



Money and Security: China's Strategic Interests in the Mekong River Basin

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Summary points

- Since the end of the Cold War, China has turned away from an exclusive focus on great-power relations and is now cultivating its relations with the countries and institutions of Southeast Asia.
- China is pursuing regional cooperation in order to improve bilateral relations, gain political support in international forums, insulate itself against US strategic interests and obtain raw materials for its economy.
- In the Mekong area these issues are concentrated in a small and geographically well-defined area. Its strategic relevance was spelled out in China's 2002 white paper on national defence.
- While China is by far the strongest economic, political and military power in the Mekong Basin, its geographical position reinforces this asymmetry: as the source country of the Mekong river, China has control over the development of water resources, therefore exercising a degree of 'hydro-hegemony'.
- Consequently, the area is a focal point for traditional and non-traditional security conflicts, where resource competition is adding new layers to deep-rooted, old and complex relations.

Map of Greater Mekong Subregion



Source: United Nations Greater Mekong Subregion Map, No 41 12 Rev. 2 Jan 2004.

Introduction

In 1985, China's state-run news magazine *Beijing Review* published an 'expert opinion' on how to develop China's landlocked western provinces, including Yunnan through which the Mekong flows before entering Southeast Asia. The idea was to pursue a dual plan: to direct domestic resources to the area for an extensive infrastructure programme; and to create cross-border linkages with the countries that border Yunnan, initially Myanmar (Burma), the only country with which China had undisturbed relations at that time. The goal was to open a second development front in China's poverty-stricken west independent of the eastern coastal provinces.¹

The article showed a glimpse of what was happening at the time in the Chinese foreign policy administration: a change in Beijing's policies towards Southeast Asia in the 1980s manifested in the 'Policy of Good Neighbourliness', which Beijing developed at a time when the strategic threat posed to China by the Soviet Union was fading as a result of Gorbachev's domestic and foreign policy reforms. Beijing saw the world as a less hostile place and started to focus on economic cooperation as part of its foreign policy. While this policy relapsed into hostility after the isolation following the violent suppression of the Tiananmen protests in 1989 and the simultaneous rise of the United States as the sole remaining superpower, relations between China and Southeast Asian countries reached a more positive tone again in the mid-1990s when China realized that its assertive conduct of foreign affairs was alienating others in the region.²

In addition to this global perspective, peaceful relations with its southern neighbours proved essential for China in order to carry out the domestic reform programme of the 'Four Modernizations' (agriculture, industry, technology and national defence) without having to direct additional resources to defend itself in

a hostile environment. Overall, therefore, the change in policy was a deliberate move away from an exclusive Cold War focus on great-power relations towards giving more attention to relations with southern neighbours.³

It is in this context that China's attention to the Mekong region must be seen. Former prime minister Zhu Rongji (in office 1998–2003) was especially active in cultivating relations with downstream countries through Mekong cooperation. His successor Wen Jiabao, along with President Hu Jintao (both in office since 2003), have continued along this path.

China's multi-purpose strategy: how to achieve traditional and non-traditional security

In 1991 the conflict in Cambodia ended and with it the Cold War in Southeast Asia. In the same year the Asian Development Bank (ADB) started negotiations with all countries along the Mekong river – China, Laos, Myanmar, Thailand, Cambodia, and Vietnam – which resulted in the creation of the Greater Mekong Subregion (GMS) in 1992. This forum for economic cooperation utilizes the Mekong in two ways: to strengthen a common identity for countries in the region to create political rapprochement between them, and as a source of cross-border economic cooperation (on transport and energy generation) to foster political rapprochement within a busy economic development programme.

The creation of the GMS was well received in China. At the time Beijing had started to direct considerable financial resources to alleviate poverty in the country's landlocked western area. In 1999 this became the Western China Development strategy, otherwise known as 'Opening Up the West'.⁴ China's west is underdeveloped; there is little industrial activity and the economy is largely state-run in this mountainous region with a

1 Pan Qi, 'Opening the Southwest: An Expert Opinion', *Beijing Review*, Vol. 28, No. 35 (2 September 1985), pp. 22–23.

2 For details see Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford, CA: Stanford University Press, 2005).

3 Michael Yahuda, *The International Politics of the Asia-Pacific, 1945–1995* (London: Routledge, 1996).

4 Hongyi Harry Lai, 'China's Western Development Program: Its Rationale, Implementation, and Prospects', *Modern China*, Vol. 28, No. 4 (October 2002), pp. 432–66.

harsh climate. The lack of access to the sea makes it additionally difficult to generate significant development. The solution proposed was a dual strategy as originally outlined in the 1985 *Beijing Review* article: to earmark national funds for a massive infrastructure and poverty alleviation programme in the west and to seek cross-border integration with neighbouring countries.

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Since China has become a donor country, a third component can be added: to help develop downstream riparian states in order to create a market for products from China’s western provinces and to gain political allies in international organizations such as the United Nations. China has been using multilateral institutions to increase its influence in order to work against the unexpected result of the end of the Cold War when America emerged as the sole superpower, rather than bipolarity being replaced by a multipolar world. Indeed, after a long period of deliberate avoidance, China has been using multilateral organizations to gain international leverage.⁵ Regional organizations, such as those in the Mekong Basin or the Association of Southeast Asian Nations (ASEAN), are helping China

perpetuate its strategic interests while still insulating itself from US influence. Outside Southeast Asia, perhaps the most notable organization serving this Chinese purpose is the Shanghai Cooperation Organization, which deals with Central Asia.

Given that all Mekong Basin countries except China are ASEAN members, beneficial relations with them also enhance China’s relations with ASEAN itself and the rest of Southeast Asia. This also gives a boost to the ASEAN+3 forum (which includes South Korea, China and Japan) and the China–ASEAN Free Trade Area.

While thus adjusting to a new post-Cold War strategic setting, Beijing’s leadership has worked hard to convince the leaders and peoples of Southeast Asia (and beyond) that China’s rise is peaceful and a win-win situation for all. To do so, it has tried to approach regional countries with policy concepts. Among the most significant are the New Security Concept of 1997 for increased confidence-building mechanisms without preconditions of transparency or human rights, and the Harmonious Neighbourhood policy, which emphasizes the peacefulness of China’s rise. The latter is a variant of the Harmonious Society policy, a term which refers to Chinese society as well as the global society of states.⁶

Yet Southeast Asian countries are not all convinced that China’s intentions are as peaceful as it says. For instance, more pro-US countries such as the Philippines have been very cautious: there are unresolved territorial disputes in the South China Sea, and Manila was very hesitant to join the Early Harvest Programme of the China–ASEAN Free Trade Area. Moreover Vietnam and China have a long history as adversaries. Consequently Evelyn Goh has argued that Southeast Asian countries are pursuing an ‘omni-meshment’ of China, seeking to bind it into Southeast Asian institutions while at the same time ensuring a balance of influence in Southeast Asia between China and the United States.⁷

5 For details see Bates Gill, *Rising Star: China’s New Security Diplomacy* (Washington, DC: Brookings Institution, 2007).

6 For details on these developments see Goldstein, *Rising to the Challenge*, and Milton Osborne, *The Paramount Power: China and the Countries of Southeast Asia*. Lowy Institute for International Policy, Lowy Institute Paper 11, 2006, <http://www.lowyinstitute.org/PublicationGet.asp?i=370>.

7 Evelyn Goh, ‘Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies’, *International Security*, 32 (2007/08), pp. 113–57.

However, despite the mixed reception of its ideas in Southeast Asia, the Chinese leadership sees the Mekong region as an important region that not only straddles its border, but geographically integrates China's south-west with continental Southeast Asia through the Mekong river. This is highlighted by the fact that China's 2002 white paper on national defence for the first time refers to the Mekong area as a strategically important region for China's security, especially with regard to transnational and non-traditional security threats such as environmental degradation, drug-trafficking and transnational crime.⁸ Individuals within the central government have also made pointed comments on the strategic importance of the Mekong area. For instance, former prime minister Zhu Rongji announced during the 4th Informal ASEAN Summit in Singapore in 2000 that China would increase its financial contributions to infrastructure development in the area, especially to improve the Kunming–Bangkok Road and the navigability of the Mekong. The road is an integral element of the China–ASEAN Free Trade Area and the Greater Mekong Subregion's North–South Economic Corridor and would serve as an important link between China's western provinces and continental Southeast Asia.⁹

Consequently, Beijing has a strong stake in the stability of Mekong countries to ensure its own economic and hence political stability, and to help achieve its wider strategic and security goals of safeguarding itself against US strategic interests.

The domestic dimension: the Western China Development strategy

The Western China Development strategy is the cornerstone of the Chinese government's plan to develop the landlocked western provinces through an extensive economic programme. It was started in 1999 for the

development of the provinces of Gansu, Guizhou, Qinghai, Shaanxi, Sichuan, and Yunnan; the autonomous regions of Guangxi, Inner Mongolia, Ningxia, Tibet, and Xinjiang; and the municipality of Chongqing. China's west has ample potential for hydropower from the Nu, Mekong, Jinsha and Changjiang (Yangtze) rivers – the first three of which flow through Yunnan alone. While hydropower is a central plank of the Western China Development strategy, the province of Yunnan is its geographical focus. China's theoretical hydropower potential is 700 GW, of which 400–600 GW are technically exploitable. As of 2007, installed capacity of hydropower was 145 GW. According to China's Hydropower Development Plan for the period 2005–20, by 2002, 79 GW had been produced (20% of the development potential). In 2005, this had risen to 100 GW (25%). The forecast for 2010 is 160GW (40%). The plan is for production capacity to be raised to 270 GW (68% of development potential) by 2020. According to the Chinese National Committee on Large Dams (CHINCOLD), the Upper Yangtze has a potential of 332 GW, the Jinsha 586 GW, the Nu 214 GW, and the Mekong (known as the Lancang in China) 256 GW.

Many of the projects associated with hydropower development have provoked significant political and local opposition. Perhaps the most famous example is the Nu River Project, which caused such an angry protest by affected people, Chinese NGOs, policy entrepreneurs and media outlets that the central government had to halt the project in 2004 (construction of the first dam began at Liuku in 2008).¹⁰

Efforts to develop hydropower can be best understood in the context of the distribution of poverty across China. In 1994 the Chinese government designated 592 'national poverty counties' in 21 provinces, municipalities and autonomous regions. These are areas requiring special attention as poverty is particularly deep-rooted

8 *China's National Defense in 2002*, white paper, Beijing: Information Office of the State Council of the People's Republic of China, December 2002, <http://www.china.org.cn/e-white/20021209/index.htm>.

9 China has been producing national defence white papers since 1995.

10 *Renmin Ribao* [People's Daily], 'Zhu Rongji chuxi di si ci Zhongguo-Dongmeng Lingdaoren Huiwu' [Zhu Rongji Attends Fourth China-ASEAN Summit], 26 November 2000, www.people.com.cn/GB/paper464/2046/326874.html.

there. National poverty counties exist in all the areas under the Western China Development strategy (except for Tibet). According to the 2004 update, 375 of the 592 counties are located in the areas under the Western China Development strategy, and 73 are located in the province of Yunnan alone.¹¹

Cross-border integration can be seen as a natural extension of the Western China Development strategy, in which international cooperation benefits a national development programme. The development of cross-border infrastructure links this area to mainland Southeast Asia, where countries offer promising export markets for manufactured goods from the provinces of Yunnan, Guangxi and Sichuan: cross-border infrastructure links allow a much faster, cheaper export route to downstream Mekong countries than the route via China's east coast.¹²

Economic cooperation and aid

The structure of China's economic engagement in the Mekong area falls into two categories: bilateral cooperation, and multilateral cooperation within institutional structures.

The bilateral dimension

China's bilateral relations with Mekong riparian countries are characterized by a confusing mix of mutual hostility, mutual amicability and Chinese pressure on smaller countries. Southeast Asian countries do not share a uniform perception of China. Rather, each country has its own dealings with China, reaps its own benefits and claims its own difficulties. It is, however,

possible to determine groups of countries that have similar perceptions of their relationship with China.

In the Mekong region, Cambodia and Laos form one such group. *Cambodia* receives a substantial amount of Chinese aid. In 2006 China provided US\$600 million to Cambodia in loans for infrastructure. (For comparison, Cambodia's combined loans from OECD donors totalled US\$601 million.) In 2007, for the first time, China pledged aid to Cambodia as part of the OECD package. Of the US\$952 million pledged in 2008, the European Union provided US\$214 million and Japan US\$112.3 million. The United States delayed payments pending the formation of a new Cambodian government. Including its payments outside the OECD package, China is therefore by far the most important country for Cambodia in terms of aid.¹³

Table 1: OECD and Chinese aid to Cambodia (US\$ million)

	China alone	OECD
2006	600	601
2007		689 (of which China 92)
2008	215	952 (without US) (of which China 257)

Source: see footnote 13.

In terms of investment, statistics from the Cambodian Investment Board, which approves foreign investment in the country, show that in 2004 China became the largest investor in Cambodia, contributing US\$89 million of a

11 For details see especially Andrew C. Mertha, *China's Water Warriors: Citizen Action and Policy Change* (Ithaca and London: Cornell University Press, 2008).

12 Liu Shisong, 'Lancangjiang-Meigonghe Ciquyu jingji hezuo yu kaifa: Zhongguo Yunnan sheng de xingdong' [Economic Cooperation and Development in the Greater Mekong Subregion: Actions of China's Yunnan Province], *Yunnan dili huanjing yanjiu* [Yunnan Geographic Environment Research], Vol. 8, No. 2, December 1996, pp. 4–6; Suo Kai, 'Lancangjiang-Meigonghe Ciquyu jingji kaifa yu guoji hezuo zhuangkuang' [The state of economic development and international cooperation in the Greater Mekong Subregion], *Dongnanya Nanya Xinxu* [Information of Southeast and South Asia], No. 7 (1997), pp. 8–9; Yang Ranyi, 'Yuenan Laojie Sheng yu Zhongguo Yunnan Sheng de jingji hezuo' [Economic Cooperation between Vietnam's Lao Cai Province and China's Yunnan Province], *Dongnanya Zongheng* [Around Southeast Asia], No. 1 (2002), pp. 31–33; Yang Yubai, 'Da Meigonghe Ciquyu jingji hezuo qianjing fenxi' [An Analysis of the Prospects of Economic Cooperation in the Greater Mekong Subregion], *Yunnan Xingzheng Xueyuan Xuebao* [The Journal of Yunnan Administration College], No. 1 (2003), pp. 117–19.

13 *International Herald Tribune*, 'Donors pledge US\$689 million in aid for Cambodia,' 20 June 2007, <http://www.ihf.com/articles/ap/2007/06/20/asia/AS-GEN-Cambodia-Foreign-Aid.php>; Hort Sroeu, 'Cambodia Receives US\$1 Billion of Aid for 2009,' *The Mirror*, Vol. 12, No. 589 (6 December 2008) (translation from *Rasmei Kampuchea Daily*, Vol. 16, No. 4761, 6 December 2008), <http://cambodiainmirror.wordpress.com/2008/12/06/cambodia-receives-us-1-billion-of-aid-for-2009-saturday-6122008>.

total of US\$217 million. Malaysia was second with US\$23 million. This was in marked contrast to 2003, when Chinese investment had accounted for only US\$45 million. The upward trend continued: in 2005, China remained Cambodia's largest investor, with projects worth US\$448 million. In 2006, Sinohydro alone invested US\$280 million into the 193-megawatt Kamchay hydropower station. At the time, this was the largest foreign investment ever made in Cambodia. Between August 1994 and June 2006, 9.18% (US\$925 million) of total approved investment came from China, in various sectors such as agriculture, mining, oil refining, metals production, vehicle manufacturing, clothing, hotels and tourism. During this period, China was third only to Malaysia and South Korea. In 2003, 11.3% of Cambodia's imports came from China, whereas exports to China made up only 1.1% of total exports. In 2004, 16.5% of Cambodia's imports came from China.¹⁴

Laos, for its part, mainly exports agricultural products, minerals, and wood and wood products. Its main imports from China are supplies for industry, clothing, and inputs for agriculture. China invests in Laos in a number of sectors, but from a strategic point of view investment in hydropower resources is among the most important. Here there seems to be a win-win situation: the government in Vientiane, with few other options available, sees hydropower sales to Thailand, Vietnam and China as a major contribution to its national budget, and has accordingly lobbied China to keep up the investment. Construction of the Nam Theun II dam is currently being financed by the World Bank and the Asian Development Bank. While in this case Laos has to comply with the international development banks' environmental and resettlement guidelines, the government has already indicated that it will not do the same for future dam construction projects, given the large expenses and long timeframes entailed. Conveniently, Vientiane's interest in

a rapid build-up of hydropower is compatible with China's growing energy needs, and also those of Thailand and Vietnam.

Given its dominant position in the Mekong Basin, China has chosen to simply ignore concerns that the seven or eight upstream dams it is planning may threaten Vietnam's agriculture-intensive Mekong Delta, and has continued construction without any downstream consultation

By building Cambodian and Laotian infrastructure such as roads, bridges and schools, Chinese money helps develop the economies of both countries while providing an export-import infrastructure – for the export of natural resources to China and the import of Chinese manufactured goods from Yunnan, Guangxi and Sichuan.

Rising trade interconnections and investment are also increasing Chinese influence on the governments of both countries. For instance, although Cambodian officials are worried by China's dam-building activities on the Chinese stretch of the Mekong, they refrain from confronting it openly.¹⁵ Given its dominant position in the Mekong Basin, China has chosen to simply ignore concerns that the seven or eight upstream dams it is planning may threaten Vietnam's agriculture-intensive Mekong Delta, and has continued construction without any downstream consultation.¹⁶

14 David Fullbrook, 'China's Growing Influence in Cambodia,' *Asia Times Online*, 6 October 2006, http://www.atimes.com/atimes/Southeast_Asia/HJ06Ae01.html.

15 Osborne, *The Paramount Power*.

16 For details on the strategic settings in the Mekong Basin and the role of water development, see Oliver Hensengerth, *Regionalism in China-Vietnam Relations: Institution-Building in the Greater Mekong Subregion* (London: Routledge, forthcoming September 2009); Oliver Hensengerth, 'Transboundary River Cooperation and the Regional Public Good: The Case of the Mekong River,' *Contemporary Southeast Asia*, forthcoming August 2009; Oliver Hensengerth, 'Vietnam's Security Cooperation in Mekong Basin Governance,' *Journal of Vietnamese Studies*, Vol. 3, No. 2 (June 2008), pp. 101–27.

Equally, Cambodia's Great Lake (Tonle Sap) is dependent on annual flooding from the Mekong waters during the rainy season. At the confluence with the Tonle Sap river at Phnom Penh, the Mekong's floods force the Tonle Sap to change direction, and it flows upstream into the Tonle Sap lake, increasing its surface area from 2,700 square km to 16,000 square km. This then supports the fish-breeding cycle, providing an important source of food and the single most important protein source for Cambodia's population. There are concerns that once all Chinese dams are in place, they could change the natural cycle of high and low water, with detrimental effects on the Tonle Sap lake and the fish-breeding cycle.

Relations with Myanmar and Vietnam differ in some aspects from the pattern observed with Cambodia and Laos. Perhaps most striking is that *Myanmar* allows China military access to the Indian Ocean, a situation closely monitored by India. In addition, Myanmar provides China with raw materials. Relations between the two countries have been very close, particularly since both governments faced international opprobrium in 1989–90: China's owing to its brutal suppression of the Tiananmen demonstrations in 1989, and Myanmar's shortly afterwards owing to its suppression of the National League for Democracy of Aung San Suu Kyi, which was victorious in the 1990 general election that was meant to end military rule.

China's political and economic relations with *Vietnam* have traditionally been highly conflictual and Vietnam is looking to the United States to balance rising Chinese economic and political pressure. Vietnam's trade deficit with China skyrocketed from

US\$200 million in 2001 to US\$11 billion in 2008. This produces uneasiness in Vietnam. Countries such as Vietnam that are China-critical, that from China's point of view are notoriously recalcitrant and work against China's interests, are faced with a challenge. This is because China's increasing amounts of aid provide it with a credible punishment mechanism. For example, in December 2006 China announced that it would not give aid to Vietnam in 2007, because Vietnam had issued a formal rather than informal invitation to the Taiwanese government to attend the APEC summit in Hanoi in November 2006.¹⁷

China and Vietnam also share disputed borders. By all accounts the land border has ceased to be a major point of contention since its demarcation was finalized on 23 February 2009.¹⁸ In 2004, China and Vietnam reached demarcation and fishing agreements for the Gulf of Tonkin, which are still being implemented with some difficulties, but also some successes. Most interestingly, both countries have carried out two joint naval patrols a year since April 2006.¹⁹ Yet Beijing and Hanoi continue to clash over the disputed Spratly and Paracel islands, and patrol vessels from both sides frequently arrest or impede each other's fishing boats.

Effectively, therefore, China has become the dominant power in the Mekong Basin, especially in Vietnam, Cambodia, Laos, and Myanmar. In terms of political and economic relevance, it has eclipsed its main competitor, Japan, which is the largest shareholder of the ADB. This has repercussions on cooperation in Mekong Basin institutions, particularly the Greater Mekong Subregion.²⁰ China's geographical position as the source country of the Mekong provides it with an additional advantage: not only is it the region's

17 *Asia Pulse*, 'Vietnam's Trade Deficit with China Nears US\$2bn,' <http://www.atimes.com/atimes/China/GF01Ad03.html> (2005); Ian Storey, 'China-Vietnam's Year of Friendship Turns Fractious,' *The Straits Times*, 26 May 2009, <http://www.viet-studies.info/kinhte/chinavietnam.htm>; *Viet Nam Net*, 'Vietnam Feels Insecure with Exports in 2008,' 15 January 2008, <http://english.vietnamnet.vn/biz/2008/01/764238/>.

18 *Xinhua*, 'China, Vietnam Settle Land Border Issue,' 23 February 2009, http://news.xinhuanet.com/english/2009-02/23/content_10878785.htm.

19 Carlyle Thayer, *The Structure of Vietnam-China Relations, 1991–2008*, paper presented at the 3rd International Conference on Vietnamese Studies, Hanoi, December 2008, http://www.viet-studies.info/kinhte/Thayer_Sino_Viet_1991_2008.pdf.

20 Osborne, *The Paramount Power*; Milton Osborne, *The Water Politics of China and Southeast Asia II: Rivers, Dams, Cargo Boats and the Environment*, Lowy Institute for International Policy, <http://www.lowyinstitute.org/Publication.asp?pid=589> (2007).

strongest economic, political and military power, but this asymmetry is increased by its hydro-hegemony – its control over water resources.²¹

The multilateral dimension: institutional cooperation in the Mekong Basin

At present there are six cooperation mechanisms in the Mekong Basin, with varying memberships.²² All are based around the Mekong river as a source of transport, food production and energy development. The Greater Mekong Subregion is the only one that includes all riparian countries of the Mekong plus the two Chinese provinces of Yunnan and Guangxi (of which only Yunnan is riparian to the Mekong). Of the mechanisms that exist, not all are conducive to China's interests. As a consequence, Beijing tends to avoid those that run against its interests or to create new ones through which it can pursue its interests while bypassing those it finds inhibiting.

One such mechanism which the Chinese leadership considers inhibiting is the Mekong River Commission (MRC) of Thailand, Laos, Cambodia and Vietnam. The mandate of the Mekong River Commission is Integrated Water Resources Management (IWRM). This combines economic development with environmentally sustainable water management involving multiple stakeholders, from the central government to local governments, businesses, local communities and NGOs.

This mandate was impressed on the commission by the international donor community, which provides 90 per cent of its budget. Given that all Mekong riparian countries have only emerged from hot and cold wars less than two decades ago, and that (with the possible exception of Thailand) all are authoritarian countries with opaque, top-down decision-making processes, the IWRM agenda has not resonated very successfully with

the MRC member countries. Donors are not of one mind either: developers from France (Électricité de France) and Norway (Statkraft), in particular, support the construction of large dams. And all members are interested in multilateral cooperation simply in order to spur economic development through cross-border infrastructure linkages. The commission is therefore in a difficult situation, in which the agenda of donors is set against the goals of member states.

The result is that member countries are rallying behind the purely economics-related Greater Mekong Subregion. The GMS, with funds coming from the ADB and its stakeholders, aims at the construction of cross-border infrastructure: roads, railways and telecommunication links. Of particular importance are the 'Economic Corridors', aimed at economic development in border areas of member countries that were formerly closed off and that are still difficult to access. This is of particular interest to the Chinese leadership in Beijing, and also to the provincial leaders of Yunnan and Guangxi since it allows the establishment of an export market in continental Southeast Asia for their provinces' products. There is therefore both central government and local government interest in driving these developments. The Mekong and the newly constructed highways and railroads can then be used as a transport route. In contrast to the MRC, the GMS does not deal with water management, partly because members are engaged in large dam-building programmes, which have troubled the MRC. Indeed the six GMS members are doing their utmost to exclude water management from the work programme while utilizing their national stretches of the Mekong and its tributaries for national economic development.

Since 2004, the then incoming CEO of the MRC Secretariat Olivier Cogels and his successor Jeremy Bird have tried to achieve greater cooperation with China,

21 For hydro-hegemony see Mark Zeitoun and Jeroen Warner, 'Hydro-Hegemony: A Framework for Analysis of Trans-Boundary Water Conflicts,' *Water Policy*, Vol. 8, No. 5 (2006), pp. 435–60. For China's strategic advantage see Evelyn Goh, 'China in the Mekong River Basin: The Regional Security Implications of Resource Development on the Lancang Jiang', in Mely Caballero-Anthony, Ralf Emmers and Amitav Acharya (eds), *Non-Traditional Security in Asia: Dilemmas of Securitization* (Aldershot and Burlington: Ashgate, 2006).

22 The Greater Mekong Subregion, the ASEAN-Mekong Basin Development Cooperation, the Mekong River Commission, the Forum for the Comprehensive Development of Indochina, the Ayeyawadi-Chao Phraya-Mekong Economic Cooperation Strategy and the Emerald Triangle.

particularly over hydropower programmes. Whereas China has expansive plans to build up hydropower potential as part of its Western China Development strategy, the MRC has shifted the emphasis of its work programme from protection to investment. As a consequence, it is not only coming closer to the interests of member states, but it is also achieving more convergence with Chinese interests in exploiting the river for economic development.

The creation of the Quadripartite Economic Cooperation (QEC) in 2001 showcases Chinese interests and strategies in the Mekong Basin. The QEC is a mechanism between China, Laos, Thailand and Myanmar. It is commonly known as the 'Golden Quadrangle', or sometimes 'Economic Quadrangle' in order to avoid confusion with the infamous drug-producing 'Golden Triangle' that covers roughly the same area. The purpose of the QEC was the deepening of the Mekong between Simao in Yunnan and Luang Prabang in Laos to facilitate the shipment of heavier tonnage. The plan had its precursor in the early 1990s when the four countries started joint river-surveying with the aim of exploring opportunities to make the upper Mekong more navigable. While navigation falls under the domain of the MRC, the creation of a separate organization for this particular issue fulfilled two purposes: it kept the MRC, with its international norm framework, from interfering with the plans; and it allowed China and Myanmar, which are not members of the MRC, as well as Thailand and Laos, to pursue these plans without recourse to MRC regulations.

Meanwhile China has used the GMS summit meetings to promise aid to downstream countries²³ and to foster its New Security Concept and the Harmonious Neighbourhood policy. This in turn strengthens China's bilateral relations, especially with Laos and Cambodia, as a selective use of multilateral institutions along the Mekong River – such as aid channelled through the GMS – can be used to bolster bilateral relations. This not only strengthens Chinese political and

economic influence but also shows that Beijing is ready to embrace multilateralism when it is conducive to its interests.

Conclusion

China turned to the Mekong region out of necessity and opportunity. Since the end of the Cold War, multilateral cooperation has become a strategic option for China whenever the leadership in Beijing feels that unilateral actions and bilateral relations are not sufficient to secure its national interests. The institutions in the Mekong Basin fulfil this purpose in several ways, ranging from traditional to non-traditional security: from fighting transnational crime to the construction of cross-border infrastructure to help the domestic economy, and to the rise of China's influence in small downstream countries such as Cambodia. These countries have important raw materials and hydropower resources. They provide China with a zone of influence that works as a buffer against perceived and actual US interference.

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China's rise is therefore accompanied by the formation of alliances outside and within multilateral organizations, through which it can defend its traditional and non-traditional security interests. The formation of the QEC clearly demonstrates this dual

23 Osborne, *The Paramount Power*; Osborne, *The Water Politics of China and Southeast Asia II*.

strategy of using existing avenues of multilateral cooperation while also forming new mechanisms where convenient or advantageous.

For Beijing's leadership, engagement in Mekong institutions is a manifestation of the New Security Concept and a visible response to references to the Mekong region in defence white papers since 2002. Relations with downstream countries are conflict-free, with the exception of Vietnam. And the area provides an important market for the exports of western China's manufactured goods.

The subtle embrace of multilateralism comes with a flood of money. Beijing has used the GMS summits to offer aid to downstream countries, thereby increasing its influence there. The expansion of influence, in turn, offers China a zone of influence in which it keeps competitors out – notably the United States, with which it most recently clashed on 8 March 2009 near the island of Hainan in the South China Sea. Mekong cooperation offers Chinese leaders a unique opportunity to increase the country's standing with downstream countries in a small geographical area that is connected by a common resource.

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