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Assessing China's Impact on Poverty in the Greater Mekong Subregion

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- Cambodia Development Resource Institute (CDRI), Cambodia
- National Economic Research Institute (NERI), Laos
- General Department of Statistics, National Committee for Planning and Investment, (formerly National Centre of Statistics), Laos
- Thailand Development Research Institute (TDRI), Thailand
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- Off-farm and Non-farm Employment in Southeast Asian Transitional Economies and Thailand
- The Cross-Border Economies of Cambodia, Laos, Thailand and Vietnam
- Pro-poor Tourism in the Greater Mekong Subregion
- Labour Migration in the Greater Mekong Subregion
- Agricultural Trade in the Greater Mekong Subregion
- Assessing China's Impact on Poverty Reduction in the Greater Mekong Subregion.

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FOREWORD

This volume presents the findings of the Greater Mekong Subregion Development Analysis Network (GMS-DAN) research on “Assessing China’s Impact on Poverty Reduction in the Greater Mekong Subregion”, which was undertaken through the generous support of the Rockefeller Foundation. GMS-DAN comprises leading development policy research institutes in Cambodia, Lao PDR, Thailand, Vietnam and Yunnan Province of China.¹ Since its inception in 1997, GMS-DAN has undertaken collaborative research, and published research reports and associated publications, on a range of significant cross-border socio-economic issues for the GMS — the impact of the Asian financial crisis on the Southeast Asian transitional economies; labour markets in transitional economies in Southeast Asia and Thailand; off-farm and non-farm employment in Southeast Asian transitional economies and Thailand; the cross-border economies of Cambodia, Laos, Thailand and Vietnam; pro-poor tourism in the GMS; labour migration in the GMS; agricultural trade in the GMS; and, most recently, assessing China’s impact on poverty reduction in the GMS.

GMS-DAN’s vision is for a peaceful, prosperous and integrated Greater Mekong Subregion that has achieved inclusive growth and sustainable development for its peoples. GMS-DAN’s mission is to

1. The GMS-DAN currently comprises the Cambodia Development Resource Institute (CDRI); National Economic Research Institute (NERI) and Bureau of Statistics, Lao PDR; Thailand Development Research Institute (TDRI); Central Institute for Economic Management (CIEM) and Institute of Economics, Vietnam; Faculty of Management and Economics, Kunming University of Science and Technology (KUST), Yunnan, China.

collaborate effectively as a network of leading GMS development research institutions; to generate high-quality collaborative development policy research on issues of importance to the GMS; to disseminate it effectively to policy-makers and influencers; and to strengthen the capacity of its member institutes and researchers. GMS-DAN's researchers include both senior experienced researchers with decades of experience working on development issues in ASEAN and the GMS, and a younger generation of emerging researchers who are building their knowledge and skills at a time of rapid change and development in their own countries and in the broader region — economically, socially and geopolitically. Of all these changes, none has more significant implications for these countries, for the GMS, and for ASEAN and the broader East Asian region, than the re-emergence of China as a major regional and global economic and geopolitical power, and the deepening of its relations, both economically and strategically, with the countries of the GMS, particularly the least developed countries (LDCs), Cambodia, Lao PDR and Myanmar.

In 2009, when this project was conceived, the global and regional economies, including the GMS countries in this study, were still feeling the impact of the global financial crisis and associated economic downturn. As a result of the crisis, China, with sustained robust growth, and already deeply engaged economically and geopolitically in ASEAN and its subset of GMS countries, further strengthened its global and regional influence through mechanisms such as the G20, ASEAN+3 cooperation, and increased contributions to the Asia Development Bank (ADB), and led a remarkable recovery in East Asia from the crisis. In the case of Cambodia, for example, by 2010 China had become the largest source of both foreign direct investment and development assistance, with a significant deepening of bilateral relations, also the case with the other two GMS LDCs, Lao PDR and Myanmar.

With much writing, both popular and academic, already available on the so-called “rise of China” globally and regionally, some of it balanced, analytical and constructive, some ideological and alarmist, the GMS-DAN project “Assessing China’s Impact on Poverty Reduction in the Greater Mekong Subregion” was conceived to objectively explore the broad question of what is the overall impact of China on economic growth within the GMS countries, how does this differ between these countries given their different economies, stages of development and political systems, and what policy issues might this surface for the GMS as a subregion. The study explored these questions through an analysis of Chinese trade, investment and

development assistance, and their impacts, with empirical case studies of specific GMS economies undertaken by researchers from leading policy influencing research institutions within the GMS itself.

As part of the project's research process, in August 2010, GMS-DAN co-hosted a consultation and dissemination workshop with the Institute of World Economics and Politics and the Institute of Asia-Pacific Studies of the Chinese Academy of Social Sciences at CASS headquarters in Beijing. The workshop involved the GMS-DAN researchers, officials from each of the GMS-DAN member countries including Yunnan province of China, and CASS scholars. For many of the younger GMS-DAN researchers, this was both their first opportunity to visit Beijing but more importantly, also their first opportunity to engage in dialogue with Chinese scholars and officials on such a significant and potentially controversial subject. The discussion was frank, robust and constructive, with acknowledgement of both the benefits and opportunities for the GMS countries of a deeper engagement with China, and the issues, real and perceived, that require careful management. Such dialogue, and over time the building of an "epistemic community" of policy researchers, policy-makers and officials in the GMS countries and China, working together to resolve policy challenges, will only serve to enhance the quality and relevance of regional policy research, and build trust and cooperation, particularly for a younger generation of researchers and officials.

The GMS-DAN project and the Beijing workshop identified some important opportunities and challenges, and issues of policy and practice in China's economic engagement with the GMS. These include: the substantial benefits to the GMS of Chinese development assistance, both bilateral and through its increased contributions to the ADB's GMS programme, along with Chinese tourism and trade, investment in infrastructure, agriculture and agribusiness, and mineral resource exploitation, and their contribution to economic growth and diversification, poverty reduction and the narrowing of the development gap between the GMS and ASEAN countries and more broadly in East Asia; the need to better manage the reality and perception of Chinese companies' corporate practices in the GMS in relation to the use of Chinese labour on significant investment and development assistance projects, and to engage more effectively in local community consultation and participation to better share the benefits of such projects; the provision of high levels of development assistance by China that, while responsive to government-defined needs and free of much of the conditionality attached to more traditional development

assistance, is criticized for a lack of transparency; the need to better balance economically productive investment, particularly in agriculture and agribusiness, with more responsible environmental management practices to reduce deforestation and environmental degradation; and the need for effective regional and subregional cooperation to ensure that the exploitation of the resources of the Mekong River system are better managed to enable both much-needed hydro-power development and protection of the eco-systems on which local communities rely for their livelihoods.

The strategic location of the GMS countries included in this study, situated as they are in an increasingly integrated Greater Mekong Subregion, and ASEAN, and in close proximity to China, is a major asset, but it also creates policy challenges. The increasingly likely prospect of an integrated production network and market, extending from China, through the GMS countries to the rest of Southeast Asia and beyond, provides the GMS countries with great opportunities for growth and socio-economic development, prosperity, private sector development and poverty reduction. The role of China, both economically and geopolitically, and the way the GMS countries individually and jointly manage their relations with China, will be central to this. We hope this volume will make a useful contribution to the research literature and stimulate questions for further research on major development trends and issues in the Greater Mekong Subregion, and on China's global and regional role and impact.

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