China, Thailand and the Lancang-Mekong Cooperation

Abstract

The LMC is a newly-established framework for the Mekong subregion, pushed forward by China with Thailand’s support. The main objective of this paper is twofold. First, the paper examines the ways in which, and the degree to which, the potential regional leader theory can be used to explain the membership of the Lancang-Mekong Cooperation (LMC). Second, the paper considers China’s motives behind the formation of the LMC in light of the theory. This paper argues that China’s LMC diplomacy aims to establish a new framework controlling the management of vital issues such as water management, which excludes other rivals, particularly Japan; thus, creating a sphere of influence on the Mekong subregion. China’s LMC is also designed to overshadow other existing frameworks such as the US-sponsored Lower Mekong Initiative (LMI) and the Japan’s ADB-led Greater Mekong Subregion (GMS), and to be an alternative to the lower riparian countries’ Mekong River Commission (MRC). For Thailand, it is willing to support the LMC and choose China as a leader or a big brother in the subregion, while enjoying its status as China’s younger brother. This conclusion supports the proposed hypothesis derived from the potential regional leader theory.

Introduction

The Lancang-Mekong Cooperation (LMC) framework was created in 2015 to promote Mekong cooperation at a subregional level, comprising the six countries along the Mekong River. What is remarkable about this grouping is the fact that it is a Mekong-only framework that Thailand has initiated but that China has pushed and claimed ownership of, with the de facto consent of the original initiator, in which China is in the driver’s seat for the framework-building process.

This paper explores the ways in which, and the degree to which, Hamanaka’s potential regional leader theory\(^1\) can be used to explain the membership of the LMC. This is because

determining eligibility for membership is the foundation process of group formation. It argues that the formation of regional frameworks is best explained as a potential leader state’s effort to establish its own framework in which it can exert exclusive influence by holding the leading position. In this respect, it is necessary to examine not only which states are included but also which states are excluded. This stems from the fact that a state that proposes a regional framework needs to ensure a membership favourable to itself by excluding a more influential state or a rival power. In this way it can obtain the leading position in the framework. One distinct feature of the LMC is that Japan, a major power that has long had an economic presence in the Mekong region, is excluded. In this paper, I emphasize exclusion, suggesting that states “outside” the LMC are significant in determining the framework membership, manifesting the *raison d’être* behind the LMC.

This paper has four sections. The first section will lay out a research design for the rest of the paper. The second will provide an overview of the LMC. The third will examine the establishment of the LMC in the light of the potential regional leader theory. The final section will determine what conclusions can be drawn from the LMC formation.

**Some Limitations of Mainstream Theories**

This paper focuses on the issue of membership in regionalism by testing Hamanaka’s potential regional leader theory. This paper argues that his theory is worth examining because of the limitations in mainstream theories to explain regionalism’s membership issue. This section will briefly review the limitations of mainstream international relations theories, namely realism and institutionalism, questioning whether such theories explain a specific form of membership.

Realism suggests that balancing is a behavioral tendency of states to form a coalition against common external threats. Although political coalitions are more familiar, economic coalitions are not uncommon. An economic coalition is not different, in essence, from a political one, as both are formed in response to external challenges. In the economic arena, states form a
coalition to obtain bargaining advantage and gain economies of scale. Accordingly, a coalition is required when a common external threat appears. Realism is therefore a demand-side approach to regionalism, which is helpful in explaining the raison d’être of a regional group. Nevertheless, it does not throw light on all aspects of regionalism. An example of this is membership. Realism apparently cannot clarify the specific form of regional membership.

In institutionalism, states cooperate and create institutions to derive the expected benefits of institutionalization. This stems from the fact that states, according to institutionalists, tend to focus on absolute gains since the possibility of war and the use of military force are unlikely. For states, cooperation is also important to resolve the problem of externalities, the negative effects of other states’ economic policies. In this sense, states participate in regionalism to manage the problems produced by economic regionalization. Institutionalism is a demand-side approach. Institutionalists emphasize the importance of institutions. They argue that institutions continue to exist even after the decline of hegemony, the supply-side conditions implying that the existence of institutions should be explained based on the demand-side. However, like realists, institutionalists too do not seem to explain the particular form of regional membership.

As other mainstream theories, the demand-side approach to regionalism also has difficulty in explaining the issue of membership in regionalism. The potential regional leader theory, which claims to be the supply-side approach to regionalism, is worth examining and testing to see whether it can offer any insight into the issue of membership.

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Research Design

In this paper, a research design follows Hamanaka’s potential regional leader theory, proposed in his book *Asian Regionalism and Japan: The Politics of Membership in Regional Diplomatic, Financial and Trade Groups*. This paper uses deduction to present the theory’s assumptions, hypotheses, and observable implications, explaining the LMC membership determined by China.

The Potential Regional Leader Theory

The potential regional leader theory aims to explain the logic of group formation with an emphasis on membership issues. It borrowed the Chinese proverb “ning wei ji kou, wu wei niu hou”, meaning “it is better to be the head of a small group than to hold a less powerful position in a large group,” as the basis of the theory. The hypothetical observation is that creating a regional group is an effective way for a state to become a leader in a group. Whether a state can hold the leading position in a group depends upon its membership. If a state is able to achieve the membership it prefers, it can be the group leader. It is this aspiration to be the leader of a small group that explains a state’s behaviour regarding the formation of regional groups.

The hypothesis of the potential regional leader theory includes two key actors: a Potential Regional Leader State (PRLS) and a Hypothetical Regional Leader State (HRLS), defined as follows:

1. The PRLS is a state that is powerful, but whether it is No. 1 or No. 2 in a regional framework depends on whether the boundary of the regional framework includes rival, more powerful states.

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7 Ibid., 1.
8 Ibid., 1-3.
2. The HRLS is a state that is more powerful than the PRLS and could be No. 1 in a supposed regional framework if it is not excluded from the framework.9

The PRLS is a “potential” regional leader, as it can be the actual leader (No. 1) only if the regional framework successfully excludes more powerful states. If a regional framework including a more powerful state is formed, it cannot become the actual leader. Conversely, the HRLS is hypothetically No. 1 in the supposed regional framework; it can be the leader only if it is not excluded from the framework.10

The potential regional leader theory has two assumptions:

Assumption 1: A region, or an area, covered by a regional framework is a social construct. States try to achieve a favourable membership of the regional framework.
Assumption 2: Holding the leading position of a regional framework is beneficial overall.11

Regarding Assumption 2, the theory assumes that the benefits of being leader are larger than the costs. Accordingly, all states are eager to hold a leading position.12

From the above assumptions, the hypothesis is deduced as follows:

H1: A PRLS creates a regional framework in which it can hold the leading position by excluding HRLSs.13

In other words, when a potential leader state can freely choose the membership of a regional framework, it is natural for that state to attempt to become the actual leader of the group.14

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9 Ibid., 23.
11 Ibid., 24-25.
12 Ibid., 25.
13 Ibid., 26.
14 Ibid.
Methodology

The previous section shows the assumptions and hypothesis derived from the potential regional leader theory. The hypothesis is converted into observable implications in order to compare it with observable facts.15 The potential-regional-leader theory has three observable implications (see Figure 1):

OI1: The geographical scope of regionalism proposed by State B is Y, which does not include State C, which is more powerful than State B. When other countries propose regionalism Y, State B supports it.

OI2: When State C joins regional framework Y and the geographical scope of the framework expands to Z, State B abandons the old expanded regional framework and attempts to create a new framework Y, from which State C is excluded.

OI3: When regionalism X, which does not include State B, is proposed, State B attempts (a) to join it and to change the framework to cover the area of Y, or (b) to counter-propose regionalism Y.16

Figure 1. Boundaries of frameworks preferred by states

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15 Ibid., 27-28.
16 Ibid., 27.
As a result, three types of behaviour can be expected from China regarding its regionalist policy (in the context of Mekong regionalism):

EB1: Regional frameworks that China proposes or supports do not include Japan.
EB2: When China creates a regional framework that does not include Japan and Japan joins it later, then China abandons the framework and tries to initiate a new framework that does not include Japan.
EB3: When a regional framework that does not include China is proposed, China attempts to participate in it or counter-proposes another regional framework that includes China.

The Lancang-Mekong Cooperation

Formerly known as the Lancang-Mekong River Dialogue and Cooperation, the LMC framework was established in November 2015, just one year after Chinese Premier Li Keqiang formally put forward the initiative at the 17th China-ASEAN Summit, held in Nay Pyi Taw, Myanmar, on 13th November 2014. The founding members of the LMC are China and five other Mekong states: Thailand, Cambodia, Laos, Myanmar, and Vietnam. The genesis of the LMC was Thailand’s proposal of the Conference on Sustainable Development in the Lancang-Mekong Subregion, which aimed to organize ways to address challenges, such as natural disaster, faced by all six Mekong riparian countries and explore possible cooperation for sustainable development. The conference was supported by China. China and Thailand have made competing claims over

18 Ministry of Foreign Affairs, "Joint Press Statement on Long-Term Program on the Development of Thailand – China Relations Issued on the Occasion of the Official Visit to Thailand of His Excellency Mr. Li Keqiang, Premier of the State Council of the People’s
ownership of the initiative. According to the available sources, Thailand was the original initiator of the LMC. However, it was undeniably China that made the LMC real and publicly claimed its ownership. Moreover, the Thai government barely opposed, and might well have consented to, Chinese claims; the Thai Foreign Ministry merely mentioned in the press release that the LMC framework was “initiated by Thailand and endorsed by China.”

After positive responses from the Mekong countries, the First LMC Senior Officials’ Meeting was held in Beijing’s Diaoyutai State Guesthouse on 6th April 2015. It was co-chaired by China and Thailand. The participants of the meeting discussed the concept paper for creating the framework, including its objectives, direction, and priority areas. At the meeting, Chinese foreign minister Wang Yi brought forward proposals to build a community of common destiny among the Mekong countries. Wang’s words were further elaborated on by Chinese vice foreign minister Liu Zhenmin, who said the Mekong countries should commit themselves to constructing three communities: a community with shared responsibilities, a community of common interests, and a community of people-to-people exchanges. These communities, Liu said, “will maintain regional peace and stability... promote development and prosperity… [and] promote harmonious relations among all social sectors.” For China, the Mekong countries are important cooperative partners in constructing an Asian community with a common destiny and building the One Belt One Road (OBOR). In the end the meeting agreed that the initiative’s name should be renamed

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the Lancang-Mekong Cooperation, as there was nothing controversial in the joint development of the subregion.23

The Second LMC Senior Officials’ Meeting was held in Chiang Rai, Thailand, on 21st August 2015. Like the first meeting, it was co-chaired by China and Thailand. The meeting discussed the concept paper of the creation of the LMC, the Early Harvest Projects, the arrangement for the First Foreign Ministers’ Meeting, and other topics.24 At the meeting, China’s vice foreign minister put forward a three-point proposal on the LMC that can be summarized as follows:

1. To cement a sense of community, maintain long-lasting peace and stability in the region, promote the sustainable development of all countries, support the creation of the ASEAN community, and drive the development of the China-ASEAN relationship.
2. To enhance the overall design and long-term planning, build a multi-layered cooperation structure and other mechanisms, and, at present, mainly discuss practical cooperation.
3. To stick to the philosophy of openness and inclusiveness, and complement, coordinate development, and intensify exchanges of experience with the existing mechanisms on subregion cooperation.25

In the end, a consensus was reached on the LMC Concept Paper to establish the framework, which would be submitted to the First Foreign Ministers’ Meeting for endorsement.

Meanwhile, the official track was on its way. China sent to the Mekong countries some of the former ambassadors it once posted to the subregion, promoting the LMC proposal and gathering input from local parties.26 These seasoned, retired diplomats are attached to the Chinese

23 Xu, "China Proposes Lancang-Mekong River Community of Common Destiny."
24 Times Reporters, "Mekong-Lancang Countries Discuss Ways to Deepen Cooperation,"
Vientiane Times, 24 August 2015.
26 “Former Chinese Ambassador to Thailand Pays a Courtesy Call on Deputy Permanent Secretary to Discuss Mekong-Lancang Cooperation,” news release, 19 October, 2015,
People’s Institute of Foreign Affairs (CPIFA), serving to promote the government’s foreign policy agenda.

When all involved countries voiced their full support for the proposal, China decided to co-host the First Foreign Ministers’ Meeting with Thailand, the original initiator. The First LMC Foreign Ministers’ Meeting took place in the city of Jinghong, Yunnan, China, on 12th November 2015. The meeting issued a joint press communiqué marking the official establishment of the LMC framework. The meeting yielded five major outcomes:

1. Announced the official establishment of the LMC.
2. Adopted the LMC Concept Paper, which specifies the objectives, principles, framework mechanisms, and major areas of cooperation.
3. Agreed to implement the LMC Early Harvest Projects as soon as possible so that the projects can deliver benefits to the people in the subregion.
4. Agreed to establish a multi-layer LMC structure and to hold the First LMC Leaders’ Meeting in 2016 at an appropriate time agreed upon by the LMC countries.
5. Issued the joint press communiqué of the First LMC Foreign Ministers’ Meeting, showing the consensus and outcomes reached in the meeting.²⁷

The LMC Concept Paper spells out that the objectives of the LMC are to promote practical and value-added cooperation in advancing sustainable development, narrowing development gaps, supporting the building of the ASEAN Community, and promoting the overall regional integration process.²⁸ It lays out three priority areas of cooperation, in accordance with the three pillars of the

²⁸ "Minister of Foreign Affairs Attends the 1st Mekong-Lancang Cooperation Foreign Ministers’ Meeting."
ASEAN Community: (a) political and security issues; (b) economic and sustainable development; and (c) social, cultural, and people-to-people exchanges.  

In the first phase, the Foreign Ministers’ Meeting agreed to focus on five issues: (a) regional connectivity; (b) industrial cooperation; (c) cross-border economic cooperation; (d) water resources management; and (e) agricultural cooperation and poverty reduction. The focus on these five issues would serve as an important example of South-South cooperation, realizing the Post-2015 Development Agenda adopted by the United Nations. For Thailand, it hoped that this would, in turn, complement Thailand’s role as the Chair of G-77 in 2016. In addition, the meeting adopted the LMC Early Harvest Projects, proposed by China. All members agreed to put forward a total of 78 Early Harvest Projects, covering cooperation projects in areas such as water resource management, poverty alleviation, public health, infrastructure, personnel exchanges, and science and technology.

The First LMC Leaders’ Meeting was held in Sanya, China, in March 2016. The meeting was co-chaired by Chinese Premier Li Keqiang and Thai Prime Minister Prayut Chan-o-cha, under the theme “Shared river, shared future.” Before the meeting was convened, China released water to aid countries in the lower reaches of the Lancang-Mekong River to demonstrate its sincerity and commitment to the LMC. The Sanya Declaration was issued after the meeting. In addition, China

31 “Minister of Foreign Affairs Attends the 1st Mekong-Lancang Cooperation Foreign Ministers’ Meeting.”
32 “Joint Press Communiqué of the First Lancang-Mekong Cooperation Foreign Ministers’ Meeting.”
planned to provide loans and credit to support infrastructure development in the sub-region, offering concessional loans of 10 billion yuan (1.54 billion U.S. dollars) and credit lines of up to 10 billion U.S. dollars to fund infrastructure and improve connectivity in countries along the Lancang-Mekong River.

Analysis and Discussion

Data Analysis

This subsection examines the hypothesis. Using empirical data presented in the previous section, it compares China’s expected behaviour with China’s actual regional policy on the LMC.

The empirical data supports EB1, as the original membership of the LMC includes only China and other five Mekong riparian states. All external powers, including Japan, are excluded from the LMC. Hence, OI1 is supported. For EB2, at this initial stage, it cannot be confirmed whether Japan will attempt to participate in the LMC framework. Thus, the accuracy of OI2 also cannot be determined. The LMC is not directly comparable to EB3; therefore, the accuracy of OI3 too cannot be determined.

The boundary of the LMC membership preferred by China is depicted in Figure 2. The LMC geographical boundaries proposed by China are Y, which excludes Japan, China’s rival in the existing frameworks like the GMS. When the idea of regionalism Y (which subsequently became the LMC) was raised by Thailand, China supported it.

In short, empirical data suggest that the hypothesis is partly supported. China, a PRLS, attempted to exclude Japan, an HRLS, from the membership of the LMC.
Explaining China’s Motives

China has a clear goal: to play a more active, comprehensive role in the Mekong cooperation, projecting its initiative, agenda, and rule-making power. Nevertheless, China is a relative newcomer in the Mekong region. Japan has engaged with the sub-region, particularly Indochina, since the 1980s. The existing sub-regional frameworks have been overshadowed by Japan. The Greater Mekong Subregion (GMS), for instance, was formed under Japanese leadership and has long been facilitated and driven by the Japanese-dominated Asian Development Bank (ADB). The Mekong River Commission (MRC) has also been dominated by Japan and Western countries. When China attempted to participate and play an active role in the existing frameworks, especially in the GMS, the sub-region became “Asia’s biggest political long-term game: the future balance of power between Japan and China, with Indochina in between.” The GMS shows the regional rivalry between both countries for influence in the Mekong region. Despite the fact that China has

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35 Oliver Michael Hensengerth, "Regionalism and Foreign Policy: China-Vietnam Relations and Institution-Building in the Greater Mekong Subregion" (University of Leeds, 2006), 228.
been able to exercise its power and set its agenda in the GMS, the Japan-led ABD was the primary institution to ensure cooperation. Accordingly, the alternative was to create a new sub-regional framework that excludes Japan and other external powers.

Establishing the LMC allows China to determine the membership of the new sub-regional framework, thereby excluding Japan from the framework. Furthermore, the geographical label “Lancang-Mekong” is used in the framework’s name, which is an effective way for China to discourage Japan’s request for membership, as it clearly indicates who should be included and excluded. Consequently, the membership criteria of the LMC allow China to hold the leading position and exert exclusive influence on other members.

Through the LMC, China plays a more assertive role by enhancing its cooperation with Mekong states, particularly Cambodia, Laos, and Thailand, as part of the wider neighborhood diplomacy and the OBOR strategy. China plans to upgrade the LMC, extending its cooperation to the issue-areas of security, regulation and law enforcement, which will have implications for Mekong River governance. Given the growing power asymmetry within the LMC, I argue that it allows China to link non-water issues to river issues, building pressure on its weaker partners.

**Conclusion**

This paper suggests that the potential regional leader theory can shed considerable light on membership issues of the LMC. Hamanaka’s theory shows how the LMC’s formation and membership control can be explained at least in part as an intention by China, a potential leader, to create the framework in order to hold the leading position, exerting exclusive influence on other Mekong states. Nevertheless, the theory does not yet yield fully satisfactory explanations of the LMC. A more careful disaggregation, based on thorough empirical analysis, of the roles and motives of other members, such as Thailand, which played a role as a facilitator for China, is required.

**References**

36 Lu Guangsheng, "Lancang-Mekong Cooperation: How Did It Emerge from All Multilateral Mechanism?," *Contemporary World*, no. 3 (2016).


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