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# Study on Mode of Laos-China Cross-border Collaboration Strategy Facing Symbiosis Relation

Sisavath THIRAVONG<sup>123</sup>, Jingrong Xu<sup>12\*</sup>, Qin Jing<sup>4</sup>

1. Business School of Hohai University, Nanjing, 211100, China;

2. Jiangsu Provincial Collaborative Innovation Center of World Water Valley and Water Ecological Civilization, Nanjing, 211100, China;

3. National Electrical Company of Laos

4. China Institute of Water Resources and Hydropower Research, Beijing, 100044, China

**Abstract:** Laos is a country with abundant natural resources, low labor costs and land rents, which has natural geo-economic relationship with China, and gradually became one of the important destinations of Chinese enterprises' foreign direct investment. Meanwhile, China has become the largest overseas investment country in Laos. Based on the symbiotic relationship between Laos and China, this paper studies the dynamics of Laos-China cross-border cooperation from three aspects, including Laos's reform, China's "One Belt One Road" and "going abroad" strategy, and the multi-agent coordination of external demand respectively. This paper presents the "overseas Jiangsu" mode of Laos-China cross-border collaboration strategy and offers some elicitation to the cross-border cooperation in Laos-China. Finally, this paper proposed to establish the "overseas Jiangsu" mode of Laos-China cross-border collaboration strategy.

**Key words:** Symbiosis Relationship; Cross-border collaboration; Overseas Jiangsu; Synergetic net.

## 1. Introduction

As the largest neighboring country of Laos, China has maintained close economic connections with Laos for a long time. In the 21<sup>st</sup> Century, in particular, Laos and China successively entered into agreements in economic cooperation and trade investment protection, the agreement is enhanced transparency, eliminated non-tariff barriers and simplified trade formalities, optimized trade environment and greatly promoted the bilateral trade development between the two countries. Laos is different from China in accumulation of factors such as resources, capital, technologies and resource endowment, while cross-border cooperation can sufficiently make use of resource advantages of the countries, especially under the collaboration of multi-entity factors. Enterprise cooperation between Laos and China enables the realization of collaboration and sharing of factors such as resource capital and technology and promotes the economic development of the countries, and particularly, the resource factors can reduce the economic cooperation cost between Laos and China, reduce the investment and improve the efficiency of cooperation between enterprises in Laos and China. Building a symbiotic

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**Author.** Sisavath THIRAVONG (1959—), Male, Vientiane, Ph.D, Mainly engaged in strategic management research. QIN Jing(1984-), Male, Suqian, PH.D, Engineer, Mainly engaged in Geotechnical Engineering research.

**Corresponding Author.** Jingrong Xu(1989—), male, Nantong, Ph.D, Mainly engaged in Management Science and Engineering research.

relationship oriented Laos-China cross-border collaboration strategy can drives the economy complementary development, promoted two-way investment and pushed forward economic development in Laos and transformation and update of economy in China, and promote the international political and economic status of Laos.

## 2. Literature review

Collaboration is the inherent law and substantive characteristic of change and development of complex system, H.Igor Ansoff<sup>[1]</sup> thinks that collaboration is the enterprise successfully expand new causes by recognizing the matching relation of its capacities and opportunities, emphasizing the relation between acquisition of tangible and intangible economic benefits and the enterprise's capacities. Hiroyuki Itami, a Japanese strategy expert, thinks that the collaboration is "thumb a lift", namely, when the resources produced by a department in its development can be used by other departments at the same time without any cost, the additional benefit produced by this circumstance is the collaboration effect, the collaboration effect can create true competitive advantages for the whole group. Robert Buzzell and Breadley Gale<sup>[2]</sup> who studied from the perspective of enterprise group, thinks that collaboration can be shown as all enterprises jointly sharing the cost of a kind of business, economies of scale lead to cost shared by every enterprise is lower than the cost when they undertake this business independently. Restricted by natural, social, economic and historical factors, huge gaps among speed, levels, structure exist in economically underdeveloped areas compared with developed areas. There are rare researches about constructions in development zones of underdeveloped areas, merely scattering in individual papers about development zones' growth, such as Levine's (1961)<sup>[3]</sup>. He pointed out that those underdeveloped areas needed excavating comparative advantage, promoting technological innovation and creating competitiveness to achieve great-leap-forward development. Different from other economic development zones, cross-border collaborative strategy located in collaboration between the subject elements among countries, emphasizing mutual benefits, mutual learning from respective strengths and featuring innovation driving and collaborative innovation. J.A.Schumpeter and C.Freeman, representatives of innovation theory, this school studied technological innovation effect on economic growth from the view of endogenous (Iammarino, 2006)<sup>[4]</sup>. And they discussed the internal cause for strong relation between innovative activity space and specialized areas' location factors. However, Schumpeter came up with the concept of "innovation cluster" while explaining aggregation phenomenon of industrial innovation. Freeman (1991)<sup>[5]</sup> reckoned that as the result of common choices made by multiple enterprises, industrial aggregation in reverse would promote investment environment by external effects through systematic research so as to more innovative activities will be attracted. Scott (1988)<sup>[6]</sup> said that innovative activities were inclined to the concept of aggregation and took innovation as driving forces in the course of industrial aggregation. Based on that theory, cross-border collaborative strategy provided a new path for development and construction in underdeveloped areas.

Laos is the neighbor of China at the water's edge, and the bilateral trade is an important component of the economic and trade cooperation between the two countries. China is the third largest export market and the second largest exporter of Laos. The domestic and foreign scholars mainly study the bilateral economic cooperation from the perspective of the cross-district economic cooperation, for example, from the point of resource endowment, the degree of element copiousness in resource, technology, market and the capital between the two countries is different, Laos and China can make their respective advantages complementary to each other in the cooperation<sup>[7]</sup>. Relying on the China - ASEAN free trade area construction and the Mekong sub-regional cooperation

platform for the research of economic cooperation content and path between Laos and China, and there is few research on bilateral economic cooperation from the perspective of cross-border collaborative strategy<sup>[8]</sup>错误!未找到引用源。. The paper starts from the economic cooperation symbiotic relationship between in Laos-China, through the study of Cross-border collaboration strategy, established the cross-border collaboration strategy mode of Laos and China with the orientation of symbiosis relationship.

### **3. Coordinating motivation for Laos-China cross-border collaboration strategy**

#### **3.1 Reform and opening up of Laos providing conditions for Laos-China cross-border collaboration strategy**

In 1991, the Lao People's Revolutionary Party (LPRP) determined the "principled comprehensive reforming route" on 5<sup>th</sup> National Congress, proposed the six basic principles, including persisting to the leadership of the party, persisting to socialist direction and etc. and implemented the policy of opening up. In 2001, the LPRP formulated the struggling target of eliminating poverty by 2010 and getting rid of less developed status by 2020 on 7<sup>th</sup> National Congress. In 2011, the theme of the 9<sup>th</sup> National Congress of LPRP is to "enhance national unity and party unity, carry forward the Party's leadership and capability, realize renovation of reform route so as to lay a solid foundation for getting rid of the status of less developed country and continuing to march toward the target of socialist". The Laos Government believes that the sustainable development and reduction of poverty shall be based on trade, then try to acquired sustainable international aid and technical support. In February 2013, Laos became the 158<sup>th</sup> member state of WTO, which is an important step for promoting Laos to connect with global economics. As a less-developed country, Laos is also benefited from the unilateral trade with other 36 countries.

#### **3.2 The "going out" strategy and "One Belt One Road" strategy of China providing driving force for Laos-China cross-border collaboration**

The reform and opening of China in 1978 mainly focused on market opening and importing foreign technologies, funds and administration methods. Through nearly 40 years of development, China has accumulated some industry energy, and can transfer some mature technology to the demands of the international marketplace. So as to make up insufficient domestic resources and markets, take out domestic technologies, equipment, labors and products to leave space and funds to develop new industries, and form Chinese transnational companies in international market and fully participate in international division of labor. Based on this, China is actively implementing the strategy of "going out" since entering the 21<sup>st</sup> century. The "going out" strategy is also called transnational business strategy, internationalization business strategy, overseas operation strategy or globalization operation strategy, mainly referring to all external businesses of China, including foreign trade, foreign contracting engineering, foreign labor cooperation, foreign investment and etc. With the promotion of further accelerating the "going out" strategy on the 16<sup>th</sup> Party's Congress and the 3<sup>rd</sup> Plenary Session of 16<sup>th</sup> Party's Congress, the transnational business operation of enterprises in China began to participate in a wider range of international economic and technical cooperation and competition in broader fields and higher level and the enterprises are entering a new stage of forming powerful transnational companies.

#### **3.3 The multi-agent coordination of external demand became external motivation for Laos-China cross-border collaboration strategy**

In the course of globalization, the external environment of enterprises are changing and the market demand, competitors and government policies are dynamically changing, and the impact and influence of these changes to the enterprises are external stimulation of environment. The enterprises can only survive by adapting to these changes. At present, Laos-China economic cooperation is still in its initial

stage, since the economic development status and market order are not matured in Laos, while enterprises in China are also lacking of experiences in “going out”, many problems has risen in initial cooperation between enterprises in Laos and China. From the experiences of economic cooperation practices between developing countries, government shall lead in the trade investment between developing countries and coordinate and deal with problems thereof, and followed by the enterprises’ initiative “going out” behaviors after establishment of smooth collaboration mechanism. Besides, the enterprises’ “going out” also need the support of other entities, which is beneficial to reduce the risks of cross-border operation, such as the participation of scientific research institutes, various intermediaries, so external demand coordinated by multiple entities is an important external motivation for Laos-China cross-border collaboration strategy.

#### **4. Construction of model for Laos-China cross-border collaboration strategy**

##### **4.1 Conception of “overseas Jiangsu” mode for Laos –China cross-border collaboration strategy**

Aiming to the problems that Chinese enterprises have fought alone and got no results in the process of “going out”. Professor Zhang Yang, chief expert of decision-making research base of Jiangsu Province (internationalization development of enterprise) proposed to implement “overseas Jiangsu” and “going out together to invest in designated place” in 2014. Essentially, “overseas Jiangsu” mode belongs to cross-border collaboration, which mainly refers that under the background of “One Belt One Road”, based on multiple demand of social and economic development of countries along the “One Belt One Road” in technology, capital, talent, project and culture, as well as Jiangsu Province’s endogenous development demand caused by excess production capacity and industry structure adjustment, all sectors of Jiangsu Province integrate the resources and actively went out to search for larger development space and seize overseas market for Jiangsu. However, this “Jiangsu” is not limited to “Jiangsu Province”, it in generally refers to a region in China, and which proposes to take China as a regional unit and to invest to a designated place in cross-border collaboration country.

In the “overseas Jiangsu” mode of cross-border collaboration, the multi-agent cooperation including the government, industry, university, research, finance etc. there are formed a cooperation network, depending on the guidance of government, taking finance organization as the impeller, coordinating six major factors such as education, technology, entrepreneurship and industry and gather talent, research and development, capital, industry, culture to organize enterprises in China to go out and developing overseas innovation and entrepreneurship, forming Jiangsu overseas scientific parks, Jiangsu overseas industrial parks, Jiangsu overseas cultural parks and Jiangsu overseas urban areas marked with “overseas Jiangsu”.

##### **4.2 “Overseas Jiangsu” is the symbiosis interface of Laos-China cross-border collaboration**

Since entities such as government, industry, university, research, finance of “overseas Jiangsu” are regional entities and have the characteristics of typical symbiosis unit, symbiosis entities such as government, industry, university, research, and finance have energy exchange and interaction relations in “overseas Jiangsu”, and in behavior modes, it also possesses all the relations of parasitism, commensalism, symmetric mutualism and asymmetric mutualism. As a symbiosis interface, “overseas Jiangsu” has provided material, information and energy transmission media, channel or carrier for entities such as government, industry, university, research, finance in Laos-China cross-border collaboration strategy that taking Chinese region as unit, and maintained the form and development of Laos- China cross-border collaboration symbiosis relation.

Therefore, from the symbiosis system of cross-border collaboration, “overseas Jiangsu” mode can be applied in the process of Laos-China cross-border collaboration. From the view of Laos, “overseas

Jiangsu” mode will enhance Chinese enterprise’s market penetration depth and range in Laos as well as the success rate of cooperation between enterprises in Laos and China, and also push China’s entity factors to enter Laos and greatly promote the effectiveness of Laos-China cross-border collaboration.

#### **4.3 Characteristics of “overseas Jiangsu” mode for Laos-China collaboration strategy**

##### **(1) “Overseas Jiangsu” actively explores overseas new space by taking provincial-level division as a unit**

“Overseas Jiangsu” is a new carrier that developed region in China leads in exploring overseas market, and it takes province (city, district) level administration region as a unit to establish regional cluster abroad for enterprises. It takes industrial parks as carries to gather various production factors, put emphasis on the characteristics of regional industry transfer and optimize function layout. It is a new form and new path for Chinese regions to explore new overseas space in Laos.

##### **(2) Government construct “overseas Jiangsu” and guide Chinese enterprises to “going out together and invest to designated place”**

Construction of “overseas Jiangsu” is different from construction of “overseas Japan”. “Overseas Japan” is the outcome of industry transfer in Japan and growth of overseas capital, and it is the results of “going out” of Japanese enterprises. “Overseas Jiangsu” is a behavior before “going out”. In accordance with the characteristics of regional industry transfer and internal demand on economic development and through cooperation with entities such as government, industry, university, research and finance in different layers of Laos, developed provincial or municipal government in China carries out scientific integration, put emphasis on industry factor collaboration, avoid “fight alone” of enterprises and give prominence to cross-border collaboration.

##### **(3) “Overseas Jiangsu” is a method for Laos-China cross-border collaboration strategy, and it is also a path for Chinese region to join with China’s “One Belt One Road” strategy**

Cross-border collaboration is a new type of economic cooperation model. Overseas Jiangsu effectively collects the resources, factors and methods for cross-border collaboration and sufficiently releases energy to explore a new type of material basis for cross-border development path. “Overseas Jiangsu” pays attention to the strategic allocation of “entity-factor” in the cooperation region between countries, focuses on sufficiently driving the flow of entity factors such as talent, capital, information, technology resources and etc. on the basis of mutual benefits, and realizes advantage complementary of entity factors between countries and pushes forward the development of cross-border cooperation region through bringing into play each other’s advantages and integrating resources.

##### **(4) “Overseas Jiangsu” is not the superposition of overseas assets in Chinese region, it is the carrier for “going out” collaboration network in Chinese region.**

Although Japan is the largest overseas assets country in the world, its assets are still staying at the bottom stage of “one-way street” layer. In 2014, balance of current items of national trade is JPY26266 billion, showing the lowest value since 1985. “One-way street” means that overseas assets of Japan are mainly maintained by the net inflow of income and expenditure obtained in international income and expenditure, and it is lacking of two-way interaction with international economy, essentially the outcome of developing the country with trade. Overseas assets of old capitalist countries such as the USA and England are acting as a hub for interaction of internal and external economies. Therefore, “overseas Jiangsu” is a new type of “going out”, which is different from the “one-way street” model of “overseas Japan” and the hub model of “overseas USA” and “overseas England”. It is the “government, industry, university, research and finance” “going out” collaboration network in Chinese region, which can avoid the defects of “one-way street” of “overseas Japan” and realize strategic alignment of the

“going-out” “subject-factor” in designated place and region.

## **5. Policy Suggestion**

All the entities coordinated in the process of Laos-China cross-border collaboration, such as government, industry, university, research and finance, shall play important roles, and these entities interact and rely on each other, each entity is depending on the collaboration of other entities to bring into play its functions and the disharmony of any entity will influence the acts of overall function., therefore, integration and interaction between multiple entities shall be strengthened to realize smooth cooperation between multi entities.

### **5.1 Integrate to establish a promoting organization for construction of “overseas Jiangsu”**

Construction of “overseas Jiangsu” is a “government, industry, university, research and finance” going out collaboration network. The “entity-factor” collaboration of “overseas Jiangsu” involves the collaboration between “going out” and economic transition and updating of enterprises, belonging to a complicated symbiosis system in which multiple entities and factors coordinate with each other and involving several departments of Laos and China that are responsible for internal and external economy development, including National Development and Reform Commission, Commercial Department, foreign exchange administration department and etc. Besides, system establishment and innovation driving for “overseas Jiangsu” also need the participation of departments such as regional public opinion and power organs (e.g. the National People’s Congress of China and Council of Laos), technology department, education department and foreign affairs departments and etc. From the practical experience of enterprises’ “going out” and economic transition, the approval and management of overseas investment and economic transition in both Laos and China are disordered, which shows that the existing administration systems cannot support the Laos-China cross-border collaboration strategy. By referring to the high-efficient experiences of “one window and division management” in the process of Japan’s overseas investment and based on the actual demand of “overseas Jiangsu”. Laos and China shall establish a special collaboration mechanism for relevant departments as soon as possible. So as to overall coordinate the cross-border collaboration of entity factors in local regions of Laos and China, and establish corresponding offices for “overseas Jiangsu” construction commission to take charge of concrete matters raised during local collaboration in the process of Laos-China cross-border collaboration.

### **5.2 Cultivate social organizations and intermediary service institutions to participate in Laos-China cross-border collaboration strategy**

Social organization is the outcome of social development. The social organization acts as the connection and link between the labors, residents and citizen and the government and society, it balances the equity of labors and enterprises and public institutions and it is also the stabilizer and bumper for the society. The government organization can’t replace the functions of social society, the higher is the level of social civilization, the more developed will the social organization be, and it’s promotion ability to the society will be greater. As part of social activities, Laos-China cross-border collaboration strategy won’t do without the promotion and function of social organization. Currently, there are industry associations and professional commercial chamber in various industries in both Laos and China, and these social organizations play an important role in pushing forward the economic cooperation of enterprises in Laos and China. Professional organizations providing consultants and training to enterprises also play an important role in promoting the “going out” and updating of enterprise. However, “overseas Jiangsu” is a new model for cross-border collaboration, it is a “government, industry, university, research and finance” collaboration network, and its construction

requires the participation of various industry associations as well as some professional intermediary institutions, such as investment bank, international law firm and etc. as well as many factor service organizations, including intelligent property transaction, technology transfer, property transfer and etc. Therefore, we need to accelerate the cultivation of social organizations and intermediary service organizations as well as a batch of professional talents in the construction area of “overseas Jiangsu”, so as to provide professional services for construction of “overseas Jiangsu”

### **5.3 Building the “Government, industry, university, research and finance” collaboration network mechanism**

“Overseas Jiangsu” is different from “overseas Japan” and “overseas USA” and is also different from overseas industrial parks and Singapore Industry Park in general meaning. Construction of “overseas Jiangsu” is a Jiangsu overseas collaboration innovation complex which is the outcome of coordinated “going out” of “government, government, industry, university, research and finance”, with the following functions: firstly, exploring new development space for economy development in China and promote the economy transformation and upgrading speed in Jiangsu Province; secondly, pushing forward fast development of economy in Laos and increase Laos’ ability to undertake industry transfer.

The construction of “government, industry academy and resource” coordinated “going out” network can avoid the defects of single Chinese entity possessing limited resources, and by integrating resource factors such as information, technology, talents, funds and etc. for “going out” through the collaboration network and combining basic characteristics of Laos, it can realize maximum of efficiency in resource allocation. For instance, during the construction of “overseas Jiangsu”, Jiangsu can transfer excessive industry to national level development zone of Laos, and in the transfer process, various entities are formed through network organization relation, government, enterprise, universities, scientific research institutes and finance organization coordinate with each other to cooperate through crisscrossed connection relation, wherein, the government leads with policies, universities and scientific research institutes provide professional knowledge and technologies support to industry transfer, the finance organization provides fund support to drive the enterprises in the up and down streams of the industrial chain to transfer excessive production capacity to Laos, and realize optimal allocation of factor resources in the process.

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