

Research on Promoting Capacity Cooperation between China and the “Lanmei Five Countries”

Tang Hongxiang^{1,a}, Chen Hui^{1,2,b}

¹Department of Economics and Trade, Guangxi University of Finance and Economics, Nanning, China

²Research School for Southeast Asian Studies, Xiamen University, Xiamen, China

^a 4707575@qq.com, ^b 9643538@qq.com

Keywords: China, The five countries of the MeKong River, international capacity cooperation

Abstract. The five countries of the MeKong River is a key node country along the “The Belt and Road”. It is an important area for China to promote productivity cooperation along the “The Belt and Road” countries. At present, the scale of cooperation between China and the five countries of the MeKong River is expanding, the areas of cooperation and demonstration projects are increasing, and the carriers and modes of cooperation are diversified. However, it lacks effective promotion mechanism, scientific planning, inaccurate docking of capacity cooperation, imperfect service support system, lack of demonstration platform and project driving, cooperation doubts and “China Threat Theory” and other issues. We should pragmatically promote international capacity cooperation between China and the “The five countries of the MeKong River”, complete the docking of the capacity cooperation mechanism of “The five countries of the MeKong River” as soon as possible, effectively promote the strategic docking of capacity cooperation and complementary capacity, improve the international capacity cooperation service mechanism, actively build a demonstration platform for capacity cooperation, promote the effectiveness of early harvest projects, optimize the environment for capacity cooperation, and jointly build” the destiny of the Lanmei countries Community”.

1. Introduction

On March 23, 2016, the leaders of China, Thailand, Laos, Vietnam, Cambodia and Myanmar gathered in Sanya, China, to issue the Sanya Declaration of the First Leadership Meeting of Lancang-Mekong River Cooperation, and to establish a community of the destiny of the Lan and Mekong countries. ^[1]The development of Lanmei cooperation under the framework of “The Belt and Road” is an important measure to jointly build the destiny community of China South Central peninsula. International capacity cooperation is the action of two countries or regions that are willing and need to allocate capacity across borders or regions. It is a new mode combining international industry transfer and foreign direct investment. ^[2]International capacity cooperation is an important part of China's “The belt and Road” initiative, and is also the focus of the development of Lanmei cooperation. In the Joint Statement on Capacity Cooperation of the Lancang-Mekong Countries, the leaders of the six countries agreed to take advantage of the competitive advantages, manufacturing capacity and market scale of the Lancang-Mekong countries to promote regional cooperation and enhance the level of industrial development of their partners in a variety of cooperative ways. ^[3]The five Lanmei countries (Cambodia, Laos, Myanmar, Thailand and Vietnam, hereinafter referred to as the five Lanmei countries) have become the “main axis” countries in China's “one axis, two wings” international capacity cooperation. Therefore, under the background of “The belt and Road”, it is of great practical significance to study how to promote Lanmei countries's international capacity cooperation more pragmatically and efficiently.

2. Dynamic factors of international capacity cooperation among Lanmei countries

2.1 Potential Requirements for Industrial Development in Lanmei Five Countries

Among the “Lanmei Five” countries, except Thailand, which is a newly industrialized country, Vietnam, Cambodia, Myanmar, Laos and other four countries have a low degree of industrialization, and urbanization is in the primary stage of development. Thailand's main economic sectors are manufacturing, agriculture and tourism. Among them, the electronics industry and automobile industry are developing most rapidly. Thailand has become the automobile manufacturing center in Southeast Asia. Laos, Myanmar and Cambodia are typical agricultural countries in Southeast Asia. Agriculture is the basis of their national economy. Agricultural production is relatively backward, industrial base is weak, there is no heavy industry, and the degree of industrialization is low. Vietnam is a developing country. The processing and assembly industries dominate, and the supporting industries are weak. Generally speaking, although there are great differences in the level of economic development among the five countries, they depend heavily on foreign capital and foreign trade. They urgently need to introduce foreign capital, advanced technology and rich management experience to develop their own economy and establish a sound modern industrial system, especially for the potential demand for high-efficiency, low-input and Quick-effect capacity cooperation. At present, the overall recovery of the world economy is weak. The international capacity cooperation of Meilan countries will help to enhance their comprehensive competitiveness in regional economic integration and economic globalization.

2.2 The strong willingness of the five Lanmei countries to upgrade their infrastructure

The level of infrastructure investment in the five countries is generally low, and the backward infrastructure in China has become the biggest obstacle to their rapid economic development. Myanmar is seriously short of infrastructure such as transportation, energy, hydropower, post and telecommunications, financial services and so on. It is difficult to meet the needs of investors. Infrastructure construction in Vietnam can not keep up with the pace of economic development. The World Economic Forum survey report shows that due to the lack of power plants in Vietnam, electricity is very scarce, often in short supply. Because of its high proportion of hydropower, power supply is tight in drought. In addition, Vietnam's transportation infrastructure is imperfect due to its serious lack of investment in transportation infrastructure. Compared with other Lanmei countries, Thailand's transportation infrastructure is relatively perfect, but with the rapid development of its economy, the contradiction between power supply and demand is becoming increasingly prominent. Due to the slow development of Railways and highways in Thailand, the low efficiency of transportation between the domestic governments largely restricts its development. Cambodia's infrastructure construction is relatively backward, and its electricity supply can not meet the basic electricity demand of the country. It needs to import from abroad and lags behind other Lanmei countries in the infrastructure construction of highways, railways and ports. Laos has made great efforts to develop infrastructure construction in recent years. It has good infrastructure such as electricity and highway. However, its domestic railways still need to be strengthened. Some villages and counties have not yet been connected to electricity. Through capacity cooperation, the five countries can greatly improve and enhance their domestic infrastructure level and comprehensive service capacity in transportation, electricity, energy and other aspects, thus effectively breaking the biggest obstacles that restrict their rapid economic development and providing sufficient conditions for their economic take-off.

2.3 The release pressure of China's superior production capacity increases under the new normal conditions

Compared with other members of Lanmei, China is in a relatively leading position in the process

of industrialization. China's high-speed railway, construction, machinery and other aspects have reached the world's advanced level. Capacity cooperation between the two sides conforms to the principle of complementarity, which is conducive to playing the role of all parties in cooperation from the perspective of comparative advantage. Over the past 40 years since China's reform and opening up, the domestic industrial system has become increasingly perfect, the level of industrialization has improved significantly, and the competitive advantages of some industries in the international market are more prominent. At the same time, it is urgent to release the pressure of capacity. Documents issued by the State Council show that China's high-quality industries with excess capacity mainly distribute in the manufacturing industries of coal, steel, cement, flat glass, electrolytic aluminium and so on. As China's economic development has entered a new normal in recent years, it is hoped that through extensive capacity cooperation with the "Lanmei Five" countries, releasing China's high-quality surplus capacity will be an effective way to improve the quality and efficiency of China's economy. This will not only enhance China's new momentum with new industries, new formats and new models as the core, and effectively promote China's steady economic growth and economic restructuring and upgrading, but also promote the construction of a sound industrial system and enhance the level of industrial development of the Lanmei countries.

3. Current situation of cooperation between China and the five Lanmei countries

3.1 Size of cooperation between China and the five Lanmei countries.

Since the establishment of China-ASEAN Free Trade Area in 2010, bilateral trade and economy between China and ASEAN have developed rapidly. Over the past 10 years, China has become the largest trading partner of Thailand, Vietnam, Cambodia and Myanmar and the largest investor of Cambodia, Laos and Myanmar.^[4] According to statistics from the Ministry of Commerce, in 2017, the Lanmei countries accounted for four of the top 20 countries and regions in China's outward FDI flows. In 2017, China's outward FDI flows to Laos, Thailand, Vietnam and Cambodia reached 1.22 billion US dollars, 1.06 billion US dollars, 760 million US dollars and 740 million US dollars respectively. The total trade volume between China and the five countries (Thailand, Vietnam, Cambodia, Myanmar and Laos) reached US\$220 billion in 2017. China's cumulative investment stock in the five countries exceeded US\$42 billion, and the investment volume increased by more than 20% in 2017.^[4]

3.2 China and Lanmei Five Countries Develop International Capacity Cooperation Areas and Demonstration Projects

By the end of 2017, China and the Lanmei Five Countries had developed extensive cooperation in the fields of energy, transportation infrastructure, minerals, manufacturing, agriculture, communications and building materials. In 2017, the newly signed and completed turnover of Chinese enterprises in Southeast Asia increased by 51.2% to 71.32 billion US dollars, and 33.97 billion US dollars, 22.1% to 22.1% year-on-year.^[5] According to the statistics of the Ministry of Commerce on China's foreign contracting projects in 2017, the following figures are obtained: the amount of new contracts signed by Chinese enterprises in Cambodia in 2017 is US\$3.3 billion; the amount of new contracts signed by Chinese enterprises in Vietnam is US\$6.1 billion; the amount of new contracts signed by Chinese enterprises in Laos is US\$5.21 billion; the amount of new contracts signed by Chinese enterprises in Thailand is US\$3.73 billion; and the amount of new contracts signed The same amount was \$1.99 billion.^[5]

At present, there are many production capacity cooperation projects in Lanmei, among which there are demonstration projects, such as China-Laos Railway Project, China-Thailand Railway Project, Haiyang Coal-fired Power Plant Project in Vietnam, Cascade Hydropower Project in the South Europe River Basin in China-Laos, Nanmei Hydropower Station Project, etc. Manufacturing demonstration areas: China-Cambodia-Bergwaixia Sugar Plant Project, China-Cambodia Cement Plant Project, etc. and Sino-Cambodia Eco Agriculture Comprehensive Development Project.

Agricultural cooperation projects between China and Myanmar, etc.

Table 1 Demonstration Projects of Energy Cooperation between China and Lanmei Five Countries

Cooperation field	different countries	Capacity cooperation projects	Project Construction and Achievements
Infrastructure	Laos	Cascade Power Stations in Southern Europe	Drive domestic enterprises such as China's electric power design equipment manufacturing supervision and construction to sea, and pull 310 million yuan of electric power equipment exports
	Laos	North Power Grid Project	The contract amounted to \$302 million to upgrade Laos North Grid to 230 KV
	Thailand	Thai Telecom Project	Huawei Technologies Co., Ltd. undertakes the Thai Telecom Project
	Vietnam	Yongxin Phase BOT Coal and Electricity Project	China Southern Power Grid Holdings invested 1.755 billion US dollars
Industrial Cooperation	Myanmar	Cement Plant Project	China Conch Group invests in construction, with annual capacity exceeding 12 million tons
	Thailand	EA Solar Energy Project	China Hydropower Group invested in the construction of EA Solar Energy 90MWEPC project
	Cambodia	Preah Vihear Sugar Factory	Guangdong Hengfu Sugar Group invested 360 million US dollars to provide 7000 jobs
resource development	Laos	Nantahe No.1 Hydropower Station	China Southern Power Grid invested 2.7 billion yuan and installed 168,000 kilowatts
	Cambodia	Dadai Hydropower Station	China Heavy Machinery Co., Ltd. invested \$540 million
	Vietnam	Coastal Phase II Coal-fired Power Plant Project	China Huadian Science and Technology Group Co., Ltd.

3.3 Carrier and Model of International Capacity Cooperation between China and the Five Lanmei Countries

At present, the main carriers of international capacity cooperation of Lanmei countries are overseas economic cooperation zones and cross-border economic cooperation zones.

As of March 2019, there are five overseas economic and trade cooperation zones of the Lanmei countries confirmed by the assessment of the Ministry of Commerce of China, namely, the Taizhong Luoyong Industrial Park, the Sihanouk Port Special Economic Zone of Cambodia, the Longjiang Industrial Park of Vietnam, the Vientiane Saiseta Comprehensive Development Zone of Laos, and the Haoyang Special Economic Zone of Myanmar.

There are six cross-border economic cooperation zones built by China and Lanmei countries, namely, China Pingxiang-Vietnam Tongdeng cross-border economic cooperation zone, China Dongxing-Vietnam Mangjie cross-border economic cooperation zone, China Longbang-Vietnam Chaling cross-border economic cooperation zone, China Hekou-Vietnam Lao Street cross-border economic cooperation zone, China Mohao-Laos Moding cross-border economic cooperation zone and China Ruili-Vietnam Chaling cross-border economic cooperation zone. Myanmar Mujie Cross-border Economic Cooperation Zone^[6].

At present, the main modes of international capacity cooperation in Lanmei countries are: (1)

joint venture development supported by the two governments (Vientiane Saiseta Comprehensive Development Zone in Laos); (2) enterprise-led government support (Luoyong Industrial Park in Central Thailand); (3) government-led and coordinated development (six cross-border economic cooperation zones built between China and the five Lanmei countries); (4) government-led, enterprise city. Fieldwork promotion (Sihanouk Port Special Economic Zone, Cambodia); (5) Government-led, joint promotion of multinational enterprise groups (Haoyue Special Zone, Myanmar); (6) enterprise independent investment and development (Longjiang Industrial Park, Vietnam).

4. Problems in Energy Cooperation between China and Lanmei Five Countries

4.1Lack of effective promotion mechanism

At present, the capacity cooperation between China and the five Lanmei countries has not yet formed an effective promotion mechanism. Especially when it comes to the direct investment of Chinese enterprises in Lanmei countries, it is found that there are great differences between Lanmei countries and China in terms of investment legal system, industrial rules and regulations, and technical standards of production capacity. Due to the lack of in-depth study of these specific systems and standards, Chinese enterprises have greatly hindered the process of capacity cooperation in Lanmei countries.

4.2Lack of scientific planning and inaccurate docking of capacity cooperation

Because of the different level of economic development, industrialization and resource endowment in Lanmei countries, some Chinese enterprises have not fully understood the reality of industrial development and the strategic planning of capacity cooperation put forward by various countries, and lack of high-level construction and scientific planning in the early stage of cooperation, which leads to many problems in cooperation. Problems and contradictions often occur when projects are forced to be suspended or suspended.

4.3Imperfect service support system

When Chinese enterprises invest in productivity cooperation in the five countries, they generally have the problem of high investment cost and financing difficulties. They lack the support of policy-oriented financial services and preferential fiscal and tax policies. Some productivity cooperation projects are progressing slowly because of lack of funds.

4.4Lack of demonstration platform and demonstration project

At present, in the capacity cooperation between China and the five countries of Lanmei, there is a lack of scientific planning and construction, the distribution of cooperative projects is scattered and not enough centralized, and the demonstration platform with agglomeration effect has not yet been formed. The demonstration projects with actual effect and example-driven effect have made relatively slow progress, and their driving effect has not yet appeared.

4.5Cooperation Doubts and “China Threat Theory”

After “The belt and Road” initiative was put forward, the “China Threat Theory” was further exaggerated by some Western powers. The protests of people from lanmei five countries such as Vietnam, Thailand and Burma against Chinese enterprises and Chinese businessmen participating in their domestic project investment were common. As a result, the Lanmei countries have doubts about cooperation. When carrying out capacity cooperation, they are wary of Chinese enterprises and hinder the normal development of capacity cooperation.

5. Measures to Promote Energy Cooperation between China and the Lanmei Five Countries

5.1 Complete the docking of Lanmei National Capacity Cooperation Mechanism as soon as possible

Due to the great differences between the “Lanmei five countries” and China in terms of investment legal system, industrial rules and regulations, and capacity technology standards, this has greatly hindered the smooth development of capacity cooperation between China and the “Lanmei five countries”. Therefore, on the basis of the Joint Statement on Capacity Cooperation of Lancang-Mekong Countries, the key directions and preferential policies for cooperation with other countries are further clarified by means of intergovernmental agreements. At the same time, China should make a comprehensive analysis of the specific systems of international capacity cooperation with the “Lanmei Five Countries”. Special emphasis should be placed on sorting out the differences in the capacity cooperation systems of the “Lanmei Five Countries” and the difficulties in the process of docking. Under the framework of the capacity cooperation of the Lancang-Mekong River countries, China should fully study the strategy of docking bilateral capacity cooperation systems and improve them. Capacity cooperation efficiency, reduce the risk of enterprise cooperation.

5.2 Effectively Promote the Docking and Complementarity of Capacity Cooperation Strategy with the “Lanmei Five Countries”

Firstly, we should fully understand the economic development plans or industrial strategies of the five Lanmei countries, and carry out effective capacity cooperation strategy docking. Secondly, China should combine the industrial structure and development of the “Lanmei Five Countries” to formulate the strategic plan of capacity cooperation between China and each country, and strengthen the operability of bilateral capacity strategy. Thirdly, it is clear that China and the Lanmei Five countries should take equality and mutual benefit as the premise to carry out international capacity cooperation and seek the best complementary scope of capacity cooperation between the two sides. In order to achieve maximum benefits, it is necessary to deeply analyze the matching degree between China's high-quality production capacity and the capacity needs of the “Lanmei Five Countries”, formulate corresponding capacity cooperation plans in the light of the industrial development strategies of different countries, and adhere to giving priority to the development of industries with larger demand and superior capacity in the “Lanmei Five Countries”, and jointly discuss and work out the priority development sequence of bilateral capacity cooperation.

5.3 Perfecting the Service Mechanism of International Capacity Cooperation between China and the “Lanmei Five Countries”

First of all, we should strengthen financial services and security mechanisms. At the first meeting of Lanmei leaders, in order to support the development of infrastructure construction and capacity cooperation in Lanmei countries, Premier Li Keqiang proposed the establishment of 10 billion yuan concessional loans and 10 billion yuan credit line.^[7] At the same time, on this basis, the establishment of a special ASEAN subregional capacity cooperation fund, or consider the establishment of bilateral capacity cooperation fund, to further strengthen the exclusive financial support and protection of capacity cooperation in the Lanmei subregion. Secondly, we should strengthen the convenient management of the business investment management mechanism of the “Lanmei Five Countries”, so that Chinese enterprises can carry out capacity cooperation more efficiently and quickly in the “Lanmei Five Countries”. Thirdly, we will accelerate the establishment of the “Lanmei Five Countries” capacity cooperation information platform, and timely and effective delivery of the latest capacity cooperation information to domestic enterprises.

5.4 Actively build a demonstration platform for capacity cooperation to promote the effectiveness of early harvesting projects

First of all, we should actively provide these demonstration platforms and their enterprises with preferential industrial policies, investment policies, fiscal and taxation policies. Secondly, the government can actively guide these demonstration platforms to gradually develop into an important support to drive China's high-quality production capacity towards the "Lanmei five countries". Finally, according to the actual situation, scientific planning and construction of industrial value chain, these demonstration platforms into a new model of ASEAN subregional capacity cooperation.

In addition to establishing demonstration platforms, early harvesting projects should also be promoted to achieve actual results. Secondly, early harvesting projects should also pay attention to the livelihood needs of the "Lanmei Five countries", strengthen the transformation of infrastructure in rural areas of the "Lanmei Five countries", so that the broad masses of the people can obtain the "benefits" in fact.

5.5 Optimizing the Environment of Capacity Cooperation and Building the "Community of Destiny of Lanmei Countries"

Firstly, Chinese enterprises should pay more attention to their social benefits and social impacts when carrying out capacity cooperation in the "Lanmei Five Countries". They should strengthen interaction with local governments and people, and care about local economic development and people's living conditions. At the same time, it is also necessary to promote the coordination and sustainable development of the local ecological environment and bring positive impact to the people in the surrounding areas.

Secondly, we should strengthen cultural exchanges and cooperation, expand bilateral tourism routes, deepen understanding, enhance friendship and trust. We can also strengthen exchanges and cooperation with the "Lanmei Five" countries in the fields of education, science and technology, culture and youth. The Chinese government can provide scholarships and training opportunities for young people from the "Lanmei Five" countries, and strengthen cooperation in human resources training.^[7]

Thirdly, we should strengthen cooperation in water resources, strengthen dialogue with relevant government departments in Lanmei countries, promote technical cooperation in water resources in Lanmei countries, improve water quality monitoring systems in Lanmei countries, and strengthen data and information sharing.^[7]

Acknowledgements

Fund Project: Funding of high-level innovation team and excellent scholar program of Guangxi universities; funding of innovation team program of Guangxi University of Finance and Economics; funding of Land-Sea Economic Integration Cooperative Innovation Center; funding of major research project of National Social Science Fund "Research on Land-Sea Economic Integration and Protection of Rights and Interests in South China Sea(18VHQ013)".

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