



CHAPTER 2

THE FOUNDATION, MOTIVE POWER AND MECHANISM OF GMS ECONOMIC COOPERATION

After the Cold War, the world situation has changed greatly. To strive for peace and development has become the overriding issues of our times. Each country and each nationality is complying with the historical trend, seeking for the position of one's own existence and development. In the 1990's of the 20th century, the Greater Mekong Basin six countries' relationship has entered the best period in history, which provided necessary condition for economic cooperation. Many kinds of international economic cooperation based on the natural bond of the Lancang-Mekong River emerged as the times require, which has brought precious development opportunities for the riparian countries.

From 1992 four kinds of main cooperative mechanisms have been established early or late in subregion.

2.1. The Lancang-Mekong River and Regional Economic Cooperation

2.1.1. The Lancang-Mekong River and Subregion

The Lancang-Mekong River is a world famous river. It rises in the northeast slope of Tanggula Mountain of Qinghai Province, China. It enters west of Yunnan Province from the east part of Tibet. It runs through six countries from North to South, namely, China, Myanmar, Laos, Thailand, Cambodia and Vietnam. It empties into the South China Sea from the south of Ho Chi Minh City. The mainstream is 4,880 kilometers in total length from the riverhead to the mouth of the river. It is the sixth longest river in the world and the third longest international river. Its total length is only next to Amazon River and the Nile. (See Map 2)

The Lancang-Mekong River is the only international river in Asia that links six countries together. It is also the longest international river in Asia. It has been reputed as "River Danube of the Orient". It is called Lancang River within the boundary of China. Lancang in Yi language of Yunnan Province means "the gorge that the tiger leaps to". The 2,130 kilometers from the riverhead to Nane River mouth (No. 243

Sino-Burmese boundary marker) is an inland river of China. The river course within Qinghai Province is 448 kilometers. It is called the Mekong River after flowing out of Chinese boundary from the Nane River mouth of Mengla County, Xishuangbanna Dai Autonomous Prefecture. The total length of Mekong River's mainstream is 2,750 kilometers. Bankelong as the boundary, the river was divided into the upper reaches and the lower reaches. It is 777 kilometers long within the boundary of Laos, 502 kilometers long within the boundary of Cambodia and 203 kilometers within Vietnam. The Sino-Burmese boundary river is 31 kilometers, the Lao-Burmese boundary river is 234 kilometers and the Lao-Thai boundary river is 976 kilometers¹.

The Lancang-Mekong River has multiple functions of trade, tourism and passage. It is also an inland river, boundary river and international river. The river flows through capitals of two countries, namely, Vientiane and Phnom Penh and more than ten important cities such as Jinghong, Chiang Saen and Chiang Khong etc.. It also sweeps over numerous rapids and shoals, which is of great development value. At present the development of river course is still in a natural state of utilization.

The Lancang-Mekong River Basin refers to the whole area through which the mainstream and tributaries of the river system run. The drainage area is 810,000 square kilometers². The Lancang-Mekong Subregion is the region especially demarcated by Asian Development Bank (ADB), which refers to the region including "Myanmar, Laos, Thailand, Cambodia, Vietnam and Yunnan Province of China". Boasting 2,330,000 square kilometers and 250 million population³, the subregion is abundant in waterpower resources, biological, mineral, tourism resources and ethnic cultural resources. It has great economic potentialities. It is also one of the few areas in the world with advantageous geographic locations and abundant resources. However, it has not been fully developed. In addition, it has attracted the attention of international communities because of its geopolitical importance and regional advantage of being located in China, Southeast Asia and South Asia three regions, and in the junction of the Pacific Ocean and the Indian Ocean two oceans.

2.1.2. Regional Economic Cooperation

The economic globalization⁴ has brought about the mutual independence of the

world economy increasingly. International economic integration⁵ and marketization has changed the state of scattered market and closed economy of the Cold War period. It is a must for any country to go along the way of marketization, internationalization and regionalization in order to develop its economy at a high speed. The international regional cooperation has become strong means to promote the development of world economy. Therefore, different countries have formed either big or small regional groups with distinctive features.

In South Asia, India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka and Maldives have formed South Asia Seven Countries' Economic Union-the Southern Union, which is a newly formed regional economic organization. It boasts an area of 4.23 million square kilometers and has a population of 1.2 billion⁶. It is a regional economic group with unique market potentialities, which is also called the South Asian Economic Circle. Until 2005, the South Asian Free Trade Area (SAFTA) will be established. South Asia is situated in the middle area of the outer border district of Eurasia. It overlooks the important petroleum passage between the East and the West. Different countries of South Asia should also strive for their due positions in intense world economic competition.

There are totally ten countries in Southeast Asia. Laos, Myanmar, Thailand, Cambodia and Vietnam are on the Indochinese Peninsula, which are also called peninsula countries. Malaysia, Singapore, Philippines, Indonesia, Brunei five countries are on the Malaysian Archipelago, which are also called island countries. In 1967 under the strong avocation of Thailand, Thailand, Malaysia, Philippines, joined by Singapore and Indonesia the five countries declared the Bangkok Declaration, which marked the formal establishment of ASEAN (the Association of Southeast Asian Nations). In 1984 Brunei formally joined and it became ASEAN six countries. Thailand has always been playing an important role in this regional international organization and has been trying to promote the successful trade cooperative projects between ASEAN member countries. Thailand is an important member country of ASEAN. ASEAN planned to establish the ASEAN Free Trade Area (AFTA)⁷ in 2003, the total area of which will reach 4.99 million square kilometers with a population of 480 million⁸. It will also be

called ASEAN Economic Zone. After having been founded for more than 30 years, ASEAN has become a cooperative organization in Southeast Asia, which is based on economic cooperation and characterized by political, economic and security integration. It has also established a series of cooperative mechanisms. 10+3, 10+1 cooperative mechanisms have emerged as the times require, which has made ASEAN become the leading runner and promoter of Southeast Asian cooperation. During the 1980's and 1990's of the 20th century, a number of "Small Dragons" and "Small Tigers" emerged in ASEAN countries, which have become the low-cost manufacturing centers of this region or even in the world. The establishment of ASEAN and the cooperation in different fields maintained long-term stability of this region and created peaceful environment for different countries' economic development. Southeast Asia is located in the junction of the Pacific Ocean and the Indian Ocean; it is also in the crossroads of the Asian continent and the Oceania. It is an important sea thoroughfare, which links up Asia, Africa, Europe and the Oceania. As an important international strait, the Malacca Strait is the shortest shipping line between the Pacific Ocean and the Indian Ocean. Historically, it has been the thoroughfare of sea transportation between the East and the West. Every year there are about 40,000 ships passing through. The geopolitical importance of Southeast Asia combined with having ASEAN such an independent political power has made its status very important in the world geopolitics⁹. It has high strategic values, too. From the end of the 20th century, the Southeast Asian area has become the most active area, which has great development potentiality in the world economy.

China, which is on the Asian continent, Taiwan, Hong Kong and Macao, sharing the same Chinese culture such as language, script, religion and belief etc., have formed the Chinese Economic Circle, which covers an area of 9.6 million square kilometers with a total population of 1.3 billion.

Several big river basins on the Indochinese peninsula have formed an economic and cultural bond of mutual benefit. As a result of long-term sustained efforts made by people of different countries, the so-called "Southeast Asian Economic Circle" in world economic history came into being historically.

South Asia, Southeast Asia and China have a population of 1.1 billion, 480 million and 1.3 billion respectively according to the statistics of World Bank in 2000. China's socialist market economy is faced with the world market and the 1.5 billion population's huge market of South Asia and Southeast Asia. These are the nearest markets with great development potentiality for China to develop export-oriented economy. Yunnan Province of China is located right in the junction of three most vigorous markets, namely, Chinese market, Southeast Asian Market and South Asian Market. The passages and ports of Yunnan Province are the shortcut and windows to the huge market.

Until now there are 146 countries and regions that have participated in 35 regional economic groups of all kinds of forms. The regional economic group usually has the unique advantage of promoting the realization of economic and trade interest. Different countries in the region can make use of the geographic advantages, break boundary restriction, share common resources, capital and market together, and promote the economic development within the region. The regional economic integration has provided precious opportunity for developing countries to achieve economic development. It is also a successful path to realize mutual prosperity and development.

2.2. The Foundation and Motive Power of Subregional Economic Cooperation

For many years, people of the riparian countries have regarded it a goal to develop the Lancang-Mekong River for the welfare of human beings. It was until the 1920's of the 20th century that people have gradually paid attention to the problem of cooperating to develop the Mekong River. In the 1990's of the 20th century, with the end of the Cold War and the settlement of Cambodia issue step by step, Southeast Asia welcomed peace. The regional international relationship has changed from tension, antagonism in the past to compromise and cooperation. It has entered a new period of dialogue, negotiation, cooperation and development. To seek for peace, security, stability and cooperation are common desires of different countries. They all belong to developing countries, which devoted to economic development. They all pursue opening up economic policy and peaceful coexistence diplomatic policy. They all paid much attention to establish good-neighborly relationship, economic and trade contacts with

China. The multinational political relationship has entered the best period in history, which set a foundation for the economic cooperation. Under such background, subregional and small regional economic cooperation concerning the Lancang-Mekong River started as the times require. The Lancang-Mekong River basin area has gradually become a hot spot, which the international communities have paid much attention to and participated in cooperation, research and development.

To actively participate in subregional economic cooperation is the inevitable choice for subregional countries to develop economy. Although the economic strength of different countries differs from each other, either strong or weak, rich or poor, and their cooperative objectives are not in accordance with each other, the basic point of their cooperation is common, that is to develop economy through cooperation in order to get rid of poverty and meet new challenges. Professor Zhu Zhenming, the Director of Southeast Asian Research Institute of Yunnan Province believes that:

2.2.1. Through Cooperation to Exploit Resources; Transform the Resources' Advantages into Economic Advantages in Order to Promote Economic Development

The natural resources of the subregion are very abundant. Due to the historic reason that for many years this region has been in a state of chaos caused by the wars and turbulence, these rich resources have not been exploited and used by the people. The resources' advantages have not been transformed into economic benefits. The developing capability is very limited only by relying on individual country's fund, technology and human resources. It has become the common voice of subregional countries to develop its own national economy by cooperating with each other and fully exploit these abundant resources. The riparian six countries, even Myanmar, started to participate in GMS economic cooperation early in 1992.

2.2.2. Through Cooperation and Resources Complement to Get Rid of Poverty and Bring about a Prosperous Economy

Among Cambodia, Laos, Myanmar, Thailand and Vietnam five countries, except Thailand, the remaining four countries belong to low-income developing countries. They are agricultural countries, which need to be developed. In terms of industrial

structure, the four countries are still in a stage of mainly producing primary products. In terms of trade structure, the export products of the four countries are still mainly primary products. Timber, natural rubber, rice, mineral products are main export commodities, among which three fourth are industrial raw materials. The import commodities are mainly manufactured goods for daily use, raw materials, machinery and electronic equipment. In the aspect of market system, the four countries are in a transitional period of transforming to market economy. The North of Laos, Northeast of Myanmar, North of Thailand, North of Vietnam, four north areas of the subregion and Yunnan Province of China are poverty regions. In order to eradicate poverty and actively develop national economy, it is a must to strengthen regional cooperation and achieve advantages' complement. Even Myanmar has participated in GMS economic cooperation early in 1992.

2.2.3. Through Cooperation to Prepare Oneself to Meet the Pressure and Challenge of Economic Globalization

The economic globalization is a new characteristic of world economic development from the 1980's of the 20th century. Through direct investment abroad, the transnational companies are engaged in global production and marketing in order to pursue maximum global profit. The economic globalization is a "double-edged sword". It not only has brought development opportunities for the world different countries, but also brought severe challenges and risks; it not only has boosted the economic development but also enlarged the gap between the rich and the poor in global scope. At present the average income gap between the rich country and the poor country is about 80 times, while in the year 1960 it was only 30 times. The market economy is real strength economy. The developing countries are faced with the pressure of economic, scientific and technical advantages of the developed countries. The biggest profit-makers of globalization are still the western developed countries. Because the globalization follows the capitalist law of competition--"the weak are the prey of the strong". Under the guidance of such principle, the globalization seems to be very fair apparently, but in fact it has concealed great unfairness. Because the developing countries will be compelled to accept restrictions of a number of international rules

made out by the West, which naturally are favorable to the West but discriminating the developing countries. Consequently, the developing countries are in an inferior position in competition while the developed countries will get obvious advantages by dominating economic globalization and international organizations.

The subregional countries have realized that in the Asian Pacific region they have lagged much farther behind other countries and regions. Obviously they are in an inferior position in global economic competition. It is difficult to solve the difficult problems arising in the economic development by only relying on the strength of one's own country. It is only by collaborating with each other, strengthening cooperation and achieving economic supplement that can spur on economic and social development of each country. Professor Yang Xiaohui, the Director of Yunnan International Problems Research Institute holds that:

2.2.4. The motive power of subregional cooperation comes from the need of member countries' national interest. The national interest is the basis to deal with all international relations.

The domestic regional economic development of Thailand is not balanced. The North and Northeast part of Thailand, which are in the Mekong River Basin, are the poverty regions of the country. According to the Ninth National Economic and Social Development Plan, Thailand hopes to speed up the economic development of its North and Northeast region through participating in subregional economic cooperation. Also, it hopes to occupy an initiative status in Indochinese three countries' economic cooperation. Therefore, Thailand holds the most active attitude in cooperation. China's participation in subregional cooperation is favorable to strengthen good-neighborly relations with subregional countries, promote mutual economic development, construct land passages with countries on the Indochinese Peninsula, develop economic and trade relations with ASEAN, and expand the opening up of Southwest China to the world. Therefore Chinese government has paid much attention to subregional cooperation. Laos is the country with the longest river course in Lancang-Mekong River Basin. The economy of Laos is backward, lack of fund, technology and human resources. Through participating in subregional economic cooperation, it hopes to have the aid of foreign

funds and technology to exploit its resources and put an end to its backward state. Because it can benefit much from Lancang-Mekong River development, it also holds an active attitude in subregional cooperation. Myanmar has the smallest drainage area in Lancang-Mekong River Basin. But it still hopes to participate in subregional cooperation in order to develop the economy of east Shan area, especially to improve the transportation situation of its northeast. Cambodia is situated in the lower reaches of the Mekong River, it hopes to strengthen infrastructure construction and promote economic revival through participating in subregional economic cooperation. Vietnam is also a country in the lower reaches of the Mekong River. The Mekong River Delta is where the river empties into the sea. This area is also the most important grain production base and agricultural economic area of Vietnam. Through economic cooperation, Vietnam hopes to make it become modernized agriculture, energy, tourism and export commodities bases.

2.2.5. According to the Asian Development Bank Report, the turning point of subregional economic cooperation was Asian financial crisis, which was the catalyst and fundamental impetus to promote cooperation.

The 1997 Asian financial crisis has made the economy of subregional countries inflict heavy losses, for example, the currency devaluated, the economic growth declined sharply and the foreign capital decreased. From the end of 1998 the Southeast Asian economy began to recover. In 1999 the growing momentum has appeared after recovery. The exchange rate rose, the inflation has slowed down, prices remained stable and the inflow of foreign capital increased. In the case of Thailand, according ADB, since the second half of 1999, Thailand's economy started to show a sign of recovery. The annual economic growth rate was 4.2% and inflation rate was 0.3%. Total export and import volume was US\$108.4 billion, up 11.8% from the previous year. By 2000 the comprehensive growth of different countries' economy can be seen clearly. The crisis not only has exerted influence on subregional cooperation but also brought about new cooperative opportunities. From reverse side, the financial crisis has strengthened each country's desire and wishes for economic cooperation. First, during the process of commonly resisting against the financial storm side by side, it has stimulated the strong

desires of ASEAN countries to push forward regional cooperation, and help each other in time of difficulty. By doing this, they can benefit from it. Secondly, in order to make up for the losses brought about by financial crisis, the subregional countries expanded opening up to the world and made out a series of favorable policies one after another to attract foreign investment. In the meanwhile, they place great expectations to develop good-neighborly mutual trust partnership with China in the 21st century.

During the Southeast Asian financial crisis, China took the whole situation into account in order to safeguard regional economic stability. Under the situation that China's economic strength was very weak and it was faced with risks and pressure, China pledged that Renminbi (RMB) would not devalue, which alleviated the export pressure of those countries in crisis, avoided a new circle of currency devaluation of this region. Through International Monetary Fund (IMF) China has provided US\$4.52 billion assistance to those countries in crisis. In the meanwhile it has provided a great deal of U.S. dollars' credit to Thailand and Indonesia, which strongly supported the economic recovery of ASEAN. As a result, ASEAN countries felt that China is really a tested friend and good neighbor. What China has done during Southeast Asian crisis has won the trust of ASEAN countries, dispelled these countries' hostility and doubt toward China, and strengthened their desires to cooperate with China. The aid provided by China had no strings attached, which reflected the affection of going through thick and thin together, and established the image of China as an important and responsible great nation. During the financial storm, many Southeast Asian countries were closely related and mutually dependent on each other. For example, in the Six ASEAN Summit Conference held in Hanoi in December 1998, the Hanoi Declaration has been approved. It emphasizes ASEAN solidarity and cooperation in order to overcome the financial crises. In this conference, concerning the ASEAN solidarity, some ASEAN officials have expressed that "Through this crisis, we have realized how much extent we rely on each other, and how an individual country's problems are related to other countries. We must show to the world that we can cooperate more closely with each other in the future". After having gone through the journey of crossing a river in the same boat, the Asian people for the first time have learned a valuable lesson. As the old saying goes,

neighbors are dearer than distant relatives. The Southeast countries have transferred from relying on the European, American market to opening the market within and outside the region.

2.3. Four Kinds of Main Cooperative Mechanisms

Cooperative mechanisms are the principles and organization institutions that cooperation abides by as well as operation method. The subregion has always been the hot spot that different countries vie for investment in the world. According to the statistics of the Asian Development Bank, during the 1960's to the 1990's of the 21st century, Japan has invested a total number of US\$61.9 billion in ASEAN. The United States has invested up to more than US\$40 billion in subregion. The European Union (EU) has invested more than US\$30 billion and Taiwan US\$30 billion, too. Nowadays Vietnam and Cambodia are becoming new investment hot spots of this region. Until 1998, there are up to 56 countries and regions, which have invested in Vietnam. At present the total number of investment projects are 1928, and the foreign capital projects being built in Vietnam reach US\$24.4 billion, in Laos it is US\$6.9 billion and in Myanmar US\$3.2 billion. Every year the international funds that have been input in this region are nearly US\$1 million. The big inflow of foreign capital into Southeast Asian areas has quickened the development speed of different countries and their dependence on the western economy. The subregion is a vast expanse of fertile land under further development in the contemporary world. It has rich resources, huge market potentiality and broad prospect of cooperation. Some cooperative fields and cooperative projects have already started. Several transnational infrastructure projects have been listed in the investment plan or loan plan. All the participant countries have expressed active attitude to different extent.

The world public opinion generally believed that Southeast Asia is one of the regions brimming with world economic vitality in the 21st century. At present each country of this region is adjusting industrial structure step by step, seeking for cooperative partners and expanding opening up to the world. In the meanwhile, Japan, United States, Europe and Asian Development Bank as well as other developed countries, regions and international organizations have brought funds here one after

another in order to seek for their individual political and economic benefits.

From 1992 to 2002 four main kinds of cooperative mechanisms have been established in succession in subregion. At present four kinds of mechanism run parallel, which has important influence on subregional cooperation.

The first one is "the Greater Mekong Subregional (GMS) Economic Cooperative Mechanism". The cooperative mechanism is ministerial conference, which will be held once a year, and high-ranking officials' conference, forum of different areas and working group meeting. From 1992 to 2002 eleven ministerial conferences have been held. It was initiated by Asian Development Bank. China, Laos, Myanmar, Thailand, Vietnam and Cambodia six countries participated in it in order to improve subregional infrastructure, expand trade and investment cooperation. According to the Asian Development Bank document, the cooperative scopes involve transportation, telecommunication, energy, tourism, environment, human resources development, trade and investment, banning drugs eight sectors, from which 103 priority cooperative projects have been selected. Among these prior projects, there are as many as 33 passage construction projects. In these passage projects, there are up to 10 projects from Yunnan Province to Southeast Asia.

Three Road Transport Projects:

Yunnan Province-Myanmar Road (Kunming-Lashio) Project

Yunnan Province-Vietnam Road (Kunming-Hanoi) Project

Yunnan Province-Thailand Road (Kunming-Chiang Rai) Project

Three Railway Transport Projects:

Yunnan Province-Vietnam Railway Project

Yunnan Province-Thailand Railway Project

Yunnan Province-Myanmar Railway Project

Two Water Transport Projects:

Lancang-Mekong River Navigation Improvement Project

Red River Navigation Improvement Project

Two Aviation Projects:

Kunming International Airport Improvement Project

Xishuangbanna International Airport Improvement Project

The priority cooperative project of energy resources between China and Thailand is transmission of hydropower of Jinghong Hydropower Plant in Yunnan Province of China to Thailand.

The second kind of mechanism is the "ASEAN-Mekong Basin Cooperative Development Mechanism".

The cooperative mechanisms are 10+3, 10+1 leaders' conference and ministerial conference.

Initiated by ASEAN, the first summit meeting between ASEAN ten countries' leaders and China, Japan, Korea three countries' leaders was held on December 15th, 1997. The conference that is parallel to 10+3 is the summit meeting between ASEAN ten countries' leaders and the Chinese leader, Japanese leader or Korean leader respectively, that is three 10+1 cooperative mechanisms. Its purpose is to strengthen connections between ASEAN and Lancang-Mekong River riparian countries, raise the economic level of this region and establish economic partnership, eventually establish "ASEAN Free Trade Area (AFTA)" and Greater ASEAN, which is composed of ten countries. This mechanism first put forward "Singapore-Kunming Railway Project", which starts from Singapore in the South to Kunming of Yunnan Province in the North.

Malaysian Prime Minister Mahathier first proposed to construct a "Singapore-Kunming Railway" that extends beyond the river basin at the Fifth ASEAN Summit Conference in December 1995. It starts from Singapore, the Southern tip of Indochinese Peninsula, goes through Malaysia, Thailand, Laos, Indochinese countries to Kunming of China. At the first Asian European 20 countries' and European Union Summit Conference held in Bangkok in March 1996, Prime Minister Mahathier proposed "Singapore-Kunming Railway" again as an international railway network plan. The railway will link Singapore, Kuala Lumpur of Malaysia, Bangkok, Chiang Mai of Thailand, Rangoon of Myanmar, Piopet, Sisophon, Phnom Penh of Cambodia, Ho Chi Minh, Hanoi of Vietnam, Vientiane of Laos and Kunming of China together¹⁰.

The proposal of "Singapore-Kunming Railway Project" has been actively approved of by the participant countries. Chinese leaders have expressed their active

support to the project for many times on different occasions. Southeast Asian countries requested one after another that the railway go through the capitals and cities of their own countries, and they will speed up the construction of domestic railways. After many years repeated research and negotiations carried out by relevant countries, the overall strategic plan of "Singapore-Kunming Railway One Route Three Loops Project" came into being. One route is from Singapore to Kunming. Three loops are two small loops and one big loop. (See Map 3)

Two small loops are as follows:

(1) East Coastal Loop Railway Project

Bangkok-Phnom Penh-Ho Chi Minh-Hanoi-Kunming-Vientiane-Bangkok

(2) West Inland Loop Railway Project

Bangkok-Martaban-Lashio-Kunming-Vientiane-Bangkok

(3) One Big Loop

Bangkok-Phnom Penh-East Coastal Loop Railway-Kunming-West Inland Loop Railway-Bangkok

According to the construction envision of Singapore-Kunming Railway, all the railway main lines in Vietnam, which are about 2,500 kilometers will become the component part of Singapore-Kunming Railway. But all of them need to be improved. Vietnam holds an active attitude towards this, and hopes the envision can be put into practice as early as possible. Laos also actively supports the Singapore-Kunming Railway Project. But at first it will build a 30-kilometer railway, which goes through the Mekong River Bridge to link Vientiane with Nong Khai of Thailand. Myanmar has always been holding an active attitude toward Singapore-Kunming Railway Project; it especially supports the construction of west line project. Thailand is in an important position of Singapore-Kunming Railway. The Thai government has expressed that the country will develop the railways system to link with neighboring countries in order to make Thailand become the transportation pivot of Indochina and ASEAN. The Sixth National Economic and Social Development Plan of Thailand has envisioned to invest 70 billion baht to transform the 2,700 kilometers long railways from Bangkok to the North, Northeast, West, East and South of Thailand to double-track railways in six

years in order to increase transportation capacity. It also planned to build several new railways going to Myanmar, Laos, Cambodia and Vietnam. Malaysia is the proposing and coordinating country of Singapore-Kunming Railway. Its government has invested about US\$800,000 to finish the feasibility study of this project in October 1990¹¹. For many years it has done a great deal of coordinating work. Singapore is the country whose economy is the most developed in Southeast Asia. The Singapore-Kunming Railway will link Singapore and Kunming two cities together organically. Tourism will promote the economic and social development of countries along the railway line effectively. In September 1993 Singapore, Malaysia and Thailand three countries have opened the "Eastern Express" transnational tourism route connected by railway network. The purpose of "Singapore-Kunming Railway" is to extend the "Eastern Express" to Cambodia, Vietnam, Laos and Kunming of China. The Singapore-Kunming Railway, which will be jointly constructed by China and Asian seven countries, has been raised to agenda in June 2002. Starting from Kunming in the North and ending in Singapore in the South, the railway will link China and ASEAN different countries closely. It will create good conditions for trade, finance, investment, and economic, technical cooperation among periphery countries. After the implementation of this project, from Kunming it can also extend to the North through the Chinese railway network, and link with the "New Asian European Continental Bridge¹²", which starts from Lianyungang Port in East China to Rotterdam in the west of Netherlands. Consequently, the transnational railway network that links Southeast Asia, East Asia, Middle Asia and Europe will come into being.

The third kind of mechanism is "Mekong River Basin Sustainable Cooperative Development Mechanism". It is led by Mekong River Commission (MRC), which was organized by four countries, namely, Cambodia, Laos, Thailand and Vietnam in April 1995. China and Myanmar are dialogue countries. Its main purpose is to make plans, supervise and implement the development of the whole Mekong River water resources and relevant resources, as well as the whole river basin's development. The Mekong River Commission has made great contribution to the development of Mekong River Basin and economic development.

The fourth kind of mechanism is the "Golden Quadrangles" Economic Cooperative Mechanism including China, Laos, Myanmar and Thailand four countries and adjacent areas, it is also called "Growth Quadrangle" Cooperation Mechanism.

In 1993 Thailand's Prime Minister Chuan Leekpai named China, Laos, Myanmar and Thailand four countries' regional development plan as "the Golden Quadrangle Plan". Its purpose is to construct the land passage and "Economic Corridor" from Yunnan Province of China to Indochinese Peninsula in order to promote the economic development within the small region. At present, the cooperative mechanism has not started yet, but both the Thai government and the Chinese government have expressed "that they will pay more attention to and give more support to it"¹³.

The Growth Quadrangle is the small region composed of Xishuangbanna, Simao of Yunnan Province, China, Chiang Rai, and Chiang Mai of North Thailand, Oudomxay, Phongsaly etc. provinces of North Laos, as well as the East of Myanmar with Keng Tung as the center.

The importance and particularity of this region lies in the following aspects: First, it is situated in the adjacent areas of the four countries, and plays passage and bridge role for the extensive economic cooperation of different countries. Secondly, the small region is inhabited by same ethnic groups transcending borders. They have profound historic origin and long-term economic contacts. Thirdly, good-neighborliness is the common desire and diplomatic policy of the four countries. After the founding of People's Republic of China in 1949, a cornerstone of China's foreign policy is to strengthen solidarity and cooperation with developing countries and develop good-neighborly relations with surrounding countries. In Laos since the founding of Lao PRD in 1975, it has announced independent and friendly diplomatic policies. It is willing to establish diplomatic relations and conduct trade contacts with all the countries in the world. The diplomatic policy of Myanmar military regime is to keep friendly relations with all the countries in the world. As for Thailand, it has emphasized peaceful coexistence with all the countries since the 1980's. Fourthly, this region is the underdeveloped area of the four countries where the resources are abundant and people are poor. Therefore, the four countries government held supportive attitude to the

development cooperation of this small region. They all hope that the region will become real economic “Growth Quadrangle”, which will make the economy of these underdeveloped areas grow faster and promote the social civilization progress.

China, Laos, Thailand and Myanmar four countries’ bordering small region covers an area of 180,000 km² with a population of 5 million. Keng Tung of Myanmar, Chiang Rai of Thailand, Houei Sai of Laos and Jinghong of China surround “the Golden Triangle” and form “Golden Quadrangle”. By making use of Kunming-Bangkok Road and Lancang-Mekong River navigation, it will become a multinational trade area, which is about 150 km long from North to South and about 80 km for East to West. This region is abundant in natural resources, especially mineral resources, timber, energy, and tourism resources. The consumer market is very huge. The leading industry is tourism and international trade. It can form Luang Prabang-Mekong river waterborne tourism course and Jinghong-Chiangmai-Luang Prabang triangle air tourism loop. In addition, there are Sino-Laos, Sino-Myanmar, Thai-Laos, Thai-Myanmar transnational tourism courses. The small regional cooperation is through transportation construction to make the region acquire development opportunities, to make the region transform from natural economy to modern economy, to make people get rich and to make the society march toward civilization and progress..

2.4. The Difficulties and Contradictions of Subregional Cooperation

Although subregional cooperation has many opportunities, it is also faced with severe challenges and difficulties. Opportunities and challenges coexist, hopes and difficulties coexist, and supplement and competitiveness coexist, too. Both the Chinese and Thai experts who have made research on international issues have pointed out the following problems:

2.4.1. The subregional cooperation is faced with the difficulty of funds shortage.

In 1996 the Asian Development Bank has pointed out that the subregional cooperation is faced with two big challenges. The first one is how to raise funds and make use of them effectively. The second one is how to select the reasonable and priority projects from numerous proposals. Among the subregional countries, except Thailand, which belongs to middle-income developing countries, the remaining four

countries on the Indochinese Peninsula, namely, Myanmar, Laos, Cambodia and Vietnam are one of the comparatively poor and backward regions in the world. They belong to the most underdeveloped countries. There are difficulties in economic cooperation such as low starting point, weak foundation and lack of funds. Because the development investment amount is huge, and hundreds of projects need the investment of hundreds of thousands of U.S. dollars, the development projects of subregional cooperation has difficulty in attracting investment. The Asian Development Bank has pointed out that from now on to seek for funds is the central task for itself and subregional countries. According to the statistics of Asian Development Bank, up to now the funds that have been really invested in project construction is about US\$1 million, which accounts for not more than 10% of the total funds required by all the projects.

2.4.2. The strike of financial crisis led to the declining of actual strength of subregional countries, which influenced their cooperation investment.

After the heavy strike of financial crisis, the Southeastern Asian countries' actual strength to participate in cooperation has declined, especially the economic strength of Thailand as the main cooperative country, which directly influenced process of implementation and cooperation of some determined projects.

2.4.3. The development and utilization of Lancang-Mekong River's water and waterpower resources is full of sharp contradictions.

Water deficiency is one of the biggest problems in the world, including in China. Water resources will severely restrict the global economic and social development of the 21st century. It can also result in the conflicts between different countries. The development, utilization of water and waterpower resources of international rivers is directly related to the interest of different countries. Therefore, it is a very sensitive issue. The Lancang-Mekong River links up six countries. The geographic locations of riparian different countries are different. Keeping to the stand of different countries' interest and their development and utilization of water and waterpower resources, different countries' opinions are different. If different countries take their own economic and political interest into consideration, it will bring about some difficulties

for cooperation. The reaction and attitude of new and old Mekong River Committee member countries toward China's participation are closely related to the development of water and waterpower resources.

2.4.4. The difference of political systems, social ideology and values will influence the development of economic cooperation.

China and Vietnam are both socialist countries. Laos is transforming from socialist to democracy. Myanmar is a military regime. Cambodia is a constitutional monarchy kingdom. Thailand is a free capitalist country. The region where many kinds of political and social systems coexist is liable to cause mutual suspicion, which will have certain influence on cooperation. In addition, different systems of different countries, different laws and regulations, different ways of operation and administration of different governments will have influence on cooperation, too. China and Vietnam are both socialist countries. But owing to historic reasons, there are disputes between the two countries. The historically accumulated rancor between Thailand and Laos, Thailand and Myanmar still exist until nowadays, even the armed clash affairs. For example, blood conflicts between Thailand and Myanmar concerning the sovereignty of territorial sea problem have happened twice in December 1998 and January 1999. Also in 1999 the two countries relations became worse because of the hostage affair which happened in Myanmar's Embassy to Thailand.

2.4.5. "China threat" still prevails, which made it difficult to implement some projects.

Because of the historic reasons and some countries' continuing sowing dissension, they created and disseminated "China threat" unceasingly, which had a big impact on some Southeast Asian countries. A few people represented by Patrick Maccully and Milton Osborn even propagated that the construction of great passages from the Southwest of China to Southeast Asia will create and supply convenient conditions for China to head southwards. The opening of Mekong River navigation will only bring benefit to China. To build echelon hydroelectric power station on the Lancang River will have influence on subregional countries in the lower reaches. These public opinions are of instigation, which has caused some people's concern and suspicion of

China. It has also increased the degree of difficulties to carry out some transnational big projects.

2.4.6. There are challenges from the outside of the subregion.

Owing to the special political economic and geopolitical features of the subregion, international organizations and Japan, the United States, Europe etc. western countries entered the area in different forms one after another, which has formed a scene of the participation of many parties, complicated international relations and increasing competition. Because different interests, relations are not in accordance with each other, to cooperate under such background will be restricted by many factors. It is very difficult to coordinate. Although the participation of many parties has expanded the channels of attracting investment, different countries are faced with different internal and external environment; each seeks for different political, economic and security interest, which made the cooperation more difficult.

Despite the above problems, there are more opportunities than challenges, more hopes than difficulties. The subregional development mechanism still has great development prospect.

Among all kinds of cooperative mechanism, the GMS Economic Cooperation Mechanism led by the Asian Development Bank deals with concrete matters relating to work and has achieved remarkable success. This mechanism is a cooperative mechanism with complete organization, which has been fully affirmed and actively supported by different governments, international organizations and many countries in the world. GMS cooperation first emphasized the infrastructure construction, and put priority on the development of transportation and energy, which is favorable to the resources development, the flow of men and goods and sharing resources. It is essential to industrial development and modernization. Therefore the GMS mechanism is practical and result-oriented. Until now, there are about ten infrastructure projects under construction. As an important international financial organization, from 1992 to 2002 the Asian Development Bank has provided US\$775,000,000 loans for the subregional countries' infrastructure construction. It has helped them to mobilize an investment of US\$230,000,000, and has provided loans in a total value of

US\$25,000,000 for 32 subregional developing projects. The Asian Development Bank also made use of its own influence and guarantee role to appeal to western private investment. At present, the emphasis of Asian Development Bank in GMS is to strengthen the subregional infrastructure construction and the construction of soft environment such as relevant trade and investment policies etc.. During 2002 to 2004, the Asian Development Bank also plans to provide US\$900,000,000 loans and US\$30,000,000 technical assistance. GMS economic cooperative mechanism is the engine and propeller of important cooperative projects.

Under the strong support of the Asian Development Bank, the subregional cooperation has made significant progress. On June 26th 2001 China, Myanmar, Laos, Thailand four countries' merchant ships have already formally opened to navigation on the Lancang-Mekong River. The construction of North-South Economic Passage and Kunming-Bangkok Highway is under way. It is expected to be finished and open to traffic in 2004. The construction of Jinghong Hydropower Station has been shifted to an early date of year 2006. The GMS mechanism has showed its vitality and developing potentiality¹⁴. Under the joint effort of the subregional countries, this cooperation is certainly to be successful.

Notes

¹ Qian Chen and Xiaosha Kong, eds. A Collection of Lancang-Mekong River Basic Materials (Kunming: Yunnan Science and Technology Press), pp.10-20.

² *Ibid.*

³ *Ibid.*

⁴ Economic globalization refers the transborder flow of commodities, service, capital, technology and personnel of different countries at a high speed and on a large scale. It is the general trend of opening to each other, integrating with each other, and developing in depth. In fact it is to promote commodities and services to the consumers in the world, popularize technology and push the capital to the whole world. It is the coexistence of production globalization and consumption globalization. The transnational corporations are important symbols of economic globalization and they are playing important roles in it.

⁵ Economic integration means on the basis of economic globalization, different countries' government sign a series of agreement and treaties and establish international economic cooperation organizations, which have legal sanction, administrative and management capabilities, and provide systematic guarantee. Economic globalization determines economic integration. Economic integration arises in order to adjust the requirement of economic globalization.

⁶ Yunhua Cao, The Regional Cooperation of Southeast Asia (Guangzhou:Huanan Polytechnic University), pp.20-50.

⁷ Free trade area refers different countries in a regional group don't levy tax or levy little tax without any other limitations when exchanging commodities. However, each of them has tariff structure applied to non-member countries.

⁸ See The Regional Cooperation of Southeast Asia, pp.75-80.

⁹ Geopolitics is to base on the geographic locations to make out a nation's national security and diplomatic policy in order to obtain greater national interest.

¹⁰ Ping Li and Yigan Li, eds. Singapore-Kunming Railway: A Research on Singapore to Kunming Passage (Kunming:Yunnan Nationalities Press), pp.101-211.

¹¹ *Ibid.*

¹² Continental Bridge refers to land” bridge”, which connects two oceans. It is favorable to avoid transportation along roundabout route on the sea.

¹³ See The Regional Cooperation of Southeast Asia, pp. 120-125.

¹⁴ According to Asian Development Bank, 2001.