum vitae and his achievements in administration, while his belief in the Party proved that he was capable of leading the CCP elite. The Chinese Communist Party is an institution that embodies the role of a prophet or warlord. It defends its organization and conveys its faith and commitment through its people. In this respect, neither Deng Xiaoping, Jiang Zemin, Hu Jintao nor Xi are the "emperor" of the Party, for the role of "emperor" is played by the Party itself, and to express its inaccessibility, it employs a mortal leader (the General Secretary) who is the mouthpiece for its infallible messages.

Xi's Friends and Enemies

To understand Xi Jinping himself, the author says, it is important to take a look at the people close to the President and also his enemies. Brown lists several categories of Xi's contacts, the most important of which are those closest to him: his family, his wife and his daughter. Then come his political allies, his close friends, his bureaucratic supporters, those he deals with on a daily basis but also his advisers and, above all, his enemies and opponents. Some of Xi's relationships were more important in the past but have now faded into the background, while some will play a significant role in the future.

A detailed account is given of Xi Jinping's life, career and relationship with his wife. Peng Liyuan is considered to be an important element in China's political life, not only because she is a prominent representative of Chinese soft power, but simply because Chinese politics is in need of feminization. According to the author, Peng represents one of Xi's most complicated relationships ever – but also the most important. The list continues with the most crucial of the aforementioned types of relationships and the people who have played the biggest roles in Xi's life. However, to understand Xi Jinping, it is also necessary to consider those who stand in opposition to him. At the time when the book was written, his two most commonly mentioned enemies were the Chinese human rights activist and Nobel Peace Prize laureate Liu Xiaobo and the President of the United States. Fundamentally, however, Xi's "deadliest" pponents sit alongside him in the Party leadership, as they are the ones who can threaten him directly.

Xi's Political Programme

To understand Xi Jinping's political mission, it is important to place it in the context of the policies and paths of previous leaders and interpret it accordingly. Since Chinese leaders do not have to worry about being replaced in public elections, they inherit the legacy of their predecessors and can continue to rule as they wish once they are in power. Be that as it may, they must remain in line with Party policy and the path that has been chosen.

"Reform" is a word that is worth its weight in gold and it has been pointed out by Central Party School thinkers that the word has positive connotations for everyone. For the people, it means optimism and progress towards a better world. Xi Jinping's main task is to push forward reform in

China, as the reform era started by Deng Xiaoping has come to an end. Now it is up to Xi to create a new chaos: China Reform 2.0.

The CCP has become the world's biggest prosperity machine, growing at a faster pace than even Apple or the economies of the USA, the UK or Germany. Yet Party strategists are aware that they must always be one step ahead of the game. One of the Party's most important tasks is to formulate possible scenarios and find solutions to them. At this point, the author once again refers to Mao Zedong, noting that while Mao set out ten key points in 1957, Xi has gone further by outlining eleven major areas, suggesting that Xi seeks to match – and even expand upon – Mao's legacy in both scope and ambition.

1. The market: At the Third Plenum in 2013, an ideological innovation was introduced, namely that the market is not only there for growth, but that it is a fundamental necessity. The focus here is on the relationship between the state and the economy. Xi Jinping has declared that if the market fails, the state must take responsibility.
2. State-owned enterprises (SOEs): According to Xi, the issue of SOEs is one of the biggest challenges facing China today. The Party's main task is therefore to support mixed-ownership enterprises, particularly joint ventures between state-owned companies and private or foreign partners.
3. The taxation of the rich: Xi sees narrowing inequality and promoting "common prosperity" as vital for both social stability and the Party's legitimacy.
4. The urbanization of China: Xi's main goal is to promote modernization in the Chinese countryside.
5. Democracy with Chinese characteristics: Most Chinese people still believe that the system which works in America is suitable only for America and cannot be applied to China. This is due not only to the CCP's monopoly power but also because they see the weaknesses of the system.
6. Legislative reform: One of Xi's chief tasks is to restore trust between the people and the government. He considers the Chinese legal system to be flawed and inefficient.
7. Fighting corruption: The President has stated that this is the main obstacle to building greater trust, whether between the CCP and its members, or between the Party and the people.
8. Cyber war: Xi Jinping is probably the first Chinese leader with a clear and serious digital strategy. He believes that he must not only lead physical China, but also control virtual China.
9. The proper management and prevention of disasters: It is up to the government to take responsibility for and coordinate security issues in order to ensure the stability and security of the state. This is why Xi established the National Security Commission of China in 2013. Modelled on the US National Security Council, it centralizes the coordination of security issues.

10. The importance of the environment: The Party is under great pressure to find a balance between growth and the reduction of environmental pollution in China.
11. Harmony and cooperation between the Party and the people: These are the most essential factors for the effective management of all the aforementioned areas.

How Does Xi Jinping View the Outside World?

As far as political priorities are concerned, domestic reforms come first, while foreign relations have been marginalized. Beijing has traditionally viewed the importance of its diplomatic relations as concentric circles that decrease in importance in correlation to their distance from the centre (China itself). The country is most interested in relationships that serve its strategic priorities, above all its relationship with the United States, while its Latin American and African partners are marginalized by geopolitical distance. Brown divides China's relations with the rest of the world into four groups:

- The United States is the only country placed in the first group. There is a very strong geopolitical and economic interconnection between the two countries, which results in close and intensive relations, even amid their rivalry.
- The second group comprises the EU and Russia. There are close and strong geopolitical and economic ties with the EU, particularly in science, but cohesion is weaker. With Russia, the geopolitical relationship is very strong, mainly because of the long border between the two countries, while the economic relationship is weaker, focusing mainly on energy and resources, although cohesion is relatively strong.
- In the third group are the ASEAN countries and the Asian region as a whole. Here the geopolitical and economic relationship is very strong, the proximity of these countries being significant, but the cohesion is very weak. This also includes the Central Asian countries, with whom there is a moderate geopolitical and economic connection – which is to be strengthened by the New Silk Road – with strong cooperation and moderate cohesion.
- The fourth group features Africa and Latin America, which have a weak geopolitical connection compared to the countries mentioned above, but a strong economic connection, especially in terms of energy and resources, which should become even stronger in the coming years. The Middle East, with which China has a moderate geopolitical and economic relationship with little cohesion, is also included here.

What Does Xi Jinping Wish to Achieve in the Next Era?

The current state of affairs can give us some clues about the most important areas for China's future in the coming years: demographics, energy consumption, GDP growth, productivity and the structure of the economy. The challenge of demographic development does not depend on population size, age or gender composition, but on policy instruments to address the problems of social services, healthcare and an aging society. Energy and resources are also very important, especially given

China's insatiable appetite for energy (and the resultant side-effect of pollution). GDP growth and economic development are additional key issues for China's future, whether in terms of inflation, wages, unemployment or the import-export balance.

If the current Chinese leadership strictly adheres to its chosen path up until 2035, China will remain united, GDP growth will continue and the CCP will retain its power. This is because the goal for that date is for China to become a modern, harmonious, creative and high-income society. Brown goes through the important areas mentioned above and summarizes how the 2035 goal can be achieved if everything goes according to plan. However, he then asks, "What if?", and also anticipates unforeseen events in the near future, such as wars, demographic problems, social discontent, etc., in which case this goal may be only partially achieved – or not at all. And despite this, the biggest question of them all remains unanswerable: Can the Party retain its power if the plan is not fulfilled?

Summary

At the end of the book, the author again makes reference to the Catholic Church, drawing a parallel between Xi and Pope Francis, before comparing him in another example to the Italian Godfather. The conclusion is that it ultimately does not matter whether Xi Jinping is the Pope or the Godfather – without the Party, Xi would be a nobody, yet with or without Xi Jinping, the Party would still exist, the CCP itself being the embodiment of power and strength in China. Xi himself believes that governing China is an extremely difficult task, while making enemies is very easy.

Kerry Brown provides an astute encapsulation of the structure, functioning, elements and internal problems of the CCP and therefore of China's leadership. The Chinese presidents are judged in comparison to Mao Zedong, with Hu Jintao often being presented in a negative light, while the portrayal of Xi Jinping is sometimes one-sidedly only positive. Brown frequently employs metaphors and always places events in the context of Chinese history, making them even easier to understand. All in all – especially for a Western audience – *CEO, China* presents a fundamentally useful overview not only of Xi Jinping and the Chinese Communist Party, but also of the relationship between them.

INFORMATION FOR AUTHORS

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