

China and the Greater Mekong Subregion (GMS) Cooperation

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Introduction

Sub-regional cooperation and integration mechanisms and frameworks play significant and complimentary roles in East Asian regional integration and community building. Since the early 1990s, there have been a remarkable number of initiatives to establish sub-regional cooperation framework such as the Greater Mekong Subregion, Pan Beibu Gulf Economic Cooperation, economic corridors, and other growth triangles and quadrangles. The concept of sub-regional cooperation, mainly driven by economic interests, has been developed and integrated to be part of the regional integration in Southeast Asia. Cross-border cooperation is necessary for strengthening the flow of goods, services, investment capital, and tourists. However maintaining and advancing the development of such sub-regional cooperation require foremost political and strategic trust and confidence and win-win cooperation strategy.

This paper attempts to provide an overview and analysis of the Greater Mekong Sub-region (GMS) in the context of China-ASEAN cooperation and connectivity. It argues that sub-regional cooperation mechanism plays significant role in concretizing regional integration and community building. The GMS is one of the core regional cooperation schemes linking China with the mainland Southeast Asia. It focuses on infrastructure connectivity and economic cooperation.

Background

The GMS cooperation framework comprises of Cambodia, China-especially Yunnan Province and Guangxi Zhuang Autonomous Region, Lao PDR, Myanmar, Thailand, and Vietnam. The Sub-region is diverse in terms of the level of economic development, political system, peoples and historical cultures. Cambodia, Lao PDR, and Myanmar are the least developed countries and relatively weak public institutions and the rule of law

while other countries in the region are more economically developed. Development gap remains the key issue of regional cooperation and integration. The sub-region faces a myriad of issues including widespread poverty, inadequate attention to the special needs of ethnic minorities, gender inequities, lack of access to basic health and education, inadequate protection of the environment on which traditional livelihoods depend, pandemic diseases, migration and human trafficking.

In 1992, with the financial and technical assistance from the Asian Development Bank (ADB), the six countries entered into a program of sub-regional economic cooperation, designed to enhance economic relations among the countries. The program has contributed to the development of infrastructure to enable the development and sharing of the resource base, and promote the freer flow of goods and people in the sub-region. It has also led to the international recognition of the sub-region as a growth area.

China expressed its interest in developing the Mekong subregion in early 1993 when Qiao Shi, chairman of the standing committee of the National People's Congress visited Thailand and supported the initiative to strengthen subregional cooperation. In August 1996, Vice-Premier Jiang Chunyun pointed out in the 6th GMS Ministerial Conference held at Kunming that the Chinese government reiterated its support in the subregional economic cooperation based on the principle of consultation, mutual benefit, and shared development. In the joint statement between China and ASEAN on 16 December 1997, it states "China and ASEAN member states regarded the development of a partnership of good-neighbourliness and mutual trust between them as an important policy objective of relations between China and ASEAN in the 21st century". It also mentions the significance of the Mekong subregional cooperation. Since then the Mekong Subregional cooperation has been discussed at the annual ASEAN-China Summit (Zhu 2010:4-5).

In 2001, the leaders from the region adopted a strategy to strengthen regional cooperation in cross-border trade, investment, tourism, and human resource development. In the same year, four GMS countries - Cambodia, China, Lao PDR, and

Vietnam signed a landmark cross-border agreement to facilitate the flow of people and goods. The agreement aims to simplify and harmonize legislation, regulations, and procedures relating to cross-border transport to facilitate speedy joint inspections. According to priority tourism connecting nodes in the region, there are eleven border checkpoints to facilitate tourist flows and tourism development.¹ It is observed that:

Increasingly, modernization and industrialization are emerging from a process of transition and transformation. The Mekong countries are gradually shifting from subsistence farming to more diversified economies, and to more open, market-based systems. In parallel with this are the growing commercial relations among the six Mekong countries, notably in terms of cross-border trade, investment, and labor mobility. Moreover, natural resources, particularly hydropower, are beginning to be developed and utilized on a subregional basis.²

In the strategic plan 2012-2022 developed by ADB, the GMS program covers multisector cooperation schemes including developing the major GMS corridors as economic corridors; strengthening transport linkages, developing an integrated approach to deliver sustainable, secure, and competitive energy; improving telecommunication linkages and information and communication technology applications among the GMS countries; developing and promoting tourism in the Mekong as a single destination; promoting competitive, climate-friendly, and sustainable agriculture; enhancing environmental performance in the GMS; and supporting human resources development and initiatives that facilitate the process of GMS integration while addressing any negative consequences of greater integration.³

In addition to the overall cooperation framework, regional countries in the GMS initiated to develop different economic corridors namely East West, North South and Southern Economic Corridors. It is designed to link infrastructure, transport and

¹ Bavet/Mok Bai on the Cambodian/Vietnam border; Sapa on the Vietnam/Yunnan border; Mengla/Mohan on the Laos/Yunnan border; Wanding/Ruili/Kyugok/Muse on the Myanmar/Yunnan border; Tachchilek/Mae Soi/Chiang Kong on the Laos/Thai border; Nong Khai on the Laos/Thai border; Mayawadi/Mae Sot on the Myanmar/Thai border; Lao Bao on the Vietnam/Laos border; and Savannakhet on the Lao /Thai border.

² Asian Development Bank, Overview of GMS, <http://www.adb.org/countries/gms/overview>

³ Asian Development Bank, GMS Program, <http://www.adb.org/sites/default/files/gms-ec-framework-2012-2022.pdf>

logistics in order to facilitate the flow of goods, services and people, and promote investment. ADB is the main funding agencies for the infrastructure development. China and Japan are the other two actors in providing loans and grants to support regional integration in the GMS and transform the sub-region into economic corridors.

According to ADB, an economic corridor has the following characteristics: Covers smaller, defined geographic space, usually, straddling a central transport artery such as a road, rail line, or canal; emphasizes bilateral rather than multilateral initiatives, focusing on strategic nodes particularly at border crossings between two countries; highlights physical planning of the corridor and its surrounding area, to concentrate infrastructure development and achieve the most positive benefits. Economic corridors connect economic agents along a defined geography. They provide important connections between economic nodes or hubs that are usually centered in urban landscapes. They do not stand alone, as their role in regional economic development can be comprehended only in terms of the network effects that they induce.⁴

Cooperation and Decision Making Mechanism

There are multilayered cooperation mechanisms under the GMS. Those include the GMS Summit, GMS Ministerial Conference, GMS Economic Corridors Forum, GMS Business Forum, and other functional cooperation.

GMS Summit

The first GMS Summit was held in 2002 in Phnom Penh, Cambodia. The Summit concluded to work more closely together to reduce poverty and promote greater subregional integration among the GMS countries. The Joint Declaration reflects the commitment to subregional economic cooperation and a shared vision of equal partnership in the pursuit of economic growth and greater prosperity. The statement states “Our most important achievement has been the growing trust and confidence

⁴Asian Development Bank, <http://www.adb.org/publications/economic-corridor-development-and-what-it-can-achieve-in-asia-subregions>, last access on 10 August 2013.

among our countries, which has provided a favorable environment for trade and investment, economic growth, and social well-being".⁵

The second GMS Summit was hosted by China in 2005 in Kunming. The Summit issued a Kunming Declaration reviewing the achievements and challenges of the sub-regional cooperation. It provided guiding principles for sub-regional cooperation and action plans towards sustainable development. The guiding principles include the principle of equality and mutual respect, consensus building in decision-making process, pragmatism and an outward-looking orientation, and the step-by-step approach. For the action plans, it called for the reinforcement of the infrastructure development, improvement of trade and investment environment, strengthening of social and environmental infrastructure, and mobilizing resources and deepening partnership.

The third GMS Summit, which was held in Vientiane, Lao PDR in March 2008, had the theme "Enhancing Competitiveness through Greater Connectivity". The GMS Leaders issued the Joint Summit Declaration at the conclusion of the Third GMS Summit. This includes agreement on a comprehensive five-year Vientiane Plan of Action for GMS Development that aims to spur growth, reduce poverty, promote social development and enhance environmental protection in the subregion.

The fourth GMS Summit, which was held in Nay Pyi Taw, Myanmar, in December 2011 under the theme "Beyond 2012: Towards a New Decade of GMS Strategic Development Partnership." The Summit endorsed the new GMS Strategic Framework, 2012-2022, which while maintaining the pragmatic, action-based and results-oriented character of the GMS Program, proposed broad shifts in direction to enable the program to meet the challenges ahead. These include: (i) complementing hardware with increased focus on software; (ii) greater selectivity and prioritization of areas for intervention; (iii) more attention to multi-sector cooperation and cross-sectoral links; and (iv) appropriately recognizing the spatial aspects of regional development and greater involvement of stakeholders at subnational level.

GMS Ministerial Conference

⁵ Greater Mekong Subregion Program, <http://www.gmsec.org/Item/581.aspx>, last access on 12 August 2013.

The GMS Ministerial Conference is a platform for the ministers from the sub-region and development partners to review the progress, achievements, and challenges of the implementation of the flagship programs under the GMS cooperation framework. Future action plans and development cooperation with dialogue partners of the GMS are also discussed at the conference.

The latest 18th Conference, which was held in Nanning, China, in December 2012, aimed to review and consider the interim outputs of the GMS Regional Investment Framework (RIF) process, including the completed and updated analytical/ sector/ thematic assessments, and tentative investment pipeline; to actively engage development partners, the private sector and other stakeholders in the formulation of the RIF and in effectively supporting the new generation of GMS investments under the new GMS strategy; and take up other major issues, concerns, and plans in various GMS sectors of cooperation including future GMS cooperation mechanisms (e.g., RIF implementation, institutional arrangements for Economic Corridors Forum [ECF]).

GMS Economic Corridors Forum

There are five stages of realizing the economic corridors. The first stage focuses on physical infrastructure development. The second stage deals with cross-border transport operations and efficient border formalities. The third stage aims to develop and promote trade and logistic services. The fourth stage focuses on urban planning and development corridor. The fifth stage aims to increase private investment and well developed regional production chains. The annual Economic Corridor Forum, inaugurated in Kunming in June 2008, is a platform for the relevant stakeholders to network, exchange views, and recommend initiatives to develop the economic corridors.

In the opening statement of the 5th Economic Corridor Forum held in Bangkok in August 2013, the Vice-President of ADB stressed that in order to maintain regional economic momentum and dynamics, “it will have to include more complex and integrated multi-sector initiatives and interventions, which will require an appropriate

institutional mechanism to monitor corridor performance. To better coordinate needed software which will complement hardware, new sector institutional mechanism...”⁶

GMS Business Forum

The GMS Business Forum founded in 2000 by the National Chambers of Commerce of the six GMS member countries plays complementary role in realizing the economic corridors in the sub-region through encouraging the active participation of the private sector. In its latest forum held in Bangkok, Thailand in August 2013, it aimed to showcase the regional investment framework results to development partners, the private sector, and other stakeholders, especially on the new generation multi-sector projects identified under the regional investment framework process; create general awareness and generate broad interest about the regional investment framework pipeline among development partners, the private sector and other stakeholders, and on potential areas for cooperative partnerships and business opportunities for financing and providing technical/knowledge support for selected high-priority projects; provide a platform for development partners, the private sector, and other stakeholders to share their respective program priorities and experiences on the indicative regional investment framework priority areas/projects, and to exchange ideas on suitable modalities and approaches for effectively harnessing external resources into the financing of Greater Mekong Subregion (GMS) projects under the regional investment framework.

Functional Cooperation Areas

Infrastructure Connectivity

Infrastructure connectivity plays significant role in regional integration and community building.

The transportation infrastructure is what connects production points to the market. If two production points are connected, then in accordance with the

⁶ Asian Development Bank (ADB), <http://www.adb.org/news/speeches/opening-statement-fifth-gms-economic-corridors-forum-ecf-5>, last access on 12 August 2013.

gravity model, if the population of each one increases, or their income level rises, or the distance between the two points becomes closer in both space and time, then the transportation infrastructure will become more effective. Thus the regional distribution of population and income is an important factor in locating the transportation infrastructure as well as the distance between points (Ishida 2005:2).

The GMS Cross-Border Transport Agreement (CBTA) is a compact and comprehensive multilateral instrument that covers all the relevant aspects of cross-border transport facilitation in one document. These include single-stop/single-window customs inspection, cross-border movement of persons (that is, visas for persons engaged in transport operations), transit traffic regimes, including exemptions from physical customs inspection, bond deposit, escort, and agriculture and veterinary inspection, requirements that road vehicles will have to meet to be eligible for cross-border traffic, exchange of commercial traffic rights and infrastructure including road and bridge design standards, road signs, and signals. However, there are challenges need to be addressed in order to transform transport corridors into economic corridors. Banomyong observes “Trans-loading and border crossing still remain barriers to the seamless movement of freight, people and vehicles within the GMS...The weakest link in the various economic corridors still remains the border crossing.” (Banomyong2010:38)

Economic Corridors

In an economic corridor, economic development will not be solely concentrated in the large cities located along the transport corridor. Investment and economic development will need to go to smaller towns and rural areas along the corridor. Incentives to attract private sector investment need to be reviewed and harmonized between countries along the economic corridor to facilitate economic activities in less-developed areas of the corridor. The success of an economic corridor will depend on its ability to attract investments (ADB 2007:6).

In the GMS, there are three main interconnected economic corridors including the North South Economic Corridor (NSEC), East West Economic Corridor (EWC), and Southern

Economic Corridor (SEC).

The NSEC has the advantage of linking major urban areas in the richest nations of the GMS – Thailand and China. It starts in Nanning, Guangxi and travels along two different routes – one inland, one coastal – to Hanoi. From there it directs back into China to reach Kunming in Yunnan. Turning south again, the route diverges at Jinghong with one leg passing through Myanmar, the other through Laos, to then reconnect in Thailand at Chiang Rai. Chiang Rai is a crossroads, the route splitting again as it continues south along two legs to Bangkok. The one major infrastructure project that remains for the NSEC is a bridge across the Mekong River on the border of Laos and Thailand.

The East West Economic Corridors (EWEC) stretches from the Andaman Sea on the western shore of the GMS to the South China Sea on the east, traversing less populated, more backward areas of Myanmar, Thailand, Lao PDR, and Vietnam. Major port infrastructure investment will be needed at the western terminus of Mawlamyine to make this city a transport destination of any significance. The eastern terminus of Danang is in need of port expansion to accommodate corridor development. Much of the promise of the EWEC rests on development of intersecting north-south arteries to create nodal points along the way. One such artery would link Hanoi to Bangkok via Vientiane, and by extension Nanning to Singapore using existing highways.

The SEC is actually a network of routes fanning out from Bangkok across Cambodia to arrive at three far-flung destinations along the Vietnamese coast. A link road through Cambodia and Lao PDR connects the system to the EWEC, and Bangkok itself serves as the connecting point to the NSEC. The SEC is at an earlier stage of infrastructure development – both hard and soft – than the other two corridors.

Energy Cooperation

Regional cooperation is an effective way to ensure cost-effective energy supply and mitigate climate change. In its roadmap for expanded energy cooperation in 2009, it provides policy guidance and action plans to deliver sustainable, secure, competitive, and low carbon energy in the Mekong sub-region. It aims to enhance access to energy

of all sectors and communities, in particular the poor in the GMS through promotion of best energy practices in the subregion; development and utilizing more efficiently indigenous, low carbon and renewable resources, while reducing the subregion's dependence on imported fossil fuels; improving energy supply security through cross-border trade while optimizing use of subregional energy resources; and promoting public-private partnership and private sector participation particularly through small and medium sized enterprises for subregional energy development.

The Work Plan (2009-2015) includes the priority regional initiatives (i) promoting environmentally-sustainable regional power trade planning, coordination and development in the GMS, with a view to establishing a joint program for comprehensive promotion of SEA and other environmental management tools to ensure that environmental and social aspects, including cumulative and indirect impacts are considered at an earlier stage in the power sector plans in the GMS; (ii) improving energy efficiency (EE) through demand side management (DSM) and energy conservation (EC) in the GMS, with a view to establishing a joint program to ensure rapid development and adoption of DSM and EC programs and reduce energy consumption per unit of GDP generated; and (iii) promoting the development of renewable energy sources such as biogas, solar, wind, hydro, geothermal etc. and clean fuels such as compressed natural gas (CNG), ethanol etc. in the GMS, with a view to establishing a joint program to promote and propagate best practices and realize a more optimal energy mix that reduces greenhouse gas emissions in the subregion.

Tourism Cooperation

The tourism sector was designated as one of the 11 flagship programs of the GMS Economic Cooperation Program in recognition of the important contribution it could make toward socio-economic development and the conservation of natural and cultural heritage resources.

The GMS tourism strategy was elaborated under ADB technical assistance, at the request of the 6 countries to prepare within the overall 10 year GMS strategic framework (2005-2015), a strategy to optimize the benefits of sub regional tourism in a more environmentally and socially responsible manner.

The overall objective of the strategy is “to develop and promote the Mekong as a single destination, offering a diversity of good quality and high yielding sub regional products that helps to distribute the benefits of tourism more widely; add to the tourism development efforts of each country, by fostering a sustainable tourism development approach, by contributing to poverty reduction, gender equality and empowerment of women, while minimizing any adverse impacts.” The strategy is articulated around 7 core programs; marketing, human resource development, heritage conservation and mitigation of negative impacts, pro-poor tourism, private sector participation, facilitation of travel, tourism development in priority zones. These 7 core programs are declined into 29 projects including 16 thematic projects and 13 geographical projects.⁷

Chinese Approach Towards the GMS

As an emerging economic power in the region, China has great potential to contribute to regional peace, stability and development through regional cooperation, integration and community building. As countries in the GMS vary in size, development level and national conditions, the principle of equal consultation and mutual benefit is the core of regional cooperation based on the basis of mutual respect, friendly consultation, and self-determination and self-commitment.

China has practiced its foreign policy of non-interference, good neighborhood, and equal relationships with all countries regardless of size, wealth, and power. Within the framework of the GMS, China has proved these principles and approaches in order to strengthen and nurture strategic trust and ensure win-win cooperation. China emphasizes on practical, pragmatic and gradual cooperation projects and programs targeting at poverty reduction and sustainable development of the GMS member countries.

It suggests that the country members of the GMS should treat each other with sincerity and enhance consultation and mutual trust. It shall forge close ties, increase mutual

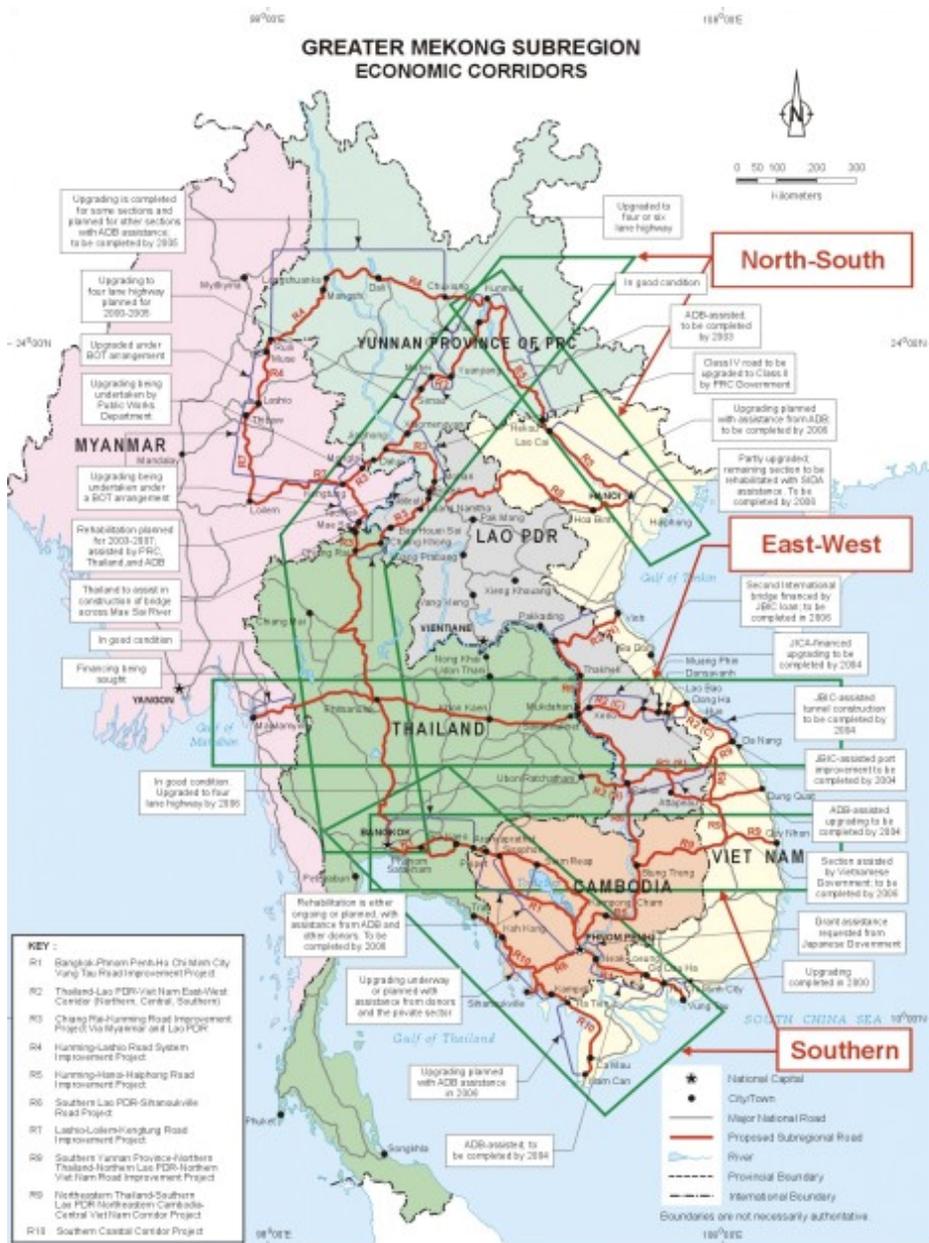
⁷ Mekong Tourism Coordinating Office, <http://mekongtourism.org/website/development-projects/gms-tourism-strategy/>, last access on 12 August 2013.

understanding, and form synergy so as to cement a stable and harmonious environment for mutually beneficial cooperation in the sub-region; step up development of transport, power and communications and make infrastructure in various countries inter-connected and inter- net-based so as to provide strong support for upgrading sub-regional cooperation; promote both sub-regional cooperation and domestic development of individual countries, meet demands for human resources, preferential policies, industrial development and financing in a balanced way, and fully exploit the resources both in and outside the subregion so as to achieve balanced progress of cooperation in various fields; and strike a balance between economic development and environmental protection, develop resources in a rational way, and place high priority on environmental protection and energy conservation and emission reduction so as to ensure sustainable development of sub-regional cooperation. These principles and recommendations, in fact, guide China's work for participation in GMS cooperation (Zhu 2010: 7-8).

Conclusion

GMS cooperation schemes and mechanism have played significant role in linking the six countries in the sub-region especially through infrastructure connectivity and economic integration. The development partners, especially the Asian Development Ban is the driving force supporting the sub-region through the means of financial and technical support. China is emerging to be the key regional actor in connecting regional economies and transforming the sub-region into effective economic corridors.

The realization of the GMS cooperation flagship programs and projects will contribute to long term regional peace and development. It also substantially compliments to China-ASEAN connectivity and East Asian community building processes. However, the remaining challenges such as resources mobilization, strengthening of public-private partnership, and good governance principles need to be addressed in order to facilitate actions and results oriented regional cooperation.



Source: Asian Development Bank (ADB)

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