

Personalized Foreign Policy Decision-making and Economic Dependence: A Comparative Study of Thailand and the Philippines' China Policies

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The existing literature on foreign policy formulation suggests that individual leaders in small and politically unstable states exert a disproportionate impact on foreign policy-making. Some analysts further contend that personalized foreign policy decision-making is more likely to suffer from discontinuities. This article, however, argues that the foreign policies of small and politically unstable states exhibit considerable variation in terms of constancy. It does so by offering a comparative study of the foreign policies of the Philippines and Thailand towards China. It demonstrates that the Philippines' policy towards China underwent significant changes in the last few years of the administration of President Gloria Macapagal Arroyo, and that bilateral relations deteriorated rapidly after Benigno Aquino III came to power in 2010. In contrast, Thailand has maintained a cordial relationship with China despite domestic political turmoil since 2006. This article suggests that neither the shift in the distribution of capabilities nor the presence or absence of territorial disputes sufficiently explains this variation. It argues that the personalization of foreign policy and economic dependence are two important factors that determine constancy and change in the foreign policies of small states towards major powers.

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Neorealists disagree on how small states respond to rising powers. Kenneth Waltz argues that secondary states “flock to the weaker side” and balance against the rising power.¹ In contrast, Stephen Walt maintains that “the weaker the state, the more likely it is to bandwagon rather than balance”.² A similar divergence exists in studies on Southeast Asian states and their responses to China’s rising power. Some observers, using different terms, contend that China’s rise has raised Southeast Asian states’ concerns and pushed them to strengthen their strategic ties with the United States.³ Conversely, other analysts suggest that Southeast Asian states accommodate, rather than balance against, China.⁴ Despite this divergence, Neorealists are united in the belief that factors at the systemic level — more specifically shifts in the distribution of material capabilities — determine the foreign policy behaviour of small states.

The mainstream Neorealist tradition, however, is increasingly challenged by students of International Relations, such as Neoclassical Realists⁵ and Liberals.⁶ Scholars who study small powers also have pointed out that in small states with weak democratic institutions, individual leaders often exert disproportionate influence on foreign policy decision-making. In his seminal work *Pre-Theories and Theories of Foreign Policy*, James Rosenau ranks the individual-level variables as the most important in determining small and underdeveloped countries’ foreign policy behaviour.⁷ Jeanne Hey concurs, arguing that “individual leaders, or a small group of foreign policy elites ... are particularly powerful in postcolonial situations that can enhance the leaders’ ability to implement their foreign policy preferences”.⁸ Robert Rothstein proposes the concept of “personalization of foreign policy”.⁹ He demonstrates that many less-developed countries (LDC) do not possess strong foreign policy bureaucracies. Leaders who are “usually not locked in by public or bureaucratic pressures” manipulate foreign policy-making to serve their own interests: “Foreign policy tends to be the unfettered preserve of the leader and his friends.”¹⁰ Rothstein further contends that personalized foreign policy is more likely to suffer from discontinuities when regime change or power transition occurs. This is simply because policies favoured by a particular leader may not be favoured by his or her successors.¹¹ In Rothstein’s words, “[f]or an LDC, personalization diminishes continuities between regimes, lowers predictability”.¹²

The reality, however, does not dovetail perfectly with Rothstein's theory. The foreign policies of politically unstable states exhibit remarkable variation in terms of constancy. Illustratively, in both Thailand and the Philippines, individual leaders exert personal influence on foreign policy decision-making, and both countries are fragile democracies. Thailand, however, has maintained a stable and cordial relationship with China despite domestic political turmoil over the past decade. In contrast, in the last few years of the administration of President Gloria Macapagal Arroyo, the Philippines' China policy underwent significant changes. Tensions between Manila and Beijing over the South China Sea continued to rise after President Benigno Aquino assumed office in 2010. What explains the continuity in Thailand's China policy and the changes exhibited in the Philippines' China policy? The existing literature does not provide an adequate answer.

Building on Rothstein's theory, this article outlines further possible mechanisms through which personalization of foreign policy may result in discontinuities. Yet, in a departure from the existing literature, this article contends that the effects of foreign policy personalization are contingent upon an intervening variable — the small state's economic dependence on the major power. When economic cooperation with the major power generates more benefits for and creates more vested interests in the small state, their leaders are less likely to politicize the country's foreign policy towards the major power. High-level economic dependence limits small state leaders' room for manoeuvre and thus reduces discontinuities caused by the personalization of foreign policy. On the contrary, when the level of economic dependence is low, the small state's foreign policy towards the major power is more likely to suffer from discontinuities. In this article I use Thailand and the Philippines' China policies to illustrate this point. I contend that neither the shift in the distribution of material capabilities, nor the presence or absence of territorial disputes, sufficiently explains the change and continuity in the two countries' China policy.

This article is divided into four sections. In the first section I examine the existing literature on the foreign policy behaviour of small states. I also explain why the Philippines and Thailand are appropriate case studies. The second section focuses on the Philippines and Thailand's China policy. I argue that the Philippines' foreign policy towards China has undergone a drastic change in

recent years, while Thailand's China policy has been remarkably consistent. I also examine alternative explanations and identify their limitations. I go on to explain the variation by examining the two countries' economic dependence on China. The final section discusses this article's implications for policy-related studies.

Personalized Foreign Policy and Policy Discontinuities

Theoretical Background

The post-Cold War era is probably the safest moment in history for small states. As Jeanne Hey suggests, small states were no longer pawns in the competition among the Great Powers.¹³ As external military threats become a less pressing issue in foreign policy-making, leaders of small states enjoy more autonomy in foreign policy-making, thus having the freedom to pursue heterogeneous interests. In response to the changes in real world, students of small states' foreign policy behaviour have increasingly challenged the Superpower-centred approach and shifted the focus of their research away from the systemic to the unit level of analysis. Some researchers attach more importance to the role of domestic institutions in determining the foreign policy behaviour of small states,¹⁴ while others view individual level factors, such as elite ideas,¹⁵ as the determinant. In contrast to these two variants of theory, political survival theory adopts an eclectic method and examines how the interplay between the domestic and individual level affects the country's foreign policy decision-making.¹⁶ Political survival theory demonstrates that political conditions peculiar to small and less-developed states provide strong *incentives* for leaders to employ any means necessary, including the country's foreign policy, to maintain their grip on power. In these countries, leaders are usually faced by a "praetorian society", in which various groups take direct political action, such as protests and coups, to achieve their goals.¹⁷ Michael Barnett and Jack Levy, for instance, argue that because the political survival of these leaders and elites is often at stake — whereas the survival of a state in the international system is not — the former is often given priority in foreign policy-making.¹⁸ Steven David maintains that "the most powerful determinant of Third World alignment behaviour is the rational calculation of Third World leaders as to which outside power is most likely to do what is necessary to keep them in power."¹⁹ In the same vein, Kuik Cheng-Chwee's recent research on Malaysia and Singapore also

illustrates that small states' policies towards major powers should be understood in the context of regime legitimization.²⁰

In politically unstable states, domestic threats determine that insecure leaders may not enjoy the luxury to follow their idiosyncrasies as a paramount leader in an authoritarian regime. Nevertheless, this does not mean that the individual level of analysis becomes irrelevant. Domestic institutions, formal or informal, do not stipulate substantive foreign policy. Leaders are still able to "place their personal imprint on a set of predetermined foreign policy choices".²¹ This tendency is particularly obvious in small states with weak democratic institutions. Without sufficient checks and balances on power, leaders gain the *capability* to manipulate foreign policy and employ it as an important tool in their political struggle.²² More specifically, in comparison to developed countries, political parties in small and politically unstable states often lack an ideological basis and are organized around a few, sometimes even one, political figure.²³ Individual leaders, free of ideological and other constraints imposed by political parties, gain greater autonomy in formulating foreign policy. Additionally, many leaders in small and politically unstable states maintain their rule through patronage and nepotism. The appointment of diplomats becomes a means through which national leaders reward their political allies. Appointees often lack foreign service experience and the right qualifications. Patron-client relationships as such ensure that the leaders' preferred foreign policy is chosen and implemented.²⁴ Sometimes foreign policy bureaucracies are simply bypassed in the decision-making process. The result is the personalization of foreign policy, where individual leaders exert disproportionate influence on foreign policy-making and employ foreign policy to serve their own political and economic interests.

In the context of political instability, personalized foreign policy is likely to suffer from discontinuities for two reasons. Firstly, decisions made by individual rulers are not as legitimate as those made through institutional channels, such as foreign affairs bureaucracies, and are more likely to be contested by the opposition. This is particularly the case when the legitimacy of individual leaders is weak. Second, once power transition takes place, the incumbent may delegitimize his or her predecessor by attacking the latter's foreign policy. The personalization of foreign policy makes such a strategy viable — if former leaders monopolize foreign policy-making and sideline foreign affairs bureaucracies, they could certainly be held responsible for poor decisions.

Two more factors can also lure the incumbent to politicize the country's foreign policy towards a major power. First, one should note that throughout history many of the small states were dominated or colonized by foreign powers. Consequently, novel foreign policy initiatives, especially initiatives of cooperation with major powers, are likely to be portrayed as concessional. The incumbent can easily incite popular nationalism and mobilize domestic support around the predecessor's controversial foreign policy decisions. Second, in small states with weak democratic institutions, corruption tends to be widespread. Second, cooperation with major powers often brings in resources, usually in the form of Official Development Aid (ODA), investments, and sometimes military aid, which provide small state leaders with opportunities to engage in embezzlement and bribe-taking. For the incumbent, exposing the predecessor's corrupt practices can seriously undermine the latter's legitimacy. The incumbent has a strong incentive to file cases against his or her predecessors, regardless of the negative impact that the allegations may exert on relations with major powers. In short, foreign policy continuity is something that can be sacrificed for domestic political survival.

Case Study Selection: Why Thailand and the Philippines?

The Philippines and Thailand fit quite well into the category of small and politically unstable states. In both Thailand and the Philippines, the political survival of leaders has frequently been in jeopardy. Thailand has experienced nineteen attempted or successful military coups since 1932. The military coup on 19 September 2006 toppled the government of Prime Minister Thaksin Shinawatra. In the post-Thaksin era, domestic political confrontation between pro- and anti-Thaksin factions escalated, developing into mass protests and clashes between the so-called red-shirts (the pro-Thaksin faction) and the yellow-shirts (the anti-Thaksin faction). Between 2007 and 2011, three civilian prime ministers — Samak Sundaravej, Somchai Wongsawat and Abhisit Vejjajiva — were ousted or forced to resign. Yingluck Shinawatra's landslide electoral victory in July 2011 brought a temporary lull to Thai politics until anti-government protests erupted again in 2013, which resulted in the removal of Yingluck and another military coup on 22 May 2014.

Similarly, leaders in the Philippines continually face intense internal security threats, including ethnic rebellions, large-scale street protests and military coups. Between 1986 and 1992, President

Corazon Aquino faced seven attempted military coups.²⁵ In 2001, President Joseph Estrada was ousted by the so-called “Second People’s Power Revolution”. Gloria Macapagal Arroyo maintained negative satisfaction ratings for most of her term in office,²⁶ and was said to be the most unpopular president since Ferdinand Marcos.²⁷ In 2006, facing rebel soldiers and street protests, Arroyo declared a state of emergency, employing tanks and armed troops to maintain order in Manila.²⁸ With support from her political allies in Congress, Arroyo barely survived attempts to impeach her. Allegations against her included electoral fraud, corruption, human rights abuses and violating the Constitution.

Domestic threats motivate leaders to employ foreign policy to secure their political survival. Arroyo, for instance, attempted to overcome her domestic weakness through diplomatic successes. This is best illustrated by the frequency and intensity of her foreign contacts. She visited China nine times between 2001 and 2009,²⁹ and signed sixty-five bilateral agreements with China between 2001 and 2007, far more than any of her predecessors.³⁰ Even with her extensive diplomatic accomplishments, a survey in 2005 highlighted her domestic incompetence when respondents gave Arroyo failing grades on almost every aspect of governance. The only passing grade she received was in foreign relations.³¹ In Thailand, Thaksin personally directed the country’s foreign policy, which became tightly bound with his domestic populist programmes.³² I demonstrate below that this tendency continued during Yingluck’s term with the “rice for rail” programme between China and Thailand as an example.

Under weak democratic institutions, leaders also gain the capability to shape foreign policy according to their own will. In the Philippines, the president has the power to appoint more than 8,500 senior government officials.³³ Arroyo, for instance, appointed retired police and military officers as ambassadors in exchange for the latter’s political support, which led to harsh criticism from the opposition and the public.³⁴ Key decision-makers involved in important international cooperation are often the president’s friends and relatives, rather than professionals from the Department of Foreign Affairs (DFA) or the Department of National Defense.³⁵ As a 2008 RAND Corporation report suggested, “the Philippine political system is and has always been personality driven”.³⁶ Similarly, Thai leaders also exert a disproportionate impact on foreign policy decision-making. During his terms in office, Thaksin capitalized on the populist idea of “people-centric diplomacy” and successfully

curtailed the autonomous power of the Thai foreign ministry.³⁷ As Pavin Chachavalpongpun observed, “foreign policy was drafted by business executives and run by a group of CEOs who sometimes conflated their interests with those of the nation”.³⁸

Finally, in both countries, corruption is rampant and this frequently disrupts international economic cooperation. In the 2013 Corruption Perceptions Index, the Philippines ranked 94th out of 177 countries and Thailand ranked 102nd.³⁹ There is a greater chance for national leaders and political elites to be involved in corruption scandals. During her time in office, President Arroyo was involved in a series of corruption and electoral scandals, and was arrested on corruption charges in 2012.⁴⁰ In the case of Thailand, Thaksin also faced a raft of corruption charges and in 2008 was sentenced to two years' imprisonment in absentia over a corrupt land deal.⁴¹ Out of the thirteen cases filed against Thaksin, four involved an international dimension: Singapore, Myanmar, Australia and the United States were all implicated.⁴² The military government's investigation of Thaksin's tax-free Shin Corp-Temasek telecom sale caused problems in Thailand–Singapore relations.⁴³

In brief, the personalization of foreign policy is a common phenomenon in both the Philippines and Thailand. As such, there are ample reasons to expect that the China policy of these two countries would suffer from discontinuities. However, as demonstrated below, Thailand's China policy has been strikingly stable, whereas the Philippines' China policy has changed drastically since 2008. What accounts for the variation in foreign policy continuity of small, politically unstable states? The existing literature provides no compelling answer to this question.

Dependent Variable: Foreign Policy Continuity

The Philippines' China Policy: From Arroyo to Aquino

Some Chinese observers have characterized Arroyo's term in office as a “golden age” for China–Philippines relations.⁴⁴ A major breakthrough achieved by the two countries during Arroyo's term was the Joint Marine Seismic Undertaking (JMSU), an agreement signed by the national oil companies of China, the Philippines and Vietnam in March 2005. Under the terms of the JMSU, the three countries agreed to cooperate with each other to collect marine

seismic data in disputed areas in the South China Sea. It is worth mentioning that the predecessor of the tripartite JMSU was a bilateral agreement reached by China and the Philippines in September 2004, during a visit to Beijing by President Arroyo.⁴⁵ Vietnam initially opposed the China–Philippines agreement, but later joined in out of concern that the other two countries' cooperation would be detrimental to Vietnamese interests.⁴⁶ In the first few years after the agreement was signed, Philippine responses to the JMSU were generally positive. During her 2006 visit to China, Arroyo called for more joint exploration activities in disputed areas of the South China Sea, proclaiming that “we have turned that area of possible conflict into an area of cooperation”.⁴⁷

Economic cooperation between China and the Philippines was also strengthened under Arroyo's administration. The two countries reached a series of important agreements on infrastructure projects, many of which were to be funded by Chinese ODA. In fact, China became a major provider of ODA to the Philippines.⁴⁸ In 2003, China agreed to fund the construction of the \$503 million North Luzon Railway, of which \$421 million was to be provided by concessional loans from China's Export-Import Bank.⁴⁹ In April 2007, Arroyo attended the annual Boao Forum held in Haikou, China. On 21 April, she witnessed the signing of five contracts valued at \$1.9 billion, one of which was with China's Zhongxing Telecommunications Equipment (ZTE) Corp for the Philippine government's \$329.5 million National Broadband Network (NBN-ZTE) initiative.⁵⁰

The NBN-ZTE project, however, was suspended soon after the agreement was signed. In fact, although Arroyo was active in the international arena, her legitimacy at home was seriously damaged by a series of electoral and corruption scandals. Since coming to power in 2001, there had been a number of allegations against Arroyo.⁵¹ With regard to the NBN-ZTE project, Arroyo's opponents criticized her for agreeing to an over-priced programme and receiving kickbacks from ZTE.⁵² The JMSU agreement was criticized as being both corrupt as well as unconstitutional. Arroyo and her political allies were accused of trading the Philippine's territorial sovereignty for Chinese ODA and personal economic benefits. As the movement to impeach Arroyo gained momentum, the JMSU was allowed to expire in 2008.⁵³

The rupture in the Philippines' China policy, to a large extent, can be attributed to the personalization of foreign policy-making.

Arroyo's critics pointed out that the signing of the JMSU lacked transparency. For instance, the text of the agreement and the location of the survey were not in the public domain. Moreover, the DFA was sidelined during the negotiations. Instead, Arroyo and a few of her political allies, such as the Speaker of the House of Representative Jose de Venecia Jr. and the president of the Philippine National Oil Company Eduardo Mañalac, made all the key decisions.⁵⁴ As argued above, personalized foreign policy is not as legitimate as policy made through institutional channels. It is more likely to be contested by the opposition and thus suffer from discontinuities.

More importantly, Arroyo's personalization of foreign policy and the corruption scandals around her tempted her successor, Benigno Aquino, to politicize the South China Sea issue. Arroyo's personalized decision-making and controversial policy provided Aquino with a powerful weapon with which to delegitimize Arroyo and her political allies. Aquino criticized Arroyo for signing the JMSU, claiming that it "shouldn't have happened",⁵⁵ and that due to the JMSU "the small bump of controversy became a dense mountain of a problem".⁵⁶ Aquino also capitalized on the public's aversion to corruption, popular perceptions of China as a threat and nationalist sentiment to bolster his legitimacy. In his speech during the 113th anniversary of the DFA, Aquino highlighted that he would not allow the country's territorial claims in the South China Sea to be violated by the other claimants: "If we allow other countries to just push us around, our 7,100 islands might become a mere two digits in the near future."⁵⁷ Aquino's satisfaction rate averaged 76.5 per cent between 2011 and 2012, the period during which tensions between China and the Philippines over the South China Sea increased.⁵⁸ A survey carried out by the Social Weather Stations in September 2013 shows that 65 per cent of Filipino adults approved of the government's actions regarding tension over Scarborough Shoal, much higher than the disapproval rate of 27 per cent.⁵⁹ For Aquino a stronger stance on the South China Sea issue set him apart from his predecessor, leaving the Philippine public with the impression that "the former government could be bought; the current government cannot".⁶⁰ Beijing's increasing assertiveness in the South China Sea has also lent credibility to Aquino's nationalist discourse and generated the "rally round the flag effect" within Philippine society.

Thailand's China Policy in the Thaksin and Post-Thaksin Era

Since diplomatic relations were established in 1975, China and Thailand have maintained a cordial relationship.⁶¹ After he came to power in February 2001, Thaksin exerted personal influence on foreign policy decision-making and elevated bilateral relations with China to a new height. In November 2001, China and ASEAN agreed to start negotiations on a China–ASEAN Free Trade Agreement (CAFTA). Seven months later, Beijing and Bangkok signed an “early harvest” agreement under CAFTA, eliminating tariffs on fruits and vegetables. The Sino–Thai free trade agreement (FTA) was also the first FTA between China and an ASEAN country.⁶² Concurrently, security cooperation between the two countries was strengthened. In December 2001, at a meeting of the Thai and Chinese defence ministers, the two sides agreed to resume Chinese arms sales to Thailand, conduct combined military training and exercises and institutionalize annual defence talks.⁶³ In December 2005, the first Sino–Thai combined military exercise was held in the Gulf of Thailand, the first military exercise between China and an ASEAN member.⁶⁴

As with his populist domestic programmes, Thaksin’s foreign policy initiatives were also deemed controversial and incurred harsh criticism from his opponents. His ouster resulted in discontinuities in Thailand’s foreign policy. After 2006, the military government attempted to justify the coup by delegitimizing Thaksin’s foreign policy. Thailand’s relations with Singapore, Myanmar and Cambodia were all adversely affected by the country’s domestic political crisis.⁶⁵ Prime Minister Abhisit Vejjajiva, leader of the Democrat Party, also exploited foreign policy to gain political advantages. He capitalized on the Preah Vihear Temple dispute with Cambodia to provoke popular nationalism among Thai citizens and delegitimize his predecessors, the Thaksin-backed Samak Sundaravej and Somchai Wongsawat governments.⁶⁶ The Abhisit government’s assertive position led to an exchange of gunfire between Thai and Cambodian forces near the temple in 2009. On this account, the proposition that personalized foreign policy lacks continuities is likely to be valid.

However, in contrast to the fluctuations in Thailand’s relations with its fellow ASEAN members, relations between Bangkok and Beijing proved to be remarkably stable in the post-Thaksin era. Falling Thaksin’s ouster, Thai military and civilian rulers generally followed his lead and continued to cultivate close relations with

China. In October 2006, the military-installed Prime Minister Surayud Chulanont attended the ASEAN–China Summit in Nanjing, his first foreign trip since assuming office.⁶⁷ In May 2007, Surayud paid another visit to Beijing during which the two countries signed the Joint Action Plan on China–Thailand Strategic Cooperation. As Ian Storey noted in 2012, “no other ASEAN country has yet to sign such a detailed Joint Action Plan with the PRC”.⁶⁸ The signing of the Joint Action Plan was followed by Sino–Thai combined military exercises in June 2007. In June 2009, Abhisit met with then Chinese President Hu Jintao and Prime Minister Wen Jiabao in Beijing and expressed his government’s desire to further expand trade, investment and tourism links with China.⁶⁹ In October 2010, Chinese and Thai Special Forces held a fifteen-day combined counter-terrorism exercise in Guangxi.⁷⁰ Thai leaders’ frequent visits to Beijing, and regular military exercises by the two countries armed forces, indicate that Thaksin’s fall did not interrupt the development of Sino–Thai relations.

Yingluck Shinawatra, who won the 2011 elections, was determined to revitalize Thaksin’s populist legacy. For instance, she restored the Thaksin government’s rice subsidies scheme, in which the government agreed to purchase rice from farmers at an above-market price.⁷¹ Meanwhile, foreign policy was also designed to meet the domestic economic needs of Thai farmers, a major constituency of Thaksin’s power base in the northeast of the country. In October 2013, Yingluck and her Chinese counterpart Premier Li Keqiang signed the Memorandum of Understanding (MOU) on Deepening Railway Cooperation between China and Thailand.⁷² Under the terms of the MOU, Thailand agreed to import high-speed trains and technology from China. The China Railway Corporation would participate in the construction of a high-speed rail network linking Nong Khai in northern Thailand with Phachi District near Bangkok. In exchange, China offered to increase the import of Thai rice from 200,000 tons to one million tons plus 200,000 tons of Thai rubber per year.⁷³ Domestic political turmoil in Thailand, however, derailed the “rice for rail” programme. In January 2014, the National Anti-Corruption Commission (NACC) accused Yingluck of failing to heed warnings of possible corruption in the government’s rice subsidy scheme.⁷⁴ Her political foes alleged that the government’s rice scheme had drained Thai finances and fostered corruption. In response, the Chinese government cancelled the rice deal.⁷⁵

Nevertheless, in sharp contrast to the Philippine case, the ouster of Yingluck did not result in the politicization of Thailand’s

China policy or a deterioration in bilateral ties. Under the military government of Prime Minister Prayut Chan-o-cha, the “rice for rail” programme was restored on 19 December 2014. The new deal was an upgraded version of the previous one reached under Yingluck: the proposed high-speed railway line was increased from 300 to 800 kilometres;⁷⁶ in exchange, China promised to purchase two million tons of rice and 200,000 tons of rubber.⁷⁷ Three days later, Prayuth arrived in Beijing and met with President Xi Jinping.⁷⁸ As *The Nation* commented, “Prayut has done more than any other ASEAN leader in forging a strong alliance with China.”⁷⁹

Competing Explanations

This article suggests that the shift in the distribution of capabilities does not sufficiently explain the discontinuities in the Philippines’ China policy. Chinese scholars often attribute the Philippines’ change of attitude towards China to the “pivot” or “rebalance” strategy of the United States.⁸⁰ However, as demonstrated above, the Philippines’ China policy had suffered from discontinuities since 2007, before Washington announced the pivot/rebalance policy in October 2011.⁸¹ Other evidence also indicates that the US pivot strategy is not a sufficient explanation for changes in the Philippines’ China policy. For instance, although the Aquino administration pressed the United States to clarify its security commitment, Washington was reluctant to confirm whether military contingencies in the disputed Spratly Islands were covered by the 1951 Mutual Defense Treaty.⁸² During the 2012 “2-Plus-2” meeting, Hillary Clinton, the then US Secretary of State, proclaimed that the United States would not get involved in territorial disputes.⁸³ The different stands of the Philippines and the United States demonstrate that the former’s assertive South China Sea policy had gone beyond the baseline set by the latter. Increases in US military aid may enable Manila to implement a more confrontational policy in the South China Sea. Yet, what motivates the Aquino administration to do so? I maintain that it is imperative to treat small states as proactive agents in the international system.

China’s rise also changes the distribution of capabilities in the region. In April 2012, Chinese vessels blocked a Philippine naval ship from arresting Chinese fishermen at Scarborough Shoal which resulted in a tense stand-off. Indeed, China’s increasing assertiveness in the maritime domain has contributed to an escalation of tensions

in the South China Sea. Nevertheless, as Yuen Foong Khong contends, the threats Southeast Asian security planners identified were not some "objective reality". Instead, they were "constructed or selected out of a myriad of uncertainties".⁸⁴ Though he places more stress on international uncertainties and their impact on ASEAN countries' strategic choices, Khong admits that domestic uncertainties "probably keep ASEAN's leaders awake at night more often than 'external' or regional uncertainties".⁸⁵ In the case of the Philippines, ample evidence shows that leaders' concerns over political survival affect their foreign policy decisions and result in changes to the country's policy towards China. For instance, under the Arroyo administration, despite the Chinese side maintaining that the JMSU was conducive to peace, the agreement was allowed to expire. A Philippine official was reported to admit that the Department of Energy was disinclined to renew the JMSU because of "political noise".⁸⁶

Small state leaders do not simply respond to international forces. Instead, their foreign policy decisions are driven by a combination of motives and considerations. Apart from external threats, domestic political considerations also encouraged Aquino to adopt a stronger stance over the South China Sea issue. On the one hand, the JMSU-related scandals made it impossible for his administration to resume joint development activities in the South China Sea in exchange for economic benefits from China. On the other hand, the anti-corruption campaign and nationalist stance enabled Aquino to solicit support from the Philippine public. After Aquino came to power, the Philippines sped up the unilateral drilling of hydrocarbons in its claimed 200 nautical mile exclusive economic zone (EEZ). In February 2011, Forum Energy was awarded a seismic survey contract by the Philippine government and shortly thereafter started to identify locations for appraisal wells at the disputed Reed Bank.⁸⁷ China also increased its patrol activities, which resulted in a standoff between Chinese and Philippine vessels at Reed Bank in March 2011.⁸⁸

In the case of Thailand, some attribute its cordial relations with China to the absence of territorial disputes.⁸⁹ The signing of the JMSU, however, demonstrates that territorial disputes do not necessarily lead to hostile foreign relations. What interests does the country have? What is the best way to pursue national interests? The answer to these questions are neither fixed nor given. For instance, Eduardo Mañalac, the president of the Philippine National Oil Company and an important Arroyo ally, once noted that

cooperation with Beijing in the South China Sea was conducive to the Philippine economy as it would prevent energy shortages.⁹⁰ In contrast, the Aquino government portrays such cooperation as a betrayal of the nation. The leader's personal influence on how national interests are presented and how foreign policy is formulated is significant.

Leaders in Thailand also exert a disproportionate impact on foreign policy decision-making. Thaksin's personalized foreign policy incurred criticism and exerted a negative impact on Thailand's relations with neighbouring countries. Nevertheless, opponents of Thaksin spared his China policy. Although the "rice for rail" programme with China was suspended due to corruption allegations against Yingluck, it was soon resumed and did not suffer from politicization as the NBN-ZTE project had in the Philippines. Neither did Thailand's overall China policy. Though both Thaksin and Yingluck left a personal imprint on Thailand's foreign policy, their ousters did not cause discontinuities in policy. In the next section, I attribute the continuity of Thailand's China policy to the country's economic dependence on China.

Economic Dependence: An Intervening Variable

Scholars debate whether major powers can wield economic statecraft to achieve political objectives. This article avoids the extreme positions adopted by commercial liberals, who maintain that there is a direct relationship between target state compliance and the value of economic sanctions or incentives, and political realists, who cast doubt on the efficacy of economic statecraft.⁹¹ In contrast, this article suggests that though China's economic statecraft may not propel small states to compromise on political and security issues, it adds ballast to China's relations with small and politically unstable states. In other words, economic dependence mitigates the negative impacts of personalized foreign policy.

This article argues that foreign policy personalization does not necessarily lead to policy discontinuities. Its effects are contingent upon another variable — the small state's economic dependence on the major power under study. I draw on Albert O. Hirschman to define and operationalize economic dependence. According to Hirschman's theory of national power and foreign trade, a major power would gain influence over a small state when it is difficult for the latter to replace the former as a market and a source of supply with other countries.⁹² The difficulty for small states to dispense

trade with a major power depends on three factors: the small state's net gain; the painfulness of the adjustment process which the major power may impose upon the small state by interrupting trade; and the strength of the vested interests which the major power has created by its trade within the small state.⁹³ I demonstrate below that the Philippines gains less than Thailand from trade with China. China lacks the economic tools of statecraft to tilt Manila's cost-benefit calculation. The quasi-sanction China imposed on the Philippines in 2012 did not lead to a painful adjustment process. More importantly, in the Philippines, the constituency for a pro-China foreign policy is small. On the contrary, trade with China has created important interest groups within Thai society. Domestic contexts as such determine that it would be more difficult for Thai leaders to adjust the country's relationship with China.

In comparison with Thailand, the Philippine economy is more inward-oriented, which is manifested by the Philippines' small trade volume. In 2013, the proportion of trade value to the country's GDP was only 41.9 per cent. In contrast, Thailand's economy is unusually dependent on international trade. The country's trade value exceeded its GDP by 12.8 per cent (see Table 1). If exports to Hong Kong are added to those to mainland China, Thailand's exports to China amounted to \$40.4 billion in 2013, while the Philippines' exports to China were only \$11 billion.⁹⁴

The constituency for a pro-China foreign policy in the Philippines is relatively small. The major beneficiaries of trade with China are manufactures of electronic intermediate products. In 2013, exports of electronic products accounted for 49 per cent of the total exports to China. Mineral products followed with 13.3 per cent, manufactures 9.6 per cent and chemicals 7.4 per cent.⁹⁵ Manufactures of electronic intermediate products, however, did

Table 1
International Trade of the Philippines and Thailand, 2013
 (Unit: million dollars)

	<i>Import</i>	<i>Export</i>	<i>Total</i>	<i>GDP</i>	<i>Trade as % of GDP</i>
Philippines	65,097	53,978	119,075	284,472	41.9
Thailand	250,708	228,527	479,235	424,985	112.8

Source: International Monetary Fund, World Economic Outlook Database; UN Statistics Division, Comtrade Database.

not become the “commercial fifth column” as Hirschman expects.⁹⁶ This is because most Philippine exports of electronics originate from plants owned by Japanese, Taiwanese and South Korean companies, and are shipped to plants in China owned by the same companies for assembly.⁹⁷ These Japanese, Taiwanese and South Korean companies have limited interests in influencing the Philippine government’s policy towards China.⁹⁸

More importantly, this particular trade structure means that Beijing lacks the economic tools of statecraft over Manila. Sanctions imposed by Beijing on Philippine electronics are likely to affect the operation of the production line and hurt employment as well as re-export in China.⁹⁹ After the Scarborough Shoal incident, China tightened the entry rules and imposed a quasi-sanction on imports of Philippine bananas. However, Manila did not encounter a serious problem in finding alternative markets. After all, bananas only accounted for 1.24 per cent of the Philippines’ total merchandise exports in 2012. Figures from the Philippine National Statistics Office show that the value of Philippine banana exports increased from \$472.4 million in 2011 to \$646.7 million in 2012.¹⁰⁰ Thus the adjustment process was not too arduous.

For Philippine leaders, overseas Filipino workers (OFWs) and their families are a key constituency. For the Philippines, the remittances from OFWs are a major source of foreign exchange. Cash remittances from OFWs amounted to \$21.39 billion in 2012 and \$22.97 billion in 2013.¹⁰¹ The Philippine government defines the protection of the welfare and interests of all Filipinos overseas as a “pillar of Philippine foreign policy”.¹⁰² The influence that China can exert on the OFWs, however, is negligible. In 2014, about 2.32 million Filipinos worked abroad. The main destinations included Saudi Arabia (24.8 per cent), the United Arab Emirates (15.6 per cent), Singapore (6.4 per cent), and Qatar (5.3 per cent). In East Asia, popular destinations include Hong Kong (5 per cent), Taiwan (4.8 per cent) and Japan (2.9 per cent). Filipino workers in other East Asian countries including mainland China and South Korea only accounted for 2.7 per cent of the total OFWs.¹⁰³

Conventional wisdom holds that the Filipino–Chinese business community are an important interest group that advocates a pro-China policy. Research on the Filipino–Chinese community, however, illustrates that their impact on the Philippines’ policy towards China is mixed. On the one hand, many Filipino–Chinese merchants have made investments in China, and thus may favour a friendly policy towards China. On the other hand, most Filipino–Chinese

merchants are involved in small and medium-sized labour-intensive industries, such as textiles, garments and food processing. They have lost their competitive edge to products made in China not only in the Philippine market, but in international ones as well.¹⁰⁴ Their ambivalent attitude towards China is manifested by the fact that the Federation of Filipino–Chinese Chambers of Commerce and Industry was the initiator of the “Buy Pinoy (Philippine-made goods) Movement” in November 2001.¹⁰⁵

Neither did the infrastructure projects funded by Chinese concessional loans broaden the support base for a pro-China policy in the Philippines. This is not only because concessional loans need to be honoured with interests, but also because concessional loans do not add as much value to people’s income as the exports of commodities and services do. Profits generated by infrastructure projects, such as the NBN-ZTE project, do not trickle down to ordinary Philippine voters. Instead, they are concentrated in the hands of a few contractors, many of whom are Chinese corporations.

In comparison to the Philippines, the support base for a pro-China policy is much larger in Thailand. Thailand’s exports to China are more diversified, rather than concentrated in a sector which is controlled by a few companies from other countries. In 2013, rubber accounted for 13.8 per cent of Thailand’s total exports to China, followed by chemical products (11.7 per cent), polymers of ethylene (10.5 per cent), automatic data processing machines (9.7 per cent), rubber products (8.5) and tapioca products (7.4 per cent).¹⁰⁶ Economic benefits brought about by a closer relationship with China are distributed more widely and evenly in Thai society.

Wide vested interests limit Thai leaders’ room for manoeuvre and prevent them from politicizing the country’s China policy. Most Thai cabinet ministers and powerful businesses in Thailand have a significant amount of investment in China.¹⁰⁷ More importantly, ordinary Thai farmers also benefit from the trade with China. China helps to absorb leftover agricultural products in the Thai market.¹⁰⁸ In 2013, China bought 45.8 per cent of Thailand’s total rubber exports and 62 per cent of tapioca products.¹⁰⁹ Under the MOU signed in December 2014, China promised to purchase two million tons of rice, which accounted for 30 per cent of Thailand’s total rice exports in 2013.¹¹⁰ In case of trade interruption, the adjustment process would be very painful for Thailand.

In the post-Thaksin era, Thai farmers are no longer politically irrelevant. Instead, their consent is important for whoever wants to consolidate his or her rule, no matter which political faction he or she belongs to. For Thai leaders, domestic contexts as such significantly increase the political costs of a changed China policy. This tendency is best exemplified by the rice subsidy scheme. Although the Prayut government claims that the corruption-ridden subsidy scheme is not beneficial to the national economy, it has to continue some of Thaksin's populist measures.¹¹¹ Poor management by the Yingluck government has led to overflowing stockpiles of rice. Thailand's dependence on China as a major rice export market explain why the "rice for rail" programme has been resumed despite the regime change. A cordial relationship with China is conducive to Thailand's domestic political reconciliation and the political survival of the country's leaders.

Conclusion

This article has argued that the personalization of foreign policy decision-making is a common phenomenon in the Philippines and Thailand. Nevertheless, Thailand's China policy has not suffered from politicization and discontinuities. This article contends that Thailand's economic dependence on China is an important intervening variable. When the level of economic dependence is high, there is a wider support base for a pro-China policy in small states. Consequently, delegitimizing the former government's China policy will not be a viable strategy for the incumbent. The negative effects of personalized foreign policy will be mitigated. On the contrary, when the level of economic dependence on China is low, the incumbent will gain more space to act. The country's China policy is more likely to become hostage to domestic power struggles.

This article has implications for policy-related studies. It addresses the issue of whether China's economic diplomacy is effective in improving its relations with neighbouring countries. In recent years, as tensions between China and some of its neighbouring countries have increased, scholars have increasingly cast doubt on the efficacy of China's economic diplomacy.¹¹² Robert Ross, for instance, argues that "economic dominance is an insufficient condition to generate accommodation, and that military power is a necessary and sufficient condition to compel secondary state alignment."¹¹³ Cheng Gao suggests that China should give up the idea that unilateral

diplomatic restraint and offers of economic benefits can create a peaceful neighbouring environment.¹⁴ This article demonstrates that even if China's economic statecraft may not propel small states to compromise on political and security issues, it adds ballast to China's relations with small and politically unstable states. Moreover, this article helps to clarify that fluctuations in China–Philippines relations do not indicate the diminishing effects of China's economic statecraft. Although China is the Philippines' third largest export market, a close examination of the bilateral trade structure reveals that the Philippines' economic dependence on China is limited. If the Philippine economy were more dependent on China, and economic cooperation with China created more vested interests in Philippine society, politicizing the country's China policy would not be a viable strategy for Philippine leaders. As the case of Thailand demonstrates, economic dependence on China plays an important role in stabilizing the China policies of small and politically unstable states.

NOTES

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