

# PERSPECTIVE

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## **Grabbing *the Forgotten*: China's Leadership Consolidation in Mainland Southeast Asia through the Mekong-Lancang Cooperation**

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### **EXECUTIVE SUMMARY**

- Mekong-Lancang Cooperation (MLC) gained momentum immediately after its official establishment in November 2015. The leaders' summit held on 10 January 2018 in Cambodia lays out a clearer and more coordinated plan, which is further reflected in a Five-Year Plan of Action.
- Although MLC promotes many aspects of cooperation on security, economic, cultural, and poverty reduction issues, the major driving force is its emphasis on infrastructure development. It is an extension of China's effort to coordinate its Belt & Road Initiative in the sub-region and manage the Mekong River.
- China's assumption of MLC leadership will inevitably help consolidate its regional leadership and ambitions. This development in mainland Southeast Asia is not likely to occupy the attention of ASEAN, as the group seems to be more concerned with maritime issues, especially tensions in the South China Sea.
- Despite the benefits from the increased cooperation, Southeast Asia should approach this recent move critically. China's expanding role in the subregion also anchors its political influence. It can further challenge ASEAN's already-weakened unity, hence posing more dilemmas for the group's balancing strategy with regional powers.

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## INTRODUCTION

The rise of China and its role in the region are a dominant topic of discussion in Southeast Asia. Particularly, China's territorial disputes in the South China Sea with several Southeast Asian countries have galvanised regional security relating to Beijing's assertiveness and to potential conflicts, not only between China and ASEAN member countries but also between China and other regional powers. Much attention and discussion about China-Southeast Asian relations within both academic and policy circles have therefore focused on the maritime sub-region.

As a result, developments in the other half of the region, in mainland Southeast Asia, seem to be "forgotten" or relatively marginalised because of the lack of immediate and physical tensions. China's relations with most of the mainland states are also cordial except those with Vietnam over territorial disputes in the South China Sea. In turn, these friendly relations facilitate China's growing role and influence in this sub-region, both economically and politically.

Mekong-Lancang Cooperation (MLC)<sup>1</sup> is a major indicator of China's recent and fast development of regional leadership in this area. Within a few years of its establishment, MLC has become the institutional focal point in sub-regional cooperation despite other pre-existing initiatives. The recent MLC Leaders' Summit in Phnom Penh on 10 January 2018 has institutionalised the cooperation through the Plan of Action that lays out LMC's future until 2022.

Certainly, China's active engagement through MLC, emphasising investment and infrastructure development, benefits economic expansion in this sub-region. However, a critical look at MLC in relation to China's foreign policy strategy is necessary to understand the consolidation of China's regional and global leadership.

This *Perspective* puts MLC into a broader context and demonstrates what MLC means for China's regional ambitions in Southeast Asia, and suggests that regional stakeholders, especially ASEAN pay more attention to this ongoing development. *The Forgotten* half of ASEAN, not the South China Sea issue, may be what determines the outcome of the power competition in the region and the group's future unity.

## MEKONG-LANCANG COOPERATION: DEVELOPMENT, AIMS, AND SCOPES

The pace and development of MLC have been very fast, especially since China took full leadership in it. The original idea can be traced back to Thailand's earlier initiative for the Conference on Sustainable Development in the Lancang-Mekong Sub-Region in January

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<sup>1</sup> The member states agree that the name can alternate between 'Mekong-Lancang Cooperation (MLC)' or 'Lancang-Mekong Cooperation (LMC)'. Generally, MLC is used when the meetings take place in Southeast Asian members, and LMC is used mainly by China.

2014.<sup>2</sup> China supported Thailand's initiative, but then sought to institutionalise the framework and announced its own plan during the 17th China-ASEAN Summit in November 2014 in Myanmar.<sup>3</sup> There were two meetings of senior officials within the same year in 2015, in April in Beijing and August in Chiangrai, Thailand, to discuss a concept paper for MLC. In November 2015, the first MLC Ministerial Meeting took place in Jinghong, Yunnan Province, China.

The first leaders' summit was held in Sanya, Hainan Province, China, in March 2016. According to the Sanya Declaration, MLC aims at promoting and strengthening cooperation in three areas: politics and security, economics and sustainable development, and social, cultural and people-to-people exchanges. The Declaration identifies five areas of priority including connectivity, production capacity, cross-border economic cooperation, water resources, and agriculture and poverty reduction.<sup>4</sup>

The second ministerial meeting convened in December 2016 in Siem Reap, Cambodia. It achieved some milestones including the establishment of working mechanisms and platforms for different levels of meetings and working groups. More than half of 45 early-harvest projects were completed or being implemented. Chinese Foreign Minister Wang Yi also put forward the plan for 2017 indicating that MLC would set up working groups on the five priority areas within 3-6 months. Wang expected that all 45 projects would make substantive progress, while new projects and a five-year Plan of Action (PoA) would be concluded and endorsed by the leaders at the second summit.

The second summit in Phnom Penh in January 2018 eventually agreed on the PoA that detailed the scope of cooperation. Out of the five key priorities, connectivity seems to be most elaborated. MLC focuses on the construction and upgrading of infrastructure such as railways, highways, waterways, ports, power grids, information networks, and aviation. These are framed within China's Belt & Road Initiative (BRI) and ASEAN's connectivity plan for 2025.

The PoA also details institutional design for the MLC. Regular meetings are to be held, including a biannual leaders' summit, annual foreign ministerial meetings, and senior officials and joint working group meetings. It also addresses the issue of setting up the group's secretariat office to coordinate plans and communication among national secretariat units. China also offers to set up a special fund to support priority projects. The leaders also agree to develop MLC identity, by designing a logo and other symbols for the group.

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<sup>2</sup> "Thailand to Host High-Level Forum on the 10th Anniversary of ASEAN-China Strategic Partnership," The Government Public Relations Department, accessed January 18, 2018, [http://thailand.prd.go.th/thailand/ewt\\_news.php?nid=625&filename=index](http://thailand.prd.go.th/thailand/ewt_news.php?nid=625&filename=index).

<sup>3</sup> "Chairman's Statement of 17th ASEAN-China Summit," ASEAN, December 29, 2014, <http://asean.org/chairman-s-statement-of-17th-asean-china-summit/>.

<sup>4</sup> "Sanya Declaration of the First Lancang-Mekong Cooperation (LMC) Leaders' Meeting," accessed January 17, 2018, [http://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/t1350039.shtml](http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1350039.shtml).

## MLC AS THE CONSOLIDATION OF CHINA'S REGIONAL LEADERSHIP

Following Deng Xiaoping's reforms in the late 1970s, China maintained the strategy of keeping a low profile in international affairs. Its gestures towards Southeast Asia were guided by "good neighbourhood policy" for several decades. That resulted in the normalisation of diplomatic relations with all Southeast Asian countries by the mid-1990s, and increasing cooperation between China and the region, especially after the Asian Financial Crisis in 1997, both at bilateral and multilateral levels. Beijing's 'charm offensive' has effectively lessened regional concerns over threats from China's rise.

With the ascendance of Xi Jinping, however, China has become more assertive. Xi is determined to increase China's influence and ability to lead and shape a new international order. This is evident in attempts to build China-led multilateral frameworks such as BRI, the Asian Infrastructure Investment Bank (AIIB), and the Shanghai Cooperation Organisation (SCO). These ambitions are reflected in Xi's remarks to the 19<sup>th</sup> National Congress of the Communist Party of China in October 2017. It is succinctly captured in his 2018 New Year speech, when he stated, "*as a responsible major country, China has something to say... The Chinese people are ready to chart out a more prosperous, peaceful future for humanity.*"<sup>5</sup> The sentiment in this speech suggests that today's China is not the old China that shied away from calling itself a great power. China is now ready to write the rules and play an international role.

Mainland Southeast Asia is a frontier where Beijing's international leadership is concerned. China's effort in MLC can be seen as an attempt to consolidate its leadership in its backyard. Considering the text of the Sanya Declaration and MLC development, several observations can be made to show how China is doing so.

**Creating hub-and-spoke relationships:** China has built solid bilateral relations with five mainland Southeast Asian countries through the establishment of comprehensive strategic partnerships (CSPs). Although CSPs reflect diplomatic goodwill between both sides, Beijing considers CSP countries as important partners in protecting China's core interests. CSPs are to help Beijing shape an external environment and order in line with its rise and ambitions.<sup>6</sup>

China's interest in mainland Southeast Asia is evident in its development projects across the sub-region. The important ones include the Kyaukpyu port and gas pipeline in Myanmar, high-speed railway projects in Laos and Thailand, irrigation systems and transport infrastructure in Cambodia, and the plan for developing better capacity for navigation along the Mekong River. Therefore, it is not a surprise to see the emphasis on the existing CSPs between China and five mainland Southeast Asian members in the early part of the Sanya Declaration. This is to reflect a harmonisation between China's regional and bilateral policy directions.

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<sup>5</sup> "President Xi Delivers New Year Speech Vowing Resolute Reform in 2018 - Xinhua | English.News.Cn," accessed January 22, 2018, [http://www.xinhuanet.com/english/2017-12/31/c\\_136863397.htm](http://www.xinhuanet.com/english/2017-12/31/c_136863397.htm).

<sup>6</sup> Feng Zhongping and Huang Jing, "China's Strategic Partnership Diplomacy: Engaging with a Changing World," ESPO Working Paper (Madrid: European Strategic Partnerships Observatory, June 2014). 12-13.

**Institution building:** The streamlining of the MLC demonstrates China’s strong intention to assume a leading role in its backyard. MLC is a serious exercise in institution building that will coordinate China’s plans and become a main driving force in sub-regional cooperation.

China’s possession of both material resources and political will sustain and gear the initiative towards its own interests. This is contrary to other previous sub-regional initiatives that suffered from either a lack of leadership continuity, of resource commitment, of clear institutionalisation, or of political will. For instance, the Thailand-led Quadrangle Economic Growth project lacked clear leadership. Although Thailand proposed the initiative, the extent to which it would share the role with the Asian Development Bank (ADB) was ambiguous. Eventually, it was incorporated into the ADB’s Greater Mekong Subregion (GMS) after Thailand’s economic crisis in 1997. China is not part of the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS); that initiative also waned after Thailand’s decade-long political crisis. The Mekong River Commission (MRC) also lacks clear leadership and the willingness of two riparian states, China and Myanmar, to participate. MLC should therefore be seen as a new attempt by Beijing to create a coherent sub-regional framework under its leadership.

**Identity building:** Regarding tangible identity building, the second leaders’ summit agreed to design a logo and symbols for the group, as mentioned earlier. The Sanya Declaration uses geographical and cultural affinities as a basis for friendship and good neighbourliness. The language in the Declaration also activates preexisting regional norms and practices, especially the principles of non-interference and consensus building. The key principles in the Declaration include the spirit of openness and inclusiveness, equality, mutual consultation, voluntarism, and win-win cooperation.

As a result, MLC can be seen as a driver to promote not only member countries’ mutual interests but also their vision and goals, and a collective destiny. At the same time, the above principles also help create a sense that China is a benign power and acts in accordance with whatever brings common benefit to the region.

The promotion of social and cultural cooperation also helps deepen the sense of shared culture and identity, through the exchange of cultural activities and tourism. China initiated the Ningbo Initiative on Lancang-Mekong Cultural Cooperation, which had the first cultural ministerial meeting in late September 2017. The initiative used the theme of “Share the River, Share the Culture” and aims at promoting the image of culturally prosperous Asia based on the “shared community” of the Mekong region.<sup>7</sup>

## THE IMPACT OF MLC ON SOUTHEAST ASIA

MLC under China’s leadership appears to create material incentives for cooperation with, and cultivation of a good perception of China. However, this new round of Chinese leadership will undoubtedly rearrange power relations in the sub-region in several ways.

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<sup>7</sup> “Kho.Ro.Mo Fai Khiao Long Nam Khwam Ruammue Dan Watthanatham Lanchang-Maekhong [The Cabinet Gives a Greenlight for Signing a Cultural Cooperative Agreement in the Lancang-Mekong Region],” accessed January 25, 2018, <http://www.thansettakij.com/content/209947>.

**Consolidation of China’s sphere of influence:** Under Xi’s leadership and in line with his global ambitions, the sub-region and Southeast Asia as a whole are inevitably becoming an area of pivotal interest to China. MLC has manifested these regional ambitions with a coordinated plan. Beijing could have used and fully participated in the existing sub-regional schemes in order to shape their direction towards its national interest. However, the current sub-regional frameworks face severe weaknesses, as mentioned earlier.

At the same time, other initiatives, led by other external powers such as GMS (with Japan’s leading role in the ADB) and the US-initiated Lower Mekong Initiative (LMI) have also been viewed with suspicion by China, as vehicles meant to counter-balance against Chinese interests. Despite the benefits of having different layers of cooperation, the existing sub-regional frameworks do not offer venues for China to exert its leadership in the region.

**Replacement of Thailand’s sub-regional leadership:** In fact, in geopolitical terms, MLC adversely impacts Thailand the most. The move by Beijing to foster MLC directly challenges Thailand’s longstanding regional aspirations and leadership in the sub-region. These aspirations are reflected in the history of Thailand’s foreign policy. During the Cold War, Bangkok aimed at maintaining the stability of the pro-Thai regimes in both Cambodia and Laos. Its agenda also drove ASEAN’s policy against Vietnam’s occupation of Cambodia in the 1980s.

In the post-Cold War era, Thailand also pursued an active strategy to build its own regional schemes. Since former Prime Minister Chatichai Choonhavan’s 1988 policy of “turning the battlefields into marketplaces”, Bangkok has relentlessly promoted different layers of regional and sub-regional initiatives. These include the Quadrangle Economic Growth (1993), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (1997), Asia Cooperation Dialogue (2002), Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy (2003), and the Emerald Triangle Cooperation Framework on Tourism (2003).<sup>8</sup>

Although China supported and participated in a number of Thailand-led regional schemes, it was a passive player. When we look at the early development of MLC, interestingly, China and Thailand co-chaired all the meetings up to the first leaders’ summit. This was to acknowledge that the original idea for MLC was Thailand’s.<sup>9</sup> However, such a sentiment has gradually been watered down, and China now claims full leadership in MLC.

**A widening of ASEAN’s divide:** In a positive vein, MLC can be a building block for stronger regional multilateralism, especially in ASEAN. It can facilitate economic interdependence and deepen trust and a sense of shared or common interests. However, just as the sub-optimality of regionalism diverts attention away from global multilateralism, sub-regional initiatives like MLC may also work against the advancement of broader regional cooperation, on the part of ASEAN in this case. Although the economic impact on ASEAN-

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<sup>8</sup> Pongphisoot Busbarat, “A Review of Thailand’s Foreign Policy in Mainland Southeast Asia: Exploring an Ideational Approach,” *European Journal of East Asian Studies* 11, no. 1 (August 1, 2012): 127–54.

<sup>9</sup> Poowin Bunyavejchewin, “The Lancang-Mekong Cooperation (LMC) Viewed in Light of the Potential Regional Leader Theory,” *Journal of Mekong Societies* 12, no. 3 (2016): 49–64.

wide regional integration of MLC is yet to be clearly seen, its geopolitical implications are observable.

As it becomes institutionalised, MLC may eventually cause further division between mainland and maritime Southeast Asia. Given China's steady economic growth, and if its attention to MLC remains intact, deepening economic cooperation between China and the sub-region will inevitably deepen the latter's economic dependence on the former, and with it China's influence over the long-term policy directions of the sub-region. Therefore, MLC can be a geopolitical tool that splits ASEAN member states into opposing groups.

It is known that China looks at ASEAN-led multilateralism with frustration.<sup>10</sup> The ASEAN Way of consensus building and enmeshing external powers into its regional activities may seem like weaknesses to China, which make getting things done slow, complicated, or difficult. The ASEAN Way does keep regional powers in check and balanced, though, and bypassing this norm may have a greater institutional impact on ASEAN than one can now imagine.

## RECOGNISING SOUTHEAST ASIA AS AN INDIVISIBLE REGION

Despite the potential repercussions for Southeast Asia and ASEAN, there is no serious discussion about China's recent moves in the mainland sub-region. There seems to be a cognitive divide about what is important to the region. Immediate security concerns have led policymakers and scholars to focus strongly on China and the South China Sea, and the implications of the situation there for regional security. But that is not the only important geopolitical issue.

The relaxed attitude towards the Mekong sub-region is reflected in the opinion stated by a diplomat from a maritime member country on issues related to the Mekong area. After this gentleman had shared his observation during ASEAN Summit meetings about China's position in the South China Sea, this author asked him about the current dynamics of the Lower Mekong Initiative (LMI) and how ASEAN was involved. He replied that LMI was not part of ASEAN but was rather a US policy towards a smaller group within ASEAN. He is perhaps correct in his strict interpretation of what ASEAN activities are. But his response shows that the divide within ASEAN may be a cognitive one. Barry Busan and Ole Wæver may have been wrong in their conclusion that the mainland and the archipelago security sub-complexes merged into one after the end of the Cold War.<sup>11</sup>

The benefits of having MLC cannot be denied. As an engine of regional growth, China's role in MLC will stimulate economic development and improve the standard of living in the

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<sup>10</sup> Amitav Acharya, "Can ASEAN Cope with the Changing World Order?," *East Asia Forum* (blog), August 1, 2017, <http://www.eastasiaforum.org/2017/08/01/can-asean-cope-with-the-changing-world-order/>.

<sup>11</sup> Barry Buzan and Ole Wæver, *Regions and Powers: The Structure of International Security* (Cambridge University Press, 2003), 154-155. Buzan and Wæver argue in their seminal Regional Security Complex Theory that Southeast Asia in the Cold War period was divided into two self-contained security patterns, that is, Indochina and Archipelago sub-complexes. However, they merged into one because of the end of Cambodia conflict and the integration of former communist countries into a regional institution, ASEAN.

sub-region. Certainly, ASEAN members see it working in support of ASEAN-wide activities. But on the other hand, there are far-reaching strategic implications involved.

China's assertiveness in the sub-region comes with an embedded influence that can determine ASEAN's unified policy direction, especially towards regional powers. Furthermore, non-traditional security challenges along the Mekong River have gradually emerged or worsened—including the issues of environmental damage, water supply, food security, poverty, and changes to borders. They potentially affect millions of people in riparian states. Part of the problem stems from China's upstream water management being less and less consultative with the existing regional mechanisms and other riparian states. Therefore, MLC can become another tool for China to shape the regulatory regime in the Mekong basin.

ASEAN as a group needs to devote greater attention to developments in mainland Southeast Asia. It undoubtedly has limited capacity for monitoring every ongoing activity outside its direct mandates. Yet recognising what happens in both the mainland and maritime sub-regions will contribute to the security and cohesion of ASEAN, and serve as an important step towards bridging the divide within the group and nurturing true community building.

At the very least, policy practitioners in the region should be the first to view the region in a less compartmentalised fashion. The other half of ASEAN should not be forgotten as significant stakeholders in ASEAN's agenda and its long-term unity.

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