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CHINA-SOUTHEAST ASIA RELATIONS

BEIJING PRESSES ITS ADVANTAGES

ROBERT SUTTER, GEORGE WASHINGTON UNIVERSITY
CHIN-HAO HUANG, YALE-NUS COLLEGE

Chinese leaders steered relations in Southeast Asia to their advantage after successfully countering the adverse ruling of the arbitral tribunal in The Hague against China's controversial claims in the South China Sea. The remarkable turnabout in the Philippines, from primary claimant to pliant partner, and notable restraint on the South China Sea disputes by other claimants and concerned powers allowed Beijing to seek greater regional influence. In the closing months of 2016, Beijing made major advances with visits by the Philippine president and Malaysian prime minister, Premier Li Keqiang's participation at ASEAN and East Asia Summit meetings in September, and President Xi Jinping's participation at the APEC Leaders Meeting in November. China adopted a stronger regional leadership role as the US failed to implement important initiatives, notably the Trans-Pacific Partnership (TPP). The main uncertainty in China's positive outlook was President-elect Donald Trump who repeatedly criticized China, foreshadowing a less predictable and less reticent US approach to differences with China.

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South China Sea Issues

Chinese officials dealt in business-like fashion with South China Sea issues. They adhered to a general line that after several years of disruptions caused mainly by “non-regional countries,” the South China Sea has calmed with China and Southeast Asian countries agreeing to peacefully resolve disputes.

- In September, China’s foreign minister and Defense Ministry spokesperson [warned](#) Japan against Tokyo’s reported interest in joint patrols with the United States in the South China Sea. The Chinese Foreign Ministry spokesperson [warned](#) Singapore on its handling of South China Sea differences at a meeting of the Non-Aligned Movement. China and Russia also held eight days of live-fire and island-seizing [drills](#) in their first joint naval exercise in the South China Sea, highlighting stronger mutual support on such controversial international issues.
- In October, China followed past practice in reacting loudly to another US freedom of navigation patrol in the South China Sea. Chinese officials also [rebuked](#) New Zealand’s defense minister for publicly supporting the July 12 arbitral tribunal decision at an international meeting in Beijing.
- In November, official Chinese [media](#) endeavored to counter US charges of an “assertive” China by highlighting a government-backed report attacking the Obama government’s “unprecedented” military build-up along China’s rim.
- In December, the Chinese Foreign Ministry spokesperson responded to a query about the [announcement](#) that British warplanes would fly over the South China Sea on the way to Japan by advising London against disrupting the “increasingly ... sound and positive” situation in the South China Sea. There followed news based on [reports](#) of the Asia Maritime Transparency Initiative of China installing anti-aircraft and anti-missile systems on seven artificial islands in the South China Sea; the charges were dismissed by Chinese [officials](#) asserting the installations were “normal” activities and did not represent “militarization” of the disputed islands. The subsequent controversy over the theft by a

Chinese Navy ship of a US underwater surveillance drone guided by an accompanying unarmed US Navy surveillance ship in South China Sea waters near the Philippines was handled by Chinese government spokespersons. At year’s end, Chinese media highlighted military advances relevant to defending China’s South China Sea claims; they discussed Chinese Air Force [patrols](#) in the East China Sea and South China Sea and [publicized](#) the first live-fire exercise of China’s aircraft carrier battle group near northern China and its subsequent patrol in the South China Sea.

Relations with ASEAN, East Asia Summit, and APEC

Premier Li Keqiang represented China at regional meetings in Vientiane, Laos in September – notably a China-ASEAN Summit marking the 25th anniversary of ASEAN-China relations and the annual meeting of the East Asia Summit, hosted by the 2016 ASEAN chair, Laos. Chinese [commentary](#) said “the primary achievement” of the meetings was China and ASEAN “for the first time in recent years” successfully avoided serious discord on the South China Sea; the two sides were seen poised for greater cooperation on security, economic, and political ties. At the East Asia Summit, Chinese Vice Foreign Minister Liu Zhenmin [told](#) the media that all 10 ASEAN countries and most of the other attending leaders supported the “positive progress” China and ASEAN had made on South China Sea issues; only President Barack Obama and one other unnamed leader were said to have mentioned the July 12 arbitral tribunal ruling against China’s claims.

Premier Li and his ASEAN counterparts reached [agreement](#) on confidence-building measures involving protocols for unplanned encounters in the South China Sea and the establishment of a hotline among the foreign ministries to deal with maritime incidents. They pledged to implement the 2002 Declaration on the Conduct of Parties in the South China Sea (DOC) and to invigorate progress toward reaching a Code of Conduct in the South China Sea. Premier Li in Vientiane and Vice Premier Zhang Gaoli at the annual China-ASEAN Expo in Nanning, China, later in September were bullish on growing economic relations despite the recent absolute decline in China-ASEAN trade value. They [forecast](#) trade will grow to \$1 trillion in 2020 from \$472 billion in 2015. Cumulative two-way investment was valued at \$160 billion in 2016. Li sought to advance two-way

student exchanges from the current level of 180,000 to over 300,000 in 2025.

In Vientiane, Premier Li pushed the China-backed Regional Comprehensive Economic Partnership (RCEP), the region wide-free trade pact including China, all ASEAN members, and five other Asia-Pacific states but not the United States. The importance of the pact grew with the decline in US support for the competing Trans-Pacific Partnership (TPP) agreement, which excludes China. China had urged RCEP countries to reach agreement in 2016 but official Chinese [media](#) covering Li's visit acknowledged that agreement on the pact is not expected until 2017.

The election of Republican Donald Trump – a strong opponent of TPP – made the RCEP accord that much more important in Chinese calculations. Against this background, President Xi Jinping portrayed himself at the annual APEC Leaders Meeting in Peru as a leading advocate of freer trade in an international environment seen as economically [protectionist](#). He voiced strong support for RCEP and for an even broader pact known as the Free Trade Area of the Asia Pacific (FTAAP), which involves all members of APEC.

Philippines turn to China

With less than six months in office, Philippine President Rodrigo Duterte employed an unconventional diplomatic style and often crude and offensive language to reverse the previous government's firm policy against Chinese claims to and occupation of Philippine-claimed territory in the South China Sea. He notably accommodated China's demand that discussions on improving relations were contingent on the Philippines not raising the July 12 ruling by the arbitral panel against Chinese South China Sea claims in a case that was initiated by the previous Philippines government. In the process, Duterte markedly reduced the previous government's close security ties with the US, halting joint patrols in the South China Sea and threatening to drastically reduce the scope of US military interchange with the Philippines.

Chinese commentary was initially wary of President Duterte's intentions, but repeated interchange, notably during his Oct. 18-21 visit to China, prompted Chinese leaders to strongly endorse the breakthrough in bilateral relations. Meeting Duterte in November at the APEC Leaders Meeting in Peru, Xi Jinping [said](#) that the October visit to Beijing had "turned a new page" in China-Philippines relations and "injected positive energy" toward regional peace. In a yearend interview,

Foreign Minister Wang Yi [said](#) "the magnificent turn of China-Philippines relations not only dispelled the dark clouds over China and the Philippines over the years, but also removed the obstacles for China and ASEAN countries to deepen their cooperation."

The informal consultations with Chinese officials held in Hong Kong by President Duterte's "special envoy" former President Fidel Ramos in August led to a mid-level delegation visiting Beijing in mid-September. At this time, Premier Li Keqiang [met](#) Duterte at the ASEAN meetings in Vientiane, expressing hope for better relations amid Chinese commentary warning that if the Philippines brought up the July 12 arbitral tribunal ruling against Chinese South China Sea claims, the result would be "deadlock" in China-Philippines relations.

President Duterte's October visit to Beijing saw [agreement](#) to "properly handle their maritime disputes" (presumably in line with China's requirements regarding the arbitral tribunal's ruling), thereby opening the way for improved relations. The promises of closer economic ties were remarkable, with [Bloomberg](#) reporting an overall \$24 billion worth of funding and investment pledges involving \$9 billion in soft loans, including a \$3 billion credit line with the Bank of China, and economic deals including investments worth \$15 billion. Philippines bananas and other agricultural products were once again welcomed in Chinese markets and Beijing promised to promote Chinese tourism in the country. Although there was no official agreement, Chinese security forces controlling access to Philippine-claimed Scarborough Shoal allowed Philippine fishermen to fish "around the island," according to Chinese official [media](#).

Complementing the shift toward China and away from the United States, President Duterte [announced](#) in November a cut-back in planned exercises with US forces under the auspices of the Enhanced Defense Cooperation Agreement with the United States. In December, the Philippines defense minister [said](#) it was highly unlikely that the Philippines would allow the US military to use the Philippines as a base for carrying out freedom of navigation patrols in the South China Sea. He added that in addition to easing tensions over disputed Scarborough Shoal, Chinese Coast Guard ships no longer blocked Philippine resupply ships from accessing the Philippine military outpost on Second Thomas Shoal in the South China Sea. Later that month, Duterte [responded](#) to reports of China installing weapons on Philippine-claimed South China Sea islands by advising that he would not protest the Chinese actions.

Meanwhile, at their November meeting in Peru, President Xi reportedly said he was open to President Duterte's proposal that Scarborough Shoal be turned into a maritime sanctuary. Duterte also turned to China after breaking an agreement with the US over the purchase of 26,000 rifles for the national police on account of concerns the US would block the sale because of large-scale extralegal killings in the Philippine president's war on drugs. *Reuters* in December [reported](#) that China had offered \$14 million of small arms and fast boats along with a \$500 million so-called soft loan for the purchase of other military equipment.

One notable casualty of the turn to China was the alienation of former President Ramos, who had been a key backer of Duterte during his presidential campaign as well as his special envoy to China. In early October, Ramos [evaluated](#) negatively President Duterte's first 100 days focusing on the extralegal drug war killings and the breaking of important ties with the US. On Oct. 31 he announced his resignation as special envoy to China.

Malaysian prime minister visits China

One week after President Duterte departed China, Malaysia's Prime Minister Najib Razak arrived for a week-long [visit](#), his third official visit to China since taking office in 2009. The prime minister's visit resulted in 28 signed [agreements](#) covering several areas including infrastructure and financing. Malaysia is China's largest trading partner in ASEAN, with trade totaling \$97 billion in 2015 and is forecast to reach \$160 billion in 2017. China has also become the largest foreign [investor](#) in Malaysia, notably buying assets in Malaysia's controversial 1MDB state development fund. China reportedly is well positioned to undertake the Kuala Lumpur-Singapore high-speed rail project valued at \$16.6 billion. China and Malaysia have developed a close relationship under China's One Belt-One Road initiative whereby Chinese firms are rebuilding seaports in Malaysia along the Strait of Malacca and the South China Sea. The most notable advance highlighted by the prime minister involved closer military relations with several firsts including the first two military exercises over the past year and an agreement during the visit for China to sell Malaysia two patrol ships and to build two more in Malaysia.

China's Foreign Ministry spokesperson discounted Western media assessments of the visit as a Malaysian tilt to China and away from the United States prompted in part by disappointment over the failure of the TPP

and by US government actions against Najib's government regarding the controversial 1MDB state development fund. Nevertheless, Najib's [comments](#) in China said that "the world's fulcrum" is shifting "East" and he warned against unnamed outside large powers "lecturing" small countries like Malaysia on how to conduct their internal affairs.

China-Singapore relations

China-Singapore relations have worsened in recent months. In June 2016, during the ASEAN-China special foreign ministers meeting in Kunming, Foreign Minister Wang Yi sat down with his Singapore counterpart Vivian Balakrishnan for a [discussion](#). Wang pointed out that Singapore should play a bigger role to address discord with ASEAN, indicating that "as the country coordinator for ASEAN-China dialogue relations [through 2018], Singapore needs to act as a bridge between the two sides." Balakrishnan replied that "Singapore is just a coordinator, not the leader." It reflects Singapore's longstanding policy of impartiality and fostering ASEAN unity and centrality. The Kunming meeting ended in a diplomatic embarrassment for China, with Malaysia releasing a joint statement by ASEAN foreign ministers expressing strong concern over China's latest behavior in the South China Sea, which had "the potential to undermine peace." The carefully worded statement reflected the group's consensus, but it was subsequently [retracted](#) when Cambodia and Laos backed out at the last minute. Singapore disagreed with the retraction; rather than openly disagreeing with Wang at a public forum, Balakrishnan skipped the joint press conference with Wang after the meeting. Singapore subsequently released unilaterally a summary of the foreign ministers' discussion, indicating that original draft was an agreed statement that reflected ASEAN's common position. Chinese media commentaries picked up on the diplomatic snub and labeled Singapore as biased. The *Global Times* also [noted](#) that Singapore was taking sides against China on the territorial disputes in the South China Sea, a claim that prompted [strong](#) rebuke by Singapore's Ambassador to China Stanley Loh in a published response.

Bilateral ties hit another snag in November when Hong Kong customs officials seized a commercial container ship in transit carrying nine Singapore armored personnel carriers. The armored carriers were bound for Singapore after a military exercise with counterparts in Taiwan. Citing the lack of "approval notice," Hong Kong officials detained the shipment. The

Chinese Foreign Ministry indicated that Singapore should “strictly abide by the laws of Hong Kong Special Administrative Region (SAR), and cooperate with the SAR government on all necessary follow-ups.” It also expressed firm opposition to Singapore carrying out military exchanges and cooperation with Taiwan. Responding to the incident, Balakrishnan [noted](#) that differences with Beijing are bound to occur from time to time, given that the two sides are “such close and long term friends.” He added, “there’s a deep appreciation that this is a long and wide ranging relationship, and we will not allow any single issue to hijack it.”

In a recent [opinion piece](#) published in *The Straits Times*, Singaporean diplomat Tommy Koh indicated that there are four major areas of misunderstanding with China’s perception of Singapore. China perceives Singapore to be a Chinese nation. Given the shared language, values, and traditions, there is an expectation in Beijing that Singapore should side with China and support Chinese policies. Koh, however, notes that Singapore is a multiracial nation and not a Chinese nation. Its interests, as a result, are not always similar to those of China. As a case in point, Koh points to Singapore’s strong commitment to ASEAN. He notes, “any attempt to undermine ASEAN unity would be regarded by Singapore as a threat to its national interest. This point is not hypothetical but real. Singapore would like ASEAN to be united and to be able to speak with one voice on any important question, including the South China Sea.” Like many countries in the region, Singapore seeks stable relations with both Washington and Beijing. Singapore should not be mistaken for a US ally when it favors a rules-based world order and the multilateral institutions that uphold it. Koh sums up with the view that China’s world view could be quite different from that of Singapore, which makes it all the more important “for each side to understand the world view of the other” to strengthen bilateral relations and dampen unreasonable expectations.

China-Myanmar relations

Chinese officials remain vigilant on Myanmar’s national reconciliation process and have expressed concerns to Myanmar officials about the potential spillover effects from continued ethnic tensions and unrest along the borders. On Nov. 1, President Xi Jinping [met](#) Myanmar’s Commander-in-Chief of Defense Services Min Aung Hlaing in Beijing to discuss the border security situation. Xi indicated that China respects Myanmar’s sovereignty and territorial integrity and would play a constructive role in Myanmar’s peace process. China

was an observer and took part in some of the negotiations when Myanmar recently [signed](#) a nationwide ceasefire agreement with eight armed ethnic groups. For instance, Sun Guoxiang, China’s special envoy on Asian affairs, [visited](#) and met the United Wa State Army leadership, encouraging the armed group with close ethnic ties to China to participate in the Myanmar government’s peace process and dialogue in good faith. According to the *Global Times*, the latest [visit](#) by Myanmar’s chief military commander showed that the government’s interest in having Beijing take on a greater diplomatic and mediating role was “high on his agenda.”

Relations along the two countries’ borders saw more unrest within weeks after the high-level visit. [Fighting](#) between Myanmar government forces and armed ethnic groups in the Shan state in the northeastern part of the country near the China-Myanmar border broke out on Nov. 21. Myanmar nationals fled from the towns of Muse and Kutkai into China’s southwestern province of Yunnan for medical treatment and safe shelter. The Chinese Foreign Ministry [confirmed](#) the incident and noted that it has accepted 3,000 Myanmar nationals as refugees. It urged all parties in the conflict to exercise restraint and to resume dialogue to implement the peace agreement. The China-Myanmar border gates at Muse closed temporarily as a result of the conflict. The Muse border trade zone is the largest of its kind along the border. Nearly 80 percent of trade between the two sides passes through Muse, amounting to over \$3 billion annually. The People’s Liberation Army (PLA) also noted that its forces in the area were put on high [alert](#) following the border unrest. Thousands of people have been displaced by decades of fighting between the Myanmar military and ethnic armed groups in Shan state. The PLA has strengthened patrol and safety protection along the border in recent months and has prepared for various contingencies and emergencies caused by continued cross-border unrest.

Briefly noted

Vietnam sustained high-level engagement with Chinese counterparts, a key element of Hanoi’s balancing act to deal with opportunities and dangers posed by rising China and its coercion and assertion over South China Sea territories claimed and occupied by Vietnamese forces. Prime Minister Nguyen Xuan Phuc made a six-day [visit](#) to China in September, the first such visit by a member of Vietnam’s recently selected top leadership. Chinese warships [visited](#) Cam Ranh Bay in October for the first time; they followed visits by warships from the

US, Russia and other countries to the South China Sea base, which has recently been made available to foreign warships. That month a senior Vietnamese Communist Party delegation [met](#) Xi Jinping and other senior Chinese Communist Party leaders in Beijing. As in the past, the Vietnamese Foreign Ministry spokesperson [responded](#) without criticism to the US freedom of navigation exercise near the Chinese-occupied and Vietnamese-claimed Paracel Islands in the South China Sea. During the APEC meeting in Peru, President Xi [met](#) Vietnamese President Tran Dai Quang, reaffirming close ties. A [report](#) by the Asia Maritime Transparency Initiative in November that Vietnam had completed construction activities on the islands it occupies in the disputed Spratly Islands, including expanding a runway enabling deployment of maritime surveillance aircraft, prompted a Chinese Foreign Ministry spokesperson warning Vietnam to respect China's sovereignty.

Indonesia held to its recent firm line on South China Sea issues with President Joko Widodo [affirming](#) in November that there would be "no compromise" in Indonesia's position. The tough stance was backed up in October by a large-scale air force exercise over waters around the Natuna Islands archipelago that followed a series of face-offs between the Indonesian Navy and Chinese fishing boats and accompanying Coast Guard ships. In September, it was reported that the Indonesian government [plans](#) for joint patrols with the US Navy along Indonesia's South China Sea border. In November, Australia's foreign minister [said](#) Australia and Indonesia were considering joint patrols in the contested waters. Japan and Indonesia in December set up a joint [maritime forum](#) that reportedly will lead to Japanese assistance in developing Indonesian maritime security capabilities in the South China Sea.

Laos and China have been pushing hard to make progress in relations with a focus on a planned 418 km railway project running from Kunming, Yunnan Province to Vientiane, Laos. A groundbreaking ceremony was held for the project in 2015, but actual work on the project has not begun. Premier Li Keqiang [met](#) Laotian leaders during the ASEAN-related meetings in September, reportedly working out arrangements for Chinese funding for the railway as well as hydropower and other infrastructure projects. The railway has an estimated cost of \$6 billion. Li and Laotian Prime Minister Thongloun Sisoulith [met](#) in Beijing in November, signing documents on railway development and economic zones.

Cambodia and China drew closer with Xi Jinping's visit to Phnom Penh in October. The 31 agreements signed

during the visit featured various economic and other interchanges. Chinese [media](#) highlighted Cambodia's strong support for China's position on how to deal with South China Sea disputes. Western [media](#) focused on strategic projects involving Chinese construction of a deep water port on Cambodia's coast that is now nearing completion and is part of a \$3.8 billion Chinese project to develop an area covering 20 percent of Cambodia's coastline. Closer military ties were seen in an eight-day bilateral exercise in December involving 500 personnel dealing with natural disaster response and land mine detection.

CHRONOLOGY OF CHINA-SOUTHEAST ASIA RELATIONS

SEPTEMBER – DECEMBER 2016

Sept. 7, 2016: Chinese Premier Li Keqiang attends the 19th ASEAN-China Leaders Meeting and a commemorative summit marking the 25th anniversary of ASEAN-China dialogue in Vientiane, Laos. Li puts forward a five-point proposal for deepening economic, security, and cultural ties and exchanges.

Sept. 10, 2016: Chinese Vice Premier Zhang Gaoli meets Southeast Asian leaders and attends the 13th ASEAN-China Expo and the Business and Investment Summit in Nanning, Guangxi Zhuang Autonomous Region of China.

Sept. 13, 2016: China and Laos hold their first joint police [exercise](#) in China's Yunnan Province. Following the exercise, the two sides sign a memorandum pledging to deepen police cooperation between the two countries to crack down on cross-border crimes.

Sept. 13, 2016: Chinese President Xi Jinping [meets](#) visiting Vietnamese Prime Minister Nguyen Xuan Phuc in Beijing. The two leaders stress the importance of deepening exchanges and ties between party and government officials to strengthen political trust.

Oct. 6, 2016: Indonesia [conducts](#) its largest-ever military exercise near the Natuna Islands, involving more than 2,000 Air Force personnel and 70 fighter jets and helicopters. President Joko Widodo observes the drill.

Oct. 13, 2016: President Xi Jinping [sends](#) a message of condolences to Thailand over the death of King Bhumibol Adulyadej.

Oct. 14-18, 2016: President Xi Jinping [embarks](#) on a five-day visit across Southeast and South Asia, with state visits to Cambodia, Bangladesh, and India for a BRICS summit. Chinese commentaries [indicate](#) that Xi's reaching out to small and emerging economies reflects a "new type of international relations" and a "community of common destiny."

Oct. 18-21, 2016: President Xi Jinping and Philippine President Rodrigo Duterte meet in Beijing. The joint [statement](#) includes several memoranda of understanding.

Oct. 25, 2016: China and Vietnam [hold](#) the fourth meeting of the Cooperation Committee on China-Vietnam Land Border Gate Management in Hanoi. The two sides review border and immigration checkpoint policies and discuss the prospects for furthering bilateral border security, stability, trade and economic development.

Nov. 3, 2016: President Xi Jinping meets Malaysian Prime Minister Najib Razak in Beijing. They [agree](#) that bilateral ties are at their "highest level," indicating their joint cooperation in infrastructure, agriculture, law enforcement, economics, and defense.

Nov. 9, 2016: China and Vietnam carry out their second joint coast guard [exercise](#) in the Gulf of Tonkin, focusing on personnel exchanges, law enforcement cooperation, and search and rescue exercises.

Nov. 21, 2016: People's Liberation Army (PLA) put its armed forces on high [alert](#) following armed attacks on Myanmar's military and police posts close to the China-Myanmar border towns of Muse and Kutkai.

Nov. 22, 2016: China and Malaysia conduct joint military [drill](#) *Aman Yoyi (Peace Friendship 2016)* in Malaysia. It involves more than 400 Malaysian military personnel and nearly 200 PLA soldiers focusing on humanitarian assistance and disaster relief.

Nov. 28, 2016: Chinese Premier Li Keqiang meets visiting Laotian counterpart Thongloun Sisoulith in Beijing. They discuss bilateral trade and economic relations, including infrastructure development and economic zones.

Nov. 29, 2016: Hong Kong officials, citing the lack of “approval notice” for military vehicles, [seize](#) nine Singapore Armed Forces armored vehicles in transit and bound for Singapore after a military exercise in Taiwan.

Nov. 30, 2016: Nearly 400 troops from the PLA Southern Theater Command and the Cambodian armed forces carry out a joint [exercise](#) focusing on humanitarian assistance and disaster relief.

Dec. 10, 2016: China and ASEAN launch a cross-border e-commerce platform. The new initiative provides services in the areas of logistics, financial transactions, and customs permits for small and medium enterprises to deepen business and trade ties.

Dec. 12, 2016: Premier Li Keqiang [attends](#) fifth China-Thailand Joint Committee on Trade, Investment and Economic Cooperation Meeting in Beijing. Li and Thai Deputy Prime Minister and Defense Minister Prawit Wongsuwan sign a memorandum of understanding pledging to begin construction on the China-Thailand railway.

Dec. 23, 2016: Chinese Foreign Minister Wang Yi arrives in Siem Reap, Cambodia to [attend](#) the second Lancang-Mekong Cooperation (LMC) Foreign Ministers’ Meeting. Established in 2015, the LMC initiative promotes sub-regional economic development along the Mekong River for six countries, including Cambodia, China, Laos, Myanmar, Thailand, and Vietnam.