

## Working Paper

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# Mekong Countries in the Context of the Connectivity Competition

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## 1. Introduction

The Mekong region has increasingly gained attention of the great power, particularly the US and China. These powers have tried competing for their respective influence in the region their own initiatives. Thus far, more than four regional initiatives namely the Greater Mekong Subregion (GMS), Mekong River Commissions (MRC), Lancang Mekong Cooperation (LMC) and Lower Mekong Initiative (LMI) have been operational in the region, some of which have been directly influenced by those powers.

Those connectivity initiatives cover a wide range of areas such as infrastructure, the management of the river basin, water usage, fisheries, food security, agricultural development and climate change. In other words, those mechanisms aimed at connecting hard infrastructure, policies and peoples within the Mekong region. Why are there several mechanisms have been proposed? Do they complement or compete each other? What are implications of those initiatives on the Mekong countries, especially Cambodia? These are important questions to be addressed in this paper.

## 2. Too many connectivity mechanisms in place?

Even though there are many mechanisms being implemented to promote the connectivity among the Mekong countries, as well as between the Mekong region and others, there is still a significant shortage of investment in those connectivity projects. As the economies of ASEAN region become robust, it is estimated that countries in this region need to invest from 5 to 13 per cent of their respective GDP on the infrastructure development annually.<sup>1</sup> Therefore, the continuous investment in the connectivity infrastructure is always needed

<sup>1</sup> Alicia G. Herrero and Jianwei Xu, "Why Do Asia and Europe Need More Connectivity?: Some Ideas from European and Asean Experience," in *Asia Europe Connectivity Vision 2025: Challenges and Opportunities*, ed. Prakash Anita (Indonesia: Economic Research Institute for ASEAN and East Asia, 2016).

in order to ensure the robust economic growth in this region, despite the existence of number of the connectivity mechanisms.

Furthermore, the Mekong countries *per se* want to maintain an autonomy in relations with the major powers involved in the region by proposing their own initiatives, e.g. the MRC. Maintaining autonomy in relations with major powers is a significant factor influencing the Mekong countries' decision to opt for a variety of connectivity mechanisms. Majority of the Mekong countries went through a bitter colonial experience; therefore, they highly value their independence and do not want to become the ploy of geopolitical rivalries between the great powers as it did in the past. Cambodia, Laos and Vietnam in particular endured much sufferings from the French colonialism in the 19<sup>th</sup> and 20<sup>th</sup> centuries, as well as from the tragic war inflicted by the great powers from the 1960s to the 1980s.

Another reason for the existence of various connectivity initiatives mentioned above is linked to the competition of the regional powers involved and the need to gain some autonomies of the Mekong countries *per se*. Regional powers such as China, the US and Japan want to exert their respective influence through their own proposed mechanisms, and, to a certain degree, to undermine the influence of their rival powers. For example, the American-led LMI is apparently aimed at driving China's influence out of the Mekong subregion, while the Lancang Mekong Cooperation (LMC) seeks to erode the influence of the US and its allies from the region.

To date, China has, under the LMC scheme, allocated RMB 10 billion (US\$1.58 billion) to the Mekong countries in the form of concessional loans, majority of the fund is devoted to the infrastructure and industrial development.<sup>2</sup> The American-led LMI aims to diminish Chinese influence through various means, especially the promotion of good governance. From the US perspective, once the peoples in the Mekong region are exposed more to the better governance, especially democracy, they will reject the authoritarian Chinese by themselves.

### **3. Advantages and Disadvantages of Having Several Mechanisms in Place**

#### **3.1. Advantages**

An advantage of having several connectivity mechanisms is that the Mekong countries have more opportunities to access to various sources of funding for the infrastructure development. As a senior Cambodian official at the foreign ministry said at a regional workshop on the Future Prospects of Mekong River last June as follow: "having many Mekong frameworks also means that tangible and concrete funding for cooperation is not something that is always readily available. Therefore, countries in the region need to find alternatives for diversified sources."<sup>3</sup>

More importantly, those funds given to the Mekong countries are mainly in the form of loans, so they could entrap the latter group in a bad debt. When the funding sources are

<sup>2</sup> Xuequan Mu, "Lancang Mekong Cooperation Enter New Growth Phase: Chinese Envoy," *Xinhua*, 23 March 2018.

<sup>3</sup> Cambodian Foreign Ministry Official, "Mapping Mekong Cooperation Complementarities and Policy Implications," in *Future Prospects of the Mekong River* (Phnom Penh 2019).

diversified, there are possibilities that the Mekong countries may receive more grant aid rather than loans from the regional stakeholders such as China, the US and Japan. In other words, the regional powers who wish to wield their influence over the Mekong region need to find more subtle ways to engage with the recipient states through the provision of the grant aid rather than loans.

Moreover, the complementarity between those initiatives is another factor that encourages the blossoming of the various regional connectivity initiatives. Some regional initiatives may complement each other or other existing regional integration initiatives. For example, the MRC is apparently the best water data powerhouse, while the GMS is the best bridge linking cross-the-board economic cooperation between the Mekong countries ranging from trade, investment, tourism, energy and health. Further, the Lancang Mekong Cooperation (LMC) helps to accelerate ASEAN integration in two ways. First, it gives a boost to the ASEAN Master Plan of Connectivity through its focus on infrastructure development and institution coordination.<sup>4</sup> The LMC also seeks to narrow development gaps among the Mekong countries, thus corresponding to the primary goal of the Initiative for ASEAN Integration (IAI).

Lastly, another opportunity that the Mekong countries could take from the existence of multiple connectivity projects in the region is a possibility of obtaining some concessions from the competing powers, who wish to exert their leverages in the Mekong region. For example, in order to win the heart and mind of the Mekong countries, China, in 2016, released more water from its Jinghong hydropower station in Yunnan province into the Mekong river three times in order to address the extreme drought faced by the Mekong countries.<sup>5</sup> As a result, the Mekong countries very much appreciated this Chinese deed. From the Chinese perspective, doing so reflects China's good will towards the region, thus demonstrating its soft power vis-à-vis Japan and the US.

### 3.2. Disadvantages

Notwithstanding the above advantages, the fallout of having too many initiatives can never be underestimated. There is an old Cambodian saying that "when too many people bake the same Num Ansom Chrouk (Cambodian rice cake with pork), it is likely that the cake will be burnt as a result." The same logic also applies to the current situation in the Mekong region, where many initiatives have been proposed. Apparently, there seems to be the lack of a coherent mechanism to ensure the complementarities between the proposed initiatives. Consequently, the Mekong river has faced growing risks, especially drought.

The continuous resurgence of various initiatives within this small region does not totally ensure the effective settlement of problems or risks faced by the Mekong countries. Some mechanisms have apparently weakened one another, as they have been designed and managed by competing donors. As a consequence, the problems have even gotten worse. Last July this year, it was reported that the downstream countries encountered a major drought which threatened fisheries and agricultural production along the river basin. The

<sup>4</sup> Chheang Vannarith, "Lancang-Mekong Cooperation: A Cambodian Perspective," ed. Institute of Southeast Asian Studies (Singapore 2018).

<sup>5</sup> Cambodian official, "Mekong-Lancang Cooperation," (Phnom Penh 2019).

drought made Northeast Thailand lose access to the river.<sup>6</sup> In addition, the water levels are increasingly lower than its average. According to the Mekong River Commission (MRC), the water level in Thailand's Chiang Sen was 2.10 metres, 0.92 metres lower than its long-term average (3.02 metres) during June-July 2019.<sup>7</sup>

In Vientiane, the water level was 0.70m lower than its long-term average during the same period. The water level in Kratie province was 9.31m in the same period, about 5.40m lower than its long-term average. Between 10 June and 18 July, there was a drop of about 0.38m at the station. US Secretary Mike Pompeo lambasted China for causing the significant reduction of the water levels, stating that the drought in the Mekong region was triggered by China's decision to shut off the upstream water. In response, China attributed the cause to its maintenance of its Jinghong dam between June and July this year.<sup>8</sup> In addition, the amount of nutrient-rich sediment flowing down the river has significantly decreased, and such a reduction is, according to the UNESCO, much attributed China's dam construction on the upper part of the Mekong.<sup>9</sup>

The aforementioned challenges indicate a loophole in the existing policy connectivity mechanisms within the Mekong region. Specifically, the existing initiatives have no clear mechanisms to influence the Mekong countries, especially China to cease or even slow down the dam construction activities, which have gradually altered the ecological system of the river. It is worth noting that at least 100 hydropower dams have been built either on the mainstream or the tributaries of the river [China 10, Laos 64, Vietnam 15, Thailand 9 and Cambodia 3].<sup>10</sup> More than 300 more dams are planned by these countries.<sup>11</sup> Therefore, more risks to the ecological system are likely to be imminent. Economic loss for the Mekong countries is, moreover, predicted to be around US\$7.3 billion over the next 50 years.<sup>12</sup>

#### **4. Do Geopolitical Rivalries of the Great Powers affect the Mekong countries?**

As mentioned earlier, the existence of multiple connectivity initiatives in the region has been partly driven by the geo-competition of the great powers, the US and China in particular. While there is a moderate competition between the great powers, the Mekong countries may benefit from it. On the contrary, when the competition turns into rivalry or when a great power seeks to totally eliminate another power's influence from the region, the regional countries would be in danger. There is an old saying that "When elephants fight, the grass will be devastated." The same logic also applies to the Mekong region. When the US-China rivalry has intensified almost in every field, the Mekong countries have been pressed to take side. These countries do not want to take side with any particular power. Instead, they want to befriend with all great powers in order to maximise their national interests.

<sup>6</sup> Brian Eyler and Aaron Salzberg, "Mekong near Tipping Point as US-China Rivalry Grows," *Nikei Asian Review*, 27 August 2019.

<sup>7</sup> Mekong River Commission, "Mekong Water Levels Reach Low Record," Mekong River Commission, <http://www.mrcmekong.org/news-and-events/news/mekong-water-levels-reach-low-record/>.

<sup>8</sup> Ibid.

<sup>9</sup> Tom Fawthrop, "Mekong: More Dams, More Damage," *Interpreter*, 28 March 2018.

<sup>10</sup> Eyler and Salzberg.

<sup>11</sup> Ibid.

<sup>12</sup> Fawthrop.

Nevertheless, when the US-China rivalry has escalated, they have, at times, been put in an awkward position. For example, Cambodia has been allegedly accused by the US of succumbing to the Chinese interests, particularly of hosting China's naval base, despite the lack of credible evidence proving those claims. This has damaged the kingdom's reputation within ASEAN and the international stage. It is noteworthy that Cambodia staunchly supported China's Belt and Road Initiative (BRI) and Lancang Mekong Cooperation (LMC). Such a staunch support may lead to the US's resentment of Cambodia.

The allegation against Cambodia over China's naval base has reinforced a perception that Cambodia is the Chinese proxy. Indeed, this proposition is not totally correct. The Kingdom has been diversifying its economic relations with other countries in the recent years in order to avoid being too dependent on any external powers. The ownership of Cambodia's most strategic and important trading port—Sihanoukville—is the case in point. The majority of the foreign shares have been owned by the Japanese logistics companies namely Kamigumi (13%) and Kobe-Osaka International Port Corporation (2.5%), although Cambodia has been enthusiastically supporting China's BRI.<sup>13</sup>

## 5. Conclusion

Many regional connectivity projects have flourished in the Mekong region since the early 1990s, some of which were home-grown —the MRC and the GMS. Others such as the LMI, LMC, BRI and IPS] were mainly initiated and dominated by the great powers, the US and China in particular. The reasons for the existence of several connectivity initiatives are linked to the ASEAN's robust economic growth, which requires the continuous investment in the physical infrastructure. The Mekong countries *per se* wants to maintain the independence in relations with the regional powers, which, in the past, threatened their peace and independence. The power competition between the great powers has, moreover, sparked creation of new initiatives.

Having several connectivity mechanisms is beneficial for the Mekong countries in the sense that it will create more opportunities for them to access different funding sources. More importantly, these countries will have more opportunities to receive more grant aid rather than loans in the future. Some initiatives, regardless of their funding sources, may complement one another, giving a boost to the economic development in the region. The Mekong countries, furthermore, may be able to earn some concessions from the regional powers who wish to wield their soft power in the Mekong.

Despite the mentioned benefits, the risks to the ecological system in region may also be prevalent. Some connectivity mechanisms were managed by competing donors, so they do not necessarily address actual concerns of the Mekong countries. They are, on multiple occasions, unable to prevent the activities that jeopardise the environment in this region. Last but not least, the Mekong countries are likely to suffer more, if the tension between the great powers, especially the US and China escalates. Particularly, Cambodia has become victimised as a result of her enthusiastic support of the BRI, despite the Kingdom's efforts to diversify its economic relations with other regional powers than China.

<sup>13</sup> May Kunmakara, "Jica Sells Remaining Shares in S'ville Port," *Khmer Times*, 29 May 2019. See also: Kawase Kenji, "Cambodia's Biggest Port Sees China Coveting Japan's Dominant Role," *Nikkei Asian Review*, 3 August 2018.

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