

IMPACTS OF LANCANG-MEKONG COOPERATION ON CHINESE INVESTMENT IN EASTERN ECONOMIC CORRIDOR¹

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Abstract

This article investigates the impacts of Chinese investment on Thailand's Eastern Economic Corridor (EEC) under the Thailand 4.0 policy and the effects from the Lancang-Mekong Cooperation (LMC) under China's Belt and Road Initiative (BRI) from 2012 to 2019. As a major aspect of Chinese foreign policy, LMC, along with the BRI, focuses on building cooperation and economic connectivity with Mekong countries. Thailand has become one of China's prime targets for foreign direct investment (FDI). Meanwhile, Thailand benefits by linking the EEC with special economic zones in China, supporting the concentration of technology and innovation in correspondence with the "Thailand 4.0" policy in the current 20-year national development plan. Consequently, Thailand is promoting investments by Chinese investors in the EEC.

This research employed qualitative and quantitative methods to study a sample of 200 Chinese entrepreneurs in the EEC. The survey found that the number of Chinese investors has increased significantly in the EEC since 2014. In 2019, Chinese investors had the highest FDI in Thailand. However, the majority of these Chinese industries were (and still are) in relatively low-technology fields. Also, the availability of utility infrastructure for factories in the EEC is still comparatively low, and issues around government services and the availability of labor and resources must still be addressed.

Keywords: Lancang-Mekong Cooperation, Thailand 4.0 policy, Eastern Economic Corridor, Chinese investment in Thailand

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1. INTRODUCTION

This research examines the relationship between the Lancang-Mekong Cooperation (LMC) under the Chinese BRI policy and Thailand's Eastern Economic Corridor (EEC) under the Thailand 4.0 policy, within a sub-regionalism framework, in order to further study how the interaction between the LMC and the EEC has impacted Chinese investment in the EEC from 2012 to 2019.

The LMC, which is an element of China's BRI, was formed in the first LMC Leaders' Meeting in 2016 (Lancang-Mekong Cooperation China Secretariat, 2017). The LMC greatly influenced the new drive for Thai-Chinese investment cooperation, at a time when China aimed to enhance its cooperation and connections with Thailand. Meanwhile, Thailand made links between the EEC and the LMC, corresponding to the policy of "Thailand 4.0" in its 20-year national development plan. At the second LMC Leaders' Meeting in 2018, Thailand proposed a connection between the LMC and the BRI in order to connect with the EEC (Public Relations Department, 2018).

At present, there are a limited number of academic works on the interaction between the LMC under BRI and the EEC, or the impact of EEC policies on Chinese business and investment, and no critical review is yet available. Therefore, it is interesting to examine the influence of the establishment of the LMC on the new drive towards the development

targets regarding FDI in Thailand. The research results will lead to new suggestions and new implications for academic studies, also promoting future Thai and Chinese economic cooperation.

2. LITERATURE REVIEW

The literature review is divided into two parts. The first reviews the extensive literature on European and Asian experiences of sub-regionalism, in order to clarify the concept of sub-regionalism. The second part is a review of secondary material and relevant literature from academic sources, especially journals and textbooks, discussing Chinese investment under the BRI in Thailand's EEC.

The reasons for sub-regionalism being the conceptual framework of this research are first presented. Sub-regionalism began flourishing in Asia after the collapse of the Cold War, as a response to the region's discontent with regional integration mechanisms (Cihelková and Hnat, 2006: 50). Hook and Kearns (1999: 16) pointed out that sub-regionalism is often driven by the weaker states in the global political economy, seeking to strengthen cooperation in a closer space than at the regional level. As a result, sub-regionalism might be characterized by the interactions between nodes (states or parts of states) (Mittelman, 2001: 214). Additionally, Kearns (1999: 17) noted that states in sub-regional cooperation attempt to reintegrate their economies, employing trade and cooperation agreements, towards

export promotion within a local setting, including cross-border and transnational affairs. In these ways, sub-regionalism focuses on economic development, person-to-person contact, and transnational planning for infrastructure and transport, as well as management of environmental problems and natural resources (Bremner and Bailes, 1998: 131; Hook and Kearns, 1999: 6). Lastly, sub-regionalism emphasizes a top-down foundation of inter-state and sub-state cooperation, as well as bottom-up processes with grass-root organizations or NGOs, private businesses, and the local society; in doing so, the parties work on cross-border activities which attract FDI (Bremner and Bailes, 1998: 135; Cottey, 2009: 15). As a result, characteristics of sub-regionalism may still be employed to analyse such informal cases.

The existing empirical literature on Chinese investment under policies of the LMC to support the BRI in the sub-regional growth zone, especially in Thailand, is limited. Most scholars have focused on previous sub-regional case studies, including growth triangles or economic growth zones, such as the one between Singapore, the Malaysian state of Johor, and the Indonesian province of Riau (SIJORI), the Greater Tumen Initiative (GTI), and the Greater Mekong Sub-region (Breslin and Hook, 2002; Dent, 2008; Dosch, 2013: 36; Rodan, Hewison, and Robinson, 1997; Sum, 2001: 30; Tang and Thant: 1998; Thambipillai, 1998). It seems that no researchers have yet

examined LMC under the sub-regionalism concept, in particular the involvement of state, and sub-state levels, and the business sector. Some researchers have focused only on the state level, such as Bhattacharya (2015) and Nurruzzaman (2004).

Moreover, the studies on the Mekong Basin highlight the Greater Mekong Sub-region, especially regarding political, energy, and environmental issues. The Asian Development Bank (ADB) has examined the economic and infrastructure development of the GMS since its establishment in 1992, but only from the bank's and Japanese perspectives.

Although Sangkhamanee (2010: 63) found that the formation of the GMS was accomplished by state and non-state actors, he paid attention to the issues related to Thailand and the GMS and the role of ADB. When LMC was formally established in 2016, with the Thai and Chinese prime ministers as co-chairmen (Zhu, 2010: 5), there were insufficient studies on the relationship between Thailand and China with regard to the LMC and Thailand's special economic policy, especially regarding the impact of Chinese investment in the EEC.

Likewise, the relationship between the LMC under the Chinese BRI, and its relevance to China's connections with Thailand, has not yet been adequately researched. Most papers emphasize relationships with ASEAN, such as "The Significance of the Belt and Road Initiative on Promoting the Development of Sino-ASEAN Economic and Trade

relations” (Gu, 2018); “The Belt and Road Initiative and China-ASEAN relations” (Zhao, 2019); and “Cooperation Mechanism of Lancang-Mekong River and the Construction of China-Indochina Peninsula Economic Corridor” (Lu, 2016). It should be noted that none of these specifically relate to Thailand, or provide an overview on the interactions between the LMC and the EEC and how this has impacted Chinese investment in the EEC; such studies are not yet available.

3. RESEARCH METHODOLOGY

To investigate the outcome of Chinese investments in Thailand’s EEC under the Thailand 4.0 policy, as well as the effects from the LMC under the BRI from 2012-2019, information was collected and triangulated to affirm its credibility, reliability, and validity. Both qualitative and quantitative research methods were employed, in three steps. In order to identify key intervening variables, a search for empirical data was conducted in the three pilot provinces of the EEC, namely Chonburi, Rayong, and Chachoengsao.

The first two steps were conducted using the qualitative method. To define key concepts of sub-regionalism, the existing literature on sub-regional integration processes was investigated, with an emphasis on European and Asian experiences of sub-regionalism. They were then summarized and synthesized as a conceptual

framework.

Documentary research related to Thailand and Chinese policies regarding the EEC, BRI, and LMC was conducted; this included historical materials, archival documents, work programmes, and speeches, including reviews of relevant literature in secondary sources from scholarly analyses. Statistics and data on Chinese investment in the EEC from 2012 to 2019 was then collected from progress reports and relevant policy documents from Thailand’s Board of Investment, the EEC Secretariat, and local governors.

The second step was to collect qualitative information from the sample group of policy makers in Thailand and China from June to August 2019. Information sources regarding Thailand included the BOI, EEC Secretariat in Bangkok, and the local governors in Chonburi, Rayong, and Chachoengsao. The three Chinese sources in Beijing were the Lancang-Mekong China Secretariat, the Chinese Academy of Sciences, and the China Foreign Affairs University (CFAU). In all cases, an in-depth, in-person interview was carried-out, guided by a prepared list of questions covering the research objectives. All interviews were recorded and transcribed, and the transcriptions were cross-checked with the interviewees. The results of the interviews provided insights into Thailand’s policies, which included industrial and investment histories, as well as their strategies for attracting foreign investment from China, and

valuable information on the Chinese BRI and LMC policies was obtained. At the conclusion of this stage, the survey questions were prepared for the final step (Step 3) to quantitatively measure the impacts of the EEC on Chinese investment.

Data were gathered first-hand via interviews (with closed-ended and open-ended questions) and a questionnaire survey, during several field trips to the three provinces in October 2019. Interviews with four representatives of Chinese investors were organized, as well as an interview with the president of a Thai-Chinese industrial park. Also, managers from three enterprises randomly selected from each of the three provinces, were interviewed, in order to clarify the reasons why Chinese enterprises invested there and how the policies of the LMC and EEC affected their companies. Meanwhile, questionnaires were sent to Chinese entrepreneurs who may be affected by the LMC and EEC; these were chosen from a random sample of 200 Chinese factories out of a total of 274 factories in the three provinces. The data collected from the 200 surveys were converted to percentile data, presented in tables, and then analysed with descriptive analysis, as shown below.

4. RESULTS AND DISCUSSION

4.1 Impact of LMC Cooperation on the EEC

The results of the impact of the LMC on Thailand's economic

development in the EEC show that from 2012 to 2019 Thailand benefited directly with significantly increased trade and investment from China, specifically regarding infrastructure developments, modern industrial development, and increased economic growth in the EEC's active areas. In particular, this effect was evident when China's policy towards Thailand under the LMC concentrated on a policy of friendly neighbours under the sub-regional framework, enhancing cooperation in the Mekong area in the year 2014, when the LMC was proposed (Lu, 2018). The Chinese government believed the LMC would further China's trade and investment and promote the expansion of Chinese corporations' investment in Upper Southeast Asian countries, particularly in Thailand. With this strategy, Thailand has become one of China's prime locations for foreign direct investment (The state Council of the People's Republic of China, 2019).

The LMC is an important sub-regional mechanism that enables the BRI to use a relatively small geographic area like the Mekong sub-region to connect member countries that are in close proximity along the Mekong River, namely China, Cambodia, Laos, Myanmar, Thailand, and Vietnam, within the frame of the China-Indochina Peninsula Economic Corridor (CIPEC). CIPEC is a part of the New Silk Road Economic Belt, which was recognized in 2013 as one of the most important corridors between the Zhujiang River Delta and countries in the Mekong River Basin.

CIPEC aims to combine economic development and infrastructure development to develop economic areas throughout the sub-region (Lu, 2018). This was even more evident when the current Premier of the State Council of China, Mr. Li Keqiang, insisted at the second LMC Leaders' Meeting in 2018, that China's participation in the LMC would continue to deepen relations with its neighbours, bringing about mutual benefits of building friendships and partnerships and providing broader platforms for regional economic and social development (Lancang-Mekong Cooperation China Secretariat, 2018).

Under the concept of sub-regionalism, top-down processes at the state and sub-state level in the global economy, are able to strengthen cooperation in economic development. This was evident when the Chinese Premier of the State Council, Mr. Li Keqiang, met with the Thai Prime Minister Prayut Chan-ocha, in Beijing in 2019. He strongly affirmed that Thailand and China had strengthening cooperation under the BRI and LMC, promoting stability and development in the region, such as by speeding up the Sino-Thai railway project and LMC mechanism (Ministry of Foreign Affairs of the People's Republic of China, 2019). Thailand's Prime Minister responded that Thailand supported the BRI as an important strategy for stimulating economic growth in Asia and increasing the number of Chinese businesses investing in the EEC, as well as making progress on the high-

speed railway project (Embassy of the People's Republic of China in the Kingdom of Thailand, 2019). Thailand supports the LMC and BRI through its promotion of the EEC, under the Thailand 4.0 policy. The EEC functions as a sub-regional mechanism for enhancing sub-regional trade and attracting foreign direct investment and complementarities in production systems within a local setting in a special economic zone. Consequently, Thailand has encouraged Chinese investors by implementing policies that facilitate access to the country's abundant natural and human resources and providing infrastructure conducive to the growth of sub-regional exchanges in the EEC.

To promote the EEC to investors, the Thai government published the EEC's rules, procedures, conditions, and processes, in the Government Gazette, Eastern Special Development Zone Act B.E. 2561 (2018), on 31 January 2018. The investment promotion section of the BOI has adjusted its function from zoning to granting privileges to operators in each zone. It increases the emphasis on target industries and business, with conditions which govern the location of establishments in the three provinces of the EEC. For example, it grants five to eight years of corporate income tax exemption for businesses in target technology development groups, including biotechnology, nanotechnology, advanced materials and digital products, electronic design, research and development, and scientific

testing services, among others (BOI of Thailand, 2020). Moreover, two additional criteria for corporate income tax incentives involve human resource development, and project location, especially regarding projects located in the EEC; satisfying these two criteria provides eligibility for a 50 percent corporate income tax reduction for an additional two years (Kaewsang, interview, February 2020).

Sub-regionalism also places emphasis on bottom-up processes with grass-roots organizations and private businesses. For example, Thailand arranged for almost 1,000 participants from both Chinese and Thai investors to attend the “Thailand-China Business Forum 2018: Comprehensive Partnership through the Belt and Road Initiative and the EEC” (Thailand Press Release, n.d.). As a result, the Board of Investment (BOI) established three overseas offices in China (Beijing, Shanghai, and Guangzhou) and organized activities to attract further Chinese investments (Thailand Press Release, n.d.).

More evidence can be seen in the Joint Press Statement between the Government of the Kingdom of Thailand and the Government of the People’s Republic of China, issued on 5 November 2019, in Bangkok. Both sides expressed satisfaction with their cooperation under the MOU on the China-Thailand Railway Cooperation, under the framework of the Belt and Road Initiative (Ministry of Foreign Affairs of the Kingdom of Thailand, 2019). Additionally, based

on the platform of the China-Thailand Rayong Industrial Park, Thailand and China would continue to expand industrial cooperation regarding production capacity and to create greater synergies in industrial plans and policies, such as next-generation automobiles, high-technology medical devices, new energy and energy-saving vehicles, and rubber (Ministry of Foreign Affairs of the Kingdom of Thailand, 2019). The Thai government sees the economic transformation of the country as its top priority, which is why it seeks to ensure a supportive business environment and ecosystem for investors.

As a result of good relations between the two countries, growth in the number of Chinese projects in the EEC has been remarkable for several years (see Table 1). The BOI Secretary General revealed that from January 2016 to June 2018, Chinese investment projects seeking promotional privileges in Thailand were valued at 56 billion baht (Thailand Press Release, n.d.). BOI data for 2019 shows that a total of 429 projects (393,727 million baht), from various countries, had been submitted to the BOI for promotional support. Most of these were located in the eastern region, owing to investment promotion measures. The Deputy Secretary of the BOI (Kaewsang, interview, February 2020) confirmed that China had the highest investment in 2019, with capital investments worth 261,796 million baht spread across 203 projects. The information from the BOI (Table 1) shows a

Table 1: Number of Chinese projects located in the EEC in 2012-2019 (classified by year)

Province	2012	2013	2014	2015	2016	2017	2018	2019
Chachoengsao	2	3	5	7	11	14	19	21
Chonburi	7	14	24	34	39	49	78	105
Rayong	13	25	32	59	88	104	124	147

Source: Board of Investment of Thailand, 2020

significant increase in the number of Chinese industries in the EEC area from 2012 to 2019, especially from 2018, when the EEC policy was implemented.

Looking at Table 1, it is obvious that Rayong is the province in which Chinese investors have invested the most; one potential reason is that Rayong offers more privileges and investment benefits in comparison to Chachoengsao or Chonburi (Kaewsang, interview, February 2020). Moreover, the establishment of the Thai-Chinese Industrial Park of Thailand in Pluak Daeng district, Rayong province, has resulted in having more Chinese entrepreneurs investing there than in other provinces (Zhao, interview, 8 March 2020). The president of the Thai-Chinese Industrial Park, Mr. Zhao Bin, confirmed that, in the Thai-Chinese industrial estates, there are 147 factories from different provinces across China, with 4,000-5,000 Chinese employees and 30,000-40,000 Thai employees. He stated that the industries currently receiving the highest investments are the automobile industry, motorcycle industry, and electronics industry. The value of investment has increased from 2,245.90 million baht in 2014, to

11,882.20 million in 2015, 20,334.20 million in 2016, and 24,767.31 million in 2017 (BOI of Thailand, 2019).

4.2 Chinese Companies in the EEC

The Thai government has set a new target called the “New S-Curve”, expected to help the Thai economy to achieve a big leap forward under Thailand 4.0. The New S-Curve consists of five targeted industries: (1) robotics, (2) aviation and logistics, (3) biofuels and biochemicals, (4) digital economy, and (5) medical hub (Industrial Estate Authority of Thailand, 2019: 4). However, even though the EEC, through the BOI’s policy, requires high-technology industries, mostly in Chonburi province, newcomer and current Chinese factories are not yet ready for high technology for several reasons. According to a survey by the BOI (2019), the raw materials consumed most (listed from the first and descending in value) are (1) metal powder, (2) oil paint, (3) diamond cutting blades, (4) steel bars, (5) steel sheets, (6) paper, (7) steel, (8) aluminium, (9) tin, and (10) glass. This is because most of the Chinese factories are involved in light

industry. Considering the kind of goods produced, there are 45 factories making diamond cutting blades (accounting for 22.50 percent), 40 factories producing construction equipment and blades (20 percent), 35 factories producing textile fibres (17.50 percent), 30 factories producing machinery equipment (15 percent), 40 factories producing blades (20 percent), and 10 factories making new composite materials (5 percent).

Field research was conducted to deliver the interviews and questionnaires, ensuring the reliability and validity of data regarding the impacts of the EEC on Chinese investment. Chinese entrepreneurs in 200 factories were randomly selected from a total of 274 factories. The

sample group consisted of 107 Chinese factories located in Rayong province, 78 in Chonburi province, and 15 in Chachoengsao (as shown in Table 2).

4.3 Views of Chinese Investors Regarding the EEC

As another facet of this study, the two topics of the positive impacts of industrial estate construction on the Thai economy (see Table 3), and the impact of the Eastern Economic Corridor’s policies on entrepreneurs in the area (see Table 4), were also studied.

As shown in Table 3, it appears that the establishment of the EEC has a positive impact on the construction of industrial estates, promoting the

Table 2: Number of Chinese entrepreneurs in the three pilot provinces

Factory location	Number	Sample group
1. Rayong province	147	107 (53.50%)
2. Chonburi province	106	78 (39.00%)
3. Chachoengsao province	21	15 (7.50%)
Total	274	200 (100.00%)

Source: Board of Investment of Thailand, 2020

Table 3. Level of positive impacts of industrial estate construction on the Thai economy, according to the opinion of 200 Chinese entrepreneurs

Positive impacts of industrial estate construction on the Thai economy	Level of positive impact			
	No Impact	Low impact	Moderate impact	High impact
	0	1	2	3
1. Improve the technical level	20 (20.00)	35 (35.00)	27 (27.00)	18 (18.00)
2. Increase production efficiency	10 (10.00)	25 (25.00)	20 (20.00)	45 (45.00)
3. Market expansion	10 (10.00)	15 (15.00)	18 (18.00)	57 (57.00)
4. Increase economy size	14 (14.00)	14 (14.00)	10 (10.00)	62 (62.00)
5. Elevate international trading	15 (15.00)	10 (10.00)	25 (25.00)	50 (50.00)

Thai economy in terms of production efficiency, expanding markets, increasing the size of the economy, and increasing market openings in foreign countries. In contrast, only 18 percent of entrepreneurs thought that improvements in technical level, would have a high impact on Thailand's economy. Analysis reveals that the establishment of the EEC has had a positive impact on the construction of industrial estates and how these estates promote the Thai economy in terms of better production efficiency, expanding the market, creating a larger economy, and elevating international trade. However, in terms of improving the technical level of industry, it has had a low impact. In addition, the survey found that of the finished products manufactured by Chinese operators, 20 percent were sold in Thailand, while 80 percent were sold in foreign countries, with the majority exported to the United States, Japan, Europe, and Australia.

It was also considered necessary to learn what impacts the policies, location, and other characteristics of the EEC, had on the Chinese companies themselves; the related data is presented in Table 4.

The EEC policies have had a relatively high to significant impact on many issues. Firstly, the availability of management teams and personnel in various departments was found to have a high level of impact; around 65% of business owners thought this characteristic of the EEC had a relatively high or significant impact on their operations. Particularly, the ability to recruit

unskilled laborers easily and conveniently was found to have a relatively high impact on the Chinese business, with 45 percent of entrepreneurs choosing "high impact", even though the survey showed that 20 percent of entrepreneurs felt that the ability to recruit skilled and semi-skilled workers in the area had a low impact. Chinese entrepreneurs in the EEC require a large number of skilled, and semi-skilled workers. The questionnaire results also show that 47.13 percent of workers are skilled, 34.39 percent semi-skilled, and 15.92 percent unskilled, while the remaining 2.55 percent fall into "others". Therefore, difficulty in recruiting skilled workers locally is a major problem for Chinese entrepreneurs, who must recruit skilled workers from China, and thus also encounter problems securing work permits in Thailand.

The survey revealed that most entrepreneurs (48%) considered the availability of areas such as industrial estates, industrial parks, and similar locations, capable of supporting their establishments, to have a high impact. In terms of the safety and public order of the area, the level of impact was found to be relatively high, with 42 percent of entrepreneurs identifying its "high impact"; naturally, investors who feel safe will want to invest. Regarding the impact of the EEC on Chinese entrepreneurs' ability to purchase or rent a suitable size of land for their establishment at a reasonable price, the survey indicated a high impact for 28 percent of entrepreneurs, while 52 percent considered it

Table 4: Impact of Eastern Economic Corridor policies on entrepreneurs in the area, according to 200 Chinese business owners

Factors affecting entrepreneurs in the EEC	Impact level				
	High 4	Significant 3	Moderate 2	Minor 1	Negligible 0
1. Able to obtain factors of production from new or nearby areas and projects	22 (22.00)	35 (35.00)	38 (38.00)	5 (5.00)	0
2. The readiness of the management team and personnel in various departments	30 (30.00)	35 (35.00)	25 (25.00)	10 (10.00)	0
3. Ability to recruit skilled or semi-skilled workers in the area is convenient and simple.	20 (20.00)	25 (25.00)	45 (45.00)	10 (10.00)	0
4. Ability to recruit unskilled labor is convenient and simple.	45 (45.00)	25 (25.00)	20 (20.00)	10 (10.00)	0
5. Able to purchase land for projects at a suitable size and at a reasonable price or rental fee	28 (28.00)	52 (52.00)	12 (12.00)	8 (8.00)	0
6. Efficient one-stop government service centre to support the area	10 (10.00)	10 (10.00)	45 (45.00)	35 (35.00)	0
7. Have areas supporting the establishment, such as industrial estates, industrial parks, etc.	48 (48.00)	32 (32.00)	10 (10.00)	10 (10.00)	0
8. Available basic utilities, i.e. electricity, water, information and communication, etc.	12 (12.00)	28 (28.00)	35 (35.00)	25 (25.00)	0
9. Available logistics systems in the service area, e.g. freight stations	15 (15.00)	44 (44.00)	25 (25.00)	16 (16.00)	0
10. Receipt of promotional or governmental benefits	8 (8.00)	45 (45.00)	27 (27.00)	20 (20.00)	0
11. Special government promotion and support measures, better than general promotional measures	5 (5.00)	8 (8.00)	55 (55.00)	32 (32.00)	0
12. Safety and order in the area	42 (42.00)	25 (25.00)	18 (18.00)	15 (15.00)	0

to be a significant impact. Moreover, the availability of logistics systems in the service areas – i.e., regional freight stations, distribution centres with information systems to aid warehouse management, and import-export services for raw materials and finished goods – has a considerably

significant level of impact, reported by 44 percent of entrepreneurs. On the matter of receiving investment support and general benefits from the government sector, the level of impact was significant for 45 percent of the companies.

On the other hand, the EEC

policies have a relatively low impact on entrepreneurs in many respects. For instance, promoting investment or receiving government incentives was found to have a relatively low level of significance. Most of the Chinese entrepreneurs would like to have more privileges or benefits. Regarding the issue of procurement of factors of production from new project sites or nearby areas, the companies indicated that they had relatively low access to such areas, creating the need to import raw materials from China, which then resulted in higher production costs. The availability of utility infrastructure in the area (electricity, water supply, internet, telecommunications, and wastewater management) is still relatively low and should be improved to a higher standard. However, the EEC demonstrated a moderate level for some impacts, for instance, 45 percent of entrepreneurs felt that the availability of one-stop service centres in the areas had a moderate level of impact.

In addition, the interviews and questionnaires revealed a great deal of information regarding the problems for stakeholders and some of the obstacles to development in the EEC.

The first significant problem is a lack of work permits for Chinese workers in the short term in some manufacturing units. This is an urgent issue which must be promptly resolved. The Thai government should alleviate some conditions or make adjustments to the current procedures. The second problem is providing sufficient highly skilled

local Thai workers. As Chinese companies require highly skilled workers, the Thai government should develop a long-term strategy for sustainably producing a highly skilled local workforce. Third, the ability to supply production facilities in the new industrial estate or the nearby area is insufficient. The Thai government and local governors should amplify easy access to local resources and take actions to reduce the cost of procuring raw materials. Additionally, the lack of basic utility infrastructure is a key problem of the industrial estates. The local governors and local utility companies should improve utility services for public plans in the EEC for any kind of investment. Lastly, most Chinese companies agreed that the government should offer investment promotion benefits and privileges, especially in the EEC, in order to attract more FDI from China. The government and local governors should consider an appropriate level of facilitation of consistent Thai laws appropriate to the current and future situations, especially regarding issues involving the environment and land purchases, in order to prevent any negative effects on local people in the area.

5. CONCLUSION

LMC is a new cooperative mechanism, supporting the BRI by connecting the Mekong sub-region with the CIPEC. Chinese foreign policy under the LMC and BRI focuses on building cooperation and expanding trade and investment in

member countries. Thailand has become one of China's prime targets for foreign direct investment. In the meantime, Thailand has supported the LMC and BRI by promoting its EEC under the Thailand 4.0 policy, in order to directly benefit by stimulating trade and investment from China.

With the aim of exploring the impact of the LMC on Chinese investment in the EEC, this research found that the LMC has had a considerable and significant effect on Chinese investment in the EEC. As was revealed in the survey, during the five years after the LMC's establishment in 2014, the number of Chinese investment projects in the EEC significantly increased, year upon year, especially in Rayong, the province where Chinese investors have invested the most. The researchers discovered several challenges to the government's EEC policy, so it is recommended that the government should provide greater facilitation for Chinese entrepreneurs and investors in the EEC, especially regarding labor skills development, as well as providing more services, infrastructure, and utilities, to facilitate the operations of factories and other companies based in the EEC.

6. RECOMMENDATIONS AND IMPLICATIONS

Based on the findings from the interviews and survey, useful recommendations to further promote Chinese investment are proposed below for Thailand's policymakers to

take into consideration.

First and foremost, since Thailand initiated the EEC, the local land has become more expensive. As a result, the cost of production is higher. A new policy issued by the BOI with regard to land purchases has been adjusted according to the EEC policy for foreign investors. Previously, foreign investors could purchase land in the size of 1-20 *rai* (1,600-32,000 square meters). Under the new regulations, in 2016 foreign companies are not eligible to buy plots larger than one *rai*; they may lease property, but rental fees are high. The survey found that safety and public order have a relatively large impact on the decision to locate in industrial estates, so Chinese investors want to invest in the EEC, but they also want the ability to purchase land of a suitable size at a reasonable price.

Another weak point is that logistics systems in the service areas for import-export services of raw materials and finished goods still require improvement. Moreover, the Thai government should also develop one-stop service centres where Chinese investors are able to conveniently access services from government agencies in China and Thailand for technical assistance and advisory purposes; doing so will save time and money for both the businesses and the Thai government.

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