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# EUROPEAN POLICY BRIEF

## COMPETING REGIONAL INTEGRATIONS IN SOUTHEAST ASIA – (POLICY BRIEF N°1)



### Local Governments in China's Policy Towards ASEAN: Roles, Structures and Implications

The role of China's local governments in policy towards ASEAN has been perceived as an important part of the Belt and Road Initiative (BRI). In this context, the role of Yunnan province, selected by the central governments as the bridgehead, has been prominent in China's policy towards Myanmar. By building channels for cooperation and communication at the local level, the Chinese government hopes to exercise its public diplomacy and soft-power to limit the anti-Chinese sentiments and test the local ground for further extension of the patron-client relations at the state level. This policy brief attempts to elaborate the role of local governments in China's policy towards ASEAN under the Belt and Road Initiative.

**Dominik Mierzejewski, August 2018**

#### INTRODUCTION

This policy brief addresses the following questions: What is the impact of the Belt and Road Initiative on the role of Yunnan province in China's relations with Myanmar? How does China try to provide peace and stability to countries on its doorstep? Do the approaches taken by Beijing fulfil its expectations? What will be the nature of China's future engagement in Southeast Asia and would there be space for interaction with the European Union's engagement?

#### EVIDENCE AND ANALYSIS

In the case of ASEAN-China relations, the sub-national level has played an important role in shaping three dimensions of bilateral relations: China's image that serves as a soft-power tool, the building of channels for the internationalization of the Chinese currency (RMB), and finally, China being part of a stabilization process across its borders with Myanmar, Laos, and Vietnam. From this

perspective, two sub-national actors should be taken into consideration: Yunnan Province and Guangxi Autonomous Region.

The importance of cross-border initiatives and cross-border economic zones sponsored by China such as Yunnan's Hekou-Vietnam's Lao Cai, Yunnan's Mohan-Laos Grinding Ding, and Yunnan's Ruili-Burma's Muse Economic Cooperation Zone, has been discussed by Chinese (Lu Guangsheng, Liu Wei), Burmese (Aye Mya Nanda) and Western scholars (D. Steinberg, M. Callahan). Yunnan Province, as suggested in the research papers delivered by D. Steinberg and Lu Guangsheng, plays the role of an economic corridor for China's energy policy. In this context, the province itself has been involved in taking on the responsibility of being a stabilizing factor in the border areas.

Due to the fact that Yunnan province together with Xinjiang and Heilongjiang was designated by Hu Jintao (2006, 2009) as a "bridgehead" (*qiaotoubao* 桥头堡), it has a special role in China's policy towards Southeast Asia. This bridgehead is of multidimensional importance: importance due to handling minority issues, importance due to people-to-people relations (public diplomacy), importance due to the internationalization of the RMB and importance due to energy security and trade relations (with Sichuan, Gansu and the Xinjiang corridor between Southeast Asia, Central Asia and Europe).

Under the Belt and Road "umbrella", the central government made attempts to manage and control several local initiatives, managed by provincial governments since Deng Xiaoping took power in 1978. The affirmative role of the central government, however, was not immediately visible after the BRI was announced. After three, four years of intense debates at a local level, the cross-border cooperation was taken under the management of the central government and upgraded to a national level (*guoji* 国家级). By taking over local projects and making them a part of national policies, the central government promoted local authorities as central foreign-policy agents, highlighting the paramount position of relations between central and provincial governments. On the other hand, it is worth mentioning that the regional governments wanted to be promoted by the central government and sought central government approval. An illustrative example is the very first proposal for a Bangladesh China India Myanmar Economic Corridor (BCIM EC) put forward by scholars in Kunming in August 1999. Its concept was developed by both local and central governments. In 2012, the four countries opened the BCIM Business Council, and in 2013 the BCIM-EC was established. It was agreed that the corridor would run from Kunming to Kolkata, linking Mandalay in Myanmar with Dhaka and Chittagong in Bangladesh. Finally, in 2016 BCIM Business Association was established.

The analysis of key words in the reports presented by Yunnan Province governors to the local People's Congress (2013-2018) provides a second graphic example. It demonstrates the growing centralization of the local governments' cross-border cooperation. The announcement of the Belt and Road Initiative was a recognizable stimulus for local authorities in their efforts to build effective cross border cooperation. This development however ended in 2018. After three to four years of intense debates, the central government identified the most promising projects and made them into a national policy. Our analysis of governmental reports shows that the number of issues related to the borders areas was reduced from 31 in 2015 to 14 in 2018. The second critical observation is that the context of discussing cross border cooperation changed over a period of time. Between 2013 and 2017, the governor debated the issue of cross border cooperation by highlighting a special project such as the Ruili-Muse Demonstration Zone, advocating for special tourist zones across the border, or discussing non-traditional security threats. This type of advocacy, however, subsided in Yunnan's 2018 governmental report. Ruan Chengfa, the governor, omitted the cross-border cooperation in his report, but accentuated the cooperation between Yunnan province and neighboring countries as a priority. This is very visible when tabulated in 2017 and 2018. In 2017, the governor identified growing pressure in border areas, problems with party cadres of minority origins, and non-traditional security threats as priority issues. In contrast, in the 2018 report none of these issues were mentioned. These two different approaches might be interpreted in three mutually exclusive ways. First, the change suggests that local government has lost its autonomy in dealing with cross border issues. Second, it may tell us that talking only about cooperation with neighboring countries strengthens the role of Yunnan province as a bridgehead in China's foreign policy. Or

thirdly, the ongoing centralization reflects the disappointment of the central government with Yunnan province as it failed to meet quotas and targets imposed in regional development plans. In all the discussed reports between 2013-2018, however, there is only one common denominator: the internationalization of Chinese currency, namely the RMB. In this area, the internationalization of the Chinese currency is to be enabled by cross border trade and cooperation.

From this perspective, Yunnan's government is responsible for organizing special training for local cadres from Myanmar, Laos and Vietnam, providing knowledge on China's currency and banking system, supporting scientific bodies dedicated to study the development of the Greater Mekong Sub region, the BCIM Economic Corridor, cross border cooperation, and promoting Chinese culture. As identified by Jin Yi and Yi Zhu (2017) the Yunnan government's involvement in cross border cooperation is about setting the model for a broadening cooperation between China and ASEAN. Apart from tensions concerning minorities, the model lacks an institutional dimension, and it is rather based on non-institutional factors. There is also a lack of multilateral agreements as it is only based on bilateral relations. Furthermore, no project is based on a "bottom up" policy but rather anchored in a "top down" approach. Finally, the highly centralized structure where the local government has a very limited and fragmented role in shaping cross border cooperation is hugely problematic. But the vulnerability of this centralization, as analyzed from a cross border trade perspective, is because the mechanism of building economic interdependence has failed to play a positive role in shaping stability in the border area.

### **Policy implications of the ongoing centralization of local governments' external actions**

In sum, the ongoing centralization of local governments' external actions has provided the platform for their growing role in China's foreign policy. For the local governments this means:

1. They act according to the instruction from the upper level and utilize the special "Belt and Road Big Projects Bank Reserves" ("Yi dai yi lu" zhongda xiangmu chubei ku "一带一路" 重大项目储备库) distributed by the central government to the provincial level for specially dedicated and centrally planned projects.
2. They form the vital hub for the internationalization of the Chinese currency especially via cross-border trade that makes the trade between China, Myanmar, Laos and Vietnam more dependent on RMB. Moreover, the distribution of the Chinese currency will make trade conditional, not only between China and third parties, but also between countries within the region.
3. They are required to become more active in shaping China's positive image in the region by promoting Chinese culture from bottom-up.

However, in the context of China-Myanmar relations, the situation should be perceived in a quite distinctive way. Handling minority tensions and non-traditional security threats across the border are particularly challenging. In this context Chinese government's attempts to use economic interdependence has failed to play a positive role in bringing stability to Northern Myanmar. Contrary to Chinese expectations, Kachin local military groups, and the Kachin Independence Army in particular, have asked China for more military assistance and political support for their "right to independence". In turn, they have offered protection of China's interests in Northern Myanmar, a place that is of strategic importance for China's energy security. We have to acknowledge that this might trigger further militarization of the region; it keeps alive the question of how to make the situation stable and promote cooperation in a way that makes the border between China and Myanmar into a *de facto* China-ASEAN border.

For the further development in the region, the government in Beijing hopes:

1. Not to internationalize the peace talks and handle the peace process on its own with the relevant parties.
2. To see the local government of Yunnan province play an active part as a Beijing agent in China-Myanmar relations and be the executor of centrally planned initiatives, such as the MoU on the China-Myanmar Border Economic Cooperation Zone.

## POLICY IMPLICATIONS AND RECOMMENDATIONS

- Both China and the EU face similar challenges created by the complicate China-Myanmar border context. By repeating its top-down approach, China takes the risk of being accused by the local communities of “taking benefits for itself”.
- However the bottom-up approach of Western countries differs from China’s top-down perspective which failed to bring the expected results. Myanmar has received an allocation of €688 million from the European Union under the Multi-annual Indicative Programme 2014-2020. The EU's support for the country’s reform process focuses on four areas: rural development, agriculture and food and nutritional security (€241 million), education (€241 million), governance, rule of law, the building of the state's capacity (€96 million) and support for promoting peace (€103 million). But EU officials have recently expressed their fear that Myanmar’s transition to democracy has not yet brought durable peace and progress to the Kachin state. This critical statement might suggest the need to open a new chapter in shaping the European Union's involvement in the peace process in Northern Myanmar.
- In conclusion, the respective sides, based on their respective experiences from the local communities, should provide a framework for the redistribution of wealth and supervision of the cooperation process that are both perceived as critical factors for further stabilization and normalization of the regional area.

## RESEARCH PARAMETERS

**Competing Regional Integrations in Southeast Asia** (CRISEA) is an interdisciplinary research project that studies multiple forces affecting regional integration in Southeast Asia and the challenges they present to the peoples of Southeast Asia and its regional institutional framework, ASEAN.

CRISEA innovates by encouraging ‘macro-micro’ dialogue between disciplines: global level analyses in international relations and political economy alongside socio-cultural insights from the grassroots methodologies of social sciences and the humanities.

Coordinated by the Ecole française d’Extrême-Orient (EFEO) with its unique network of ten field centres in Southeast Asia, the project brings together researchers from seven European and six Southeast Asian institutions, with three objectives:

### 1. Research on regional integration

Multiple internal and external forces drive regional integration in Southeast Asia and compete for resources and legitimacy. CRISEA has identified five ‘arenas of competition’ for the interplay of these forces, investigated in the project’s five research Work Packages. It further aims to assess the extent to which they call into question the centrality of ASEAN’s regional model.

### 2. Policy relevance

CRISEA reaches beyond academia to engage in public debate and impact on practitioners in government and non-government spheres. By establishing mechanisms for dialogue with targeted audiences of policymakers, stakeholders and the public, the project furthers European science diplomacy in Southeast Asia and promotes evidence-based policymaking.

### 3. Networking and capacity-building

CRISEA reinforces the European Research Area (ERA) in the field of Asian Studies through coordinated EU-ASEAN academic exchange and network development. It connects major research hubs with emerging expertise across Europe and Southeast Asia. CRISEA also promotes participation of younger generation academics in all its activities, notably policy dialogues.

## PROJECT IDENTITY

<b>PROJECT NAME</b>	Competing Regional Integrations in Southeast Asia (CRISEA)
<b>COORDINATOR</b>	Yves Goudineau, EFEO, Paris, France, <a href="mailto:direction@efeo.net">direction@efeo.net</a> .
<b>CONSORTIUM</b>	Ecole française d'Extrême-Orient – EFEO – Paris, France University of Hamburg – UHAM – Hamburg, Germany University of Naples l'Orientale – UNO – Naples, Italy Institute of Social and Political Sciences – ISCSP - Lisbon, Portugal University of Lodz - UL – Lodz, Poland University of Oslo – UiO – Oslo, Norway University of Cambridge – Cam – Cambridge, UK Chiang Mai University – CMU – Chiang Mai, Thailand The Centre for Strategic and International Studies - CSIS – Jakarta, Indonesia Ateneo de Manila University – ADMU – Quezon City, Philippines University of Malaya – UM – Kuala Lumpur, Malaysia Vietnamese Academy of Social Sciences – VASS – Hanoi, Vietnam The University of Mandalay – MU – Mandalay, Myanmar
<b>FUNDING SCHEME</b>	H2020 Framework Programme for Research and Innovation of the European Union – Research Innovation Action (RIA) – Europe in a changing world, Engaging together globally
<b>DURATION</b>	November 2017 – October 2020 (36 months).
<b>BUDGET</b>	EU contribution: €2,500,000
<b>WEBSITE</b>	<a href="http://www.crisea.eu">www.crisea.eu</a>
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<b>FURTHER READING</b>	List up to five current or forthcoming publications the project has produced that might be of interest to policymakers.