China's Economic Aid to CLMV and Its Economic Cooperation with Them

Zhu Zhenming

INTRODUCTION

China, and Cambodia, Laos, Myanmar, Thailand, Vietnam are close neighbor countries. There has been close economic and cultural connection between them since ancient times. After founding of the People's Republic of China, economic and cultural relations with neighboring countries continue to develop though it went through twists and turns owing to changes of situation both at home and abroad. China's foreign economic aid and foreign economic cooperation always develop along with its economic growth.

China's foreign economic aid to Cambodia, Laos, Myanmar, and Vietnam (CLMV) occupied important position in China's foreign economic aid and foreign economic cooperation. China began to provide economic aid to Vietnam not long after founding of the People's Republic of China. In mid-1950s, China began to provide economic aid to Cambodia, Laos, Myanmar, China's economic aid to CLMV is earlier than other regions and China's economic aid to CLMV used to play active role in maintaining their independence and building the nations. China's economic cooperation with CLMV and Thailand after reform and opening up reached remarkable results.

Yunnan Province borders on Laos, Myanmar, and Vietnam and is a major

passageway of access to Southeast and South Asia, geographically and historically. Yunnan Province plays important role in China's economic cooperation with 5 countries.

The paper will do some initial approach on (1) China's basic policy of foreign economic aid and economic cooperation, (2) China's foreign economic aid to CLMV, (3) China's economic cooperation with CLMV and Thailand, especially the Greater Mekong Subregion (GMS) cooperation (4) and Yunnan's participation in GMS.

1. CHINA'S BASIC POLICY OF FOREIGN AID AND ECONOMIC COOPERATION

1.1 China's Basic Policy of Foreign Economic Aid before Reform and Opening up

Foreign economic aid and foreign economic cooperation is a component part of China's foreign policy. After founding of the People's Republic of China, China began to provide foreign aids to developing countries. Supporting national liberation movement in Asia, Africa, and Latin America is a major part of foreign policies durin 1950s-1960s.

Based on the foreign policy, China's foreign aid carried out in line with the principles. China's foreign aid mainly served political profit and it more considered an ideology at that time.

As to neighboring countries, China rendered economic aid within its power to Cambodia, Laos, and Vietnam for supporting their struggle for striving for and

maintaining their independence. China's aid to them included building of medium-small- sized factories, building of road and bridge, providing foods, medicines, articles for daily use, complete sets of equipment and so on .

Following expansion of China's foreign economic aid, China gradually shapes its own thoughts and principles of foreign economic. This is the "Eight Principles of China's Foreign Economic and Technical Aid", put by former Primer Zhou Enlai when he paid visit to 14 countries in Asia and Africa in 1964. Its main contents include:

- (1) The Chinese government provides aid based on the principle of equality and mutual benefit. China has never regarded Chinese aid as one-sided grant but mutual help.
- (2) The Chinese government strictly respects sovereignty of recipient countries and it provides aid with no strings attached and no claim of privilege.
- (3) The Chinese government provides aid by interest-free loans or low-interest loans and recipient countries can extend the time limit and reduce economic load of recipient countries as possible.
- (4) China's objective of aid is to help recipient countries go way of self-reliance, independent development.
- (5) Projects of construction should less investment and rapid effect so that recipient countries increase income and accumulate funds.
- (6) The Chinese government provides best equipments and goods produced by China and make negotiated price based on price of international market. If they are not up to the specifications and qualities, replacement is guaranteed.

- (7) The Chinese government guarantees personnel of recipient countries can fully master techniques when the Chinese government provided any technical aid.
- (8) The Chinese experts sent by the Chinese government enjoy same material benefits with experts of recipient countries and they can't be brooked to have any special demand and treatment.¹

The essential features of the Eight Principles are equality and mutual benefit, noninterference in each other's internal affairs, sincerely in helping recipient countries development.

The Eight Principles expounds aim and nature of China's foreign aid and also specify way and channels. It not only guides China's foreign aid in the past, but also has practical significance of guide in work of China's foreign aid. Up to today now, the Eight Principles is still principle which China adhere to in its work of foreign economic aid.

1.2 Readjustment of China's Policy of Foreign Economic Aid

Since the end of 1978, China started the process of reform and opening up. Following establishment of opening up strategy, China not only opens to the developed countries, but also to the developing countries. Deng Xiaoping pointed out in 1985 that, "we put forward opening up when we consider issues of development ourselves. Who do we open to? Of course, we want to open to developed countries and we need their technology, capital, and market. But one important content of opening up, one important policy is opening up to the Third World countries." It is the fundamental standing point of China's foreign policy to strengthen its solidarity and cooperation with

numerous developing countries.

According to guide ideology of opening up of Deng Xiaoping, China regards strengthening cooperation with developing countries as the key point of China's foreign policy and put basic principles of foreign economic aid on account of long-term cooperation experience with developing countries in the past. The principles include equality and mutual benefit, diversity in form, stress on practical results and pursuit of common development.

In May 1996, former China's President of Jiang Zemin declared five principles about China's cooperation with African countries: (1) true friendship, (2) treat each other on an equal footing, respect each other, non-interference in each other's internal affairs, (3) mutual benefit, common development, (4) strength consultation, close cooperation, (5) future orientation. Indeed these principles are not only aimed at economic cooperation with African countries but also apply to all developing countries.

The Eight Principles and the Five Principles has become guide of China's foreign economic aid and economic cooperation in new period.

Generally speaking, since early of birth of the People's Republic of China to today, changes have taken place in China's policies of foreign economic aid and economic cooperation. It presents some new characteristics.

First, role of ideology gradually fade in foreign economic aid and economic cooperation. Function of foreign economic aid and economic cooperation realize transformation from serving politics to economy.

Second, the principles of foreign economic aid and economic cooperation stress on

equality and mutual benefit, noninterference in each other's internal affairs, common development.

Third, China more attaches importance to role of foreign economic aid and economic cooperation in the national economic development. Foreign economic aid and economic cooperation are regarded as an important channel to promote foreign trade and investment. Foreign economic aid and economic cooperation and the national economic development present harmonious relations of mutual promotion.

Fourth, humanitarian aid constantly increases. It represents China's economic strength rise and responsibility to international community enhances.

Fifth, contents and style of foreign economic aid realize diversity. At preset, contents of foreign economic aid have developed into complete sets of equipment and technical aid from render goods and materials, as well as investment cooperation, spot aid, technical cooperation, training for personnel, send volunteer, and so on. Style of foreign economic aid has developed interest-free loans, concessional loan, and mixed credit from unitary assistance gratis early days.

1.3 Basic data of China's foreign economic aid

Thought China has near 60 years history in foreign economic aid, but now we are unable to read complete statistics. According to some data published we understand some situation of China's foreign economic aid.

By the end of 2006, China provided economic aid to more than 100 countries and regional organizations, helped recipient countries to complete about 2000 projects, implemented over 100 projects of concessional loans, and has provided a large number

of aid gratis of goods and materials except for complete sets of equipments, trained 23 thousand technicians and managers, moreover ,the technicians and managers reached 400 thousand person-times, 18 thousand person-times of members of medical team, and over 200 young volunteers sent by China. China remitted 376 debts from 49 less developed countries and poor countries.⁴

2. CHINA'S ECONOMIC AID TO CLMV

China carried out policy of opening up since the end of 1978, but its work of economic aid to CLMV did not start until 1990s later because the peace had not restored in Indochina Peninsula. Normalization of relations between China and Laos in 1989, between China and Vietnam in 1991 separately realized. Cambodia issue smoothly settled in 1993.

Asian Development Bank (ADB) initiated the greater Mekong cooperation in 1992. The situation promoted development of China's relations with CLMV. China's overall national strength has been greatly enhanced and expansion of opening up to Southeast Asia. These factors create favorable conditions for China's aid to CLMV. But the lack of complete and systemic statistics data both China and recipient countries in the aspect ,it is difficult to understand the situation of foreign aid fully. We can only make an analysis according to scattered materials.

2.1 China's aid to Cambodia

Relations between China and Cambodia constantly develop after Cambodia realized peace. Two sides have enhanced mutual trust in politics, strengthened cooperation in

economy .Since Cambodia's practical situation. China increases its economic aid to it.

Main aid program includes as follows:

- (1) In 2004, the Chinese government provided concessional loan of 200 million USD as buyer's credit to build two bridges and two highways. Two Bridges are Mekong Bridge and Tonle Sap Bridge .Two highways are No. 76 highway and No.8 highway These projects have begun construction . China Shanghai Constructional Engineering Group undertook the construction task.⁵
- (2) In 2006, the Chinese government provided more than RMB 300 million Yuan non-refundable aid for building an office building of Cambodia government. The built-up area of the office building reached 33 thousand square meters and Yunnan Constructional Engineering Group undertook construction.⁶
- (3) In 2006, the Chinese government provided concessional loan for building section of Cambodia of information super expressway under the GMS program (GMS-IS).
 - (4) In 2006, according to an agreement, the Chinese government provided RMB 100 million Yuan interest-free loans to Cambodia.⁷
- (5) In 2008, the Chinese government agreed to provide concessional loan of 100 million USD as buyer's credit to build No.62 highway. Shanghai Constructional Engineering Group undertook construction task.⁸
- (6) In 2008, the Chinese government agreed to provide concessional loan of 100 million USD as buyer's credit to build No.57 highway. China Highway and Bridge Limited Liability Company undertook the project.⁹

(7) Departments concerned of the Chinese government provided a lot of aid given gratis including office equipment, transport car, fire truck, bulldozer, digging machine and so on since 2004.

2.2 China's aid to Laos

China and Laos is closed neighbor. After normalization of relations between China and Laos, relations between two sides rapidly developed. Two sides established principle of promoting friendly relations, namely, "long-term stability, good-neighborliness and friendliness, mutual trust, all-round cooperation". China's economic aid to Laos increases continuously according to Lao situation. China's main aid to Laos includes as follows:

- (1) According to a report of economic and technical committee of China-Laos, China's aid to Laos reached RMB 3.5 billion Yuan including interest-free loans, special loans. In addition, the Chinese government provided 230 million USD interest loans to Laos for infrastructure construction.¹⁰
- (2) According to China's data, China provided RMB 2.7 billion Yuan for Laos during 1989-2008, including non-refundable aid, concessional loans, concessional buyer's credit, goods and mantillas, equipments, and so on. Non-refundable aid included completed the Lao National Cultural Center, which has become a symbol building of Vientiane, China-Laos Friendship Hospital in Luang Prabang, Nam Ngum hydropower station, Van Vieng Cement Factory, satellite television receiving ground station and so on.
 - (3) In 2003, the Chinese government provided non-refundable aid of 5 million

USD and RMB 500 thousand Yuan to Laos for Mekong waterway dredging in section of Laos.¹¹

- (4) In 2004 the Chinese government provided non-refundable aid of RMB 10 million Yuan to repair Triumphal Arch Park. 12
- (5) The Chinese government provided non-refundable aid of 30 million USD for building 85 kilometer highway in north Laos. This section in Laos is a part of Kunming-Bangkok highway.
- (6) In 2006, the Chinese government provided non-refundable aid of 500 thousand USD for building a drug rehabilitation center.
- (7) In 2006, the Chinese President Hu Jintao pledged to provide 200 million USD to Laos when he visited Laos. In 2008, Premier Wen Jiabao also pledged to provide loan of 100 million USD to Laos for Lao the telecommunications project, transmission line, and infrastructure and so on during his visit to Laos.¹³
- (8) Since the beginning of 2000 the Chinese government and some enterprises have provided non-refundable aid for a work of poppy substitute plant in China-Laos border areas. The non-refundable aid includes cash, seed, fertilizer, equipment and so on. In 2004, Luang Namtha Province and Oudomxay Province declared realized non-poppy plan.¹⁴
- (9) In September 2008, the Chinese government signed loan agreement with Lao government .China decided to provide concessional loan of RMB 546 million Yuan for electronic affairs projects.
 - (10) In 2008, the Chinese government make donations 500 thousand USD to Lao

grain production.¹⁵

(11) The Chinese government aid to build the national sports centre, which will be principal stadium of 25th Southeast Asia Game in 2009.

2.3 China's aid to Myanmar

China and Myanmar are neighbors sharing the same mountains and rivers. Two sides always maintain Pauk-Phaw friendship. There are not more twists and turns in bilateral relations in the past 30 years since China's reform and opening up. Economically, two sides' ties are quite close. Border trade and economic and technical cooperation is a unique feature in two sides' economic relation. In the wake of economic development of two sides, China's economic and technical cooperation with Myanmar has extended to investment, contracted project from unitary official aid in the past 10 years. China has become Myanmar's major partner in economic cooperation. China not only provides some aid, but also more participates in economic and technical cooperation, especially in large contracted project cooperation.

- (1) China provided seller's credit to Myanmar for building large projects such as Paunglaung hydro-power plants station (installed capacity is 280 thousand kilowatt), which the Chinese government provides seller's credit. Amount of contract of the first stage project is 170 million USD . This project completed and went into operation in 2005. Now, second stage project is carrying out.
- (2) China participates in Myanmar's a largest project in China-Myanmar cooperation in mining industry. With the an investment volume of more than 800 million USD, Myanmar Tagaung Taung nickel project is the first and largest project in

China-Myanmar cooperation in mining industry .After completion, it will have an annual production capacity of 85,000 tons of nickel iron.¹⁶ The project stated in 2008.

(3) China-Myanmar joint-venture builds the Ruili River 1 hydropower station. In 2006 two sides signed agreement of the Ruili River 1 hydropower station in Myanmar. The project is China's first hydropower BOT (build-operate-transfer) in neighboring country. The project owner is Ruili River I Power Station Co Ltd, which was formed by Yunnan Joint Power Development Co Ltd, and the Department of Hydropower Implementation of the Myanmar's Ministry of Electric Power No.1. Yunnan Joint Power Development Co Ltd was formed by the Yunnan Huaneng Lancang River Hydropower Co, Ltd, Yunnan Power Grid Co, and the Yunnan Machinery Equipment Export-Import Co Ltd,.

Yunnan Joint Power Development Co Ltd invested 360 Million USD and owns 80 percent of the China-Myanmar joint-venture. Yunnan Joint Power Development Co Ltd is fully in charge of the project construction, operation, and management. The company will run the power station for 40 years after its completion, and then transfer to Myanmar's government. The installed capacity of the station is 600 MW, and the annual power output is 4,033 GWh. The electricity will be transmitted to both Myanmar and China through 230 kV and 220 kV cables. On 4th December, 2008, Ruili 1 Hydropower Station's No. 2 generating turbine officially started operation. ¹⁷

(4) In 2006, Myanmar Prime Minister Thein Sein visited China and signed 8 agreements with the Chinese government. It included the China provided loan to Myanmar for building information super highway under GMS-IS, fertilizer plant,

communication network, the second stage project of telecommunications, and loan of 31-million USD to Communication Company.

- (5) The Chinese government and enterprises invested RMB 500 million Yuan to help Myanmar developing and grow poppy-substitute crops since 1990s. The poppy land of 400 thousand Mus (26666 hectares) in the past have turned into rice field and rubber plantation today.¹⁸
- (6) According to Myanmar data, China will pledge RMB 70 million Yuan to Myanmar, 200 million USD will be loaned at low interest rates. The loans will be used in purchasing oil drilling platform and implementing work projects in Myanmar. ¹⁹ Moreover, Myanmar used this sellers' credit which China provided imported a lot of boats and ships, railway engine, equipment of communications and transportation, mechanical equipments and so on.
- (7) China provided humanitarian aid to Myanmar. Myanmar was hit by the cyclone Nargis In May, 2008. The Chinese government took swift actions and provided a large sum to Myanmar including RMB 30 million Yuan and 10 million USD and disaster relief materials. In addition, the Chinese government provided rice of 10000 ton to north Myanmar to help grain-lack local people.

2.4 China's aid to Vietnam

After normalization of relations between China-Vietnam, economic cooperation between two countries steadily developed under the 16-character guiding principle of "long-term stability, future orientation, good-neighborly friendship, and all-round cooperation". China actively supports Vietnam's development by providing loan and

non-refundable aid and so on as follows:

- (1) In 2002, the Chinese government provided concessional loan RMB 50 million Yuan to Vietnamese Ministry of Finance.
- (2) In 2003, China provided loan of RMB 104 million Yuan to Vietnam for the Sin Quyen copper project, the Cao Ngan thermal power project, and the Dac Nong bauxite project.²⁰
- (3) In 2005, concessional loan and non-refundable aid of RMB 1.7 billion Yuan, of which RMB 60 million Yuan is non-refundable aid. The concessional loan, non-refundable aid used in projects of railway signal.²¹
- (4) In 2006, China provided 147 million USD buyer's credit to Vietnam Coal and Mineral Group for their electric power construction.²² In additional, China provided 32 million USD for improvement of the Ha Bac Nitrogenous Fertilizer Factory, which China built in 1960 as non-refundable aid.²³
- (5) In 2008, China provided a non-refundable aid of RMB 41 million Yuan for building trainee' hostel of the Ho Chi Minh National Political Academy with 8000-square meter. China Construction Engineering Company undertook design and build.²⁴
- (6) In 2008, China-Vietnam two sides signed a serious agreement, of which included agreement about China provided concessional loan and buyer's credit to Vietnam when Nong Duc Manh, General Secretary of the Central Committee of the Vietnamese Communist Party visit to China.²⁵
 - (7) In addition, some foreign newspaper asserted in the 1992-2004 period,

China pledged 312 million USD of official development assistance for Vietnam, including 50 million USD as non-refundable aid for the upgrade of a number of Chinese-funded industrial projects in Vietnam.²⁶

3. GMS: CHINA PARTICIPATES IN MULTILATERAL COOPERATION

In 1992, the Asia Development Bank (ADB) initiated the greater Mekong Sub-region (GMS) Cooperation Program .From starting of GMS, China actively participated in cooperation. China's participation in GMS further strengthen its economic cooperation with CLMV and Thailand .Meanwhile China's influence on CLMV and Thailand also further increase .

3.1 Mekong development cooperation and GMS's rise

The Mekong River is an important international river in Asia. The source of Lancang-Mekong River is located in Zaduo County, Yushu <u>Tibet</u> Autonomous Prefecture of northwest China's <u>Qinghai</u> Province, which is about 5,200 meters above sea level. The overall length of Lancang-Mekong River is 4909 km,²⁷ of which 2198 km is in mainland China and 1247 kilometers in Yunnan Province.²⁸ The Chinese section of Lancang-Mekong River is known as the Lancang River. The Mekong River valley covers about 2.6 million square km and about 320 million people live within the sub-region, which share the world's 12th largest river and have close cultural and historical linkages.

The greater Mekong sub-region consists of Cambodia, Laos, Myanmar, Thailand, Vietnam, and Yunnan Province of the People's Republic of China. The sub-region is rich

in natural resources. Along with its strong agricultural base, the sub-region contains extensive timber and fisheries resources, considerable mineral potential, and some of Asia's best potential for hydropower projects and large coal and petroleum reserves.²⁹

Abundant human resources in the sub-region become a precious treasure.

The rich natural and human resources of the Mekong sub-region have made it new frontier of Asian economic growth. Indeed, the Mekong sub-region has the potential to be one of the world's fastest growing areas. However, the sub-region still remains poor. The great majority of these people live in rural areas where they lead subsistence or semi subsistence agricultural lifestyles. And even in Thailand, the most developed country among the Mekong sub-region, there remains large agricultural communities, particularly in the north and northeastern parts of the country. Despite significant economic growth, poverty is still widespread. The people live on less than 1 USD a day in most of the sub-region. The Mekong sub-region faces numerous challenges, including the disparities between urban and rural communities, a growing gap between rich and poor, 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. Clearly the full potential of the Mekong sub-region countries can be realized only if the above problems are adequately addressed.

The people in the Mekong sub-region have had a strong willing which develop Mekong basin and brought it benefit to sub-region people for many years. But, because of historical reasons, Mekong development has not been realized.

In 1951, Economic Commission for Asia and the Far East made an investigation on the Mekong River. And the Commission published an investigation report on water resource of the Lower Mekong in 1957. After that Mekong River Commission established in October 1957. Its member contained Thailand, South Vietnam, Cambodia, and Laos. In the wake of expansion of Vietnam War in 1960s-1970s, development in the Lower Mekong actually did not carry out.

After the end of Vietnam War, Mekong sub-region fell into another civil war and various upheavals again. Indochinese area did not realized peace until early 1990s. The end of the Cold War brought about an improved political and security climate in the sub-region. Cambodia, Laos Myanmar and Vietnam began to opening up and reform, as the countries and underwent a transition to a market-based economy. The political and security situation in the sub-region would be possible to achieve sub-region cooperation and six members of Mekong sub-region also recognized that their future well-being depended on economic and social cooperation.

Since 1980s, economic globalization has speeded up and also which facilitated regional integration process. In the beginning of 1990s, the regional cooperation in Asia developed rapidly following in the globalization. Some cooperative mechanism which revolved around Mekong development program rose in the inside and the outside of Southeast Asia. The Greater Mekong Sub-region Cooperation (GMS), as one of Mekong development cooperative mechanism, rose in response to the proper time and condition. In numerous Mekong development cooperative mechanisms GMS produces most market effects.

In Mekong development cooperation, China participates in GMS and become an important member of GMS.

3.2 China's position and attitude towards the GMS Cooperation

The Greater Mekong Subregion Cooperation is an outcome of globalization and regional economic cooperation. Under the globalization, the broad developing countries are aware that facing challenge of globalization, it is difficult to only depend on indigenous strength for resolving difficult problems in development and they only strengthen cooperation, bring about economic complement, economic and social development can be realized. Asian experience also showed that regional cooperation could be a powerful means to minimize the risks of globalization.

In 1992 Asia Development Bank initiated the Greater Mekong Sub-region Cooperation Program, which is proven in practice a program assuming an increasingly. Since GMS started in 1992, the GMS program has launched about 100 cooperative projects covering infrastructure, energy resources, trade and investment, telecommunications, environment, tourism, agriculture, and human resources development. All of the programs have made remarkable achievements in the past 16 years. It becomes a good example in multilateral cooperation in the developing countries.

As a country in upstream of Mekong River, China quite attaches importance to development of the sub-region cooperation. Since the GMS Program came into being, the Chinese government always takes a positive attitude to GMS and actively participates in this cooperative mechanism and gave play cooperation.

China's leaders expressed the position and attitude of the Chinese government

towards GMS for many times and emphasis that China supports GMS and is willing to strengthen cooperation with other countries, to seek common development.

Early in August 1993, when Mr. Qiao Shi, chairman of the standing committee of the National People's Congress, visited at Thailand, he pointed out that China was quite concerned with Mekong development and utilization, and China highly approved of Mekong development and cooperation.³⁰

In August 1996, Vice-Premier Jiang Chunyun, pointed out in the 6th GMs Ministerial Conference held at Kunming, China that the Chinese government supported and attached importance to economic cooperation with sub-regional countries, and would positively participate in sub-region cooperation and China made out the own contribution for promoting the sub-region cooperation according to principle of the equal consultation, mutual benefit, common development.³¹

President Jiang Zemin and ASEAN leaders signed Joint Statement of the Meeting of the President of the People's Republic of China and Heads of State/Government of the member-states of ASEAN on December 16, 1997. The joint statement pointed out that "China and ASEAN member states regarded the development of a partnership of good-neighbourliness and mutual trust between them as an important policy objective for relations between China and ASEAN in the 21st century", "They reaffirmed their common interest in developing the Mekong Basin and pledged to strengthen their support for the riparian countries by promoting activities in the areas of trade, tourism, and transport."³²

In the Fourth China-ASEAN Summit, Chinese Premier Zhu Rongji mentioned the

GMS cooperation and pointed out emphatically that China supported development of the GMS cooperation and would increase input in the development of the Mekong.³³

In the Fifth China-ASEAN Summit, Premier Zhu Rongji put forward that Mekong River basin development should be listed one of focal cooperative field in China-ASEAN Free Trade Agreement.

In the Second Summit of the GMS held in Kunming in 2005, Premier Wen Jiabao pointed out, "Since the GMS program came into being, China has always been an ardent and pragmatic participant. My country is both a beneficiary of and a contributor to the GMS."³⁴

In the Third Summit of the GMS held in Vientiane, Laos in 2008, Premier Wen Jiabao pointed out that "China has all along been an active participant in the sub-regional cooperation", "China will firmly pursue the foreign policy of fostering good-neighborliness, consolidate its traditional friendship with other sub-regional countries, strengthen friendship and pragmatic cooperation with them, and actively promote economic and social development in the sub-region. China is ready to work with other countries in the sub-region in an unremitting effort to make our common home a harmonious and prosperous one."³⁵

The Chinese leaders' above speech show that China has indeed attached importance to the Greater Mekong Sub-region Cooperation and its position and attitude towards GMS always is consistent.

3.3 The overall target on China's participation in the GMS Cooperation

China has issued three state reports separately in 2002, 2005 and 2008 on

participating in the Greater Mekong Sub-region Cooperation draw up by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Finance. These reports review course of GMS development, introduce China's economic trade relations with sub-regional countries, China's the basic thinking and consideration, tentative plan on China's participation in the Greater Mekong Sub-region Cooperation. According to the reports, China's overall target of participation in GMS cooperation is that linking land passageway between Southwest China and Indochina Peninsula, realizing connection of market between Southwest China and Southeast Asia, strengthening mutual exchange and economic ties, pushing multilevel, multiform, multiaspect economic and technological cooperation, realizing sustainable development in sub-region, making employment opportunities, increasing income, eliminating poverty, promoting social progress and improving people's life level, deepening sub-region cooperation through dialogue and enforcement of common projects, establishing economic relations in mutual benefit, constructing a appropriate international trade and investment circumstances, pushing forward peace and development in sub-region, setting up stable and long friendly cooperative relations between China and Southeast Asian countries. 36

We are able to know China's considerations for participating in the GMS Cooperation from the overall target.

First, China's participation in GMS cooperation is an important component of opening up. Since entering the new century, China has regarded foreign policy of friendship and partnership with its neighboring countries as the most important task in

its foreign work. Participating GMS cooperation accords with China's foreign policy of friendship and partnership with its neighboring countries and is beneficial to development of relations between China and its neighboring countries, and also beneficial to creation of a favorable international environment for China's reform and opening up, and modernization construction.

Second, to construct transport network and open land passageway linking Southwest China and Southeast Asia facilitate movement of people and goods between two-sides, lay the foundations of economic integration in the sub-region.

Third, to make underdeveloped Southwest China and the sub-regional countries can speed up economic and social development, realize mutual benefits and win win -will through participating GMS cooperation.

3.4 China's proposal and principles to deepen GMS cooperation

In order to deepen GMS cooperation, Chinese government put forward the same principles and recommendations. Main contents are as follows.

----- As countries in the GMS vary in size, development level, and national conditions, they should adhere to the principle of equal consultation and mutual benefit. They should steadily promote cooperation on the basis of mutual respect, friendly consultation, and voluntariness.

----- The sub-regional countries should adhere to the principle of focusing on projects and emphasizing practical results. The sub-region cooperation should follow its "result- and action-oriented" principle and focus on promoting the cooperation on specific projects and programs, so as to bring about an all-round development of their

riparian economies.

----- The sub-regional countries should adhere to the principle of stressing key areas and proceeding in a step-by-step manner.³⁷

----- Treat each other with sincerity and enhance consultation and mutual trust. We shall forge close ties, increase mutual 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 internet-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 sub-region so as to achieve balanced progress of cooperation in various fields.

----- 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.³⁸

3.5 China's measures to implement GMS program

In order to push development of the GMS cooperation, China took a serious of measures to implement to GMS program. In order to effectively guide the cooperation

work, the Chinese Government established a National Coordinating Group for a Pre-feasibility Study on Development of the Lancang-Mekong River Subregion in 1994. This high-level group with the State Development and Reform Commission, the Ministry of Finance, and the State Science and Technology Commission as the lead agencies and over ten Ministries participating, has convened a series of meetings where issues of sub-region cooperation have been discussed, new areas of cooperation explored, and policies recommended and established.

In addition to implementation of exact projects, China provided 30 million USD for the construction of the Laos section of the Kunming-Bangkok highway, 5 million USD for the navigation channel improvement project on the Upper Mekong River, provided training programs for more than 500 people on agriculture, customs affairs and telecommunications. In 2004, China set up a special fund totaling 20 million USD under the ADB for cooperation among Asian developing countries on human resources development and poverty alleviation. In 2005, China decided to individually expand the range of products eligible for preferential tariff from the Laos, Cambodia and Myanmar as of January 1, 2006 with an aim to raise the level of intra-regional trade cooperation. The Chinese leaders pledged China would continue to give financial support within its capacity to the sub-region cooperation.

At the Third GMS Summit in 2008, China made a package of pledges on boosting cooperation among members of the GMS. It covers the following contents.

----- China pledged RMB 20 million Yuan to conduct engineering feasibility study on the non-rail connected section of the Eastern Line of the Singapore-Kunming

Rail Link (Bat Deng-Loc Ninh). China will be ready to explore with other stakeholders the feasibility of project financing and provide technical, management and equipment support so that the Eastern Line can be completed at an early date.

-----China will build methane-generating pits for 1,500 rural households in GMS countries.

-----China will provide training to 1,000 people from the sub-region countries, doubling the previous number, under the GMS economic cooperation framework in the next three years.

-----China will provide 200 government scholarships to students from the sub-region for them to study in institutions of higher learning in Yunnan Province, Guizhou Province, and Guangxi Zhuang Autonomous Region of China.³⁹

4. YUNNAN'S PARTICIPATION IN THE GMS COOPERATION

4.1 Yunnan's basic provincial situation

Yunnan Province is located at the southwest frontier areas of China, bordering on Laos, Myanmar and Vietnam in the west and in the south, boundary line is 4,060 km and is closely to Thailand, Cambodia, Bangladesh, and India. Yunnan is also upper stream of three international rivers, the Mekong, Irrawaddy, and Honghe. Yunnan Province has 128 counties, of which 27 border on Myanmar, Laos, and Vietnam. Yunnan has a total territory of 394,000 km², ranking eighth in China with a straight-line distance of 864.9 km from east to west and 990 km from south to north. By the end of 2005, it had a population of 44.5 million, of which the ethnic minorities accounted for

over1/3.

Owing to historical reasons, though Yunnan possesses rich natural resources and geographic advantage of access to Southeast Asian market, it has been in state of poor and underdeveloped for a long term. Up to 2005, there still were 2 million peoples living in rural and remote areas were still state of poor in Yunnan Province. To rid of poverty alleviation and catch up the national development level is hard task to Yunnan Province.

After China carried out policies of reform and opening up, Yunnan met with a rare opportunity of development. In 1990s the Yunnan provincial government put forward a development strategy and its target is "building Yunnan as a power province with developed green economy, a province with rich and colorful national culture and major passageway towards the Southeast Asia and South Asia".

By for a long time hard efforts, great changes take place in conditions of Yunnan's economic and social. According to Report on the Work of the Government of Yunnan Province published in February 2009, Yunnan's gross domestic product reached RMB 570 billion Yuan (about 85 billion USD), per capita GDP reached 12669 Yuan (about 1890 USD), volume of export and import reached 9.6 billion USD, the urban residents per capita disposable income reached 13250 Yuan (about 1977 USD) and farmers per capita net income reached 3103 Yuan (about 463 USD) in 2008.

However, generally speaking, Yunnan still lag behind the coastal and inland areas in China in economic and social development.

4.2 Importance of Yunnan's participation in the GMS Cooperation

Yunnan Province is main part of China's participating in the Greater Mekong Sub-region Cooperation. Its participation in the GMS cooperation has important significance.

First, being located in the upper reaches of Lancang-Mekong River, geographically Yunnan's participating in GMS cooperation is a matter of course. So, the Chinese government from beginning determined Yunnan province as China side participating in GMS cooperation.

Second, Yunnan needs to open passageway towards Southeast Asia and South Asia .Yunnan is an underdeveloped landlocked province, its poor transport infrastructure restricts its economic development. In order to get rid of communication "bottleneck" and change its state of backwardness, Yunnan must build transport and communication network linking with Southeast Asia and open access to sea. To participate in GMS cooperation is an important step for realizing this aim Yunnan's consideration tallies with the GMS program, such as the aim of project of construct three North-South transport corridors is just for linking Yunnan, Southwest China with GMS countries. As starting points of three North-South transport corridors, Yunnan plays a key role in building North -South transport corridors, even economic corridors.

Third, it is helpful to Yunnan's opening up to outside world. Through participating in GMS cooperation Yunnan is able to more conveniently access to the international market, strengthen economic complementation with Southeast Asian countries. Thus, Yunnan can full use of its resource and markets at home and abroad for promoting its

economic and social development.

Fourth, Yunnan needs to maintain a peaceful and stabile neighboring environment. Yunnan's special geographic position which borders on three countries make it pay more attention to carry out policy of friendship and partnership with neighboring countries, strengthen friendly relations and cooperation with them. Yunnan's participation in GMS cooperation is most important to maintain peace and stability in frontiers of the Southwest China.

Based on above consideration, Yunnan vigorously participates in GMS cooperation and carried forward development.

4.3 Yunnan takes measures to implement projects of the GMS Cooperation

Since the GMS cooperative mechanism established, many major projects were identified by the GMS ministerial meeting already, Yunnan Province undertakes a set of the projects concerning infrastructure according to arrangement of the GMS ministerial meeting including

(1) Road transport

R3 Chiang Rai (Thailand)-Kunming road improvement project via Myanmar or Laos

R4 Kunming- Lashio (Myanmar) road system improvement project

R5 Kunming-Hanoi road improvement project

(2) Railway transport subsector

RW1 Yunnan-Thailand railway project

RW2 Yunnan-Vietnam railway project

RW5 Yunnan-Myanmar railway project

- (3) Water transport projects
- W1 Upstream Lancang-Mekong River Navigation improvement project
- W3 Red River Navigation improvement project
- (4) Air transport projects
- A2 Yunnan Province airports improvement project
- (5) Telecommunication projects
- C9 Thailand-Laos-Yunnan optical fiber cable link
- C10 Thailand-Myanmar-Yunnan optical fiber cable link
- C11 Yunnan-Vietnam optical fiber cable link
- C12 Myanmar-Yunnan optical fiber cable link
- C13 Yunnan-Laos optical fiber cable link
- (6) Power generation and transmission

E3 transmission interconnection with Thailand of the Jinghong hydropower project in Yunnan

Besides above infrastructure projects, Yunnan province participated in other cooperative projects in the fields of trade and investment, tourism, environment protection, human resource, drug control, etc.

By efforts of the people of all ethnic groups in Yunnan, under the strong support of the central government, tremendous achievements have received in implementing GMS projects. Some important program and projects have completed up to now.

In road construction, Cuxiong--Dali--Baoshan expressway loaned by ADB

completed and opened to traffic in 2006, it will serves a part of the trunkline linking China with Myanmar and South Asian countries.

About Kunming--Bangkok highway, China's section has completed and opened in March 2008. The Lao section (85 km) of the Kunming--Bangkok highway which China helped to construct has completed in June 2006. Kunming--Hekou (trading port in China-Vietnam border) high-grade highway, as a section of Kunming--Lao Cai--Hanoi--Hai Phong transportation corridor has completed, of which are expressway. That means, so far, three North-South transport corridors in sections of China have established expressway or high-grade highways. This is a great event with milestone sense in Yunnan's history of highway construction.

In energy projects, Yunnan Electric Network Company has successfully transmitted power to Vietnam through two lines of 110 -kilovolt since year 2004. Yunnan has transmitted 2.32 billion kwh of electricity from September 2004 to November 2007.⁴¹

In water navigation projects, after open of navigation of Lancang-Mekong in 2001, navigation of Red Rive has been lifted to agenda. China and Vietnam are consulting on the issue. Its open will not so far.

In telecommunication projects, Yunnan completed Yunnan-Laos optical fiber cable link and the Yunnan -Myanmar optical fiber cable link.

In health and human resources projects, Yunnan enforced the project of "monitor of disease in Mekong sub-region", carried out education cooperation with GMS countries. In the fields of personnel training, recruitment of foreign students produced a marked effect.

Cooperative projects in other field such as trade and investment, tourism, border trade, development of human resources are under implementation.

In short, Yunnan Province highly widened space of economic development, promoted readjustment of distribution of productive forces, pushed forward urbanization, brought along reform in industries concerned, accelerated economic and social development in border areas by participating in GMS cooperation.

5. YUNNAN FACES CHALLENGES IN THE GMS COOPERATION

Though Yunnan enjoyed results by participating in the sub-region cooperation, Yunnan needs to overcome some obstacles in the GMS cooperation. Main obstacles and problems are as follows.

- (1) Yunnan's economic strength is weak and it is not in the line with development of GMS cooperation. Yunnan needs to increase more infrastructures construction, but inadequate funds restricted major projects to develop.
- (2) Coordination is not enough. There are various bodies and institutions which involve GMS cooperation in Yunnan Province, but coordination is insufficient among them.
- (3) Enterprises fail to become main force participating in GMS cooperation.

 Currently, as to enterprises, global financial crisis leads most difficulties and their enthusiasm is influenced by unfavorable factors.
- (4) Yunnan faces more competition. Yunnan 's opening up lag behind than the inland and coastal areas. At present, not only Guangxi Zhuang Nationality Autonomous

Region formally participated in GMS cooeration in year 2005, but also other provinces and cities are attaching importance to increase economic coopreration with Mekong subregional countries. This situation seems to add Yunnan more pressure of competition from at home in partipating in the GMS cooperation. How to unite with other provinces and cities to participating in GMS cooperation is a problem which Yunnan needs to consider and approach.

- (5) information exchange are not enough . information concerned is confined governmental departments and academic circles . The public lack more knowledge about the GMS cooperation. How to share information need to solve.
- (6) Different social, economic, law systems and model of management, big gap of economic level existing in the sub-regional countries retard the progress of cooperation.

 Difficulties increase in Mutual coordination.
- (7) Non-traditional security problem is going up in Greater Mekong Sub-region. Following open communication network, facilitation of cross border movement of people in the sub-regional area, some cross-national crime problems are increasing, especially drug smuggling, AIDS and other communicable diseases, trafficking of women and children and so on. These and other crimes become a new threat to development of the GMS cooperation.
- (8) Moreover, poverty reduction is still a big problem to need solve. Both Yunnan province and CLMV has a lot of poor population and they are charged with important tasks of poverty reduction. Facing the world financial crisis, they not only need to consolidate results of poverty reduction, but also need to continue process of poverty

reduction. This task is quite tremendous.

6. CONCLUSION

China's economic cooperation with CLMV and Thailand increasingly deepen with rise of China's economic strength and development of GMS.

China's economic aid to CLMV is not much after all China remains a developing country and its economic strength is limited.

China's economic aid to CLMV is diversity in contents and style. It covers interest-free loans, concessional loan, aid given gratis, spot aid, equipment and technical aid, humanitarian aid. The most of aid involves infrastructure construction such as road, bridge, sports ground, housing and so on. Its role and influence is different from individual country because different conditions of recipient countries. We need to make a concrete analysis and estimate.

China's influence to CLMV and Thailand is increasing. This influence does not rely on one-side aid but it more embodies interdependent cooperation.

Though we make some analysis to China's economic aid to CLMV, China has not published completed data of China's economic aid to CLMV up to now; meanwhile recipient countries also have not published concrete data. There are some difficulties to assess its effect and influence exactly. We should further research.

GMS cooperation mechanism provides a rare platform for China strengthening economic cooperation with CLMV and Thailand. To China it is very important for to fully make use of this platform of economic cooperation, realize common development,

To Yunnan, geographical advantage, convenient communications, and good relations and traditional friendship with CLMV and Thailand, will make Yunnan a bigger space of development. Yunnan probably will play the more important role in the GMS cooperation in the future.

ENDNOTES

- ¹ History of the People's Republic of China, the Committee for Party Literature Press, Beijing, 2005, Vol.3, p.3063
- ² Committee for Party Literature, Central Committee of the Communist Party of China (ed.), "Year Genealogy of Deng Xiaoping Thought", Committee for Party Literature Press, Beijing, 1998, p.346.
- ³ Ministry of Commerce, December 27, 2006. http://video.mofcom.gov.cn/class_onile010671790.html
- ⁴ Information office of the State Council, December 29, 2008.
- ⁵ The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Cambodia, June 12, 2007.
- ⁶ The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Cambodia, December 12, 2006.
- ⁷ The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Cambodia, December 28, 2006.
- ⁸ The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Cambodia, April 7, 2008.
- ⁹ The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Cambodia, March 26, 2008.
- ¹⁰ International Business, Beijing, August 23, 2007.
- Department of Commerce, Yunnan Province, April 30, 2008. http://www.bofcom.gov.cn/bofcom/432933820128296960/20080430/191746.html
- ¹² Xinhua News Agency Nov28, 2004
- ¹³ Department of Commerce, Yunnan Province, April 30, 2008. http://www.bofcom.gov.cn/bofcom/432933820128296960/20080430/191746.html
- ¹⁴ Xinhua News Agency June 27, 2005.
- ¹⁵ Beijing Youth Daily, September 29 2008.
- ¹⁶ The Economic and Commercial Counselor's office of Embassy of the People's Republic of China, July 29, 2008.
- ¹⁷ Yunnan Daily, February 1, 2009.
- ¹⁸ Beijing News, February 4, 2007
- ¹⁹ New light of Myanmar, February 18, 2006.
- ²⁰ Xinhua News Agency ,March 20, 2003
- ²¹ Ministry of Commerce, Nov 1, 2005
- ²² Xinhua News Agency, May 10, 2006.
- ²³ Xinhua News Agency, Oct 27, 2006.
- ²⁴ Vietnam News Agency, May12, 2008.
- ²⁵ Xinhua News Agency, Oct 25, 2008.

- ²⁶ Asia Times, Jul 21, 2005
- ²⁷ Most of data said length of Lancang-Mekong River is 4880 km. the Chinese scientists made field study recent years and got new data. see report Source of Mekong River Pinpointed, People's Daily, Beijing, October 27, 2002.
- ²⁸ Source of Mekong River Pinpointed, People's Daily, Beijing, October 27, 2002.
- ²⁹ see ADB website, MRC website, ASEAN Secretariat website and so on
- ³⁰ People's Daily, August 7, 1993.
- ³¹ People's Daily, August 31, 1996.
- ³² Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.
- ³³ Xinhua News Agency, November 25, 2000.
- ³⁴ People's Daily, July 6, 2005.
- ³⁵ Beijing Review No.16 April 17, 2008.
- ³⁶ China-ASEAN Expo Website, January 23, 2005 http://www.caexpo.org/gb/news/special/GMS/coporation/t20050123_30926.html http://www.caexpo.org
- ³⁷ Premier Zhu Rongji's keynote speech delivered at the First Greater Mekong Subregion Economic Cooperation Summit held in Phnom Penh, on November 4, 2002.
- ³⁸ Wen Jiabao, Premier of the State Council of The People's Republic of China speech at the Third Greater Mekong Subregion Economic Cooperation Summit held in Vientiane, Laos, March 31, 2008.
- ³⁹ Premier Wen Jiabao's speech in the Third Summit of the GMS held in Vientiane, in 2008, Xinhua News Agency, April 01, 2008.
- ⁴⁰ Yunnan Daily, Feb. 2, 2009.
- ⁴¹ Xinhua News Agency, Kunming ,December 4, 2007.

REFERENCES

- Committee for Party Literature. 2005. History of the People's Republic of China. Beijing: The Committee for Party Literature Press.
- Committee for Party Literature, Central Committee of the Communist Party of China (ed). 1998. Year genealogy of Deng Xiaoping thought. Beijing: Committee for Party Literature Press.
- Editorial board of Party Literature Research Centre, CCCPC. 1994. Selected works of Deng Xiaoping. Beijing: Foreign Languages Press.
- Bonnie S Glaser and Jane Skanderup, 2005. End of the US-China honeymoon, *Asia Times*,21 July:http://www.atimes.com/atimes/China/GG21Ad08.html
- Document. 2008. Build a Bond of Cooperation And a Common Homeland. *Beijing Review*, No.16: p.1-5.
- China provides Rice to Laos. Beijing Youth Daily. 29 September, 2008. p.5
- China and Laos Strengthen Cooperation. *International Business*. 23 August 2007.p.4
- Myanmar Thanks China for Its Firm Support As a True Friend, New light of Myanmar, 18 February, 2006. p.1.
- Report :Qiao Shi, Chairman of SCNPC Visited at Thailand,. *People's Daily*. 7 August,1993: p.4
- Huang Meibo. Mechanism of China's Foreign Aid System: Characteristics and Trends. International Economic Cooperation (*J*).*No.6*, 2007 p.12-20
- Report Source of Mekong River Pinpointed. People's Daily. 27 August, 2002.: p.4.
- A Stronger Partnership for Common Prosperity-Speech by H.E. Wen Jiabao, Premier of the State Council of China , *People's Daily*. 6 July, 2005.: p.1.
- Correspondent Report. City and Town Dwell Income Increased Last Year.. *Yunnan Daily*, 2 February, 2009.: p.28.
- Start building of trainee' hostel of Ho Chi Minh National Political Academy Title of article. *Vietnam News Agency*. 12 May, 2008: p.2
- Xinhua News Agency, November 25, 2000.
- Xinhua News Agency, May3, 2002.
- Xinhua News Agency, Nov28, 2004.

Xinhua News Agency, May 10, 2006.

Xinhua News Agency, Oct 27, 2006.

Xinhua News Agency, December 4, 2007.

Xinhua News Agency, Oct 25, 2008.

- Website of The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Cambodia. http://cb.mofcom.gov.cn/index.shtml
- Website of The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Myanmar. http://mm.mofcom.gov.cn/index.shtml
- Website of The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Laos. http://la.mofcom.gov.cn/index.shtml
- Website of The Economic and Commercial Counsellor's Office, Embassy of the People's Republic of China in Vietnam. http://vn.mofcom.gov.cn/index.shtml China-ASEAN Expo. 2005.
- China's Thinking and Target of Participating in Subregional Development and Cooperation. http://www.caexpo.org/gb/news/special/GMS/coporation/t20050123_30926.html.
- Ministry of Commerce. 2008. Situation of China's Foreign Aid. [online] http://yws.mofcom.gov.cn/aarticle/m/200801/20080105361773.html
- Information Office of the State Council, Dec29, 2008 http://www.scio.gov.cn/zt2008/gg30/03/200812/t250338.htm
- Department of Commerce, Yunnan Province, Apr 30, 2008
 http://www.bofcom.gov.cn/bofcom/432933820128296960/20080430/191746.html
 Leaders' Speech and Joint Statement.
- Zhu Rongji. 2002. Keynote speech delivered at the First Greater Mekong Subregion Economic Cooperation Summit held in Phnom Penh, on November 4, 2002.
- Premier Wen Jiabao. 2008. The State Council of The People's Republic of China. Speech delivered during the Third Greater Mekong Subregion Economic Cooperation Summit, March 31, 2008, Vientiane, Laos.
- Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.
- ASEAN Secretariat http://www.asean.org/5476.htm