Emergence of Greater Mekong Subregion: Its Impact on ASEAN Regional Integration

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<td>巻</td>
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<td>号</td>
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<td>444-460</td>
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<td>年</td>
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Article

Emergence of Greater Mekong Subregion: Its Impact on ASEAN Regional Integration\(^{(1)}\)

Takayuki OGASAWARA

Nobody would deny the significance of narrowing the development gap among member countries of ASEAN for its regional integration. At the ASEAN Summit held in Singapore in November 2007, for example, the ASEAN leaders recognised that “the need to ensure the deepening and broadening integration of ASEAN is accompanied by technical and development cooperation to address the development divide and accelerate the economic integration of the less developed ASEAN Member Countries.”\(^{(2)}\) The need to narrow the development gap has been repeatedly mentioned in past ASEAN documents\(^{(3)}\) and its commitment of establishing an ASEAN Economic Community (AEC) by 2015 strengthened the need more than ever\(^{(4)}\).

On the other hand, for the less developed members, Cambodia, Laos, Myanmar and Vietnam (CLMV), the Greater Mekong Subregion (GMS) programme, launched by the Asian Development Bank (ADB) in 1992, is already widely known as their main vehicle of cross-border development cooperation\(^{(5)}\). This GMS programme, covering wide range of infrastructures from 'hard' to 'soft', even comprises two provinces in southern China (Yunnan and Guangxi) in addition to five countries of peninsular Southeast
Asia (Thailand and CLMV) \(^{(6)}\). Its aim is neither political nor security, but solely economic cooperation. In its process, many levels of ministerial meetings have already been institutionalised and even the first meeting of GMS Summit was organised in 2002. This implies a birth of a new region which differs from any other perceived regions.

As Oliver Hensengerth has pointed out, GMS today is an institution representing a state-centric international system, while it enables an institution to emerge which functions as a platform for subnational units as well as transnational actors. The post-Cold War region has not yet found a final security arrangement, and sees regional and non-regional powers competing for influence \(^{(7)}\). Especially noteworthy is, that, from a strategic point of view, China has been given an indispensable position in GMS and has deepened its engagement with it. The GMS programme may expand economic as well as institutional linkage between China and peninsular Southeast Asian countries. GMS is thus becoming a new region in which China plays a key role.

The purpose of this paper is to examine the process of the GMS programme and its possible impact on ASEAN regional integration. The expanding economic linkage between China and the peninsular Southeast Asia, together with its influence upon future order of the region will be discussed, and, in order to maintain a credible regional identity, necessity for closer cooperation among ASEAN countries will be emphasised.

Roots of the Cross-Border Cooperation

In March 1992, five months after the conclusion of the Cambodian Peace
Accord in Paris, ADB invited the representatives of China, Myanmar, Laos, Thailand, Cambodia and Vietnam to the head office in Manila, and proposed to put feasibility study concerning cross-border economic cooperation into practice. In October of the same year, the first ministerial meeting of the six countries was held, in order to discuss outcome of the study. Through this discussion, the representatives of the six countries came to an agreement: to promote economic cooperation in six fields, transport, telecommunications, energy, environment, human resource development, trade and investment, and to name the region involved in this cooperation GMS.

The GMS programme was not made up overnight. According to Noritada Morita, an ADB senior official who took part in organising this programme, roots of the GMS programme can be traced back to October 1987, when ADB decided to assist in constructing hydroelectric power plant in Xeset. Xeset is a tributary of the Mekong River, running through southern Laos. At the waterfall in its midstream investigation concerning hydroelectric power plant had begun in the 1980s with Norway’s assistance. This power plant was to fulfil the electricity demand in southern Laos, as well as to secure Laos’ source of hard currency by transmitting all remaining electricity to Thailand. However, due to escalation of Cambodian conflict, collapse of this power plant conception was unavoidable. Lao-Thai relations had deteriorated and armed clashes frequently broke out in border area.

ADB’s policy of positive engagement in Laos was a factor back-grounding its leading role in putting once again the collapsed conception into practice. ADB had considered Laos to be the only one in the three
Indochinese countries, which would show interest in collaborating with the West. To construct power plant in Laos and to transmit electricity to Thailand should become common benefit of both countries, and this common benefit should be promoted, especially when government level of relations between the two countries were strained (9).

It would have been impossible for ADB to set this project forward, if there had been no sign of improvement in Lao-Thai relations at that time. However, both countries were then positive in starting political talks, and their positive relations were also supported by Hanoi (10). Hanoi expected that Laos would open its windows facing Thailand under circumstances, such as, economic difficulties of the three Indochina countries, decline of the Soviet Union and increasing penetration of commodity goods from Thailand.

Moreover, the fact, that legacy of Mekong Committee existed between Laos and Thailand, is also important. The Mekong Committee, organised in 1957 following advice of Economic Commission for Asia and the Far East (ECAFE), made steady efforts in controlling and using Mekong river system, until it stopped to function in the second half of 1970s. Namngum Hydro Electric Power Plant, constructed in north of Vientiane in 1971, was one of its legacies. From Namngum Power Plant electricity had still been transmitted to Thailand even in 1980s through efforts made by Laos-side, and payments from Thai-side had never been left unpaid. There was certain credibility among electric power staffs of the two countries, and this credibility was the base for the ADB’s new project. It was in September 1987, when Electricity Generating Authority of Thailand (EGAT) signed the agreement upon purchasing electricity from the planned power plant in
Xeset\(^{(11)}\).

Xeset Power Plant was inaugurated in November 1991. In the process of its construction, building materials had been sabotaged some times at Thai border, and such difficulties had been overcome through efforts of the electric power staff in both countries. Most of its forty-five thousand kw/h electricity is transmitted to Thailand, which is to fulfil a part of Thailand’s increasing electricity demand, and to be an important source of hard currency for Laos. ADB has thus succeeded in embodying potential common benefit between Laos and Thailand, through its assistance in constructing Xeset Power Plant.

Evolution of the GMS Programme

The GMS programme was launched by ADB, which, after making efforts in developing the project in Xeset, had geographically and functionally extended areas of economic cooperation. Since the ‘windows’ of Laos were opened, extending the effect to Cambodia and Vietnam was taken for granted. Considering Thailand as a main local partner in regional development was a natural extension of Xeset experiences. However, economic cooperation which ADB strived for, not only included Thailand and the three Indochina countries, but also had Myanmar and China in its scope. In order to increase importance of the economic cooperation, link with China was thought to be inevitable\(^{(12)}\). At first, Yunnan Province was targeted, and in 2004 Guangxi Autonomous Region was also included in the GMS programme.

Four factors which enabled to start the GMS programme could be
pointed out. First of all is Thailand’s change in regional policies. Chatchai Chunhawan who became the prime minister of Thailand in 1988 was eager to expand economic relations with neighbouring countries under the slogan: ‘turn Indochina from a battlefield into a marketplace.’ Bangkok had begun to seek economic hinterland for further developments in Thai economy\(^{(13)}\). Second factor is a tendency towards economic liberalisation in Asia. Morita spoke in Bangkok, on his way back from the inauguration of Xeset power plant in November 1991, as follows: “economic liberalisation taking place in Southeast Asia is opening a new dimension for expanding economic cooperation.”\(^{(14)}\) Third is the ceasefire in Cambodia. Although the total lift of the United States embargo against Vietnam took place only in 1994, a delay of political settlement in Cambodia might have increased obstacles against the GMS programme. Finally, active commitment of China, especially that of the provincial government of Yunnan can be mentioned. Regarding increasing economic gap between coastal and inland areas in China, the provincial government aims to “open door of Yunnan to Southeast Asia”, and this idea came to be recognised and supported by the central government\(^{(15)}\).

The GMS programme has two characteristics. One is its strict respect for recipient’s ownership. The GMS programme is the six member countries’ project, and ADB as a host is to function as an intermediary between its members or donors. Another is its pragmatic and results-oriented principle. The GMS programme does not strive for six member countries’ common consent. Development cooperation can be put into practice, if more than two countries have agreed, and it is also possible for other countries to join afterwards. Moreover, the GMS programme does
not stick to preparing official documents, but respects to accumulate de facto agreements, such as in form of chairperson’s summary. These characteristics can be considered as methods adequate for development cooperation directing areas of striking diversity, and within these characteristics one is to see the fundamental reason for the GMS being able to be the main vehicle\(^{(16)}\).

The GMS programme is administred by ministerial meetings, organized by prime minister’s office of each country, representatives of financial and economic planning branch, as well as working groups’ meetings, organised by practical persons in governmental offices placed for each professional field. Since its foundation in 1992, the GMS programme has held, in addition to annual ministerial meetings, working groups a few times a year. Furthermore, in November 2002, its tenth anniversary, six member countries’ first summit meeting was held in Phnom Penh\(^{(17)}\).

Key project of the GMS programme has been construction of cross-border traffic networks, such as North-South Economic Corridor (NSEC), East-West Economic Corridor (EWEC) and Southern Economic Corridor (SEC), as well as economic development along the corridors. This project is expected to remove physical and non-physical barriers and integrate the subregion.

**ASEAN and the GMS Programme**

What would the development of the GMS programme mean for ASEAN? In some points it has benefited ASEAN. Possibility of market expansion can be mentioned as a first point. The programme plays an
important role in CLMV countries in developing infrastructure or human resources, so that these countries can function fully as a market. In addition, peninsular Southeast Asia has the possibility to function as a gateway to Chinese market.

Secondly, the development of the GMS programme has partly supported ASEAN’s enlargement. In 1992, when the programme started, Vietnam and Laos solely attended the ASEAN Ministerial Meeting (AMM) as observers, and formation of ASEAN-10 seemed to be far off. In this situation, the ministerial meetings of the GMS programme, where representatives of all the peninsular countries sat together, seemed to help former adversaries of the Cambodian conflict build confidence. The ASEAN-10 was formed in 1999 with Cambodia’s joining as a full member.

Enlargement of ASEAN would strengthen its bargaining power in a wider range of international relations, as well as make the ASEAN Free Trade Area (AFTA) more attractive. At the same time, however, enlargement led to a new problem of polarisation within ASEAN itself. Polarisation can be observed in many fields, and one example is that seen in levels of economic development. The development gap between older and newer members needs to be narrowed, which now has become ASEAN’s own agenda.

Indeed, ASEAN sought to take its own initiative by embarking ASEAN Mekong Basin Development Cooperation (AMBDC) with a lead of Singapore and Malaysia. The first ministerial meeting of AMBDC was held in June 1996, with participation of ten Southeast Asian countries plus China, bigger than the GMS programme in its size. AMBDC’s main project is to
construct Singapore–Kunming Rail Link (SKRL), a grand scheme that integrates GMS and archipelagic Southeast Asia.

However, AMBDC’s later progress has not been satisfactory. Meetings are held intermittently, as if to save face of its main advocators. As a reason for this unsatisfactory progress of AMBDC, lack of funds can be mentioned. At the time when AMBDC embarked, just one year before Asian financial crisis broke out, ASEAN economies were booming and ‘ASEAN optimism’ was most uplifted. Within ASEAN even a plan existed, to have the SKRL connected to Europe, and proposal of this plan was made in the year, when Asia–Europe Meeting (ASEM) process started\(^{(19)}\). Asian financial crisis of 1997–1998, however, heavily damaged this plan. Japan’s participation as an observer was cancelled by the ASEAN side, just before the first ministerial meeting of AMBDC. Reason of this abandonment is not quite clear, but, according to one explanation, it was due to dissent expressed by China\(^{(20)}\).

More fundamental obstacle to AMBDC was reluctance of some members to give CLMV countries the priority to develop. Indeed, countries which would gain profit directly from the SKRL are Malaysia and Singapore, whereas Indonesia, the Philippines and Brunei cannot expect such profit. Malaysia and Singapore which, through trade and investment, already have closer connection to Indochina, are more eager to cooperate with AMBDC than the other three countries. An eagerness gap can be clearly recognised within the archipelagic countries, and the gap seemed to have become bigger after the Asian financial crisis broke out.

Unsatisfactory progress of AMBDC is thus a problem of ASEAN itself, which has not been caused directly by the GMS programme. Still, this has given the impression that ASEAN is unable to take initiative in
development of its newer members. This impression might have been
strengthened even more by the China’s proposal of ASEAN–China Free
Trade Area (ACFTA). If ACFTA would be extensively put into practice,
all the ASEAN countries would be provided with rich business chance in
Chinese market, and that, as a result, the importance of the peninsular
Southeast Asia as a gateway to Chinese market would be decreased.

Later in November 2000, the ASEAN Summit held in Singapore came to
an agreement to promote the Initiative for ASEAN Integration (IAI)
proposed by Singapore. Conception of IAI is that, developed countries
within ASEAN support that of underdeveloped in fields of infrastructure,
human resource development, information and telecommunication technol-
yogy, and capacity building for regional economic integration\textsuperscript{(21)}. At the core
of this conception lay Singapore’s expectation to strengthen its link to the
CLMV countries by means of Information Technology (IT), its strong
point.

IAI, however, has won far less recognition than the GMS programme,
although it, differing from the case of AMBDC, seeks to gain support
especially from China, Japan and Korea. Manifestation made at ASEAN
Summit, ASEAN + 3 Summit and ASEAN–China Summit, held in Phnom
Penh just before the first GMS Summit in 2003, is noticeable: “Collaboration with the Greater Mekong Subregion programme to
accelerate ASEAN integration”\textsuperscript{(22)}. This would mean that ASEAN has
officially acknowledged the leading role of the GMS programme.
GMS and Greater China

As stated earlier, key project of the GMS programme has been construction of cross-border traffic networks, and, among them, EWEC, connecting central Vietnam and north-eastern Thailand, has been given top priority. This is because ADB regards strengthening of east-west axis very important for balanced development of GMS\textsuperscript{(23)}. However, what seems to be most expanding within GMS is, nevertheless, north-south axis which connects China with countries such as Vietnam, Thailand or Myanmar. As stated earlier, Yunnan Province is actively expanding its economic relations with peninsular Southeast Asia. There is also a growing tendency to develop Kunming, just like Bangkok, to the hub city of GMS.

Moreover it is noticeable, that since the middle of 1990s commitment of the Chinese central government to the GMS Programme has remarkably increased. This is apparent, if one looks to the Chinese representative in the ministerial meetings. At the initial stage it was officials of relatively lower rank in the central government, and people who actually took part in discussion were officials from Yunnan provincial government. However, since the ministerial meeting held in 1995, the central government has begun to dispatch officials of higher rank. A deputy prime minister of the third rank was present at the ministerial meeting held in Yunnan Province in the following year. Then in 2002, the prime minister Zhu Rongji participated in the first summit, which fully appealed, domestically and internationally, China’s active commitment to the GMS programme.

This growing commitment of China to the GMS programme may turn
out to economic advantage of, not only China, but also peninsular Southeast Asian countries. Since economic exchange in GMS cannot be one-way. Within Thai business circle, NSEC is actually not a little expected to be maintained for expansion of business chance in Chinese market. Vietnam is also in the same expectation. On the other hand, among these countries, importance of cooperation with developed countries, such as Japan or USA, has come to be more recognised, in order not to be overwhelmed by China in competitiveness. Therefore, growth of economic exchange with China may also give countries like Thailand or Vietnam opportunities for economic development, which will probably be promoted with multilateralisation of economic relations. Moreover, peninsular Southeast Asian countries are also concerned about strengthening east-west axis\(^{(24)}\). If construction of SEC would actually start, potential of Thailand, Cambodia and Vietnam would surely be more and more stimulated.

However, China’s influence upon peninsular Southeast Asian countries cannot be underestimated. First of all, China has geographical advantage in border trade with these countries. But also with its a few times as large population than that of the whole ASEAN-10, as well as its high rates of economic growth, continuing more than two decades, China is perhaps implanting in its smaller neighbours, rather exaggerated image of growing economy\(^{(25)}\). Ross H Munro argued in 1994 that : “neighbouring countries eager for the fruits of China’s economic takeoff sometimes seen more enthusiastic than China itself”\(^{(26)}\). This argument seems to be still plausible.

Moreover, China itself has reasons to be concerned about circumstances in its southern flank, since adversaries had historically utilised the border area for ethnical or ideological subversion against China\(^{(27)}\). Also,
peninsular Southeast Asia links China with strategic waterways in the South China Sea and the Indian Ocean. China is expanding diplomatic and military ties with peninsular Southeast Asian countries. China has moved to establish military-to-military contacts with these countries, whereas acceleration of military build up within itself is an attempt to make them unable to rely on military force against China’s economic expansionism\(^{(28)}\). This would be a modern version of “to prevail without fighting” (Sun Tzu’s Art of War).

Yet, future China may not be easily foreseen, and a despotic China, strongly affecting neighbouring countries with its mighty national power, cannot be the only outcome. In the longer term, China could be politically destabilised. Widening economic gap and uneven development among provinces and social strata, caused by its rapid economic growth, could lead to strong resistance to and weakening of the Beijing’s control. As a result, China’s political system may turn out to be more pluralistic in future. As Barry Buzan and Ole Wæver mentioned, “the chance of China fragmenting, or undergoing prolonged political and economic turbulence, seemed just as great as the chance of its emerging as an Asian or global great power”\(^{(29)}\). In the former case, GMS would function as a sort of shock absorber between China and Southeast Asia, and for regional security, role of prosperous and stable Yunnan and Guanxi would become more important.

At this moment, however, China is still despotic, and, even if certain pluralisation would take place in future, it may appear as unified entity based on its emerging nation-wide economy. In this case, China would become a type of empire, controlling its smaller neighbours with combination of diplomatic, economic, and non-coercive measures, and
‘peace’ may be brought to GMS, as a result of certain areas in peninsular Southeast Asia being incorporated into Greater China’s sphere of influence. Such an outcome would certainly not be favourable to ASEAN, and in order to avoid it, ASEAN will have to contribute more vigorously to a credible regional identity. ASEAN should initiate positive development cooperation for the newer members, and realisation of ASEAN Economic Community should not be in far future\(^{(30)}\).

6 In this paper, author uses the term ‘peninsular Southeast Asia’ instead of ‘mainland Southeast Asia’. This terminology reflects author’s stand that whole Southeast Asia should be treated as a distinct region rather than an edge of Asian mainland. The author has benefited from useful insights on this point from Gungwe Wang, “Two Perspectives of Southeast Asian Studies: Singapore and China,” in Locating Southeast Asia: Geographies of Knowledge and Politics of Space, edited by Paul H Kratoska, Remco Raben and Henk Shulte Nordholt, Singapore: Singapore University Press, 2005.


8 Author’s Interview with Noritada Morita, Bangkok, 31 August 2004.

9 Ibid.


12 Author’s Interview with Morita.

13 Thailand also collaborated with China in Quadrangle Development (China, Thailand, Myanmar and Laos) started in 1993 and supported Japan in Forum for Comprehensive Development Initiative (Thailand, Cambodia, Laos and Vietnam) proposed by prime minister Kiichi Miyazawa in 1993.

14 He further pointed out factors which would accelerate such process: “economic cooperation in Asia was being facilitated by a marked increase in intra-regional trade”, “the acceleration of direct private foreign investment among Asian countries with much of funds coming from the newly regional industrialising economies and Japan”, “a narrowing of differences in the rates of growth between subregions in Asia had helped reduce trade imbalance and enhance intra-regional trade” and “the emergence of a more ‘multi-layered structure’ in the regional economy had provided an added push for the transfer of

(15) Author’s Interview with Zhu Zhenming, Vice Director, Institute of Southeast Asian Studies, Kunming, 4 September 2004.


(17) Second meeting of the GMS Summit was held in Kunming in July 2005.


(19) First meeting of ASEM was held in Bangkok in March 1996.


(23) Author’s Interview with Tsuneaki Yoshida, professor at the University of Tokyo and a former ADB official, Tokyo, 25 July 2004.

(24) At the ASEAN Summit held in Hanoi in December 1998, necessity for cooperation in developing West-East Corridor (WEC) was raised by Vietnam and was approved as an ASEAN project. WEC conception is to contribute to equitable development in the GMS, through poverty reduction in areas from central Vietnam to north-eastern Thailand. Thai prime minister, Thaksin Shinawatra, on the other hand, proposed in April 2003, The Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS), initially targeting four countries, Thailand, Myanmar, Laos and Cambodia. In November of the same year its first summit meeting was held. This ACMECS conception has its point in further promoting division of labour among the four countries, and Thailand itself has proclaimed to take steps for tariff reduction or contracted import. Vietnam
was also invited to join ACMECS after the first summit meeting.


(27) For example, USA, during 1950s and 1960s, contacted ethnic forces in Myanmar, northern Laos and northern Vietnam, as well as former Kuomintang troops remained in Myanmar, with aim to contain China and its perceived surrogate, North Vietnam.

(28) Ibid.; Muni, *China’s Strategic Engagement with the New ASEAN*, chapter 4.


(30) Japan is also expected to play active roles for this goal. Takayuki Ogasawara, “Asean nisouka mondai to nippon: mekon chiiki kaihatsu heno torikumi” [Overcoming the ASEAN Divide: Japan’s Tackling for the Mekong Region Development], in *Asean saikasseika heno kadai* [Agendas for Revitalisation of ASEAN], edited by Yoneji Kuroyanagi, Tokyo : Akashi shoten, 2011.