



# The China-Laos Railway as a Case: China-Laos Infrastructure Cooperation Under the BRI and Enlightenment for Southeast Asian Regional Governance

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**Abstract.** This paper takes the China-Laos Railway as a core case to explore the impact mechanism of infrastructure cooperation on the regional governance model and achievements in Southeast Asia against the background of the "Belt and Road Initiative". Based on the analytical framework of economic, institutional, and social dimensions, and drawing on theories of network governance and institutional transfer, research has found that the China-Laos Railway not only reduces the cost of cross-border transportation but also strengthens connections among industries. Moreover, through institutional coordination and social connection, it promotes the reconstruction of the regional governance network. Network governance will have an impact on the structural dimension, and institutional transfer will have an impact on the regulatory dimension. These two aspects together have an impact on governance outcomes. Compared with existing studies that focus on the macroeconomic or policy perspective, this study reveals that infrastructure cooperation drives the micro-logic of regional governance transformation through two approaches: structure and regulation.

**Keywords:** Belt and Road Initiative, China-Laos Railway, Infrastructure Cooperation, Southeast Asian Regional Governance.

## 1 Introduction

The Belt and Road Initiative regards infrastructure connectivity as a key driving force for regional integration. Laos is the only landlocked country in Southeast Asia. For a long time, its transportation costs have been relatively high, and its connections with the outside world have been limited. In the overall regional economic landscape, Laos is located at the geographical center of the Indochinese Peninsula. It is also a key bridge connecting the Chinese market and the ASEAN market, holding a very crucial strategic position. The China-Laos Railway, which runs from Kunming to Vientiane, is a key component of the Middle line of the Pan-Asia Railway, which is the vital railroad towards abroad. Since its completion and operation in 2021, it has significantly changed Laos' geographical conditions, transforming it from an "inland" country into a "land-linked" one. According to data from the Asian Development Bank, this railway has

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shortened the transportation time of goods between China and Laos by approximately 70% and reduced logistics costs by about 40%. These changes not only stimulated the development of trade and investment but also put forward new requirements for cross-border governance and cooperation [1-4].

This article aims to reveal how the China-Laos Railway influences regional governance in Southeast Asia through economic mechanisms, institutional mechanisms, and social mechanisms, and to explain the interactive influence between network governance and institutional transfer from a theoretical perspective. The overall structure of the article is as follows: In Section 2, the article will present a theoretical framework and conduct a literature review. In Section 3, it will analyze the economic, institutional, and social impacts of the China-Laos Railway. Section 4 will discuss the results of the comparison. Section 5 will summarize the achievements of this research and point out the future development direction.

## **2 Theoretical Framework and Literature Review**

Rhodes' theory of network governance, proposed in 1997, emphasizes how multiple actors ultimately form a governance order through their interactions within complex networks. Provan and Kenis put forward their own views in 2008, arguing that different network structures, such as centralized or decentralized network structures, will determine the coordination efficiency and the trust mechanism. The theory of institutional transfer was systematically developed by Dolowitz and Marsh in 2000. This theory mainly focuses on how institutions are introduced across borders, how to adapt to them, and how to achieve localization. Network governance mainly explains structural changes, while institutional transfer explains regulatory changes. These two theories together have an impact on the outcomes of regional governance [5-7].

Against the backdrop of the China-Laos Railway, network governance actually reflects how infrastructure has reshaped the connections among actors and the flow of resources, and has also formed a brand-new regional governance network. As for institutional transfer, it in turn shows how cross-border rules have emerged through bilateral negotiations. And some of them are even embedded in the multilateral framework. The theoretical logic studied in this paper can be summarized as such a process: first, infrastructure construction is carried out, then network reconfiguration is achieved, followed by the introduction and negotiation of systems, and finally, the evolution of governance is reached.

Most previous studies have focused on the impact of macroeconomics and policy coordination, while paying less attention to the governance mechanism of infrastructure projects at the micro level [2]. This article aims to bridge this existing gap by integrating theoretical and empirical insights. Let's have a deeper understanding of the governance of the regions related to the Belt and Road Initiative.

### **3 Methodology**

This research takes a qualitative case study to investigate the changing pattern of regional governance under the Belt and Road Initiative (BRI), illustrated by the China–Laos Railway. The China–Laos Railway case was chosen here mainly because it is the most representative and comprehensive cross-border infrastructure cooperation project in Southeast Asia, which impinges on regional economic integration, institution-building, and social bridging [1].

The analysis is based primarily on secondary sources, policy documents, official reports of the Asian Development Bank and World Bank, government white papers, and the academic literature on the BRI and regional governance. These are used to illustrate both macro-trade and traffic data at the national borders and micro-institutional coordination and social reactions at the border posts [3].

Meanwhile, the research framework relies on the following three analyzable layers: economic, institutional, and social, to analyze how regional governance changes through infrastructure cooperation under both structural and regulative means. Comparative analysis further explores the China–Laos Railway in relation to other regional projects, such as the Jakarta–Bandung High-Speed Railway and the Thai railway plan, to discuss contrasting governance arrangements and their implications. In order to enhance analytical rigor, the findings were cross-checked for consistency among multiple sources, and theoretical logic from network governance and institutional transfer was applied to interpret the patterns on the ground. Thus, the approach is to use theory-driven thinking and empirically grounded research to straddle the dichotomous space of macro-analysis of policy and micro-analysis of governance.

## **4 Mechanisms: How the China-Laos Railway Shapes Regional Governance**

### **4.1 Economic Integration: Restructuring Regional Trade and Governance Networks**

The China-Laos Railway has helped Laos solve the long-standing infrastructure bottleneck problem, enabling it to have the capacity for international railway freight transportation for the first time [8]. The transportation time and cost have been significantly reduced, which has enhanced Laos' central position in the regional economy and also stimulated the development of sectors such as mining, agriculture, and tourism. Key areas such as the Moding Economic Zone and the Vientiane Logistics Park have formed new growth poles. Such structural changes mean that the central position of resource allocation has been elevated, and also put forward new requirements for the coordination among departments and cross-border policies [9].

From the perspective of governance, the recombination of economic networks has reshaped the regional governance structure. Laos has transformed from a passive participant in regional cooperation to a node actor, and has gained greater agenda-setting capabilities in areas such as transportation, trade, and investment. This indicates that

economic integration not only promotes growth Governance power can also be redistributed within the regional network.

#### **4.2 Institutional Coordination: Formation of a ‘Quasi-Institutional Alliance’**

During the construction phase of the China-Laos Railway project in 2017, the transportation and customs departments of China and Laos jointly drafted the "Cross-border Transport Management Measures". From this point on, matters related to the institutional coordination of the China-Laos Railway began. This framework was established before the railway was opened in 2021. It was formally established through ministerial-level consultations between the two countries. This framework encompasses aspects such as train dispatching, safety supervision, and quarantine inspection, ultimately forming a bilateral mechanism that centers on efficiency and direct coordination. However, due to the principle of consensus within ASEAN, the standards among ASEAN member states are not the same. This bilateral framework has not yet been fully integrated into the multilateral system of ASEAN [10].

From the perspective of governance, the bilateral mechanism actually represents a kind of "quasi-institutional alliance". Under this mechanism, the two countries will coordinate specific policy areas, but they will not fully incorporate these policy areas into the ASEAN framework. This two-tier structure is helpful as it can coexist with the parallel governance systems in Southeast Asia, one of which is characterized by multilateral consensus. Another governance system is characterized by bilateral efficiency. In the longer term, such an arrangement may enhance the dispersion of regional institutions, but it also provides a place for innovative governance practices to experiment [4].

#### **4.3 Social Connectivity: From Livelihood Improvement to Social Capital Accumulation**

The construction and operation of the China-Laos Railway have created over 30,000 jobs for the local area, which has promoted the gradual shift of local employment from agriculture to services and manufacturing. With the continuous increase in cross-border trade and tourism, the local income situation and educational opportunities have greatly improved. During this period, the issues of land acquisition and environmental protection have sparked public debate, which has prompted the government to enhance social governance by conducting environmental impact assessments and establishing compensation mechanisms.

In the short term, the emergence of railways has improved the employment situation and infrastructure conditions. In the long term, it has enhanced social capital and increased trust across borders, laying a social-level foundation for regional governance cooperation. This deepening of social connections has promoted a positive feedback loop. This cycle begins with "connections between people", then moves on to "social trust", and finally to "governance coordination" [10].

As a vital component of the Pan-Asia Railway Network, the China-Laos Railway has not only deepened regional economic integration but also brought tangible benefits to local communities. The seamless connectivity between the China-Laos Railway and

the China-Thailand Railway has reduced travel time from Kunming to Thailand's Laem Chabang Port by one day and cut costs by over 20%[8]. The World Bank predicts that by 2030, the volume of transit goods through Laos could reach 3.9 million tons. Through the "Chinese technology + Lao management" model, thousands of technical personnel have been trained in Laos. The significant reduction in travel time has fundamentally transformed local work and lifestyle patterns—for instance, the journey for Laotians to Luang Prabang has been shortened from 6–12 hours to just 2 hours[9].

## 5 Discussion and Comparative Analysis

Compared with Indonesia's Jakarta-Bandung High-Speed Railway and Thailand's railway initiative, the China-Laos Railway presents a bilateral model led by the state. This model prioritizes the efficiency of decision-making and also attaches importance to the flexibility of supervision. However, this bilateral network has some limitations in terms of transparency and certain deficiencies in terms of institutional compatibility. Looking at the multilateral governance structure, although it is more complex and has higher coordination costs, it can embed systems more deeply and achieve better regulatory coordination [10].

The comparison results show that there is a positive correlation between the openness of the governance network and the depth of institutional transfer. That is to say, the higher the openness, the greater the depth of institutional transfer may be. The degree of centralization of the governance network will have an impact on coordination costs and institutional spillover. Different degrees of centralization will result in different situations of coordination costs and institutional spillover. In the process of regional governance of the China-Laos Railway, a trade-off has been demonstrated. This trade-off is made between structural efficiency and regulatory inclusiveness, and a suitable balance point needs to be found between the two [7].

## 6 Conclusion

Theoretically speaking, this paper combines the theory of network governance and the theory of institutional transfer to explain how infrastructure cooperation changes the regional governance structure and regulatory system. The China-Laos Railway presents a "dual-path" mechanism, that is, structural interconnection can reshape the governance network, and institutional coordination can promote regulatory innovation.

The China-Laos Railway has evolved from a mere transportation line into a "golden channel" driving regional development. Through significant improvements in logistics efficiency, industrial agglomeration effects, tourism stimulation, and enhanced livelihoods, it powerfully demonstrates the immense strategic value of infrastructure connectivity, serving as a vivid practice in jointly building the Belt and Road Initiative and forging a China-ASEAN community with a shared future.

In the actual practice process, three policy direction suggestions are proposed. The first direction is to gradually integrate the experience accumulated by the bilateral system into the ASEAN framework, thereby reducing the fragmentation in governance.

The second direction is to improve the mechanisms for cross-border supervision and data sharing. In this way, transparency and the implementation of accountability can be enhanced. The third direction is to intensify efforts to enhance vocational training in the areas along the route and encourage communities to actively participate, transforming the economic gains into capital for governance. Its economic benefits are not only reflected in significantly improved logistics efficiency and substantially reduced transportation costs, but also, more profoundly, in reshaping the regional economic landscape and driving the deep integration and coordinated development of industrial chains between China and ASEAN countries.

Although the construction and operation of the China-Laos Railway have brought numerous opportunities, the associated financial and investment risks are significant challenges that cannot be ignored. As a large-scale transnational infrastructure project, the China-Laos Railway has a massive capital demand, involving multifaceted investments in construction, operation, and maintenance. This process is fraught with multiple financial risks and uncertainties.

Beyond the financial pressure during the construction phase, the project's operational and maintenance costs constitute another critical aspect of financial and investment risk. After the completion of the China-Laos Railway, ensuring its continuous operation and maintenance requires a stable source of funds. Railway operating revenue is closely tied to passenger and freight volumes. Given Laos's level of economic development and the constraints of market demand, there is considerable uncertainty regarding income during the operational period. If operating revenues fall short of expectations, it could lead to financial difficulties for the railway company, subsequently impacting debt repayment and the long-term sustainability of the project. Furthermore, the maintenance and renewal of the railway represent a long-term and ongoing capital investment. Securing sufficient funding to support the normal operation of the railway is a severe test for the project's long-term survival and development.

To address these financial and investment risks, the governments of China and Laos, along with relevant enterprises, need to strengthen the project's financial planning, formulate reasonable capital management strategies, optimize the financing structure, and ensure diversified financing channels. Particular attention should be paid to reducing reliance on a single source of debt and avoiding the debt service pressure that comes with over-dependence on external loans. Additionally, diversified fundraising methods, including private investment and market-oriented operations, should be explored to enhance the project's financial stability.

This study has certain limitations, mainly relying on secondary data and qualitative analysis. In future research, the mechanism proposed in this paper can be empirically verified by using interview methods or time series data. In general, this study reveals that infrastructure cooperation can be achieved through structural and regulatory approaches. To promote the micro-logic of regional governance transformation.

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