

Trade and Investment Facilitation under the Lancang-Mekong Cooperation Framework

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The Lancang-Mekong Cooperation (LMC) is the first cooperation mechanism led by the six countries situated along the Lancang-Mekong River. Since its establishment, the LMC mechanism has developed smoothly with fruitful achievements. To date, most research on the LMC, by both domestic and foreign academics, has focused on environmental protection and water resource management, but rarely touches upon the area of trade and investment. As facilitation of regional trade and investment helps consolidate the foundation for Lancang-Mekong cooperation, and also serves as an important catalyst for economic development of Lancang-Mekong countries, it is important to accurately grasp the status quo and challenges in this area, in order to better integrate current resources, push industrial upgrade, create uniform market standards, strengthen coordinated development, and increase the sub-region's overall strength.

Significance of Trade and Investment Facilitation for LMC

With the LMC's continued progress, the trade and investment ties among the Lancang-Mekong countries are growing even closer. The successive entry-into-force of official documents, including the Concept Paper on the Lancang-Mekong River Cooperation Mechanism, the Sanya Declaration and

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the Five-Year Plan of Action on Lancang-Mekong Cooperation (2018-2022), have opened up a new path for political and economic cooperation in the Lancang-Mekong basin. Aimed at raising the level of trade and investment facilitation among Lancang-Mekong countries, measures which optimize trade rules, simplify investment procedures and increase policy transparency serve an increasingly important function. These measures are also significant for the construction of a fairer and more open investment environment, the coordinated development of regional economies, the advancement of service-oriented government, and the consolidation of the LMC's institutional basis.

Fairer and more open business environment

Business environment has always been the focus of foreign investment for every country. A healthy business environment may enhance the core competence of a country, and mobilize investment of enterprises while strengthening their capacity for sustainable development. As developing countries, the business environment of all Lancang-Mekong countries are in urgent need of improvement. For example, Laos lags behind not only the world's but also ASEAN countries' average level in trade facilitation, market access, border management and infrastructure construction.¹ To construct a more open and fairer business environment within the sub-region, it is of great importance to continue practical cooperation under the LMC framework, and facilitate trade and investment procedures based on the China-ASEAN Framework Agreement on Comprehensive Economic Cooperation, the Nanning Initiative for Trade Facilitation between China and ASEAN, and the Greater Mekong Subregion Cross-Border Transport Agreement, among other documents.

Coordinated development of regional economies

Despite the combined effect of cooperation mechanisms such as "10+1," the Greater Mekong Subregion Economic Cooperation and the

1 Zhang Jianping and Fan Ziyang, "Trade and Investment Facilitation of Belt and Road Countries: Current Condition and Measures to Take," *Journal of Chinese Academy of Governance*, No.1, 2016, pp.23-29.

LMC, as well as the rapid economic growth witnessed in Lancang-Mekong countries, a modern industrial system in which all parties' comparative advantages can be effectively utilized has not been established in the sub-region. On one hand, the countries have varying levels of development. According to statistics of the Asian Development Bank, although the GDP of Lancang-Mekong countries all experienced positive growth in 2017, difference is significant in growth rate among the countries. Myanmar saw the fastest growth while Thailand registered the lowest rate among the six countries.² On the other hand, the complementarity of Lancang-Mekong countries' economies is low with insufficient integration in their industrial structures. For instance, both Thailand and Cambodia once implemented import substitution and export-oriented industrialization strategies, and in recent years both of them have again been actively developing the manufacturing sector. Their industrial structures tend to be similar and thus share no complementarity.³ Therefore, facilitating trade and investment of Lancang-Mekong countries would be good for the acceleration of industrial integration, the extension of industrial chains, the upgrade of value chains, and the elevation of sub-regional comprehensive competitiveness.

Advancement of service-oriented government

Being service-oriented allows governments to enhance rationality in formulation, implementation and supervision of policies, while also increasing their efficiency in international cooperation. It would be a good idea to utilize the promotion of trade and investment facilitation in the Lancang-Mekong sub-region as a pushing force for positive reform of governments. First, a mature market, nurtured by coordinated development of regional economies, could renovate the administrative system and improve the development concept, thus guiding the government from management-

2 "GDP Growth in Asia and the Pacific, Asian Development Outlook (ADO)," Asian Development Bank, <https://data.adb.org/dataset/gdp-growth-asia-and-pacific-asian-development-outlook-ado>.

3 Clothing manufacturing accounts for two thirds of Cambodia's total exports, while the major exported products of Thailand include clothing, textile, shoes and TV. There is high similarity between the two countries' exports.

oriented to service-oriented. Second, increased trade freedom will rely on more rational trade rules, as well as more convenient customs formalities by the government. Third, investment facilitation will require governments to issue relevant policies at proper times, optimize the investment environment and improve the internationalization level, while effectively utilizing inbound foreign investment and strengthening in-the-course and ex-post supervision of outbound capital. Hence, improving the trade and investment facilitation level of Lancang-Mekong countries could accelerate a change of governments' conventional management concept that features regulation and coercion, and reinforce their public service functions by changing their roles.

Further promotion of LMC mechanism

Since the 2008 financial crisis, the world economic structure has changed from the “core-periphery” monocyclic system to a “double circulation” system. This is demonstrated by the integration and interaction of trade and investment on one hand and industrial transfer on the other, the shift from inter-industry trade to intra-industry trade, the adjustment of trade structure and conditions, and the promotion of trade-investment coordinated development via institutional arrangements. In essence, the LMC is South-South cooperation, in which the participants are all developing countries in a relatively disadvantageous position in international trade and investment. The facilitation of trade and investment could not only raise the awareness and participation of Lancang-Mekong countries in the rules-making process of international trade and investment, but could also further improve the institutional arrangements of their respective domestic trade and investment and push the LMC to a deeper level of cooperation.

Status Quo and Challenges of Trade and Investment Facilitation in Lancang-Mekong Countries

Despite their economic potential, there is still room for improvement of Lancang-Mekong countries' hard and soft powers. In terms of trade and

investment facilitation, the domestic policies of most countries and their participation in the making of international rules are far from sufficient. This has led to high standards for market access, complicated customs formalities, complex approval procedures, low level of openness, and unsatisfactory policy consistency and stability.

Status quo of facilitation in Lancang-Mekong countries

The Doing Business report of the World Bank is an important reference for measurement of trade and investment facilitation conditions in different countries. According to trade and investment facilitation rankings made by Doing Business 2018 report, Thailand, Vietnam and China have better performance, ranked at 26th, 68th and 78th respectively. However, the rankings of Cambodia, Laos and Myanmar are much lower, at 135th, 141st and 171st respectively.⁴ It can be seen that, as developing economies, there is large difference in trade and investment facilitation level, inconsistency of standards, and insufficiency of collaboration among different Lancang-Mekong countries. In the following paragraphs, I will analyze the trade and investment facilitation levels of the countries from the four aspects of market access, customs clearance facilitation, market openness, and the stability and consistency of investment policies.

Market access of foreign investment. Market access refers to the level at which a country allows foreign goods, labor and capital to participate in its domestic market. The current international trade system provides no uniform standards for a country's obligations on market access of foreign investment. Whether the legal control is lenient or not depends mainly on the economic development level of each country, its position in international investment activities, and the state of global economy. In general, the Lancang-Mekong countries encourage the inflow of foreign investment and support foreign enterprises in industries that are in urgent need of

4 "Doing Business 2018: Reforming to Create Jobs," The World Bank, October 31, 2017, p.4, <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>.

development with national or even super-national treatment. However, they have not set up uniform market access standards for mutual investment under the LMC mechanism. The differences regarding market access for foreign investment can be seen in two aspects. First, so far the Lancang-Mekong countries have not reached any sub-regional multilateral investment agreement. Second, the domestic legal systems of the countries have yet to be improved. Take Cambodia for example. According to the 1996 China-Cambodia Investment Promotion and Protection Agreement, the two countries are committed to giving fair and most-favored-nation treatment to each other on investment. Nevertheless, the agreement did not stipulate that if they should grant national treatment to foreign investment, not to mention details like if it is pre- or post-establishment national treatment. While Cambodia regards foreign investment as a major driving force of economic development, it has no specific law on foreign investment. Its regulatory provisions in this field would mainly be found within its investment law and the rules for implementation of the amended investment law.

Facilitation of customs clearance on goods. Since the LMC's launch, the countries involved have enhanced the facilitation level of customs clearance on cross-border goods via strengthening border cooperation, reforming port administration, and upgrading technologies involved in various relevant procedures and methods. In terms of border cooperation, as early as 2003 and subsequently in 2009, the Lancang-Mekong countries had already signed the Cross-Border Transport Agreement⁵ and the Nanning Initiative for Trade Facilitation between China and ASEAN.⁶ Passed in January 2018, the Five-Year Plan of Action on Lancang-Mekong Cooperation (2018-2022) stipulates in its Part IV that the parties should “promote facilitation of visa application, customs clearance and

5 The Cross-Border Transport Agreement is an important document on trade facilitation in the sub-region, which covers single-window and single-stop inspection, cross-border population flow, cross-border transport, and exchange of commercial traffic rights.

6 The Nanning Initiative for Trade Facilitation between China and ASEAN proposes strengthening trade facilitation cooperation between China and ASEAN countries. Based on consolidation of preliminary results, the two sides should further enhance dialogues and communication, and promote pragmatic cooperation like mutual recognition of supervision, mutual assistance in law enforcement, and information exchange.

transportation, and discussion on implementing the ‘single window’ model for cross-border clearance.”⁷ This is of great significance for the advancement of sub-regional cooperation. As for port administration, the Lancang-Mekong countries have tried to simplify the procedures for customs clearance and accelerate relevant infrastructure construction, while enhancing integration of hard and software of border ports and promoting electronic port management.⁸ The memorandum on establishing the Yunnan Asia-Pacific model e-port network operation center in Kunming, signed in April 2017 and dedicated to building an institutional platform for Lancang-Mekong countries and the broader South and Southeast Asian nations, has paved the way for interconnectivity of supply chains and trade facilitation measures under the LMC framework. In terms of technology, the Lancang-Mekong countries are making efforts to increase customs clearance efficiency by unifying their standards, reinforcing cooperation on customs and inspection, and taking advantage of “internet+” to upgrade communication infrastructure. For example, through the construction of a modern logistic system, the online “smart logistics” and offline “logistics park” have been organically integrated.

Level of openness. Since 2014, the LMC has become a bright color amid the trend of reversed globalization, and a new paradigm for developing countries to promote cooperation under the banner of globalization and regionalization. The main reason is that the emerging economy status of Lancang-Mekong countries requires them to develop an export-oriented economy and increase their level of openness to the world. Thailand put forward the Eastern Economic Corridor plan to facilitate industrial transformation and upgrade of its export-oriented economy. Since Vietnam’s Doi Moi policy in 1986, the country has continuously advanced in the path of opening-up. Laos is forging its external economic ties by enacting a series

7 “Five-Year Plan of Action on Lancang-Mekong Cooperation (2018-2022),” Lancang-Mekong Cooperation, January 12, 2018, http://www.lmcchina.org/eng/ttxw_1/t1525364.htm.

8 In December 2017, the Jinghong port (Guanlei wharf) officially became the first designated port for meat import in Yunnan. The inspection and quarantine authorities have strengthened hardware construction and improved the port’s rules and regulations, playing a positive role for the Lancang-Mekong Cooperation.

of legislation including the investment law, the labor law, the land law, and the law on currency regulation and circulation. In recent years, among the 49 least developed countries in the world, Cambodia has become the most open economy.⁹ Since the implementation of its new constitution, Myanmar has set up new goals for the development of its market economy. It has vigorously promoted its second “strategic reform” since 2012. As for China, it is worth mentioning that after 40 years of reform and opening-up, China has become an important engine for global economic development. China is playing a leading role in new rules for global trade and investment at the international level, and is continuously improving its legal system at the domestic level. Currently, China has established a nationwide system of pre-establishment national treatment and negative list, dedicated to a business-friendly environment that is rules-based, internationalized and facilitating.

Stability and consistency of investment policy. The stability and consistency of national investment policy is an important indicator for measuring the degree of a country’s openness. A stable and consistent policy is related not only to the vitality of foreign investment, but also to the scale and profits of its domestic enterprises operating and investing overseas. Under the LMC framework, participating countries have shown passion for cooperation and have provided policy guarantees. In spite of difference in economic development level, their policies are characterized by relatively high stability and consistency. Among them, China, Thailand, Vietnam, Cambodia and Laos are relatively friendly to foreign investment. By comparison, the investment risk is higher in Myanmar. First, the political situation is in turmoil, with constant armed conflicts in its northern Kachin State. Second, the local people are generally resistant to foreign investment, which has hindered the advance of some projects. Third, Myanmar has pursued a diplomatic policy of balancing between great powers in recent years, and is likely to be influenced by the US Indo-Pacific Strategy, adding to the uncertainty of investment in Myanmar.

9 Tian Yuan, et al., “Belt and Road Investment Cooperation: Country-Specific Studies,” *International Economic Cooperation*, No.2, 2017, pp.60-66.

Challenges in enhancing trade and investment facilitation

Due to the deep impact of the 2008 global financial crisis, the recovery and growth rate of the world economy remains anemic. Global trade has also hovered at a low level. For Lancang-Mekong countries, with insufficient policy synergy and industrial integration, the dividends of cooperation are hard to come by. Besides, most of the countries have poor infrastructure and obvious non-tariff barriers, and the too many crisscrossing sub-regional mechanisms have sometimes complicated cooperation. All these have posed severe challenges to the promotion of the LMC and the increase of sub-regional trade and investment facilitation levels.

Poor infrastructure in most LMC participants. Strengthening the interconnectivity of regional infrastructure is not only an important goal of the 21st Century Maritime Silk Road, but also the premise of the LMC mechanism. However, most LMC participant nations are weak and underdeveloped, in terms of both economic basis and infrastructure construction. Currently, Myanmar is in short supply of power – some 63% of its population does not have access to electricity.¹⁰ Despite its dedication in the long term to transforming itself from a land-locked nation to a “land-connect” country, the current infrastructure of Laos is extremely underdeveloped, with poor highways and railways seriously impeding economic development. As for Vietnam, although its economic development has boosted an increasing demand of cargo and passenger transport, it is still weak in terms of domestic transportation infrastructure, and thus traffic jams in the city are becoming more serious. In Cambodia, due to lack of energy, the problem of high power supply cost and electricity price still needs to be solved despite government efforts to step up relevant infrastructure construction. Thanks to the agricultural sector and tourism, Thailand’s economy, compared to other countries, has experienced relatively impressive growth. However, there is still much room for improvement of its

10 “Power Shortage in Myanmar and China’s West-East Power Transmission,” *Myanmar-China Net*, May 30, 2017, <http://www.mhwmm.com/Ch/NewsView.asp?ID=23500>.

infrastructure, especially given its incomplete highway and railway networks. The conditions of infrastructure development within the above-mentioned LMC participants would not only cause trade inconvenience across the border, but would also increase investment cost and negatively impact the sustainability of sub-regional economic development.

Non-tariff barriers still an obstacle of coordinated development.

As an important component of the China-ASEAN Free Trade Area, the Lancang-Mekong countries have indeed shared the dividends of China-ASEAN regional economic cooperation. After the Framework Agreement on Comprehensive Economic Cooperation went into effect, tariff barriers between China and Mekong countries decreased by a large degree. In fact, over 90% of the products traded have enjoyed zero tariff, which has greatly stimulated sub-regional trade and international investment. However, in recent years, non-tariff barriers have increasingly become an obstacle. First, the countries in this sub-region are at different stages of economic development. According to the latest World Bank statistics, in 2016, China's GDP amounted to USD11,119 billion, while Laos, which is also in this sub-region, only attained a GDP of USD1.58 billion. Such a substantial gap in economy is a determining factor for different priorities and patterns of industrial development. Second, the sub-regional information interconnectivity has yet to be strengthened. Due to insufficient political mutual trust, the Lancang-Mekong countries have encountered a general problem of information asymmetry in their cooperation. Currently, these countries have not established an information platform for multilateral trade and investment. With the progress of the LMC, information asymmetry will constrain the development of sub-regional cooperation and integration. Third, inconsistent technological standards are impeding trade interconnectivity. For instance, China's early railway tracks followed the British standard gauge of 1435 millimeters, while the Mekong countries primarily use meter-gauge railway tracks. Such difference gives rise to trouble in constructing railway interconnectivity, and brings about more difficulty in coordination and cooperation.

Burden of too many sub-regional mechanisms takes time to ease.

For years, there has been a constant call for cooperation among countries in the Lancang-Mekong region. As a result, diverse regional cooperation mechanisms have successively emerged. Besides the Greater Mekong Subregion Economic Cooperation (GMS)¹¹ and the Mekong River Commission, which are guided by countries outside the sub-region or international organizations, there are also mechanisms initiated by countries within the sub-region like the ASEAN-Mekong Basin Development Cooperation, the Golden Quadrangle or the Quadripartite Economic Cooperation, and the cooperation mechanism on law enforcement and security along the Mekong River. While the overlap of these mechanisms attests to the potential and significant status of this region, it has caused undue burden on regional economic development. The superposition of these mechanisms has not produced the desired “1+1>2” effect but rather has become an obstacle to cooperation. First, the cooperation areas and patterns of the mechanisms are similar, resulting in a diminishing marginal effect on stimulating economic growth. Second, the mechanisms rarely engage in politics or security, leading to insufficient political mutual trust among countries in this region, and negligible cooperation on security. Third, mechanisms established by external countries have raised the complexity of cooperation among countries within the region, diluting the need of the five Mekong countries to cooperate with China.¹² In 2016, the first Lancang Mekong Cooperation Leaders’ Meeting officially announced the building of a community of shared future of peace and prosperity among Lancang-Mekong countries. Unlike previous cooperation mechanisms, since its establishment, the LMC is dedicated to the integration of existing

11 The Greater Mekong Subregion Economic Cooperation, launched by the Asian Development Bank in 1992, has achieved plentiful results, including a mechanism of regular leaders’ meetings and ministerial meetings. The cooperation covers transportation, energy, information communication, environment, agriculture, human resources development, tourism and economic corridor. The official launch of the China-ASEAN Free Trade Area in 2010 and the substantial reduction of tariffs among the countries provided an important multilateral institutional guarantee for deepening GMS practical cooperation.

12 Lu Guangsheng and Jin Zhen, “Construction of LMC Mechanism: Reasons, Difficulties and Approaches,” *Journal of Strategy and Decision-Making*, No.3, 2016, pp.22-40.

mechanisms and development resources within the sub-region. It has set up the “3+5+X” framework: “3” refers to the three cooperation pillars of political and security issues, economic and sustainable development, and social, cultural and people-to-people exchanges; “5” means the five key priority areas of connectivity, production capacity, cross-border economic cooperation, water resources, agriculture and poverty reduction. Besides, the LMC member countries should expand cooperation in broader areas such as digital economy, environmental protection, customs and youth, to gradually form a cooperation framework of “3+5+X.”¹³ However, cooperation developed under the various existing frameworks still exists, and the optimization of established cooperation patterns requires a relocation of resources. Therefore, it takes time to address the problem of “mechanism jam” before the real effects of integration can be witnessed.

External interference escalates geopolitical competition. As mentioned above, the LMC is the first dialogue mechanism led by countries within the river basin region. However, as an important part of ASEAN, the region is also a major arena for great-power competition. Against the backdrop of in-depth global adjustment of political and economic structures, the economically backward countries in this region often adopt a strategy of balancing between great powers. While strengthening economic cooperation with the rapidly growing China to seek development opportunities, these countries remain “strategically suspicious” about the cooperation mechanisms led or participated by China, and thus look for security protection from countries outside the region, which largely undermines the efficiency of sub-regional pragmatic cooperation. What is more, the differences in culture, religion and political systems among Lancang-Mekong countries also impede the enhancement of sub-regional trade and investment facilitation level. For example, with similar ideologies, China and Vietnam have maintained frequent high-level interactions and open dialogue channels, but the South

13 “Lancang-Mekong Cooperation Leaders’ Meeting Hails Achievements, Maps Out Blueprint for Future Development,” State Council of China, January 11, 2018, http://english.gov.cn/premier/news/2018/01/11/content_281476009810562.htm.

China Sea disputes in recent years have become a disruptive factor for overall cooperation between the two nations. Other Mekong countries also harbor resisting sentiments because of their “strategic suspicion” towards China. Therefore, the coordination and mutual advance of economic and political interests will be a significant test for improving the level of trade and investment facilitation among the countries. It is also a question worth thinking about when conducting Lancang-Mekong cooperation.

Approaches to Enhancing LMC Trade and Investment Facilitation

Against the international backdrop of deepening regional economic integration, the LMC’s implementation needs both internal and external power. The Lancang-Mekong countries should further promote comprehensive reform, accelerate the transition of their respective governments, increase the transparency of trade and investment policies, and construct an institutional system which is systematic, complete, scientific, organized and efficient. Meanwhile, these countries should also deeply participate in the formulation of regional rules, strengthen the synergy of their trade and investment policies, reinforce in-the-course and ex-post supervision of outbound and inbound investment, and facilitate the early entry into force of the Regional Comprehensive Economic Partnership (RCEP) agreement.

Promoting early enactment of RCEP agreement

As Lancang-Mekong countries are all geographically covered by the RCEP agreement, the RCEP’s relatively high standards will definitely have a positive effect on trade and investment facilitation under the LMC framework. Specifically speaking, to facilitate the RCEP’s entry into force at an earlier time, the Lancang-Mekong countries can make efforts from the following fronts. First, they should strengthen high-level communication, establish dialogue platforms at different levels, push the negotiation process,

and make policy breakthroughs in some areas by accelerating the opening-up process. Second, they should increase the transparency of negotiations and enhance public awareness of participation, allowing their people to fully understand the beneficial effect of multilateral trade agreements on national economic development. Third, they should set up a transitional period and a damage alarm system on some industries to lower the participation cost for economically backward countries. Fourth, they should encourage consultation on major issues, especially on the establishment of a comprehensive dispute resolution mechanism with multiple channels. They should also consider providing institutional guarantees on trade and investment remedies.

Enhancing transparency of trade and investment policies

Cross-border economic cooperation zones are playing a significant role in enhancing the facilitation level of trade and investment between countries. While giving play to the cluster effect of enterprises, they could also support industrial transformation and upgrade, and even promote local employment. Except China, the other five LMC countries are all ASEAN members. With the increasingly close economic and trade exchanges between China and ASEAN countries, the number of cross-border economic cooperation zones within the Lancang-Mekong sub-region is increasing. China has established cross-border economic cooperation zones with Thailand, Myanmar, Vietnam, Cambodia, and Laos.¹⁴ To further increase policy transparency of cross-border cooperation zones, energy needs to be focused on the following aspects. First, dialogue should be strengthened among the countries involved, and the multiple levels of consultation mechanisms should be established or improved. Besides national-level platforms, they should also enhance communication at provincial, municipal and county

14 These cross-border economic cooperation zones include the Mohan-Boten economic cooperation zone between China and Laos, the Dongxing-Mong Cai cross-border economic cooperation zone between China and Vietnam, the China-Thailand Chongzuo Industrial Park, the Ruili-Muse cross-border economic cooperation zone between China and Myanmar, the China-Cambodia Sihanoukville Port special economic zone, and the China-Cambodia Comprehensive Investment Development Experimental Zone.

levels in order to put cooperation into practice. Second, they should give full play to the management committees of the cooperation zones. On the basis of equal consultation, the committees need to announce preferential trade and investment policies and the zones' latest news in a timely manner. Third, under the LMC framework, such cooperation should be carried out with clear priorities on industrial development of the cross-border zones. The countries need to make full use of their advantageous industries to speed up construction of an industrial system and promote transformation and upgrade of their border trades.

Strengthening synergy of trade and investment policies

With the rapid growth of Lancang-Mekong economies in recent years, the countries have successively issued development strategic plans and various preferential measures for trade and investment that suit respective domestic conditions. China put forward the Belt and Road Initiative in 2013 and released the 13th Five-Year Plan for Economic and Social Development in 2017, and its economy has witnessed a significant improvement in both quality and efficiency. In October 2016, Thailand passed the Eastern Special Economic Zone Act, aiming to build the Eastern Economic Corridor into a regional platform that benefits its in-depth reform, facilitates its industrial adjustment, and supports its socio-economic development and upgrade. Also in 2016, Laos passed the Vision to the Year 2030 and the 8th Five-Year Plan for Social and Economic Development. The Quadrangle Development Strategy of Cambodia is dedicated to the improvement and enhancement of governing capabilities of its administrative departments in order to promote economic growth. The 20-year National Comprehensive Development Plan of Myanmar lays emphasis on the construction of economic corridors between the Thilawa special economic zone and the Myawaddy border port, and between the Kyaukpyu special economic zone and Muse border port. The Vietnamese Congress passed the 2016-2020 Five-year Plan on Economic and Social Development in 2016 to vigorously promote economic structural adjustment and change the pattern of economic development.

Looking from the current situation, though the Lancang-Mekong countries have preferential policies, the content and investment standards of these policies are usually different. In order to further consolidate the LMC mechanism, the Lancang-Mekong countries should vigorously synergize their trade and investment policies. First, in trade transport, the responsibilities of the cargo carrier should be made clear so as to get rid of institutional obstacles, standardize the compensation procedures, and enhance the effect of interconnectivity. Second, the role of information communication in promoting cooperation should be given full play by building up investment cooperation platforms in various fields. Third, the countries should explore innovating cooperation based on industrial development priorities, extending the value chain of homogeneous industries and initiating new cooperation patterns for complementary industries. Fourth, the countries should lower investment threshold within the sub-region, standardize their policies and treatments toward foreign investment, and promote project-oriented cooperation in areas like production capacity, industrial parks and the construction of railways and highways.

Reinforcing in-the-course and ex-post supervision

The lowering of investment threshold does not only require more of domestic industries, but also poses a challenge to the administrative capabilities of the host countries. With the improvement of trade and investment facilitation levels, in-the-course and ex-post supervision of trade and investment should be reinforced in the following ways. First, the way of supervision should be reformed and the efficiency of approval process be improved. Countries should advance the institutionalization and standardization of trade and investment supervision, improving risk control via better technology and establishing a rules-based business environment. Meanwhile, they should simplify the approval procedures regarding trade and investment by carrying out single-window examinations. Second, a dynamic tracking mechanism should be built up for investment projects to avoid the situation where high-level officials interact frequently while projects are hard

to advance at the grassroots. The departments in charge of investment should conduct regular assessments on the projects, provide support for the investing enterprises in trouble, and reflect on and improve the existing laws and regulations in real time. Third, the countries should make full use of big data to step up supervision coordination across departments. Databases should be established for both inbound foreign investment and outbound overseas investment, and a data sharing mechanism across relevant government agencies should ensure that problems and difficulties encountered in advancing projects are coordinated and addressed within the shortest time.

Conclusion

The three pillars advocated by the Lancang-Mekong Cooperation, namely political and security issues, economic and sustainable development, and social, cultural and people-to-people exchanges, are highly consistent with the three major fields of the ASEAN community. However, the overlapping of mechanisms in this region is bringing about a centrifugal force larger than the centripetal force, causing cooperation to remain at low level for a long time. Enhancing the trade and investment facilitation level is key to promoting the LMC to a deeper stage, which could force domestic reforms through an upgrade of existing rules, increase the international competitiveness of sub-regional countries, and realize the goal of regional coordinated development. As an important participant of the LMC mechanism, China should play an active role as a responsible major power that contributes to trade and encourages mutual investment. Through an upgrade of current bilateral investment agreements with other countries, China could help the region expand the range of investment, lower the threshold of market access, strengthen in-the-course and ex-post supervision, innovate the approaches to trade and investment dispute settlement, and create a more sustainable, more open and fairer environment for sub-regional economic development. 