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CHINA AND MEKONG SUB-REGIONAL COOPERATION: A PERSPECTIVE FROM VIETNAM

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China's Rise & its Role in the Regional Order

- China has grown significantly since its reform and opening policy in 1978, becoming the second largest economy by 2010 and projected to be the largest by 2030.
- However, China is both a big power with increasing size, but will also remain a developing country
- With this rise, China is increasingly influencing the regional and international relations.
- Relations between China and its neighbors are of special significance.

- China is constructing a “community of common destiny” through a number of new initiatives.
- One of the most important changes is that the foundations of regional cooperation are enhanced by being based on multilayered structures, ranging from the bilateral to the regional level, such as ASEAN+1, ASEAN+3 (AMRO), ASEAN+6 (RCEP) and the East Asia Summit (EAS).
- Territorial and maritime disputes over the islands and exclusive economic zones (EEZ) in the East Sea have made relations tense between China and some ASEAN members.
- There has been widespread concerns that these disputes may get out of control, leading to military conflict.



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Development of China – Mekong Sub-regional Cooperation

- Since the early 1990s, the sub-regional cooperation that centered on Lancang-Mekong sprang up.
- Several cooperation mechanisms formed gradually, such as the Greater Mekong Sub-region (GMS) Cooperation, the Mekong River Commission (MRC), ASEAN-Mekong Basin Development Cooperation (AMBDC), Golden Quadrangle or the Quadripartite Economic Cooperation (QEC), the Lower Mekong Initiative (LMI), etc.
- Among them, the GMS and MRC attracted more attention.
- The MRC was established on the basis of the Committee for Coordination on the Lower Mekong Basin (the former MRC).
- In April 1995, Thailand, Vietnam, Laos, Cambodia signed the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin and announced the establishment of the new MRC
- In 1996, China and Myanmar became the MRC's dialogue partners, but China has not formally joined the MRC.

- China has been seeking to upgrade the GMS cooperation since the “One Belt, One Road Initiative” launched in 2013
- “China is willing to work with all parties to build the upgraded version of China and sub-regional countries economic cooperation” (Chinese Premier Li, 2014)
- To this end, China has adopted a series of policies and measures.
- The most notable was the launch of the LMC with a joint effort of five Lower Mekong River countries on 12 November 2015 as Lancang-Mekong Cooperation Mechanism.
- The new mechanism will cover five priority areas: i) interconnectivity, ii) production capacity, iii) cross-border economic cooperation, iv) water resources and cooperation on agriculture, and v) poverty reduction.

- This new mechanism's purview is much broader than other initiatives, such as the Greater Mekong Sub-region (GMS), which has the same membership.
- In the past, China has been reluctant to become a member of Mekong River Commission (MRC) (although China has been a dialogue partner).
- In the new Mekong cooperation mechanism, China has now been a driver behind an initiative



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Reasons for China to Upgrade the GMS Cooperation

- *First, decrease of the marginal effect of lower tariffs, the sub-region needs to improve economic ties.*
 - From 1/1/2015, Vietnam, Laos, Myanmar, Cambodia agreed to apply zero tariffs under the framework of the ASEAN-China Free Trade Agreement (ACFTA)
 - The tariffs of normal goods within the sub-region cannot drop further and the marginal effect of promoting trade by decreasing tariffs is on the decline.
 - It also will be difficult to produce results by continually implementing preferential measures
 - This situation shows that China needs to build cooperation with the Mekong River countries in the economic field

- *Second, non-traditional security issues within the sub-region putting pressure on China to extend economic cooperation to political, security and social fields.*
 - The existing Mekong sub-regional cooperation is mainly concentrated in the economic field; the political, security and social aspects of cooperation have made little progress.
 - Overall lack of mutual political trust and low levels of security cooperation still exist in the six countries.
 - Due to the transnational feature and spillover effect of non-traditional security problems, bilateral and multilateral relations can easily hinder sub-regional cooperation and integration.
 - The need for the Mekong sub-regional cooperation to call for new and more effective cooperation mechanisms and platforms.

- *Third, water-related issues have mounting potential to derail China's 'good-neighbour diplomacy'.*
 - The most striking in the newest cooperation mechanism is the inclusion of cooperation on water resources, an issue which has been far outside the remit of the GMS.
 - China is the upstream and most powerful country in many transboundary river basins.
 - Yet the Mekong has also caused trouble for China's government in recent years. As China has decided unilaterally to construct several large-scale dams on the river's mainstream.
 - As a result, China had to switch to a mode of diplomatic "damage control" in order to calm the waves.

- *Forth, China wants to play a more comprehensive role in sub-regional cooperation and effectively project its initiative and rule-making power.*
 - In the past, when China's economic strength was relatively weak, China emphasized economic construction and diplomacy to foster the most favorable external environment for development.
 - However, the economic development may not instantly solve all political and security issues, while economic cooperation may not solve security problems.
 - The strategic effect of China's policy of "promoting political relations by developing economic cooperation" in the region is beginning to decline.
 - In this context, China needs to shift its cooperation approach to balancing the sub-regional cooperation.
 - By establishing close cooperation with the five other Mekong countries, China intends to play a more active and positive role in water resources management and cooperation in the Mekong region more generally.



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China's Policies to the Mekong Sub-regional Cooperation

- *First, strategically, China regards the upgrade of the Greater Mekong Sub-regional cooperation as the early stage harvest of the One Belt, One Road Initiative.*
 - The Mekong sub-region has a solid foundation for economic cooperation and strong market demand.
 - It probably is the most suitable experimental area for the One Belt, One Road Initiative to make a breakthrough.
 - As China would provide more financial and technical support to push for the economic and social development of Mekong sub-regional countries.
 - China made their intentions clear that the LMC is established to bring all the infrastructure projects in the Lancang Mekong basin under the umbrella and control of the giant AIIB and Silk Road Funds

- *Second, tactically, China will probably carry out the “Making Central Breakthrough” scheme, and focus on managing cooperation with Laos, Thailand and Cambodia.*
 - Given the issues in the East Sea with Vietnam and new political and economic transformation in Myanmar, the short term relation could be held back.
 - “Making Central Breakthrough, Promoting Two Wings” should be a wise tactic to help China manage the relationship with GMS countries
 - There is a better political and strategic rationale for China to cooperate with Laos, Thailand and Cambodia (countries in the middle of the Mekong River region).

- *Third, in terms of mechanism construction, China regards the Lancang-Mekong Cooperation as the focal point of promoting new cooperation mechanism in the GMS.*
 - Once the multi-tiered LMC structure is established, the LMC and other sub-regional mechanisms such as GMS, MRC, and AMBDC will be mutually complementary to jointly promote regional integration.
 - Compared with other existing cooperation platforms, the LMC is open and inclusive, will carry out practical cooperation on three key areas: i) political security; ii) economical sustainable development; and iii) social culture, which comprehensively connecting the three pillars of the ASEAN Community.
 - China and Mekong River countries have laid a good foundation and now have great potential to cooperate in promoting five priorities under the LMC.
 - The integrated sub-regional inter-connectivity plan can be formed on the basis of “four lines”: i) border line; ii) Mekong River Basin line; iii) highway line; and iv) railway line

- *Fourth, in terms of projects, the current focus is to continually accelerate infrastructure cooperation with the cross-border railway as the priority.*
 - China is strengthening connectivity by engaging with sub-regional countries on their development strategies, and increasing cooperation on infrastructural construction in Laos, Vietnam, Cambodia and Thailand
 - Mekong River countries are in the crucial stage of improving their national capabilities. Therefore, these infrastructural construction projects will stimulate their economies and grow employment.
 - Pan-Asia railway will play a several important roles: i) promoting China-ASEAN's Belt and Road construction; ii) improving transportation conditions across China, Laos, Thailand and other ASEAN countries; iii) building safe and unobstructed railway transport network between China and ASEAN; and(v) deepening economic and trade, industry and energy resource cooperation for countries along the Belt and Road.

- *Fifth, continue to explore prospects and implement financial cooperation in the sub-region.*
 - Financial cooperation between China and sub-regional countries is new issue. Based on the existing Chiang Mai Initiative multilateral cooperation, China wished to provide facilitation for the sub-regional monetary authorities and other institutions to invest in China's bond market.
 - A future development road map for regional financial cooperation will be explored and formulated actively.
 - It is expected that China will provide free aid, preferential loans and regional cooperation funding to support sub-regional cooperation projects, and actively strive for the engagement of international financial mechanisms and development funds such as AIIB and Silk Road Fund.

- *Sixth, continually promote cultural exchange and cooperation.*
 - As a matter of fact, China has felt some dissatisfaction arising from the Mekong River sub-region in the past years, and realized that it would severely affect its image.
 - Therefore, China plans to implement a wide range of collaborative projects such as cultural exchange, personnel exchange, infectious disease information communication, prevention technology and professional training.
 - China has increased its engagement with non-governmental organizations of sub-regional countries



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Concluding Remarks

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- It has not been long since China seeks to promote the GMS economic cooperation. Therefore, the time is not yet ripe to evaluate the effectiveness of China's policies.
- The effectiveness of China's policies will be affected by (though not limited to) the following factors: i) the level of the Mekong River countries' trust and support; ii) the effectiveness of the coordination of mechanisms among LMC, GMS and MRC; iii) the ability to overcome potential threats over the Mekong River countries; iv) China's willingness to provide sufficient financial and market support the sub-regional cooperation; and v) manner of cooperation with countries and international organizations outside the sub-region.
- As looking ahead, there are probably two trends. First, in the foreseeable future, China would not proactively take the risk to replace GMS with LMC. The cooperation mechanisms would still co-exist in the sub-region with some overlapping functions, even though each mechanism has its unique role.

Concluding Remarks

- Second, in the context of China's One Belt, One Road Initiative, the Mekong sub-region will play a special role. China will probably channel more resources into this region.
- China will, through the AIIB, provide aid and funds, to build infrastructure throughout the Mekong sub-region given the One Belt, One Road Initiative, that bring a new normal to South and Southeast Asia by making the Mekong countries their new economic vassal states.
- In order to avoid risks given the power of China in the region, the Lower Mekong countries should have been a solemnly signed international river treaty drafted according to the UN Laws on Treaties, not on "*the principle of volunteerism*", but on the obligation "*not to cause significant harm to other States*" and the principle of "*equitable and reasonable utilization and participation*".



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Thank you very much!