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**China's Opening-up Strategy and Its Economic Relations
with ASEAN Countries—A Case Study of Yunnan Province**

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I. Introduction

1.1. Background

Since the Third Plenary Session of the Eleventh CPC Central Committee convened in December 1978, China government made the strategic decision of shifting the focus of work to socialist modernization and defined the guiding policy of revitalizing the domestic economy and opening up to the outside world. China entered a new historical period.

In the over two decades after the initiation of reform and opening to the outside world, the great changes have taken place in China's political and economic situation and foreign relations.

China and Southeast Asian countries are joined by common mountains and rivers. Two sides have longtime close ties in history. Though their relations also underwent tortuous development before China's opening up to outside world, the situation occurred change after China's reform and opening following China readjusted its policies towards Southeast Asia. In China's foreign relations and its opening-up strategy, Southeast Asian accounts for important position. China quite attaches importance to development of its relations with Southeast Asia, especially economic cooperation between two sides.

Up to 1990, China established or recovered diplomatic relations with all Southeast Asian countries and achieved normalization with Vietnam. China's relations with Southeast Asian countries began to develop smoothly.

In 1991, China was for the first time invited to join ASEAN meeting of foreign ministers. In 1994, China became a member of ASEAN Regional Forum. In 1996, China became a member of ASEAN "dialogue partner". In 1997, China and ASEAN decided to boost the good-neighborly cooperation of mutual trust and established "good neighborly and mutual trust" partner relations towards the 21 century, which laid a solid foundation for further economic ties.

The Framework agreement on China-ASEAN Comprehensive Economic Cooperation was signed in 2001. Two sides decided to establish China-ASEAN Free Trade Area in 2010. In October 2003, China joined Treaty of Amity and Cooperation in Southeast Asia. This was the first power beyond ASEAN to join the treaty. Signature of the treaty made cooperation between China and ASEAN have firm guarantee in politics. This situation greatly promotes development in political and economic relations between two sides.

Before opening, China's economic ties with Southeast Asian countries were mainly the trade relations, and the volume of trade was small. With development of relations between China and Southeast Asian countries, economic relations of China towards Southeast Asian countries expand constantly. At present, this economic relations cover trade, mutual investment, economic and technologic cooperation, contract projects and so on. Development

of economic relations between China and Southeast Asia has made a notable progress since its opening to the outside world.

(1) In trade, the volume of trade between China and Southeast Asian countries was only 500 million USD in 1980. But, in 2004, the volume of trade between two sides reached 105.9 billion USD, rose to 130.4 billion USD in 2005, up 23.1 percent on a year-on-year basis.¹ ASEAN has become China's fourth largest trade partner after the United States, European Union and Japan last year. At the same time, China is also the fourth largest trade partner of ASEAN.

(2) In investment area, new change has taken place. Before mid-1990s, there was only investment from ASEAN in China. Up to end of year 2003, contract investment from ASEAN countries in China reached 64.5 billion USD with 22075 projects, accounted for 6.85% in total foreign contract investment in China; in reality investment reached 32.37 billion USD, accounted for 6.46% in real foreign investment in China.²

China's enterprises began to invest in Southeast Asian countries since 1990s. By November 2005, China's investment in ASEAN countries totaled \$1.14 billion USD.³ Comparing with Southeast Asian countries, China's investment is small, but the potential is broad. The appearance of two-way investment is an obvious change in economic relations between China and Southeast Asian countries.

(3) China signed a series of foreign contract agreement and the labour service cooperation agreement with Southeast Asian countries including the fields of construction, electrical power, communication, railway, construction materials from 1990s to September 2004. Total volume of the agreement reached 142.8 billion USD, of its 104.4 billion USD was fulfilled.⁴

It is necessary to point out that establishment of China and ASEAN Free Trade Area is a quite important event in contemporary political and economic relations between China and Southeast Asia. Not only it has momentous current economical significance, but also has a far-reaching political significance. It shows China's opening strategy; especially opening up to Southeast Asia achieves the positive results.

1.2. Research Focus

Yunnan Province plays an unique role in China's opening up to Southeast Asia.

Yunnan 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 close to Thailand,

¹ Xinhua News Agency, January 18, 2006

² Statistics from China Ministry of Commerce, Observer, January 24, 2005.

³ The figure was announced China's Ministry of Commerce on January 9, 2006., Xinhua News Agency, January 10, 2006.

⁴ People's Daily, December 2, 2004.

Cambodia, and some South Asian countries, including Bangladesh, India, and Pakistan. Yunnan is also upper the stream of three international rivers, Mekong, Irrawaddy and Honghe River. Yunnan Province is a bridge and passageway of China's accession to Southeast Asia and South Asia by land. Yunnan has important strategic position because it is a junction linking Southeast Asia and South Asia.

Owing to its geographic position, Yunnan has maintained close economic and cultural ties with the Southeast Asian countries in the long time. Following the rapid development of relations between China and Southeast Asian countries, Yunnan's position and role appears increasingly significant in China's strategy of opening up to outside world, especially to Southeast Asia. Yunnan, as a main part of China's participants in the Greater Mekong Subregional Cooperation (GMS), participates in the cooperation in various fields under the leadership of the central government, and gained the remarkable achievement.

Under the promotion of the wage of economic globalization, Yunnan goes up a new high degree of opening up and become a rising edge to face Southeast Asia. Yunnan also acts as an important operator of policy building of friendship and partnership of China with its neighboring countries. Though Yunnan accounts for quite small proportion in trade and investment between China and Southeast Asian countries, its role in relations between China and Southeast Asian countries should not to be ignored.

The paper takes Yunnan as a case study and focuses on Yunnan's economic relations with Southeast Asian countries, especially the surrounding neighboring countries including border trade, investment, contract projects, and participation of subregional economic cooperation. It will analyses and evaluates on development of the economic relations between Yunnan and Southeast Asian countries and some problems in economic cooperation.

1.3. Research Objectives

(1) To consider China's opening up strategy again, deepen understanding to China's opening-up strategy.

(2) Further understanding of Yunnan's position and its role in China's relations with Southeast Asian countries.

(3) To probe successful experience or draw lessons of Yunnan's economic cooperation with Southeast Asia

(4) To promote the development of research on economic relations between China and Southeast Asia.

II. China's Opening Up Strategy and Its Practice

2.1 Establishment of China's Opening up Strategy

China, as a state with a long history, has trade contacts with foreign countries earlier. Two thousand years ago, China been in Han dynasty opened up famous "silk Road" and had trade relations with parts of Central Asia. been a period of great prosperity in Tang dynasty in 7-8 century, there were frequent trade contacts between China and foreign countries. Zheng He, a great navigator in Ming dynasty, leaded a fleet to sail to Southeast Asia and South Asia for 7 times in early in 15 century. The fleet even sail to east coast of Africa. His sail is earlier close to one century than Italian navigator Columbus Christopher (1451-1506). It shows that China has strong navigational capability and overall national strength.

But China misses the important opportunities of development for three times because it cuts off its country from the outside world. After Zheng He's sail in 15 century, China's feudal rulers took a limited policy to develop trade relations with the outside world and china missed a developmental opportunity. Bourgeois revolution and industry revolution sprang up in the making in European countries in 17-18 century. At that time China's feudal rulers wallowed in conceited and arrogant atmosphere and looked down upon western science and technology. China's development lagged behind greatly in late Qing dynasty and China suffered humiliation from powers. China missed second developmental opportunity. Since the establishment of the People's Republic of China, China has explored new open opportunity. But China's opening was limited at that international situation. In 1960s and 1970s world economy grew with vigour and wave of new technology revolution spread like a storm. However, China carried out "Cultural Revolution" for 10 years. This so-called revolution not only brings about China to miss developmental opportunity again, but also makes China's economy falls into the verge of collapse.

The Third Plenary Session of the Eleventh CPC Central Committee in 1978 established basic line of reform and opening to the outside world based on historical experiences and lessons. Economic development becomes the central task of people of all ethnic groups in the country. Opening-up is defined a basic state policy, a long-term and comprehensive policy. The Third Plenary Session of the Eleventh CPC Central Committee became a turning point of China's political, economic and social development.

Since 1978 when China started reform and opening-up, its economy has been developing rapidly and the living standards of the Chinese people have been notably improved. The unprecedented social changes and expanding liberalization have injected great vigor into China's development and vitality into the global economy.

In order to fit in opening up strategy, China adjusts its foreign policies. It has three striking characteristics as follows:

First, uphold the principle of self-independence and absolutely safeguard China's national sovereignty and national dignity. In international affairs, China determines its position and policies by proceeding from the fundamental interests of the people of China and other countries and judging each case on its own merits. China does not yield to any outside pressure or enter into an alliance with any big power or group of countries.

Second, establish and develop normal relations with other countries according to the Five Principles of Peaceful Co-existence. That is to say, China carries out the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence in dealing with international relations with all other countries, whether or not they have the same social system with China. The five principles conform to the principles of the United Nations Charter and reflect the trend of the times to seek peace and development, and are the basis to formulate a fair and rational international political and economic new order.

And third, strengthen solidarity and cooperation with the developing countries, oppose hegemonism and safeguard world peace. China maintains that disputes between nations should be settled peacefully through consultations instead of resorting to force or the threat of force. China opposes imposing one's social system and ideology upon others. No country should interfere in the internal affairs of another country under any pretext, still less bully the weak, invade or subvert other countries.⁵

Following establishment of opening up strategy, China carries out open the doors wide on every side. China is open not only to the developed countries, but also to the developing countries. It is open not only in economy, but also in fields such as science, technology, education and culture. China's open to the developing countries occupies important position and has witnessed remarkable achievements.

2.2 China's Opening Strategy and South-South Cooperation

Since the Third Plenary Session of the Eleventh CPC Central Committee convened in December 1978, the policy of opening up becomes China's national policy. China's opening up to outside world strategy was put forward by Deng Xiaoping, China's general designer of reform and opening up. Deng Xiaoping pointed that opening up "is a matter of strategic importance."⁶ He also said, "the present world is open. One important reason for China's backwardness after the industrial revolution in Western countries was its closed-door policy. After the founding of the People's Republic we were blockaded by others, so the country remained virtually closed, which created difficulties for us. The experience of the past thirty

⁵ Ministry of Foreign Affairs of the People's Republic of China published the main content of foreign policy, see website of Ministry of Foreign Affairs of the People's Republic of China. <http://www.fmprc.gov.cn/eng/wjdt/wjzc/t24881.htm>

⁶ Selected Works of Deng Xiaoping Volume III (1982-1992), Foreign Languages Press, Beijing, 1994, p.43

or so years has demonstrated that a closed-door policy would hinder construction and inhibit development. There could be two kinds of exclusion: one would be directed against other countries; the other would be directed against China itself, with one region or department closing its doors to the others. Both kinds of exclusion would be harmful. We are suggesting that we should develop rapidly, but not too rapidly because that would be unrealistic. To do this, we have to invigorate the domestic economy and open to the outside world.”⁷

About contents of China’s opening up, Deng Xiaoping pointed out when he met Malaysia premier Mahadil in 1985 that, “we put forward opening up when we China considers issues of development ourselves. Who do we open toward? Of course, we want to open to developed countries and we need their technology, capitals and market. But one important content of opening up, one important policy is opening up to the Third World countries.”⁸ This means opening up to outside world is needs of China’s development, also China only option of adapting changes of international situation and globalization development.

According to foreign policy, China pursues a policy of all-dimensional opening up to the outside. Its opening up is not only to developed countries but also developing countries. It has developed, on the basis of equality and mutual benefit, extensive trade relations, economic and technological cooperation and scientific and cultural exchanges with countries and regions of the world so as to promote common prosperity.⁹ It is the fundamental standing point of China’s foreign policy to strengthen its solidarity and cooperation with numerous developing countries. China and these countries share common historic experiences and are faced with the common tasks of preserving national independence and achieving economic development.

Based on these principles, to promote South-South cooperation, develop relations with developing countries become a major consideration in opening up strategy.

The developing countries having more than 80% of the world’s population are vast in area, rich in resources and abundant in varied products. However, their industry is backward and economy is underdeveloped because they suffered long-term oppression and exploitation from imperialism, colonialism. Since 1970, the numerous developing countries began rising and they put forward slogan of South-South cooperation.

South-South Cooperation is about developing countries working together to find solutions to common development challenges. Linked by commonalities of history, geography, and challenges, the countries of the South have important lessons to share, including many success stories from which other developing countries can learn. South-South Cooperation promotes closer economic and technical cooperation among developing countries. It also

⁷ Selected Works of Deng Xiaoping Volume III (1982-1992), Foreign Languages Press, Beijing, 1994, p.74.

⁸ 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

⁹ <http://www.fmprc.gov.cn/eng/wjdt/wjzc/t24881.htm>, Chinese Foreign Ministry website

allows developing countries to diversify and expand their development options and economic links and is a powerful tool for building new partnerships, creating more democratic and equitable forms of global interdependence and global governance.

China's leader Deng Xiaoping highly praised the phrase of South-South Cooperation in 1982, he said "we should give inventor a medal". He added that South-South Cooperation "is an important issue in international relations, is direction of historical development."¹⁰

Deng Xiaoping pointed out "at present developing countries have some things which can learn each other, this is quite different from the past. It won't work without cooperation of developed countries in relative new sciences and technology fields, but it can be resolved to a certain extent by cooperation between developing countries in much broad fields. This is a quite important link for development of developing countries itself. So, we should highly attach importance to developing relations with the Third World countries."¹¹

About the relationship between North and South, Deng Xiaoping said, "Among a host of problems in the present-day world, two especially stand out. One is the problem of peace. Now there are nuclear weapons; if war broke out, they could inflict untold losses on mankind. To work for peace one must oppose hegemony and power politics. The other is the North-South problem. It is very pressing at present. The developed countries are getting richer and richer while the developing countries are getting relatively poorer and poorer. If the North-South problem is not solved, it will hinder the development of the world economy. The solution, of course, lies in North-South dialogue, and we support dialogue. But dialogue alone is not enough; cooperation among Third World countries -- in other words, South-South cooperation -- should be stepped up as well. Exchanges, learning from each other and cooperation among these countries can help solve many problems, and prospects are promising."¹²

He considered "In the present-day world the North is developed and rich while the South is underdeveloped and poor. And relatively speaking, the rich are getting richer and the poor poorer. The South wants to shake off its poverty and backwardness, and the North needs a developed South. For where can the North find a market for its products if the South remains underdeveloped? The biggest problems facing the developed capitalist countries are the pace of their progress and continued development. In this connection, there is another side to South-South cooperation: it can promote North-South cooperation."¹³ "if the countries in the South are not duly developed, the countries in the North will find only very limited outlets for their capital and products; indeed, if the South remains poor, the North will find no outlets at

¹⁰ 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.211-212.

¹¹ 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.215

¹² Selected Works of Deng Xiaoping Volume III (1982-1992), Foreign Languages Press, Beijing, 1994, p.66

¹³ Selected Works of Deng Xiaoping Volume III (1982-1992), Foreign Languages Press, Beijing, 1994, p.102.

all.”¹⁴

Deng Xiaoping’s remark reflected the Chinese government attitude and policy towards South-South cooperation.

China is the largest developing country in the world and pays attention to strengthening relations with developing country and South-South cooperation. In January 1983, China declared the principle of promoting economic cooperation with developing countries. Its contents includes: equality and mutual benefit, stress on practical results, variety of forms, common development. The four principles become China’s guiding principle to accelerate economic and trade relations with developing countries.

Equality and mutual benefit means China respects state sovereignty of other parties and economic and trade tie with no strings attached and also no any requirement of privileges.

Stressing on practical results means economic and trade cooperation between two sides should consider practical demands and possibility. Each side should give play to strong points and advantages, and obtain economic benefits.

Variety of forms is that two sides can take various styles to promote economic ties such as contract project, cooperation in the field of labour service, joint venture, personnel training and so on, bring about diversified development.

Common development is China’s aim of carrying out trade and economic cooperation with developing countries. Two sides learn from others’ strong points to offset one’s weaknesses by trade and economic cooperation in equality and mutual benefit, strengthen capacity of self-reliance and promote economic development.¹⁵

Moreover, China pays attention to develop extensive and in-depth cooperation in economic, scientific and technological, educational and cultural fields on the basis of the principles of equality and mutual benefit. China stands ready to offer assistance within its capacity to developing countries having difficulties. Although China’s aid is limited, it is provided sincerely and without any conditions attached.

In October 2005, Chinese President Hu Jintao pledged China would help developing countries accelerated development at G20 finance, bank chiefs meeting. He pointed out that “for developing countries as a whole, economic development and the improvement of people’s livelihood are the most pressing issues top on their agenda. Supporting the developing countries in accelerating development is also instrumental for sustaining balanced and orderly world economic development. It is, therefore, imperative for us to enhance the North-South dialogue, proceed with the gradual establishment of a new type of long-term and all-inclusive North-South partnership, and achieve a win-win result through securing mutual benefits and reciprocity and drawing on one another’s successful experience. We also need to improve the development assistance mechanism and encourage more development resources

¹⁴ Selected Works of Deng Xiaoping Volume III (1982-1992), Foreign Languages Press, Beijing, 1994, p.112.

¹⁵ Sun Yongfu, Wang Yue (ed.): “China’s Development Strategy of South-South Cooperation”, China Foreign Economy Press, Beijing, March 2002. p.17.

to be diverted into developing countries.”

To the developed countries, Hu Jintao pointed out they “should earnestly honor their commitments in poverty reduction, financial assistance and debt relief, and work out and put into practice new financing mechanisms to accelerate the development of developing countries, the least developed ones in particular.”

To the developing countries, Hu Jintao hoped that they “must work even harder to improve their domestic economic climate, use development assistance more effectively and build up competitiveness through their own efforts and cooperation with others.” Meanwhile, he also pointed out “the international community must set up an effective oversight regime, implement the agreements and achievements reached on development issues at the recent UN Summit celebrating its 60th anniversary, and ensure the fulfillment of the Millennium Development Goals”.¹⁶

He added, “in a recent announcement, China has pledged new assistance measures in five areas including taxation, debt relief, concessional loans, public health and human resources development with a view to supporting more rapid growth of developing countries. China will make vigorous efforts to ensure the delivery of its commitments”.¹⁷

Recently Chinese government announced a package of major assistance, investment, trade and other key cooperation measures with Africa, including (1) providing three billion dollars of preferential loans and two billion dollars of preferential buyer’s credits loan to the African countries, (2) canceling more debt owed by poor African countries in the form of interest-free government loans, (3) increasing the number of tariff-free African export products to China from 190 to 440, (4) establishing three to five trade and economic cooperation zones in Africa, (5) building African Union Meeting Center, (6) training 15,000 African professionals, sending 300 Chinese youth volunteers to Africa, (7) assisting African countries in building 30 hospitals and provide 300 million yuan (37.5 million US dollars) of grant for providing anti-malaria drugs to African countries and building 30 demonstration centers for prevention and treatment of malaria in the coming three years, (8) helping African countries set up 100 rural schools in the coming three years and increase the number of scholarships for African students in China to 4,000 a year by 2009 from the present 2,000.¹⁸

This shows that China’s cooperation with developing countries advances with one big stride and China is strongly promoting development in South-South cooperation. Just as Report of the UN Secretary-General pointed that “as a key donor to the UNDP Voluntary Trust Fund for the Promotion of South-South Cooperation, China plays an important role in the on-going development dialogue between countries in the global south. China’s South-South cooperation efforts intersect deeply with its bilateral relations with the Southern countries and its regional cooperation strategies. In recent years, the Chinese Government is

¹⁶ Xinhua News Agency, October 15, 2005

¹⁷ Xinhua News Agency, October 15, 2005.

¹⁸ People’s Daily, November 4, 2006

increasingly networking with other southern countries and building public-private partnerships for South-South Cooperation.”¹⁹

Today, developing countries and South-South cooperation have happened huge changes. Developing countries in the aggregate were running a large current account surplus in 2004, equivalent to 2 per cent of their gross domestic product (GDP). Their foreign reserves grew by \$378 billion in 2004, to an estimated \$1.6 trillion, an all-time high. Developing countries have become important not only as the destinations of foreign direct investment but also as notable international investors. They averaged \$37 billion in FDI outflows per year from 2001 to 2003, almost equal to the annual world totals during the first half of the 1980s; about one third of this amount went to developing countries. The total stock of FDI of developing countries rose from \$129 billion in 1990 to \$859 billion in 2003, with nearly half of it from South-South.²⁰ Trade among developing countries is now growing faster than their trade with developed countries and accounts for over 40 per cent of the total trade of the South. The collective strength of developing countries in international trade has also been growing. Almost half of all Asian trade is now South-South.²¹

South-South cooperation has received intensified support from developing countries and the larger international community. This has been evidenced by a number of important summits and conferences organized by the Group of 77 and China, the Non-Aligned Movement and other entities. The scope of South-South cooperation has also expanded beyond the traditional economic and technical areas. For example, the Group of 77 and the Non-Aligned Movement have pushed for South-South cooperation to cover all aspects of international relations. They have also stressed the need to ensure that North-South and South-South efforts converge towards the same objectives of sustainable development and, specifically, the Millennium Development Goals.

In addition to growing political commitment, the new vibrancy in South-South cooperation is reflected in the trends towards increasing flows of South-South trade and investment, as well as collaboration in the monetary and energy sectors. Regional and subregional integration is also pushing forward development of South-South cooperation.

Since reform and opening up, although China has stressed to introduce foreign capitals and advanced technology from developed countries, China all along paid more attention to strengthening cooperation with developing countries and positively opening to developing countries. Especially since 1990s China has expanded exchanges and cooperation with developing countries and realized win-win. This opening up strategy promotes economic and social development of China as well as developing countries. China’s course of reform and

¹⁹ The state of South-South cooperation, Report of the Secretary-General (Sixtieth session) A/60/257 16 August 2005, United Nations General, p.3

²⁰ United Nations Conference on Trade and Development, *World Investment Report 2004* (New York and Geneva, United Nations, 2004), p.19 ff.

²¹ The state of South-South cooperation, Report of the Secretary-General (Sixtieth session) /60/257 16 August 2005, United Nations General, p.10

opening up testifies its opening up strategy in all-direction is successful.

At present, China, as largest developing country, is facing new opportunities and challenges in cooperation with developing country. China should further play its role in South-South cooperation and make contribution to promoting unity, cooperation and economic and social development of developing country.

2.3 Development of Economic Relations between China and Southeast Asian Countries

China and Southeast Asian countries are neighbors or near neighbors. Two sides has close economic tie in history. But, development of China's economic relations with Southeast Asia has not been all plain sailing due to change of international and internal situation since foundation of the People's Republic of China. In 1950s, the early days of foundation of the People's Republic of China, China maintained simple trade relations with Vietnam, Burma, Indonesia, and Cambodia having diplomatic relations with China. Meanwhile, China kept weak economic tie through transit trade with the other Southeast Asian countries having not diplomatic relations with China. In this period, except for trade and China's assistance, China almost had not other economic ties with Southeast Asian countries.

During the period of "Cultural Revolution" started in 1966, China's foreign economic relations were heavy destroyed and almost suspended.

Following establishment of diplomatic relations with Malaysia, the Philippines and Thailand in mid-1970s, China began to direct trade with Asean. However, real development of economic relations between China and Southeast Asian countries is later on China's reform and opening up.

As above mentioned, China has attached importance to strengthening cooperation with developing countries and positively opening to developing countries since reform and opening up. As China's neighbour or near neighbors, Southeast Asian countries keeping traditional friendly relationship with China become China's main option in opening up to developing countries.

In order to adapt development of China-Southeast Asian relations, Mr.Li Peng, former Prime Minister of China, announced four principles concerning China strengthened relations with ASEAN members in his visiting Thailand on 10th November, 1988. First, China will strictly adhere to the Five Principles of Peaceful Coexistence (mutual respect for territorial integrity and sovereignty; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; peaceful coexistence) in country relations. Second, China will all along persist in the principle of opposing hegemonism in any situation. Third, China will persist in the principle of equality and mutual benefit, common development in economic relationship. Fourth, China will adhere to principle of independent, mutual respect, close

cooperation and mutual support in international affairs.²²

These principles reflect readjustment of China's foreign policies. And it is appreciated by ASEAN countries, too. China's relations with ASEAN countries further develop based on the principles.

In 1991, China and Brunei normally established diplomatic relations. Up to here, China established or resumed diplomatic relations with all ASEAN countries. China became consultation partner of ASEAN in same year.

China was accorded full Dialogue Partner status in July 1996.

in 1997, The leaders from China and ASEAN hold the first China-ASEAN Summit, published joint declaration and defined establishing partner relations in good-neighbourliness and mutual trust towards 21 century. China-ASEAN relations enter into a new stage.

In 2002, China and ASEAN signed China-ASEAN Comprehensive Economic Cooperation Framework Agreement, which indicated the start-up of China-ASEAN Free Trade Area.

In 2003, China joined the Treaty of Amity and Cooperation in Southeast Asia and established Strategic Partnership with ASEAN. Two sides further strengthened mutual trust in politics.

In 2004, China and ASEAN signed Agreement on Trade in Goods of Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN. This marks building of China-ASEAN Free Trade Area has developed substantively.

These events show that China-ASEAN relations have surmounted obstacle which undermine development of bilateral relation and entered into best development period. Political relations between China and ASEAN have developed smoothly in recent years and major progress has been made in terms of co-operation in fields. This greatly promotes development of economic relations between China and ASEAN.

Since opening-up, China's economic ties with Southeast Asia have expanded more economic fields. At present, the economic ties include mainly trade in good, contractual projects, labour service, technical service and human resources training and so on.

2.3.1. Bilateral trade rapidly develop

In 1990, trade volume between China and six old ASEAN member countries and Laos, Myanmar was only total 6.3 million USD.²³ But since 1990s the bilateral trade between China and Southeast Asian countries rapidly increased. In 1991, China-ASEAN trade was about eight billion US dollars. In 2005, the trade volume between China and ASEAN member

²² Sun Yongfu, Wang Yue (ed.): "China's Development Strategy of South-South Cooperation", China Foreign Economy Press, Beijing, March 2002. p.11. also see People's Daily, 11 November, 1998.

²³ ASEAN website <http://www.aseansec.org/4979.htm>

countries reached 130.4 billion US dollars, registering an increase of 15 times.²⁴ Two-way trade increased at an annual rate of 20 percent during the past 15 years from 1990-2005.²⁵ In 2006, two-way trade reached 160 billion US dollars.²⁶ ASEAN has become China's fourth largest trade partner after the United States, European Union and Japan and 3rd biggest source of import. At the same time, China is also the fourth largest trade partner of ASEAN.²⁷

Trade product mix between China and ASEAN has greatly changed following economic development. In the early 1990s, the top five ASEAN exports to China were oil and fuel, wood, vegetable oils and fats, computer/machinery and electrical equipment. Collectively, the share of these five products amounted to 75.7 per cent of all ASEAN exports to China.

But the situation changed in 2001. By 1999, the order of importance had changed, away from commodities and towards manufactured products. Computers/machinery and electrical equipment grew from 12.4 per cent to 38.2 per cent of ASEAN's exports to China. In addition, ASEAN's exports to China had diversified, with the top five exports making up only 60.3 per cent of total exports to China.

ASEAN's imports from China were always more diversified. In 1993, the top five ASEAN imports from China were electrical equipment, computer/machinery, oil and fuel, cotton and tobacco. Collectively, they made up a little less than 40 per cent of ASEAN imports from China. By 1999, electrical equipment and computers/machinery continued to be the top imports, but their share had jumped to nearly half of all ASEAN imports from China. The exports where China enjoys the greatest advantage are base metal and metal articles, textile and apparel, footwear, vegetable products and prepared foodstuffs, vehicles, tone/cement/ceramics and miscellaneous manufactured articles. They account for 38 per cent of China's exports to ASEAN but only for 8.8 per cent of China's imports from ASEAN in 2000. The exports where ASEAN enjoys the greatest advantage are mineral products (including mineral fuels), plastics/rubber, wood and wood articles, pulp and paper and fats and oils. They account for 42 per cent of China's imports from ASEAN. But these commodities constitute only 11.6 per cent of China's exports to ASEAN in 2000.²⁸

Over the course of the last decade, the strongest rate of growth has been in the trade of manufactured products, with trade in computers/machinery and electrical equipment rising the most. In the fact, these products were both the leading exports and imports of both ASEAN and China.

Major reason for the rapid growth of China- ASEAN trade since the 1990s was the dynamism of the economies of China and ASEAN. China's real GDP grew by an average of 10.1 per cent during the period from 1990-2000, above 10 per cent from 2000-2005 ASEAN's

²⁴ Chinese Premier Wen Jiabao's speech delivered in Nanning at the opening ceremony of the Third China-ASEAN Business and Investment Summit: October 31, 2006.

²⁵ Beijing Review, December-13-2006 NO.45 NOV.9, 2006

²⁶ China Daily January 15, 2007

²⁷ People's Daily, October 31, 2006.

²⁸ A Report Submitted by the ASEAN-China Expert Group on Economic Cooperation October 2001, P. 11

regional GDP was growing at an annual average rate of 6.8 per cent. Economic growth accelerates bilateral trade.

Secondly, MFN tariff rates have been falling in both China and ASEAN. At the beginning of 1993, China reduced its tariffs on 3,371 import items and abolished import controls on more than 367 commodities. This action reduced the trade-weighted average tariffs of China by 7.3 percent.²⁹ After that, China continues to reduce tariffs. China and ASEAN have concluded agreements on trade in goods and dispute settlement mechanism and launched negotiation on trade in services and investment. The early harvest program was implemented in 2004, and China slashed tariffs on 7,000 goods from ASEAN in 2005. In Jul, 2005, average tariff rate of China to ASEAN countries reduce from 9.9% to 8.1%. Since reducing tariff in Jul 2005, total trade value between China and ASEAN countries increased by 21.6%.³⁰ A number of the ASEAN countries have also embarked on deregulation and liberalization measures in the past years.

Thirdly, some measures of facilitation of trade are implemented. China's infrastructures have greatly improved. A lot of cross-border highway, navigation opened in succession, construction of trade port along border gain improvement, inspection of customs is more quick and convenient. These are advantageous to development of bilateral trade.

2.3.2. One-way investment turns into two-way one

To absorption of foreign capital and promote development has been a major part of China's policy of opening up. After reform and opening up, China has regarded to attract foreign investment as a key work and taken appropriate measures for attracting foreign investment. Since reform and opening up, actually China has become major destination of foreign investors. According to the World Investment Report 2006, China has become the world's third largest foreign direct investment recipient. The report released China is the largest FDI destination of all developing countries, receiving 72.4 billion U.S. dollars of FDI in 2005.³¹ According to China's statistics, foreign direct investment flowed in China by the end of 2006 exceeded 750 billion USD.³²

Following economic growth, China's economic strength significantly increased. Originally, China only was a foreign direct investment recipient, it possesses capability of investment in overseas now. One-way turns into two-way in investment. Since 1990s, while receiving large amounts of FDI, China has been actively investing in overseas. China enters a new stage in opening up. Investment in overseas become priority of foreign economic

²⁹ Zhang, Xiaoguang and Peter G. Warr, "China's Re-entry to GATT: A General Equilibrium Analysis of Tariff Reduction", China and East Asia Trade Policy, Pacific Economic Papers No.250, Australia-Japan Research Center, Canberra. (1995).

³⁰ Network Center of MOFCOM, July 25, 2006.

³¹ Xinhua News Agency, October 17, 2006

³² Xinhua News Agency, August 27, 2006

cooperation.

In 2006, China's investment overseas (non-financial) volume reached 16.13 billion US dollars, a 31.6% increase over the past year. Between 2002 and 2006, China's non-financial direct overseas investment registered an average annual growth of 60 percent.³³ By the end of 2006, more than 5000 China's companies set up joint venture in 172 countries. China's investment overseas attained 73.33 billion USD.³⁴

Mergers and acquisitions were more adopted by China's competitive enterprises. In 2006, mergers and acquisitions accounted for 4.74 billion USD of China's Direct Foreign Investment, a 36.7% share of the DFI total.

After China's opening up, Southeast Asian Countries began to invest in China. Southeast Asian countries, especially old ASEAN member Singapore, Malaysia, Thailand, Philippines, and Indonesia have been important investors to China. While the accumulated ASEAN investments in China from 1978 to 1987 amounted to only 18 million USD, the rapid development in China- ASEAN relations in the 1980s and 1990s has led to a rapid increase in ASEAN investments in China. By 1997, the accumulated ASEAN investments in China reached 40 billion USD in contractual value and 12.8 billion USD in actual terms. In terms of contractual value, the ASEAN investments ranked the third in China only after Hong Kong and North America.

By the end of 2005, there are about more than 26,000 invested projects from Southeast Asian countries in China and volume of investment was about 38.5 billion USD.³⁵ (Other data said that by the end of 2005, ASEAN countries had set up close to 30,000 investment projects in China, with a total investment of about 40 billion USD. see Beijing Review, December-13-2006 NO.45 NOV.9, 2006)

Since 1990s investment situation changed. One-way investment turns to two-way one. China's enterprises began to invest in Southeast Asian countries. Especially, after China government put forward policy of "going global" in end of 1990s, more China's enterprises entered in Southeast Asia for finding market. Up to end of 2005, the Chinese enterprises' investment in Southeast Asian countries reached 1.08 billion USD. Comparing with Southeast Asian countries, China's volume of investment is small, but potential is broad.³⁶ According to Chinese government decision, China will provide one third of concessional loan offering developing countries to ASEAN in coming 3 years, and increase concessional loan of 5 billion USD in existing amount for supporting Chinese enterprises' investment projects in ASEAN.

In addition to two-way investment, contracted project, cooperation in the field of labour service are important respects in economic relations between China and ASEAN.

ASEAN countries are China's major market of contract projects and labor services.

³³ Xinhua News Agency, September 14, 2007

³⁴ February 2, 2007 MOFCOM,

<http://english.mofcom.gov.cn/article/newsrelease/significantnews/200702/20070204344479.html>

³⁵ People's Daily, October 31, 2006

³⁶ People's Daily, October 31, 2006

Compare with ASEAN countries, China has advantage in contracted project and labor services. After Asian financial crisis ASEAN countries have shrugged off the shadow of the crisis and are carried out economic rebound. Their demands for infrastructure construction are raising sharply. The economic recovery of ASEAN and the implementation of the China-ASEAN free-trade area create a wealth of business opportunities for Chinese construction giants as well as small and medium-sized enterprises. Now, China's leading water and hydro power facilities construction giant, 80 per cent or 1,600 of the company's workers in ASEAN are locally hired. Major contractors such as the China Harbor Engineering Company, the China Railway Engineering Corporation, the China National Chemical Engineering Corporation and the China Metallurgical Construction Corporation have all contract projects in ASEAN market. Some small and medium-sized enterprises are going in for the construction of hotels, small roads and factories in ASEAN countries.

Up to end of 2005, China signed a series of contract projects. Total volume of contract reached 35 billion USD and actual volume of business 23.2 billion USD. By January –September, 2006, Chinese enterprises newly signed contracts projects and labor cooperation worth 4.37 billion USD, actual volume of business 2.62 billion USD.³⁷ China's contract projects mainly concentrated on Singapore, Malaysia, Myanmar, Thailand and Vietnam. Among them, Singapore has become China's the fourth biggest destination of contract and second biggest labour services

2.3.4. Tourist cooperation become new shining spot

Tourist industry is a new field of China's economic tie with ASEAN. ASEAN countries are tourist destinations to open earliest for accepting Chinese tourists in the world. ASEAN tourist market have been popular with Chinese tourists, meanwhile ASEAN countries also are China's major market of tourist sources. Since 1990s China and ASEAN have shaped situation of mutual complement in tourist industry. People-to-people exchanges have increased. All ten ASEAN countries are now approved destinations for Chinese tourists. In 2005, three million Chinese tourists visited ASEAN countries as the first stop of their overseas tours, accounting for one-third of the total number of outbound tourists in the year. China is also a popular destination for ASEAN tourists. In 2005, three million of them visited China, accounting for one-fifth of total foreign tourists visiting China in the year.³⁸

³⁷ International Business Daily, January 23, 2007.

³⁸ People's Daily, October 31, 2006

2.4. Building China-ASEAN Free Trade Area

2.4.1. Significance of establishment of China-ASEAN Free Trade Area

On Nov. 4, 2002, then Chinese Premier Zhu Rongji and leaders of the 10 ASEAN nations signed the landmark Framework Agreement on ASEAN-China Comprehensive Economic Cooperation at the sixth China-ASEAN summit, marking the beginning of the process of setting up a China-ASEAN free trade area (CAFTA).

From China's opinion, there are important significance in politics and economy in establishment of China-ASEAN Free Trade Area. Politically, establishment of China-ASEAN Free Trade Area will promote development of mutual trust and strategic partnership relations between China and ASEAN, accord with China's long-term interests of creating peaceful and cooperative environment which contributed to China's development.

Economically, establishment and development of the China-ASEAN Free Trade Area will lead to increased trade and investments and result in greater market share for the bloc's members. Under the report submitted by the ASEAN-China expert group, the China-ASEAN free trade area will have a total population of 1.8 billion and a combined gross national product of 2 trillion USD and 1.2 trillion USD in trade volume when it completed in 2010.³⁹ The China-ASEAN free trade area will be the largest free trade zone between developing countries, third largest market in the world, after the European Union and the North American free trade area. China and ASEAN countries will and realize win-win based on complementary advantages and gain common development by establishment China-ASEAN Free Trade Area.

In short, establishment of the China-ASEAN Free Trade Area is a major event in relationship between China and ASEAN in politics and economy. It is a great step taken by China and ASEAN for coping with various challenges. It is a major measure which China deepens economic cooperation with ASEAN and is historic breakthrough in East Asian economic cooperation.

2.4.2. Progress of establishment of China-ASEAN Free Trade Area

It is main contents of establishment of China-ASEAN Free Trade Area that cut tariffs and remove non-tariff barriers between China and ASEAN and realize facilitation of trade and investment.

According to the agreement, by 2010, China and six old ASEAN member nations -- Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand will impose zero tariffs

³⁹ Forging closer ASEAN-China Economic Relations in the Twenty-First Century --A Report Submitted by the ASEAN-China Expert Group on Economic Cooperation October 2001, p2.

on most normal products, while China and the other four new ASEAN members -- Cambodia, Laos, Myanmar and Vietnam -- will do the same in 2015.

Since 2003, China and ASEAN have held consultations on agreements concerning the building of the free trade area. China-ASEAN talks on free trade area always be the pioneer of the other countries and regions, and gained the most effective and obvious achievements. Trade under the “Goods Agreement of a Framework Agreement for Overall Economic Cooperation” between China and ASEAN countries took effect on July 20 2005. China and ASEAN countries started their tariff-reducing process. Under the agreement, China and six ASEAN countries gave tariff cuts to each other or lifted tariffs on more than 7,000 kinds of commodities.

By Jul 20, 2006, tariff reduction between China ASEAN implemented for 1 year. In general, China-ASEAN Agreements on Trade in Goods in free trade area went on a normal implementation and the effect showed gradually. In a year, China-ASEAN trade increased fast and gained expected effect. By 2005, bilateral trade between China and –ASEAN has increased by 50 billion USD since the two sides initiated steps towards a free trade zone in 2002.⁴⁰ From Jul 2005 to Jun 2006, China imported 81.61 billion USD from ASEAN, up by 20.4% and exported 61.78 billion USD to ASEAN, up by 23.4%. Tariff reduction closes trade and economic relations between China and ASEAN and brings actual benefit for consumers and enterprises in all countries.

After Agreement on Trade in Goods, two sides talked on trade in service and gained positive achievement as well. On Jan 17, 2007, witnessed jointly by Chinese Premier Wen Jiabao and leaders of 10 ASEAN countries, China and 10 ASEAN countries signed Agreements on Trade in Service for China-ASEAN Free Trade Area in Cebu, the Philippines. It is the first agreement about trade in service signed by China with other countries and regions under the framework of China-ASEAN Free Trade Area. It is another great progress made in China-ASEAN Free Trade Area development after Agreement on Trade in Goods. It marked a key step forward in the building of the China-ASEAN Free Trade Area and laid the foundation for full and scheduled completion of the China-ASEAN Free Trade Area. It will strongly push economic integration, further push forward opening and development in service industry, and build a solid foundation for China and ASEAN to accomplish China-ASEAN Free Trade Area development completely by 2010.

At present, remarkable achievement of China-ASEAN Free Trade Area is “early harvest” plan. The plan is aimed to allow Chinese and ASEAN companies to enjoy the benefits of FTA before its launching. According to “early harvest” plan, over 500 kinds of commodities, mainly agricultural produces, will reduce duties and to zero. The “early harvest” plan under the framework of China-ASEAN Free Trade Area implemented in January 2004 further pushed trade growth in Asia. For Thailand alone, Sino-Thai trade heralded in agricultural

⁴⁰ Beijing (AFP), Sept 15, 2006

produce. Since China and Thailand initiated zero tariffs for vegetable and fruit on October 1, 2003, such trade rose rapidly. It has not only greatly promoted bilateral trade, but also provided new commercial opportunities for the enterprises of the two countries with materialized benefit.

After China and Thailand initiated zero tariffs for vegetable and fruit, the trade volume between two sides in the first quarter of 2004 alone has exceeded US\$ 3.8 billion.⁴¹

Statistics show, in January to March 2004, vegetable trade between the two countries totaled 114 million USD, in which China exported to Thailand commodities worth of 13.98 million USD, a year-on-year rise of 87.84 percent, meanwhile China imported from Thailand 99.63 million USD, a year-on-year growth of 143.42 percent. Thai Ministry of Commerce is actively pushing free trade in other commodities to realize zero tariffs. Currently, national economies of China and Thailand have been growing fast, bilateral trade, investment and economic cooperation intensified.⁴² Since implement of agreement of zero tariffs for fruit and vegetable in 2003, volume of trade increased 30 percent annually. Statistics show that Thai export of fruit and vegetable increased by 23 percent, volume reached 19 million Bhat. China's export of fruit and vegetable increased by 25 percent, volume reached 6 million Bhat in 2006.⁴³

In addition to tariff cuts, the Framework Agreement on Comprehensive Economic Cooperation identified 10 priority areas for co-operation from 2005 to 2010, including agriculture, information industry, Mekong River Basin development, transport, energy, culture, tourism and public health. This exceeds intension of FAT in tradition and entrusts new

With cooperation between China and ASEAN deepening, the construction of a China-ASEAN Free Trade Area has entered a full-spectrum cooperation period. With doubt, China-ASEAN Free Trade Area will become a successful example in cooperation between developing countries.

⁴¹ People's Daily, May 26, 2004

⁴² People's Daily, May 26, 2004

⁴³ International Business Daily, May16, 2007

III. Yunnan's Economic and Social Development

3.1 Yunnan's Basic Conditions

Yunnan is situated in the southwest frontier region of China, bordering on Guizhou Province and Guangxi Zhuang Autonomous Region in the east, Tibet Autonomous Region in the northwest and Sichuan Province in the north with the Jinsha River in - between. It has a boundary line of 4,060 km bordering on Myanmar, Laos and Vietnam in the west and in the south. It is quite close to some Southeast Asian countries, including Thailand, Cambodia, Malaysia, and Singapore and some South Asian countries, including Bangladesh, India.

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 2004, it had a population of 44 million,⁴⁴ of which the ethnic minorities accounted for over 1/3.

Yunnan has within its jurisdiction 5 prefectures, 8 autonomous regions (Wenshan Zhuang and Miao Autonomous Region, Honghe Hani and Yi Autonomous Region, Dehong Dai and Jingpo Autonomous Region, Dali Bai Autonomous Region, Chuxiong Yi Autonomous Region, Xishuangbanna Dai Autonomous Region, Nujiang Lisu Autonomous Region and Diqing Zang Autonomous Region), 3 municipalities directly under the leadership of the provincial government, 128 counties. Of which 27 counties border Myanmar, Laos and Vietnam.

Basic characteristics of Yunnan's conditions are as follows

First, Yunnan's geographic conditions are complex. vast in territory but excessive highland is basic state of Yunnan Mountain and highland accounts for about 94 percent of whole province territory, . basin and river valley only accounts for about 6 percent. Yunnan's average sea level is about 200m and the highest sea level is 6740m, the lowest sea level is only 76.4m. Over 30 peaks are at an elevation of over 2,500 meters above sea level. Numerous high mountains and deep gorges in Yunnan result in inconvenient communication. And Yunnan's economic and social development is restricted.

Second, Yunnan is rich in natural resources and is rightfully called “Kingdom of Animals”, “Kingdom of Plants”, “Treasure House of Chinese Medicinal Herbs”. Because of its varied geological structures, Yunnan is rich in mineral resources. Up to now 142 mineral have been found in Yunnan, and 92 mineral have been proved, of which 54 rank among the top ten in china and 25 rank among the top three, and lead, zinc, zirconium, thallium, strontium and diatomite, rank first in China. There are 19 minerals, including tin, nickel, cobalt and copper, rank either second or third in China. Non-ferrous mineral deposits have been found in 108 counties and municipalities.⁴⁵

⁴⁴ Yunnan Year Book Press, Yunnan Year Book (2005), 2005, p.43,

⁴⁵ Yunnan Nationality University ed, Yunnan, Yunnan Education Press, 2000, p5

Yunnan is rich in water resources either in terms of surface water or ground water with a total reserve of 222 billion m³, accounting for 8.4% of the total in China. The big rivers flowing through Yunnan bring in a flow of 194.3 billion m³, accounting for 15% of the total in China, much higher than the average in this country. The hydro power resources in Yunnan reach 103 million kw, accounting for 15% of the total in China, the potential installed capacity is over 90 million kw, accounting for 20.5% of the total in China, which can produce 394 billion kwh, ranking second in China.⁴⁶

Yunnan is rich in plant resources. 18,000 tropical, subtropical, temperate and alpine plant species have been found in Yunnan, accounting for half of the total plant species in China. There are over 2,000 species of ornamental plants, of which 500 are flowers. Camellia, azalea, fairy primrose, Lily magnolia, lily, and radix gentianae are among the world-famous species. Yunnan also abounds with various kinds of fruit including typical tropical or subtropical fruit such as banana, mango, pineapple, orange, pear, apple, and red bayberry and so on.

Yunnan is famous “Kingdom of Animal” in China. Animal resources in Yunnan has 366 species of fresh water fish, 792 species of birds, 98 species of amphibious animals, 147 species of reptiles, 278 species of mammals, accounting for half of the same species in China respectively.⁴⁷ The animal fossils of 530 million year ago unearthed in 1984 in the Maotian Mountain in Chengjiang County are the only living things with soft bodies of the early Cambrian Period ever found up to now. This discovery is regarded as “one of the greatest scientific discoveries in the 20th century” and this place enters the world geological heritages approved by UNESCO. Some animals like wild elephant, muntjacs, foxes, otters, green peacocks, bears, and antelopes are precious animals in China even the world.

Yunnan is a province with rich tourist resources. The typical climatic features, ethnic histories and cultures of Yunnan make for its wonderful natural scenery and cultures. There are glaciers, snowy peaks, broken ridges and steep cliffs, volcanoes, stone forests, karst caves, underground rivers, deep ponds and hot springs and well-preserved primitive vegetation and rare wild animals in Yunnan. There are over 100 nature reserves in Yunnan. Today, Kunming, Dali, Lijiang, Xishuangbanna are China’s cultural and historical cities approved by the State Council and Lijiang has also entered the world cultural heritages listed by the United Nations. They have become famous landscape in China even the world and attracted a lot of Chinese and foreign tourist everyday. Rich natural resources provide outstanding conditions for Yunnan’s economic development. Yunnan possesses potential of catching up.

Third, Yunnan is province of multi-nationalities. Populations of ethnic minority rank second next to Guangxi and account for over 1/3 of whole province. Yunnan has 25 ethnic minorities with a population over 5000 each living in compact communities. Of which 15 ethnic minorities are the original inhabitants in Yunnan. Most of ethnic minorities live close to

⁴⁶ Yunnan Nationality University ed, Yunnan, Yunnan Education Press, 2000, p6

⁴⁷ Ibid, p.7

the border regions or in the inland mountainous regions. Multi-nationalities in Yunnan live together peacefully and their relations are harmonious. This is a remarkable characteristic in Yunnan. But, economy is underdeveloped in ethnic minorities region because of historical factors, and the most of ethnic minorities are in poor state.

Fourth, Yunnan is a major passageway of China's accession to Southeast Asia and South Asia by land. Yunnan borders on Laos, Myanmar and Vietnam in the west and in the south, boundary line is 4,060 km and is close to Thailand, Cambodia, and some South Asian countries, including Bangladesh, India, and Pakistan. Yunnan is also upper stream of three international rivers, Mekong, Irrawaddy and Honghe River. Along borderline, Yunnan established 11 national level tradingport, 83 way link with neighboring countries. These conditions make Yunnan become a bridge and passageway entering Southeast Asia and South Asia. Therefore, Yunnan occupies geographic advantage of opening up to Southeast Asia.

Fifth, Yunnan is an underdeveloped region in economy and culture. Though Yunnan possesses rich natural resources and geographic advantage of access to Southeast Asian market, a lot of mountains, long borderlines, numerous nationalities and historical cause lead to Yunnan's poor state for long term. Up to 2005, there still were 2 million peoples living in rural areas and promote areas were in poverty state. Poverty reduction is hard task to Yunnan province.

3.2 Yunnan's Economic and Social Development

Since Yunnan with geographic and natural advantages has been in poor and underdeveloped state for a long term, Yunnan province makes unremitting efforts to change its state after China carried out reform and opening up policies since 1979. In 1990s Yunnan province 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 Southeast Asia and South Asia. According to the strategy, Yunnan determines to develop top five industries, namely high and new technological industry, biological resource industry, tobacco industry, mineral industry and tourist industry. Meanwhile, top five bases will be established in Yunnan according to development strategy. They are the largest base of development of biological resource in China, the largest base of tobacco plant and cigarette production in China, the largest base of yellow phosphorus production in China, a major base of non-ferrous metal industry and a major of hydropower transportation.

In order to implement of the development strategy, Yunnan province speeds up course of reform and opening up. By long term efforts, during the Tenth Five-Year Plan (2001-2005), Yunnan's economic and social development has reached remarkable achievement. Up to year 2005, important achievements received in Yunnan's economic and social development. The

statistics showed that per capita total output value passed 900 USD, fixed investments passed 170 billion Yuan (RMB), total retail sales of consumer goods first time passed 100 billion Yuan (RMB), income from tourist industry broke 40 billion Yuan (RMB), farmers per capita net income passed two thousand Yuan (RMB).⁴⁸

In year 2006, Yunnan's economy maintained steady and rapid development based on previous year. A marked effect appeared in main aspects of economic development.

According to Statistics Bulletin of National Economy and Social Development of Yunnan Province (2006), Yunnan's GDP reached 400 billion Yuan (about 53.3 billion USD), per capita GDP reached 8961 Yuan (about 1194 USD), increased by 11.1 percent over the previous year. Volume of export and import reached 6.2 billion USD, increased 31.4 percent over the previous year. Urban per capita disposable income reached 10070 Yuan (RMB), increased 6.7 percent and farmers per capita net income reached 2250 Yuan (RMB), increased 7.5 percent.

Course of urbanization speeded up, level of urbanization in whole province reached 30.5 per cent, raised 1 percentage point with on a year-on-year.⁴⁹

Development speed grew in pace with economic benefit in Yunnan's industry. Economic strength of a lot of large enterprises and groups enhanced. Of which 10 large enterprises incomes passed one hundred billion Yuan (RMB). MSEs in Yunnan further developed. Reform of stock right in listed companies has been accomplished. Industry accounted for 35.2 percent in total output value of Yunnan Province and played positive role in economic development in Yunnan Province. *ibid*

Rural economy took on a new development. Agricultural sector increased 6.8 percent, grain yield reached 154 million ton and hit high record. Yunnan achieved a great deal in rural reform. Agricultural tax was removed, total 257 villages and towns with administrative function in whole province were removed. Farmers' burden was lightened. 780 thousand labor forces in rural areas were successfully moved to industry and service sector and found new jobs.⁵⁰

In education, schools were improved in rural areas. Outlay of compulsory education in rural areas was ensured. 6 million schoolchildren and middle school students in rural areas were exempted from school expenditure and 2.6 million poor schoolchild and middle school students in rural areas enjoyed free textbooks. 1.2 million schoolchildren and middle school students in rural areas received financial difficulties allowance.⁵¹

In social insurance, employment policies gradually improved. Yunnan Province government took some measures to resolve employment issues. In 2006, the government

⁴⁸ Yunnan Daily, December 13, 2005.

⁴⁹ Report on the Work of the Government delivered by Governor Qin Guanrong at the Fifth Session of the Tenth National People's Congress in Yunnan province on January 26, 2007.

⁵⁰ *ditto*.

⁵¹ Report on the Work of the Government delivered by Governor Qin Guangrong at the Fifth Session of the Tenth National People's Congress in Yunnan province on January 26, 2007.

created 210 thousand job opportunities for population of cities and towns and 120 thousand job opportunities for laid-off workers. The government raised pension of retired workers and staff, unemployment insurance, minimum wages for migrants workers. 2.1 million workers and staff signed work contract and enjoyed labour insurance. 90 thousand migrants workers joined injury insurance. life level of 140 thousand old men and women which have no children and have lost one's ability to work in rural areas improved⁵²

In environment protection, Yunnan province has strengthened protection for natural resources. Yunnan province continue to advance projects of return the grain plots to forestry, return the grain plots to grass and protection of natural forestry. Up to 2006, Yunnan province brought areas of loss of water and soil erosion 2400 square km, restored ecological areas 5000 square km, planted forests 43 million *mu* (Chinese unit of land area, one hectare is equal to 15 *mu*)

In foreign economic cooperation, Yunnan continue to advance bilateral and multilateral cooperation such as GMS cooperation, Yunnan-North Thailand, Yunnan-North Laos, and Yunnan-Vietnam cooperation. Yunnan approved 204 FDI projects, contracted foreign investment reached 0.79 billion USD and 0.3 billion USD in actual use in 2006, increased 74.2 percent over the previous year. Yunnan's foreign investment hit 82 million USD in 2006.⁵³ Yunnan received tourists from overseas reached 3.94 million person-times, increased 13.5 percent over the previous year. Foreign currency earnings from international tourism hit 0.65 billion USD, increased 24.7 percent over the previous year. Tourist at home reached 77million person-times, increased 12.5 percent over the previous year. Total earnings of tourist industry reached 49.9 billion Yuan (RMB). Yunnan has become top ten tourist provinces in china. There are more than 4600 foreign students studied in Yunnan's universities by the end of 2006.⁵⁴

We can understand basic states of Yunnan's economic and social development based on above information. Generally speaking, there are rich natural resources in Yunnan. Its economy grew rapidly. Some industry such as foreign contracted projects, development of biological resource, cigarette industry, mineral industry, non-ferrous metal industry, hydropower and tourist industry gain advantage in China. Yunnan has huge potential of economic development. However, Yunnan's economic scales are not big, economic grounding is weak, population in poverty are more. These unfavorable conditions restrict its development. There is still long way to go to Yunnan province for catching up developed provinces and areas.

⁵² ditto

⁵³ Statistics Bulletin of National Economy and Social Development of Yunnan Province (2006), published by Statistics Bureau of Yunnan province on Apr 3, 2007

⁵⁴ Report on the Work of the Government delivered by Governor Qin Guangrong at the Fifth Session of the Tenth National People's Congress in Yunnan province on January 26, 2007.

IV. Yunnan's Economic Cooperation with Southeast Asian Countries

Owing to special geographic conditions, Yunnan's tie with Southeast Asian countries has long history. The trade relations can date back two thousand years ago according historical documents. The trade tie of people to people between Yunnan and neighboring countries has never been interrupted. After founding of the People's Republic of China economic tie between Yunnan province and neighboring countries maintain development. But real development of Yunnan's economic relations with Southeast Asian countries is opening-up and reform later, especially 1990s later. Since 1979, under the guidance of reform and opening-up policy Government of Yunnan took Southeast Asia as priority in Yunnan's opening-up and worked out suitable policies and measures to open toward Southeast Asia countries. The aim of Yunnan province is to establish a new setup of opening-up, which depend on a close connection with some coastal regions and the provinces in southwest China, taking Kunming as the key city and the border cities as the trading ports, marching quickly to the Southeast Asian and South Asian market, realizing all-round opening-up so that promotes Yunnan's overall development.

Under the guidance of developmental aim, Yunnan has strengthened economic tie and cooperation with Southeast Asian and South Asian countries, especially Southeast Asian countries. The economic relations covered mainly foreign trade and investment, contracted projects, GMS cooperation, and so on.

4.1. Yunnan's Trade and Investment with Southeast Asian Countries

Foreign trade is an important industry in Yunnan Province. After reform and opening-up Yunnan province accelerates foreign trade. But during the 1980s - early 1990, trade partners of Yunnan province mainly were Hong Kong, Japan, European countries based on trade volume, but ASEAN countries. Main form in Yunnan's trade with ASEAN countries was border trade (next part will discuss border trade specially). Since year 2000, Yunnan's trade with Southeast Asian countries has rapidly developed. According to statistics, Southeast Asian countries account for one half in Yunnan's top 10 export and import market during 2003-2005 (see table). Myanmar is Yunnan's major market of import and export. During 2003-2005, Myanmar ranked first in Yunnan's top 10 import market and it also showed importance of Myanmar's market to Yunnan province.

In 2005, volume of trade of Yunnan's with Southeast Asian countries hit 1.56 billion USD, increased 22.7 percent over previous year .Of which volume of export reached 1.09 billion USD, increased 13.4 percent over previous year. Volume of import hit 1.09 billion USD, increased 52.2 percent over previous year. According to commercial goods structure of

export and import, main export commodities were electromechanical equipment (0.22 billion USD), phosphate- chemical products (0.14 billion USD), agricultural products (0.48 billion USD), textile products and garment (59.64 million USD), rolled steel and iron and steel products (58 million USD). And main import commodities were timber (0.17 billion USD), minerals (0.17 billion USD), agricultural products (69.6 million USD), electromechanical products (11.8 million USD), natural rubber (11.62 million USD) and so on.⁵⁵

Yunnan continued to expand trade with Southeast Asian countries in 2006. According to Kunming Customs, in 2006 volume of export and import hit 2.17 billion USD, increased 0.63 billion USD over previous year, accounted for 34.8 percent of foreign trade in Yunnan, of which Yunnan's export reached 1.63 billion USD, increased 50 percent over previous year, imported from Southeast Asian countries reached 0.54 billion USD, increased 15.6 percent⁵⁶ It shows that Southeast Asian countries have become the most important trade partners of Yunnan.

Yunnan's trade with Southeast Asian countries in January-June 2007 created high level in Yunnan's foreign trade and hit 1.44 billion USD, increased 51.5 percent over previous year. Yunnan's trade with Vietnam increased remarkably. Volume of trade between Yunnan and Vietnam hit 0.48 billion USD, increased 1.4 times.⁵⁷ Vietnam rise top one trade partner of Yunnan.

To draw foreign capitals is a major part of foreign trade and economic cooperation in Yunnan's opening-up. Since opening-up and reform, Yunnan province had actively drawn foreign capitals for promoting Yunnan's economic development. Southeast Asian countries have been important investors to Yunnan province. By the end of 2006, 0.42 billion USD of attracting foreign investment was channeled into Yunnan, actually utilized foreign investment reached 0.24 billion USD.⁵⁸

As one of the two important sides of our basic state policy of opening-up, "going global" has been identified as a major national strategy by the Chinese government. While boosting inward investment, the Yunnan provincial government also encourages competent Chinese enterprises to invest in Southeast Asian countries and actively explore foreign trade and economic cooperation. Data from Department of Commerce of Yunnan Province shows that by November of 2006, there were 95 Yunnan's enterprises invested in Southeast Asian countries and volume of investment reached 0.31 billion USD. Projects of development of resources accounted for 94.3 percent in total volume of investment. Of which there were 19 big projects which exceeded over 5 million USD, accounted for 69 percent of volume of investment.⁵⁹

Remarkable characteristic in Yunnan's investment in Southeast Asian countries is that

⁵⁵ Department of Commerce, Yunnan Province May 25, 2006

⁵⁶ Yunnan Daily, January 16, 2007

⁵⁷ Xinhua News Agency, July 27, 2007

⁵⁸ Yunnan Daily, Nov 3, 2007

⁵⁹ Xinhua News Agency, Dec 6, 2007.

firstly, private sectors become major investors. 76 enterprises belong to private sectors among 95 Yunnan's enterprises invested in Southeast Asian countries. Volume of investment from private sectors accounted for 65 percent in total investment. Secondly, Yunnan's enterprises invested in Southeast Asian countries concentrated in three countries, Myanmar, Laos and Vietnam. Yunnan's investment in three countries reached 0.25 billion USD, accounted for 80 percent in total investment. Yunnan's investors set up enterprises in three countries.⁶⁰ use of foreign investment has promoted sustained, rapid and sound economic development in Yunnan.

Project contracting is major part in Yunnan's economic cooperation with Southeast Asian countries. Foreign project contracting has been advantage of Yunnan. In the past years, Yunnan's enterprises participated in a lot of major projects abroad, especially in neighboring countries. During 2001-2005, Yunnan province signed 489 contracts concerning projects attracting, labor service and design, volume of contracts reached 1.74 billion USD, completed volume of business 1.4 billion USD.⁶¹ Yunnan entered top 10 ranks in the business of projects attracting in China. Their business expands full turnkey and BOT from simple construction projects attracting. In 2006, Yunnan province signed a lot of projects attracting, labor service and design, volume of contracts reached 0.3 billion USD, completed volume of business 0.27 billion USD, separately increased 101 percent and 49 percent with 2001.⁶²

Neighboring countries are main markets of Yunnan's enterprises in projects attracting. Myanmar, Laos and Vietnam accounted for 80 percent share in Yunnan's foreign projects attracting. Of which Myanmar has been the most major market of Yunnan's foreign projects attracting. During 1998-2002, Yunnan province signed 264 contracts concerning projects attracting, labor service and design, volume of contracts reached 0.51 billion USD. Yunnan Machinery and Equipment Import-export Corporation contracted project of Banran Hydropower Station is the biggest project in hydropower station in Myanmar and its volume of contracts reached 0.17 USD.⁶³ It is also Yunnan's the biggest foreign attracting project in Southeast Asian countries.

In addition, Yunnan contracted some projects in Laos, Vietnam and Thailand. These projects were praised and appreciated by local business owners. Don Chan Hotel in Laos constructed by Yunnan Construction Group has been symbol building in Laos.

4.2. Yunnan's Border Trade with Neighboring Countries

Border trade is an economic activity and a special style of international trade, generally

⁶⁰ ditto.

⁶¹ Yunnan Daily, Feb 16, 2005

⁶² China review news. -Nov 3, 2007

⁶³ Ge Shengda and Chen Tiejun ed, Yunnan Development Strategy of Foreign Economic Cooperation, Yunnan People Press, 2003, p.51.

speaking, including small-scale trade, sales between inhabitants of two countries in the border areas and foreign economic and technologic cooperation in border areas. According to the document published by the China's Ministry of Foreign Economy and Trade on December 15, 1984, border trade is "small scale trade carried out by departments, enterprises, in China's cities and towns in border areas, appointed by provinces or autonomous prefectures with neighbouring countries' cities and towns in border areas, and sales between inhabitants of two countries in the border areas".⁶⁴

Following expansion and development of border trade, concept and scope of border trade appeared new change. For example, in Regulation of Management of Border Trade in Yunnan Province published by Yunnan Provincial People's Government in 1996, pointed that "border economic trade, in this regulation, is small-scale trade, sales between inhabitants of two countries in the border areas and carries out foreign economic and technologic cooperation in border areas".⁶⁵

Yunnan border on Myanmar, Laos and Vietnam and border line is 4060 km. Yunnan's border trade with neighboring countries has long history. After foundation of the Peoples Republic China, Yunnan's border trade undergo twisty development process owing to changes of the international and internal situation. Following opening up and reform, Yunnan's border trade rapidly develop and it become an important component in Yunnan's foreign economic relations. The border trade plays positive role in promoting Yunnan's economic and social development, and improving good neighborly and friendly relations with Southeast Asian countries.

4.2.1. Review of Yunnan's border trade

There are 27 counties, 8 prefectures among 27 prefectures in Yunnan province border on with Myanmar, Laos and Vietnam. There are 15 kind of ethnic minorities live in cross-national areas. Border residents of two sides have had tradition in trade relation.

Based on situation of development of border trade we can divide border trade into three stages of development.

The first stage was period during 1950s to mid-1960s. In China-Burma border areas, the Chinese government decided in 1951 to open border trade and permit inhabitants in border areas did trade business in stipulated sites. Approved by the Central government, Yunnan provincial government published public notice in 1954 and encouraged border trade. After that, small-scale trade in China-Burmese border areas appeared scene of prosperity on one occasion. The change took place in Burma's political situation in 1958, China-Burmese border trade was limited. After General Ne Win seized political power in 1963 Burmese

⁶⁴ quote from Li Maoxing and Others: Theory and Practice of Border Trade, De Hong Nationality Press, 1997, p.369-370

⁶⁵ See Li Maoxing and Others: Theory and Practice of Border Trade, De Hong Nationality Press, 1997, p.287-295.

government declared pursued policy of nationalization and limited private sector to develop. The small-scale trade in China-Burmese border areas was forced to stop. Border trade only maintained sales between inhabitants in the border areas.

In China-Vietnamese border areas, two sides signed protocol of opening up the small-scale trade in August 1953. According to consultation between two sides, Yunnan province and three northern provinces of Vietnam opened 11 trading ports in China-Vietnamese border areas for small-scale trade. In 1963, Yunnan province and three Northern provinces of Vietnam decided to open 6 ports for sales between inhabitants in the border areas. The inhabitants in the border areas were permitted to carry goods stipulated in the agreement and to free tariff. Moreover, Yunnan province and three Northern provinces of Vietnam carried out local trade until 1970.

In China-Lao border areas, the small-scale trade had not carried out because there were a sparse population in Lao border areas, but sales between inhabitants of two countries in the border areas maintained.

During this stage, characteristics of border trade are that trade scale is small, kinds of commodities are not more. Secondly, most of China's operators are state-owned companies. Thirdly, though trade between inhabitants of a border areas continue to carry out, trading floor, kinds of commodities and volume of trade are restricted. Fourthly, economic level of two sides is lower, role of border trade fail to play.

The second stage was period during mid-1960s to end of 1970s. The great change took place in political and economic situation both in China and neighboring countries. Yunnan's border trade with neighboring countries was seriously influenced by the situation and the small-scale trade was basically stopped, business of inhabitants of border areas was strictly restricted. The border trade was at a standstill.

The third stage was period of reform and opening in China. China has begun course of reform and opening up since 1979. Yunnan provincial government decided to firstly resume the small-scale trade in China-Burmese border areas. Based on regulation of the State Council, small-scale trade should practice under the principle of "finding source of good by oneself, finding market by oneself, negotiation by oneself, balance by oneself, taking full responsibility for own profits and losses". Yunnan provincial government published a temporary provision about border trade in 1985. The temporary provision further relaxes restriction. The border trade in China-Lao and China-Burmese border areas rapidly expanded. The border trade volume between China and Myanmar, between China and Laos reached 3.6 billion Yuan (RMB) during 5 years from 1985 to 1989, increased more than 6 times.⁶⁶ The managers of border trade have new changed. In the past years, the border trade was managed by small number of appointed state-ownership firms and companies and now collective

⁶⁶ Che Zhimin ed "Yunnan Province Development Strategy cross Century" Yunnan Science and Technology Press, 1995, p.94

ownership firms approved by the prefecture government also joined rank of border trade. A new structure of border trade shaped preliminarily with multi level, multi type and various channels. Border trade extended to local governments, private sector, and business of inhabitants in the border areas simultaneously.

Since 1990s, new situation appeared in Yunnan's border areas following the normalization of China-Lao, China-Vietnamese relations. The situation was beneficial to development and opening up in the frontier areas. The State Council of China decided that Kunming, as a frontier city, can carry out policies which cities of costal areas have executed, that Hekou, county in China-Vietnam border, Ruili and Wanding, county and town in China-Myanmar border, were promoted as opening cities in border areas. Meanwhile, the Chinese government approved to provide special preferential policies to the border trade in border areas. The border trade spread in a broad scope because of above measures creating beneficial conditions for border trade in Yunnan with neighbouring countries.

4.2.2. Development of Yunnan's border trade with neighboring countries

Following development of the border trade, it becomes an important part of the foreign economic relations in Yunnan province and plays positive role in economic and social development and in the good neighbourly and friendly relations between Yunnan and Southeast Asian neighbouring countries.

(1) Border trade occupied important position in Yunnan's foreign trade

Volume of border trade accounted for 19.1 percent in Yunnan's foreign trade in 1985. By 1992, volume of border trade accounted for 43.2 percent in Yunnan's foreign trade, which of import accounted for 55.7 percent, export 37.15 percent.⁶⁷ The volume of trade between inhabitants of a border area reached 3.5 billion RMB during 1985-1995⁶⁸ During 1991-1995, owing to border trade, Yunnan's trade with Myanmar, Laos, Vietnam accounted for 41 percent in Yunnan's foreign trade. Based on Kunming Customs, volume of small-scale border trade broke 0.5 billion USD first time. Of which volume of border trade between Yunnan and Myanmar first time reached 0.4 billion USD. It accounted for 76.4 percent in Yunnan's border trade with three neighbouring countries. The volume of border trade between Yunnan and Vietnam reached 0.17 billion USD. It accounted for 20.4 percent in Yunnan's border trade with three neighbouring countries. The volume of border trade between Yunnan and Laos reached 16 million USD. It accounted for 3.05 percent in Yunnan's border trade with three neighbouring countries.⁶⁹ Total volume of Yunnan's border trade hit 2.26 billion USD during

⁶⁷ Che Zhimin ed "Yunnan Province Development Strategy cross Century" Yunnan Science and Technology Press, 1995, p.100.

⁶⁸ Li Jie and Zhao Yunzhong, Yunnan's Export-Oriented Economy, Yunnan Nationality Press, 1997, p.172.

⁶⁹ Yunnan Year Book, Yunnan Year Book Press, 2005, p.214.

2001-2005.

In 2006, Yunnan's border trade develop steadily and volume of border trade hit 0.78 billion USD increased 18.6 percent over previous year,⁷⁰ increased two times comparing with 2001 (volume of border trade was 0.34 billion USD). It shows that role of border trade in Yunnan's foreign trade relations not only did not reduce, but also increased.

(2) Border trade benefits mutual complementation in economy

Structure of import-export commodities in border trade reflects economic mutual complementation between neighboring countries. In border trade, commodities from Yunnan exported mainly are textiles, chemical products, light industrial products and electromechanical equipment including cotton cloth, cotton yarn, electric battery, ceresin wax, crude oil engine, bicycle, automobile, medicine, chemical fiber products, soda ash, medical apparatus and instruments, electric moto, radio set, colorant, rubber overshoes, toothpaste, hand tractor, sewing machine, tyre, cement, garment, domestic ceramics, iron wire, miscellaneous hardware, milk powder, towel, building materials, small agricultural implements, and so on. Commodities from neighboring countries imported mainly are timber, beans and peas, dried fish, rattan, cow leather, marine products, sesame seed, shellac, pepper, coffee, cotton, goldthread powder, manganese ore, antimony, tungsten mine, chromium mine, and so on.

Most of imported commodities through Yunnan flowed in other provinces, for example, 46% of timber flowed in Guangdong province, Jiangsu province, shanghai city, Anhui provinces, 85% of jewels and jade flowed in 13 provinces and cities including Guangdong province, Shanghai, Beijing, Henan province, half of marine products supplied more than 50 cities, 95% of rattan supplied to Guangdong province. Some commodities such as lentil, arum, mango, duck feather and goose feather imported based on demand of other provinces. That means border trade not only benefits Yunnan's development, but also other provinces and areas in China.

(3) Border trade promotes development of enterprise

Be in the wake of development of border trade, a lot of enterprises specially conducting business of border trade appeared in Yunnan. They set up processing bases for export. Now these processing bases related to cigarette, textiles, light industry, medicine, chemical industry, food industry, electron mechanical equipment and so on. By the 2005, through cleaning -up and rectification, 913 enterprises which accorded with the operative conditions were approved to conduct border trade. This is helpful to development of border trade and also to expansion of enterprises conducting business of border trade.

⁷⁰ Yunnan Daily, Jan.16,2007

(4) Border trade promotes Yunnan's opening-up and economic and social development

In the weak of development of border trade, Yunnan becomes front porch of opening-up from terminal. In the past, border areas in Yunnan province were poor state. After border trade open, some areas develop rapidly. For example, Dehong Prefecture, be located in China-Myanmar border, local financial revenue was only over 30 million Yuan (RMB) in 1984. following in development of border trade, its financial revenue reached 0.2 billion Yuan (RMB) in 1993. The revenue from border trade accounted for 45 percent of total revenue in the prefecture. In 2004, The revenue from border trade accounted for 80 percent of local revenue in Ruili city, be located in China-Myanmar border, 14 percent of Honghe Prefecture, be located in China-Vietnam border.⁷¹ Hekou, be located in China-Vietnam border, was a small town originally. Thanks to border trade, Hekou is rising and becoming a tourist and trade town with the spirit of the modernization. The role of border trade in promoting opening-up and economic and social development in Yunnan, especially in border areas can not be underestimate.

(5) Constructions of the trading ports in border areas were improved

Yunnan has a borderline of 4016 km. There are some trading ports in border areas. At present, 11 national trading ports and 12 provincial trading ports have been established in Yunnan. In addition there are more than 100 trade business ports of inhabitants of a border area in border trade. The national trading ports undertake inspection of goods in import-export and people in entry-exit. The national trading ports in border areas have customs, immigration office, quarantine office, frontier inspection station. usually these institutions do office work in same building. in the wake of development of border trade, construction of trading ports improved obviously.

Important national trading ports of border areas in Yunnan are as follows.

The Ruili Trading Port. Ruili city is 758 km away from Kunming, is a key passageway to Myanmar and South Asian countries. There is a highway from Ruili to Mandalay and Rangoon, and another to Nanhkam, Bhamo and Myitkyina, Myanmar. 90 percent of goods of import-export enter Yunnan or Myanmar through Ruili trading port. Ruili has become the biggest land trading port in China's trade with Myanmar.

The Hekou Trading Port. Hekou county faces Lao Cai, Vietnam across river. Hekou is 400 km away from Kunming, 290 km away from Hanoi and 390 km from Hai Phong, Vietnam. There are railways and highway access to Vietnam through Hekou. Hekou has become one of the most biggest trading port in southwest China accessing to Vietnam by land. In 2006, the volume of import-export in Hekou trading port reached 5.3 billion Yuan (RMB). Freight volume of goods in import-export in Hekou reached 1.89 million ton and ranked the first in trading ports in Yunnan province. People of entry-exit reached 3.5 million

⁷¹ Research and Reference, Department of Commerce of Yunnan Province, Jan.23, 2006,

person-times and ranked the second in trading ports in Yunnan province.⁷² In first six months in 2007, the volume of import-export reached 4.5 billion Yuan (RMB) increase near 100 percent over previous year.⁷³

The Jinghong Trading Port. It is located at a favorable position on the left bank of the Lancang River and is a tourist attraction with tropical scenery and rich ethnic cultures. It is 575 km away from Kunming .there are highway to Laos and Myanmar, international air line to Laos, Thailand, a waterway to Laos, Myanmar, Thailand. It is an international trading port mainly engaging in passenger transport and partly in freight transport. In 2006, total volume of import-export in Jinghong trading port reached 20.7million USD.

The Mohan Trading Port. The Mohan trading port is located in the southwest of Mengla County,the southernmost part of Yunnan and borders Laos in the east, the south and the west,and faces Myanmar in the west across the Lancang River. It is 800 km away from Kunming, and Kunming-Bangkok highway pass through Mohan. Mohan trading port is the only national trading port of land oriented towards Laos. In 2005, the volume of import-export reached 0.64 billion Yuan (RMB) increase 3.2 time over year 2000. People of entry-exit reached 0.27 million person-times⁷⁴

The Tianbao Trading Port. It is national trading port, located in the south of Malipo County, the Sino-Vietnam border areas and is 464 km away from Kunming, 227 km away from Hanoi and 400 km from Hai Phong, Vietnam.

The Jinshuihe Trading Port. It is national trading port, located in the south of Jinping Yao Autonomous County and faces Vietnam across the Jinshui River, over which there is a highway bridge. It is 450 km away from Kunming, 500 km away from Hanoi. In 2005, freight volume of goods in import-export in trade port reached 60 thousand ton. People of entry-exit reached 150 thousand person-times.

The Wandong Trading Port.It is a key border town along the Yunnan-Myanmar highway and on an important passageway to Myanmar and Southeast Asia.It is 740 km away from Kunming.

(6) Border trade presents new momentum of development

New changes take place in Yunnan's border trade with neighboring countries. Style of commodities exchange each other has become history. At present, new setup is shaping in border trade. Border trade not only covered small-scale trade, barter trade, trade between inhabitants of a border areas, but also economic and technological cooperation and so on.

In addition, private sector is becoming main force in border trade and their position is constantly raised. Volume of export from the private sector in Yunnan hit 0.25 billion USD,

⁷² http://yunnan.pprd.org.cn/yunnannews/200709/t20070906_25189.htm,Xinhua News Agency, Sep 6, 2007.

⁷³ ditto.

⁷⁴ Yunnan Daily, Apr.3, 2007.

accounted for 47 percent of total volume of border trade in 2004.⁷⁵ The private sector replaced state-owned enterprise and collective enterprise first time and acted as principal force In border trade

4.3. Yunnan and the Greater Mekong Subregional Economic Cooperation (GMS)

4.3.1. Background of GMS initiative

In 1992, the Asia Development Bank initiated the Greater Mekong Subregion Economic Cooperation Program (GMS), which is proven in practice a program assuming an increasingly important role for economic growth of this region.

The Greater Mekong Subregional Economic Cooperation (GMS) is outcome of globalization and regional economic cooperation. The regional economic cooperation is a tendency of development in the today world economy. Since 1980s globalization has speeded up and also facilitated regional integration process. Under the globalization developed countries are in advantageous position depended on their advantages in international system of division of labor. However developing countries always are disadvantageous because of backwardness in economic bases, sciences and technology and poverty. 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.

Since the end of 1980s and beginning of 1990s, the regional cooperation in Asia developed rapidly following in the globalization. Some cooperative mechanism rose in the Southeast Asia such as “growth triangle”, “golden quadrangle” and so on. The GMS also rose in response to the proper time and conditions and has produced real results and has been paid more attention by international community.

The GMS is common willingness of the GMS countries and the people live in GMS subregion.

The Mekong River is an important international river in Asia. Its Chinese section is known as the Lancang River. The source of Lancang-Mekong River is located in Zaduo County, Yushu Tibet Autonomous Prefecture of northwest China’s Qinghai Province, which is about 5,200 meters above sea level. The overall length of Lancang-Mekong River is 4909 km,⁷⁶ 2198 km is in mainland China and 1247 kilometers in Yunnan Province.⁷⁷ The

⁷⁵ Yunnan Daily, Jan 31, 2005.

⁷⁶ 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.

Mekong River valley covers 2.6 million square km and about 320 million people live within the subregion, which share the world's 12th largest river and have close cultural and historical linkages.

Being strategically located, The Mekong River valley is not only a bridge linking China with Southeast Asian countries, but also has the potential to serve as an important continental bridge between and among Southeast Asia, South Asia, and East Asia.

The GMS subregion consists of Cambodia, Laos, Myanmar, Thailand, Vietnam, and Yunnan Province of the People's Republic of China. The GMS subregion is rich in natural resources, including a rich agricultural bases, extensive timber and fisheries resources, considerable mineral potential, and vast energy resources in the form of hydropower and large coal and petroleum reserves. As a natural economic area with considerable potential and complementarities in human and natural resources, the greater Mekong subregion also presents great opportunities for development.

The rich human and natural resource endowments of the GMS subregion have made it a new frontier of Asian economic growth. Indeed, the Mekong region has the potential to be one of the world's fastest growing areas. However, still much of its 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 urbanized of the Mekong countries, there remain large agricultural communities, particularly in the north and northeastern parts of the country. The GDP per capita is about 1 USD a day in most of the subregion. Despite significant economic growth, poverty is still widespread. The GMS subregion 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 GMS countries can be realized only if the above problems are adequately addressed.

The people in the GMS subregion have had a strong willingness for many years to develop Mekong basin and brought it benefit to the subregional people. With development of the globalization, the countries in subregion take the economic development as main tasks and speed up their step of developing. They hope to strengthen bilateral and multilateral economic cooperation and shake off poverty. Under the background, the Asian Development Bank initiated the Greater Mekong Subregion economic cooperation (GMS) and received firmly support from the subreional countries including China, Laos, Myanmar, Thailand, Cambodia and Vietnam.

⁷⁷ Source of Mekong River Pinpointed, People's Daily, Beijing, October 27, 2002.

4.3.2. The achievements of the GMS

The GMS is one of the most important international cooperation, development mechanisms. The objectives of GMS are to improve infrastructures and to widen the scope of trade and investment in the subregion, to reduce poverty and promote prosperity and sustainable development. GMS program involve in transport, communications, energy, tourism, environment, human resource development, trade and investment, as well as drag control, etc.

Since GMS started in 1992 the GMS program has launched about 100 cooperative projects covering infrastructure, transport, energy resources, trade and investment, telecommunications. The GMS countries have made substantial progress in implementing subregional projects in the past 15 years.

Major achievements are as follows.

(1) Some projects have completed or will be implemented.

Priority infrastructures worth 2 billion USD have either been completed or are being implemented. Among these are the upgrading of the Phnom Perth (Cambodia) -Ho Chi Minh City (Vietnam) highway and the East-West Corridor connecting northeastern Thailand, Laos, and central Vietnam. The GMS countries have provided about US\$1 billion for these regional investments, while ADB has extended loans amounting to 770 million USD and helped mobilize 230 million USD in cofinancing. A total of 49 million USD of grant resources have been mobilized to support joint initiatives focusing on human resource development, tourism, environment, trade and investment. Under an agreement signed by the governments of China, Laos, Myanmar and Thailand, the international navigation in Lancang-Mekong River has opened to traffic in 2001. the Greater Mekong River becomes a commercial route and vessels of these countries can sail between Simao in Yunnan, China and Luangprabang in Laos.

In aspect of energy resources, tourism, environment, trade and investment, many work and some projects make progress. For example, the GMS countries fixed detail scheme for strengthening tourism cooperation and training. The cooperation between customs of the subregional countries has been reinforced. The staff of customs from Cambodia, Laos, Thailand, Vietnam were trained in Yunnan,China. Single-stop inspection in customs has practiced at selected border crossings between Cambodia, Laos, and Thailand. Moreover, some feasibility study of projects has completed.

(2) At stepping up “hardware construction”, the subregional countries started out the “the software resources” development. Along With development of infrastructure, “software resources” also has been lifted to the agenda. It mainly involves laws and policies concerned. Now, some policies of expanding opening, laws on facilitating the cross-border movement of people and goods have been published. In November 1999, the ministers from Laos, Thailand, and Vietnam signed the “Agreement Between and Among the Governments of Lao PDR, Kingdom of Thailand, and the Socialist Republic of Vietnam for Facilitation of Cross-Border

Transport of Goods and People” in Vientiane. The agreement reduces the trade tariff, promotes trade liberalism in the subregion and is an important breakthrough in software developments in subregion. It is beneficial to speed up free flow of goods and people in the subregion. Cambodia became the fourth party to the Agreement in November 2001. China acceded to the Agreement in November 2002. Myanmar also signed the Agreement in September 2003. Thus; all six countries in subregion signed the Agreement and created better conditions for free flow of goods and people in the subregion

(3) A key and the most important result of the subregional cooperation is promoting mutually trust between the member country and shaping the better cooperative relation. Five member countries in the subregional cooperation are ASEAN member, cooperative plan become an important means for narrow gaps between old member and new member of ASEAN. One of the program’s most fundamental accomplishments is the building of trust and confidence among member countries.

4.3.3. China Actively Participates in the GMS Subregional Economic Cooperation

Since the GMS Program came into being, China has always been an ardent and pragmatic participant. The Chinese government quite attaches importance to development of the subregional cooperation and always takes positive attitude to GMS.

The leaders of Chinese government expressed their positive attitude to the subregional cooperation for many times. Early in August 1996, Vice-Premier Jiang Chunyun, pointed out that the Chinese government supported and attached importance to economic cooperation with subregional countries, and would positively participate in subregional cooperation and made out the own contribution for promoting subregional cooperation according to principle of the equal consultation, mutual benefit, common development in the 6th Ministerial Conference held at Kunming.

After that, Chinese leaders participated in all-level conference concerned and expressed same point of views.

In the Fourth, Fifth, Sixth China-ASEAN Summit, Chinese Premier Zhu Rongji mentioned the GMS cooperation and point out emphatically that China supported development of the GMS cooperation. In order to ensure that regional cooperation move forward along a sound track, Premier Zhu Rongji made a three-point proposal on expanding and improving the mechanism of cooperation among the subregional countries in a key note speech delivered at the First Greater Mekong Subregion Economic Cooperation Summit held in Phnom Penh, on November 3, 2002. Firstly, 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 voluntaries. Secondly, the subregional countries should adhere to the principle of centering on projects and emphasizing practical results. The

subregional 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. Thirdly, the subregional countries should adhere to the principle of stressing key areas and proceeding in a step-by-step manner.

Premier Zhu Rongji pointed out the region should also push for cooperation in trade, improve the investment environment, the development of human resources, tourism, agriculture, drug prohibition and environmental protection.⁷⁸

Premier Zhu Rongji emphasized China would do as much as it can to increase input in the development of the Mekong River basin and support the implementation of the Joint GMS Summit Declaration and relevant development programs.⁷⁹

After that, Chinese Premier Wen Jiabao pointed out at the opening ceremony of the Second Summit of the Greater Mekong Subregion (GMS) on July 5, 2005 that since the GMS program came into being, China has always been an ardent and pragmatic participant. He also put forward the seven recommendations for stronger GMS economic cooperation, including to step up infrastructure building, to advance trade and investment facilitation, to deepen cooperation on agricultural development, to underscore conservation of natural resources and the environment, to strengthen human resources training, to promote health cooperation, to explore financing for development through multiple channels.⁸⁰

Based on Chinese leaders’ instructions China took a series of measures to implement GMS program. The Chinese Government created a National Coordinating Group for a Pre-feasibility Study on Development of the Lancang-Mekong River Subregion. This high-level group, with the State Devilment and Reform Commission 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 subregional cooperation have been discussed, new areas of cooperation explored, and policies recommended and established. Chinese Government has designated the People’s Bank of China as its implementing agency.

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 subregional cooperation. China’s action in

⁷⁸ Peoples’s Daily, Nov4, 2002.

⁷⁹ Peoples’s Daily, Nov4, 2002.

⁸⁰ People’s Daily, July 5, 2005

implementation of the GMS program is firmly appreciated by ADB.

4.3.4. Yunnan's participation in the GMS cooperation

Yunnan Province is main part of China participation in the GMS and has been actively pushing forward the development of GMS. Yunnan province actively participates in and pushes forward GMS cooperation based on some reasons. First, Yunnan is located upper reaches of Lancang-Mekong River and it is as a matter of course to participate in GMS cooperation. Second, to actively participate in and push forward GMS cooperation is requirement of deepening reform and getting rid of backwardness. Yunnan needs to strive for more funds and projects for supporting construction of infrastructure and changing inconvenient conditions in communication and transportation. It is extremely important to Yunnan province to build communication network towards Southeast Asia, open access to the sea. Third, it is helpful to expand Yunnan's opening up to outside world, especially to Southeast Asia. Yunnan's participation in GMS cooperation can enhance economic complementation so that Yunnan can use resources and markets at home and abroad for its economic and social development itself. As a result, the Yunnan provincial government has taken measures of speeding up the GMS cooperation. Yunnan province has actively implemented projects identified by GMS ministerial meeting and ADB in the past 15 years.

According to the decision of the third ministerial meeting, the priority projects Yunnan Province involve includes

Road transport

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

R4 Kunming- Lashio road system improvement project

R5 Kunming-Hanoi road improvement project

Railway transport subsector

RW1 Yunnan-Thailand railway project

RW2 Yunnan-Vietnam railway project

RW5 Yunnan-Myanmar railway project

Water transport projects

W1 Upstream Lancang-Mekong River Navigation improvement project

W3 Red River Navigation improvement project

Air transport projects

A2 Yunnan Province airports improvement project

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

Power generation and transmission

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

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

In order to complete these projects, Yunnan province has carried out a series of work. Yunnan provincial government established a leading group to coordinate work concerned, governor as a head of leading group. Besides the group, Yunnan provincial government established Yunnan Province Coordinating Group for a Pre-feasibility Study on Development of the Lancang-Mekong River Subregion so that reinforce research work.

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.

In road construction, Cuxiong-Dali expressway, Dali-Baoshan expressway loaned by ADB completed and opened to traffic; it will serve as part of the trunk line linking China with Southeast Asian and South Asian countries. The expressway from Yuxi to Yuanjiang, a section of Kunming-Bangkok highway, opened in 2000. Another section of Kunming-Bangkok highway, Yuanjiang to Mohei, has begun construction. So far, only over 200 kilometers is left to improve. China's section of the Kunming-Bangkok highway is expected to be completed in the end of 2007. As a section of Kunming-Lao Cai-Hanoi-Hai Phong Transportation Corridor, high-grade highway from Kunming to Hekou, trading port in China-Vietnam border, has completed and is preparing to open. The Lao section (80 km) of the Kunming-Bangkok highway which China helped to construct completed in June 2006.

In energy projects, Yunnan Electric Network Company has successfully transmitted power to Vietnam through two lines of 110 kilovolt since year 2004. Total electric power Yunnan transmitted to Vietnam reached 0.22 billion kilowatt-hour by August 2005.⁸¹

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.

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

In addition to implementing projects, Yunnan province attaches importance to containing the environment worse, keeping on sustainable development in the subregion, containing the illegal immigrant, maintaining regional safety; containing production and circulation of drug, developing substitute industry and promoting the national economic sound development,

⁸¹ Yunnan Daily, Sep. 12, 2005.

containing spread of Aids and other social evil practices, realizing the social civilization and progresses.

4.3.5. The GMS cooperation faces new opportunities and challenges.

At present, GMS cooperation is facing the new opportunities and challenges.

Opportunities include several respects. Firstly, establishment of the China-ASEAN FTA in 2010 provide opportunity for GMS cooperation. China and ASEAN signed “Framework Agreement on China-ASEAN Comprehensive Economic Cooperation” in the China-ASEAN summit in November 2002. In the framework agreement, the GMS cooperation is listed cooperative contents in the China-ASEAN FTA. This provides development space for the GMS cooperation and will promote development of the GMS cooperation.

Secondly, the GMS cooperation has 15 years history, has accumulated useful experience for regional cooperation.

Thirdly, the international community pays close attention to development of the GMS cooperation increasingly. Not only governments of six GMS countries support GMS cooperation, but also ASEAN plays its coordinate role in GMS cooperation. Japan, EU countries offered some funds and technology for some projects. The UNDP, ESCAP and other international organizations appreciate accomplishments of the GMS cooperation and show positive support. This is driving force to development of the GMS cooperation.

Fourthly, the GMS countries increased trust and confidence through cooperation in the past 15 years. This is strong guarantee to development of GMS cooperation in the future.

However, though the GMS cooperation has made great progress, it still faces some difficulties and problem, as follows:

- Development lack of funds. The GMS cooperation needs a huge amount of funds for development. According to estimation by ADB experts, the program needs some 14 billion USD for its projects over the next decade. Now, some projects are forced to postpone because the funds is not enough. To raise funds is a big problem and also a key issue to reach achievement for GMS cooperation.

- Coordination is not enough. The countries in the subregion have different social system, laws and model of management, also have different national development goals that sometime may clash with those of others. These differences increase difficulties in implementing cooperative projects and GMS cooperation and

- Enterprises fail to become main force of GMS cooperation. Currently, governmental enthusiasm in participation in GMS cooperation is higher than enterprises. Certain plans of government agencies may not match the view of enterprise. To mobilize more enterprises for participating in the GMS cooperation remain important issue.

- Implementation of projects is unbalance. Transportation projects are better than other projects. Some projects progress slowly.

●Information exchanges are not enough. The information concerned is confined at the governmental departments and academic circles. The public lack of awareness and knowledge about the GMS cooperation.

In spite of above problems, the mechanism of the GMS cooperation shows its vigour and potential. It will go on its cooperation process under the efforts of all countries in the subregion and achieve more and more accomplishment.

V. Conclusion

The report approaches China's opening-up strategy and China's economic relations with ASEAN countries, meanwhile it takes Yunnan province as a case, analyzes Yunnan's economic cooperation with Southeast Asian countries. We can draw some conclusion from the analysis

1. Opening-up is China's basic state policy. Since 1978 when China started reform and opening-up, its economy has been developing rapidly and the living standards of the Chinese people have been notably improved. The unprecedented social changes and expanding liberalization have injected great vigor into China's development and vitality into the global economy. China's sustained and rapid economic growth is attributed to opening-up. Facts have proven that China's opening up strategy steered China towards to the right course. China will firmly implementing an opening up strategy for mutually beneficial and win-win nature, intensifying trade and economic cooperation and realizing common development with other countries.

2. Though economic strength constantly increased, China is still a developing country. As a world's largest developing country, China and other developing countries have much common interests. To consolidate and develop friendly and cooperative relations with developing countries remain as the base stone in China's foreign policy. To strengthen South-South cooperation, raising South-South cooperation level, and expanding assistance to the developing countries will probably be the focal point of China's South-South cooperation in the future.

3. Southeast Asian countries are China's neighboring countries, the bilateral friendly tie goes back to the ancient times. At present, the relationship between China and Southeast Asian countries is in the best stage after founding of the People's Republic China. Establishment of China-ASEAN FTA, the GMS cooperation are the remarkable symbol of good neighbourly and friendly relations development between China and Southeast Asian countries in new historical stage, and it is also a good example of South-South cooperation. The neighborhood policy of building friendship and partnership with our neighboring countries will not only become China's guiding principle for handling foreign political relations, but also become the guiding principle for handling economic cooperation with neighbouring countries.

4. In China's economic relations with Southeast Asian countries, trade occupies the most important position. In recent years China's trade deficit has been higher than favourable balance of trade in its trade with Southeast Asia. China has become the third largest worldwide importer, creating more manufacture and job opportunities for many trade partners. Interdependence between China and Southeast Asian countries deepens. Two sides become the other's major market each other. China cannot develop without the world, while the world

needs China for its prosperity. this tendency is more and more apparent in economic relations between China and Southeast Asia. As one of the two important sides of China's basic state policy of opening-up, "going global" has been identified as a major national strategy by Chinese government. In the wake of economic development, China's investment in Southeast Asian countries and project contracts will further increase. The forms of investment may be diversified from the simple business establishment to cross-border mergers and acquisitions, equity swap, overseas listing, R&D centers and industrial parks.

5. The Southwest China regions neighboring on Southeast Asian countries play a important role in China's economic relations with Southeast Asia. Of which Yunnan province borders three countries, Laos, Myanmar and Vietnam, and it has kept close economic and cultural ties with neighbouring countries. Yunnan province has an obvious advantage in the establishment of China-ASEAN FTA. Yunnan's sustained and rapid economic growth is attributed to opening-up, especially opening up to Southeast Asian countries. Yunnan made great progress through border trade, participation in the GMS cooperation, and building China-ASEAN FTA. However, as to China's trade with Southeast Asia, and also as to China's investment in Southeast Asia, Yunnan is not accounted for more than 1 percent, almost has no status. As a result, Yunnan still has long way to go for catching up advanced coastal and inland regions of China.

6. The GMS cooperation is a multilateral cooperation mechanism. The GMS represents a correct direction of cooperative development in developing countries and it establishes some commonly accepted principles which have gradually developed from the cooperation of member countries throughout the GMS process. Its successful experience of GMS is worth summing up and spreading. Yunnan plays a constructive role in the GMS cooperation. It is important task to continue pushing forward development of the GMS for both China and other countries.

Annex

Table1
China's Trade with Southeast Asian Countries (2002-2006)

China's Trade with Southeast Asian Countries
January-December, 2006

(Hundred million USD)

Country	volume of export and import	volume of export	volume of import	balance
Brunei	3.15	1	2.15	-1.16
Myanmar	14.6	12.07	2.53	9.55
Cambodia	7.33	6.98	0.35	6.63
Indonesia	190.57	94.5	96.07	-1.56
Laos	2.18	1.69	0.50	1.19
Malaysia	371.12	135.37	235.75	-100.38
Philippines	234.13	57.38	176.74	-119.36
Singapore	408.54	231.85	176.69	55.16
Thailand	277.27	97.64	197.62	-81.98
Vietnam	99.51	74.65	24.86	49.793

Sources: Sort out based on Department of Asian Affairs, Chinese Ministry of Commerce
<http://yzs.mofcom.gov.cn/aarticle/date/j/200701/20070104313110.html>

China's Trade with Southeast Asian Countries
January-December, 2005

(Hundred million USD)

Country	volume of export and import	volume of export	volume of import	balance
Brunei	2.61	0.53	2.08	-1.55
Myanmar	12.09	9.35	2.74	6.61
Cambodia	5.63	5.36	0.27	5.09
Indonesia	167.89	83.51	84.38	-0.86
Laos	1.29	1.03	0.26	0.78
Malaysia	307.03	106.07	200.96	-94.89
Philippines	175.58	46.88	128.74	-81.82
Singapore	331.49	166.33	165.16	1.16
Thailand	218.12	78.20	139.92	-61.71
Vietnam	81.96	56.44	25.52	30.98

Sources: Sort out based on Department of Asian Affairs, Chinese Ministry of Commerce
<http://yzs.mofcom.gov.cn/aarticle/date/c/200601/20060101431338.html>

China's Trade with Southeast Asian Countries
January-December, 2004

(Hundred million USD)

Country	volume of export and import	volume of export	volume of import	balance
Brunei	2.99	0.48	2.51	-2.03
Myanmar	11.45	9.39	2.07	7.32
Cambodia	4.82	4.52	0.30	4.23
Indonesia	134.81	62.57	72.24	-9.67
Laos	1.09	0.98	0.11	0.87
Malaysia	262.61	80.87	282.74	-100.88
Philippines	133.28	42.69	90.59	-47.90
Singapore	266.84	126.87	139.97	-13.09
Thailand	173.43	58.02	115.42	-57.4
Vietnam	46.34	31.79	14.56	17.23

Sources: Sort out based on Department of Asian Affairs, Chinese Ministry of Commerce
<http://yzs.mofcom.gov.cn/aarticle/date/a/200501/20050100340507.html>

China's Trade with Southeast Asian Countries
January-December, 2003

(Hundred million USD)

Country	volume of export and import	export	volume of import	balance
Brunei	3.46	0.34	3.12	-2.78
Myanmar	10.77	9.08	1.7	7.38
Cambodia	3.21	2.96	0.26	2.69
Indonesia	102.29	44.81	57.48	-12.68
Laos	1.09	0.98	0.11	0.87
Malaysia	201.28	61.41	139.87	-78.46
Philippines	94.00	30.94	63.06	-32.12
Singapore	193.52	88.69	104.84	-16.15
Thailand	126.55	38.28	88.27	-49.99
Vietnam	46.34	31.79	14.56	17.23

Sources: Sort out based on Department of Asian Affairs, Chinese Ministry of Commerce
<http://yzs.mofcom.gov.cn/aarticle/date/cu/200402/20040200182965.html>

China's Trade with Southeast Asian Countries
January-December, 2002

(Hundred million USD)

Country	volume of export and import	export	volume of import	balance
Brunei	2.63	0.21	2.42	-2.21
Myanmar	8.62	7.25	1.37	5.88
Cambodia	2.76	2.52	0.24	2.28
Indonesia	79.28	39.27	45.01	-10.74
Laos	0.64	0.54	0.11	0.44
Malaysia	142.71	45.75	92.96	-43.21
Philippines	52.60	24.42	32.18	-11.76
Singapore	140.18	69.66	70.52	-0.86
Thailand	86.61	25.58	56.03	-26.45
Vietnam	32.64	21.49	11.15	10.34

Sources: Sort out based on Department of Asian Affairs, Chinese Ministry of Commerce
<http://yzs.mofcom.gov.cn/aarticle/date/cp/200303/20030300075900.html>

Table2

Rank of Southeast Asian countries in Yunnan's top 10 import-export market

Southeast Asian countries in Yunnan's top 10 export market in 2003

(00000USD)

Country	Export	Rank	Share of total export %
Myanmar	29608	1	20.7
Vietnam	13371	3	9.4
Indonesia	7658	5	5.4
Thailand	3766	9	2.6
Singapore	3622	10	2.5

Yunnan Department of Commerce: Yunnan Commerce Year Book 2004

Southeast Asian countries in Yunnan's top 10 import market in 2003

(00000USD)

Country	Export	Rank	Share of total export %
Myanmar	11070	2	13.9
Vietnam	2895	7	3.6
Singapore	2291	9	2.9
Indonesia	2185	10	2.7

Yunnan Department of Commerce: Yunnan Commerce Year Book 2004

Southeast Asian countries in Yunnan's top 10 export market in 2004

(000000USD)

Country	Export	Rank	Share of total export %
Myanmar	38661	1	23
Vietnam	286682	3	9.4
Thailand	1032	6	6.57
Indonesia	5363	8	3.2
Philippines	5169	9	3.08

Yunnan Department of Commerce: Yunnan Commerce Year Book 2005

Southeast Asian countries in Yunnan's top 10 import market in 2004

(000000USD)

Country	Export	Rank	share of total export%
Myanmar	16471	1	17.37
Vietnam	5176	9	5.46
Indonesia	5082	10	

Yunnan Department of Commerce: Yunnan Commerce Year Book 2005

Southeast Asian countries in Yunnan's top 10 export market in 2005

(000000USD)

Country	Export	Rank	Share of totalexport %
Myanmar	41063	1	15.5
Vietnam	26366	4	10
Thailand	12975	6	4.9
Singapore	10965	8	4.2
Indonesia	8717	9	3.3

Yunnan Department of Commerce: A Survey of Yunnan Commerce 2006

Southeast Asian countries in Yunnan's top 10 import market in 2005

(000000USD)

Country	Export	Rank	Share of total export %
Myanmar	22099	2	10.5
Indonesia	10933	6	5.3

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