

**YUNNAN IN CHINA'S MARITIME
SILK ROAD OF THE 21ST
CENTURY STRATEGY**

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Executive Summary

1. The Chinese government is eager to promote closer trade cooperation and forge regional economic integration with its Asian neighbours by enhancing physical inter-regional connectivity under the framework of the “Maritime Silk Road of the 21st Century” (MSR) initiatives.
2. The strategic location and geographical proximity of Yunnan to both Southeast Asia and South Asia has been given the spotlight; the province has shown its increasing strategic importance to China.
3. This geographical advantage enables Yunnan to serve as the international gateway or connector to China, Southeast Asia and South Asia. It could also play a key role in inter-regional connectivity. The 1,800 km-long Kunming-Bangkok highway via Laos has already been completed.
4. By taking part in the MSR strategy, Yunnan will be granted more state-initiated preferential policies and investment funding.
5. This is in addition to the role played by Yunnan in various regional cooperation initiatives and mechanisms such as Greater Mekong Sub-region Economic Cooperation and the Bangladesh-China-India-Myanmar Economic Corridor implemented or proposed by China and other Asian countries.
6. The Association of Southeast Asian Nations (ASEAN) has even greater significance to Yunnan than for China as a whole. Yunnan’s trade with ASEAN countries accounts for more than half of its total trade.
7. Strengthening bilateral financial and economic ties between Yunnan, Southeast Asia and South Asia has been a major policy initiative of the Chinese central government. In November 2013, the Chinese authority declared Yunnan and Guangxi as two new financial reform pilot zones.
8. The agreement on “Yunnan-Guangxi Border Pilot Zone for Comprehensive Financial Reforms” marks a bold and important step in the regionalisation and

promotion of the Chinese currency in trade and investment activities with partners in Southeast Asia and South Asia.

9. The low total amount of bilateral trade between Yunnan and ASEAN, and the external political and security problems between China and its Asian neighbours are major challenges to Yunnan becoming a vibrant international gateway in regional economic cooperation.
10. The territorial disputes between China and Southeast Asian claimant states over the South China Sea will impede Yunnan's efforts to develop close regional trade and economic cooperation with ASEAN in the long term.