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The Lancang-Mekong Cooperation (LMC) Viewed in Light of the Potential Regional Leader Theory

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Abstract

This article uses Shintaro Hamanaka's potential regional leader theory in a case study of the formation of the Lancang-Mekong Cooperation (LMC) by examining the original membership and the membership criteria. The results indicate that the framework can be explained as China's attempt to create its own group to exert exclusive influence on the Mekong countries by excluding its rival, Japan, from the new initiative as well as by bearing the costs and providing public goods to other members. This conclusion supports the proposed hypothesis derived from the theory.

Keywords: Potential regional leader theory, Lancang-Mekong Cooperation, LMC, China, Thailand

บทคัดย่อ

บทความนี้ทดสอบทฤษฎีรัฐที่อาจเป็นผู้นำภูมิภาคของ Shintaro Hamanaka โดยใช้กรณีการก่อตั้งกรอบความร่วมมือแม่โขง-ล้านช้าง (Lancang-Mekong Cooperation: LMC) เป็นกรณีศึกษา บทความมุ่งวิเคราะห์สมาชิกภาพก่อตั้งและสมาชิกภาพของกรอบ LMC ผลการศึกษาชี้ให้เห็นว่ากรอบดังกล่าวสามารถอธิบายได้ในฐานะความพยายามของจีนในการก่อตั้งกลุ่มของตนเพื่อใช้อิทธิพลเหนือประเทศลุ่มแม่น้ำโขง ด้วยการไม่นับรวมญี่ปุ่นซึ่งเป็นประเทศคู่แข่งจากการเป็นสมาชิกความริเริ่มดังกล่าว พร้อมทั้งรับต้นทุนและจัดหาสินค้าสาธารณะให้ประเทศสมาชิกอื่นๆ บทสรุปของบทความสนับสนุนสมมติฐานจากทฤษฎี

คำสำคัญ: ทฤษฎีรัฐที่อาจเป็นผู้นำภูมิภาค กรอบความร่วมมือแม่โขง-ล้านช้าง LMC จีน ไทย

Introduction

The Lancang-Mekong Cooperation (LMC) framework was created in 2015 to promote Mekong cooperation at the sub-regional level, comprising the six countries along the Mekong River. This grouping is remarkable in that although it is a Mekong-only framework initiated by Thailand, China has pushed and claimed ownership of it with Thailand's *de facto* consent; consequently, China is in control of the framework-building process.

This article explores the ways in which and the degree to which Hamanaka's potential regional leader theory (2009) can be used to explain the membership of the LMC. The theory 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. Thus, it is necessary to examine not only which states are included but also which ones are excluded since a state that proposes a regional framework needs to ensure a membership favorable 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 article, I emphasize exclusion and suggest that states "outside" the LMC are significant in determining the framework membership, manifesting the *raison d'être* behind the LMC.

This article has four sections. The first section lays out a research design for the rest of the article. The second provides an overview of the LMC. The third examines the establishment of the LMC in light of the potential regional leader theory. The final section determines the conclusions that can be drawn from the LMC formation.

Literature review

This article argues that Hamanaka's "potential regional leader" theory (2009) is worth examining because of the limitations in mainstream theories to explain membership issues of regionalism. This section will

briefly review the limitations of mainstream international relations theories, namely realism and institutionalism, and question 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 coalitions to obtain bargaining advantages and gain economies of scale (Hurrell, 1995: 47).

Consequently, 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 (Powell, 1991). For states, cooperation is also important for resolving the problem of externalities, the negative effects of other states' economic policies (Cooper, 1986). In this sense, states participate in regionalism to manage the problems produced by economic regionalization.

Institutionalism is a demand-side approach. Institutionalists, like Keohane (1984), emphasize the importance of institutions. They argue that institutions continue to exist even after the decline of hegemony, with the supply-side conditions implying that the existence of institutions should be explained based on the demand side. However, neither realists nor institutionalists explain particular forms of regional membership.

As with other mainstream theories, the demand-side approach to regionalism 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.

Research design

The research design of this article 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* (2009). This article uses deduction to present the theory's assumptions, hypotheses, and observable implications in 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 borrows 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" (Hamanaka, 2009: 1), as its basis. The hypothetical observation is that creating a regional group is an effective way for a state to become a leader of 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 (Hamanaka, 2009: 1-3). According to Hamanaka, it is this aspiration to be the leader of a small group that explains a state's behavior 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.

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. (Hamanaka, 2009: 23)

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 that includes 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 (Hamanaka, 2009: 23-24).

> 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 favorable membership in the regional framework.
> Assumption 2: Holding the leading position in a regional framework is beneficial overall. (Hamanaka, 2009: 24-25)

Regarding Assumption 2, the theory assumes that the benefits of being a leader are greater than the costs. Consequently, all states are eager to hold a leading position (Hamanaka, 2009: 25).

> 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. (Hamanaka, 2009: 26)

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 (Hamanaka, 2009: 26).

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 (Hamanaka, 2009: 27-28). According to Hamanaka, 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 (Hamanaka, 2009: 27).

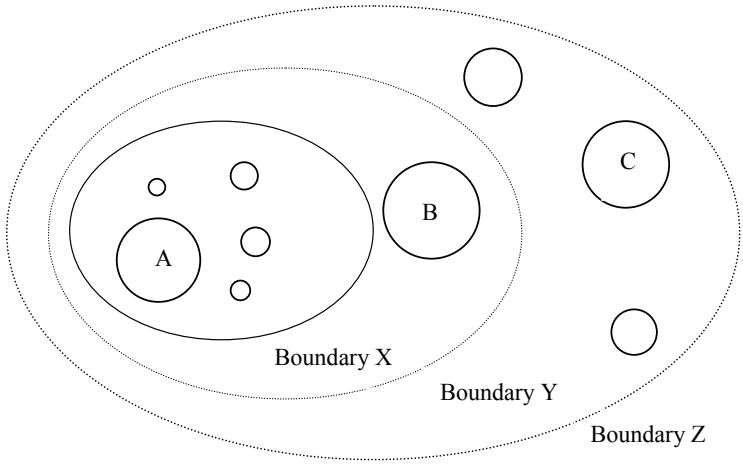

Figure 1 Boundaries of frameworks preferred by states
Source: Adapted from Hamanaka (2009: 23)

As a result, three types of behavior 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 (Government Public Relations Department, 2013; The Nation, 2012). The conference was supported by China (Ministry of Foreign Affairs, 2013). China and Thailand have made competing claims over 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" (Ministry of Foreign Affairs, 2015c).

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 (Xinhua, 2015a). 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 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" (Xu, 2015). For China, the Mekong countries are important cooperative partners in constructing an Asian community with a common destiny and a commitment to building the One Belt, One Road (OBOR) (Ministry of Foreign Affairs, 2015g). In the end, those attending the meeting agreed that the initiative should be renamed the Lancang-Mekong Cooperation, as there was nothing controversial about the joint development of the subregion (Xu, 2015).

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 (Times Reporters, 2015). 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 adhere to the philosophy of openness and inclusiveness, and to complement, coordinate development, and intensify exchanges of experience with the existing mechanisms on subregion cooperation (Ministry of Foreign Affairs, 2015d).

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 its former ambassadors to the subregion to promote the LMC proposal and gather input from local parties (Ministry of Foreign Affairs, 2015a; Xinhua, 2015b). These seasoned, retired diplomats are attached to the Chinese People's Institute of Foreign Affairs (CPIFA), where they 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 (Ministry of Foreign Affairs, 2015f).

The LMC Concept Paper delineates the objectives of the LMC as promoting 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 (Ministry of Foreign Affairs, 2015c). It lays out three priority areas of cooperation in accordance with the three pillars of the ASEAN Community: (a) political and security issues; (b) economic and sustainable development; and (c) social, cultural, and people-to-people exchanges (Ministry of Foreign Affairs, 2015b).

For 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 resource management, and (e) agricultural cooperation and poverty reduction (Ministry of Foreign Affairs, 2015c, 2015e). 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. Thailand hoped that this would, in turn, complement its role as the chair of G-77 in 2016 (Ministry of Foreign Affairs, 2015c). 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 (Ministry of Foreign Affairs, 2015b).

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 (Xinhua, 2016). The Sanya Declaration was issued after the meeting. In addition, China planned to provide loans and credit to support infrastructure development in the sub-region, offering concessional loans of 10 billion yuan (1.54 billion US dollars) and credit lines of up to 10 billion US dollars to fund infrastructure and improve connectivity in countries along the Lancang-Mekong River.

Analysis and discussion

Data analysis

Using the empirical data presented above, this subsection examines the hypothesis by comparing China's expected behavior with its actual regional policy regarding the LMC.

The empirical data support 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, whether Japan will attempt to participate in the LMC framework cannot be confirmed. Thus, the accuracy of OI2 also cannot be determined. The LMC is not directly comparable to EB3; therefore, the accuracy of OI3 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 membership in the LMC.

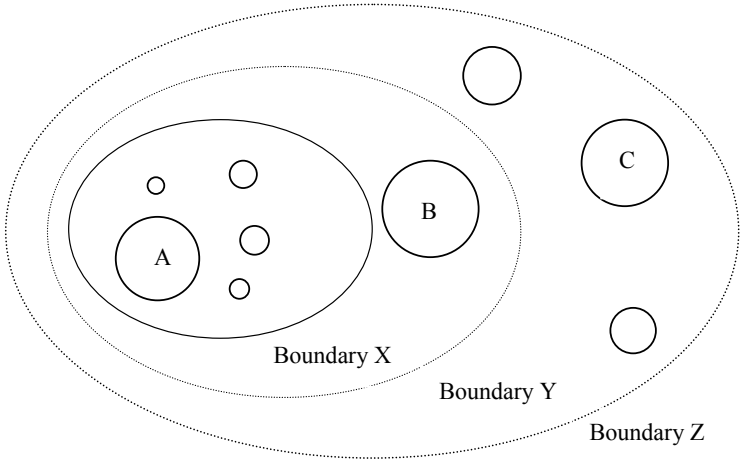

Figure 2 Boundaries of LMC membership

Explaining Japan's exclusion from the LMC through the hypothesis

China has a clear goal: to play a more active, comprehensive role in Mekong cooperation, projecting its initiatives, agendas, and rule-making power (Guangsheng, 2016: 5-6). 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 overseen 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" (Hensengerth, 2006: 228). The GMS illustrates the regional rivalry between the two countries for influence in the Mekong region. Although China has been able to exercise its power and set its agenda in the GMS, the Japan-led ABD

was the primary institution to ensure cooperation. Consequently, 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.

Conclusion

This article 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 the intention by China, a potential leader, to create the framework in order to hold the leading position, thereby exerting exclusive influence on other Mekong states. Nevertheless, the theory does not yet yield fully satisfactory explanations of the LMC. A more careful framework 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.

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