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## INTRODUCTION

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### Introduction

Across Southeast Asia, the “rise of China” has inspired both anticipation and anxiety. A common aspiration throughout the region is that a strong China means economic prosperity for all. The prevailing wisdom is that the sheer size of the world’s second largest economy and its demands for trade will translate into jobs, business opportunities, and economic growth for neighbouring countries. These aspirations have been bolstered by China’s leadership in establishing the US\$100 billion Asian Infrastructure Investment Bank (AIIB), as well as its ambitions to retrofit ancient trade routes with twenty-first century infrastructure as part of its “One Belt, One Road” initiative. Now with hints of American influence in decline, many eyes are looking to China as the region’s new benefactor.

If anticipation has been fuelled by visions of economic splendour, the anxieties have been more polysemic. Influxes of Chinese investment have been accompanied with waves of Chinese companies, workers and migrants, whose intermixing with local populations has generated both enthusiasm and distrust. The Chinese knack for keeping costs

low has come with familiar concerns about social and environmental management practices, exploitation of local labour, and networks of cronyistic corruption. China's territorial claims and expanding military installations in the South China Sea have only helped to heighten geopolitical tensions both within and among individual Southeast Asian nations. Hence, while Chinese economic influence has been welcome, a stronger political, military and socio-demographic presence has been met with more equivocation, if not outright consternation.

Amid these tensions, Chinese resource sector investments have emerged as flashpoints of protest and controversy. From government orders to suspend the Chinese-backed Myitsone dam and Letpadaung copper mine in Myanmar to national protests over Chinese resource sector investments in Vietnam, the Philippines and elsewhere, resource projects have come to be a "focal point"<sup>1</sup> for tensions and anxieties surrounding China's rise in Southeast Asia. Indeed, resource development is an interesting angle from which to examine China's future roles in Southeast Asia precisely because it reflects the contested nature of development.

Resource development is contested development. From "conflict minerals" to "resource curses", political economies of resource development have been known to incite inter- and intra-state conflict, hinder socio-economic development, and bind already poor countries and communities into dependent relations with other more powerful nations. Yet for China and all Southeast Asian countries, perhaps only with the exception of Singapore, natural resources have been and, for many, continue to be vital to national development. Not only has resource development helped to boost economic growth and state revenue, it has also supplied raw materials and energy to domestic industries (sometimes at subsidized rates), contributed to infrastructure development (especially in difficult to access remote regions), and provided much needed foreign currency (especially in the least industrialized countries). Indeed, China's own development success — which Beijing has been keen to share with developing nations — highlights many of the advantages of resource development.

Yet these tensions between development and immiseration, opportunity and exploitation are not unique to resource development.

Their extreme forms help to make more visible the conflicts and tensions that underlie development of all kinds. Highlighting both the tremendous potential and grave concerns at stake, this volume proposes to examine China's rise in Southeast Asia from a resource lens. *In China's Backyard* raises a question of what difference it makes being located next door to a rising super power for the developing regions of Southeast Asia. It draws attention to the geographical proximity of Southeast Asia to China, their shared histories, and many of the economic, social and cultural characteristics that bind them, if unevenly, together. Yet in resource debates the backyard can also have negative connotation as a nearby region to source raw materials while exporting the very literally — and sometimes figuratively — dirty work of resource production. Which of these scenarios will describe Southeast Asian relations with China going forward is a recurring theme in this book.

While outgoing Chinese investments and development cooperation now commands a sizeable literature for Africa and, increasingly, Latin America, China's new wave of investments in Southeast Asia and their implications have only recently begun to draw significant scholarly attention. While centuries of Chinese trade, migration and diplomacy in the region may make studying China in Southeast Asia less spectacular and, historically, more mundane, it is nonetheless ironic that the region that would appear to have the most lessons to share about growing with China has so far said the least. Through multi-disciplinary, multi-level and multi-sited analyses, featuring regional views, Chinese policy views, and detailed cases studies from six different Southeast Asian countries, this book aims to address this gap.

We use the term "investment" loosely in this volume. It is not meant to be limited strictly to a monetary investment, but rather encompasses all kinds of investments in time, energy, people, ideas and, hopefully, goodwill. It also focuses on the different levels of governments, businesses, publics and local communities invested in transnational resource cooperation with China. The volume makes no attempt to provide a comprehensive overview of China's expansive resource-based investment portfolio in the region, or each of the Southeast Asian countries those investments touch upon. Rather, *In China's Backyard* aims to provide multiple lines of sight into Chinese investments in Southeast Asia and present a diversity of perspectives on complex and varied phenomena that can never be fully understood from any single one.

## The “Chinese Model” through a Resource Lens

Over the past few decades, China has become a major investor of international development cooperation around the world. A sizable literature now exists on a so-called “Chinese model” for development. The label is not just academic. Chinese officials and their development partners use the label widely and felicitously. The Chinese model is meant to contrast with conventional development as a neo-colonial Euro-American project forged in the post-war era, which enables the countries of the Global North to impose its political ideologies upon while continuing to exploit the Global South.<sup>2</sup> In contrast, the Chinese model emphasizes South–South cooperation, mutual benefit (between donor and recipient countries), non-interference in domestic affairs, and unconditional aid — at least in terms of governance requirements, as conditions related to the use of Chinese equipment, technology and labour are common. The model reflects China’s own historical experience of development, along with its emphasizes on top-down planning and heavy investment in infrastructure and industrialization, and it has been embraced by many developing country leaders in Africa, Latin America and Asia.<sup>3</sup>

One of the more controversial aspects of the Chinese model, however, has been precisely its alleged ties to natural resources.<sup>4</sup> As Mel Gurtov has suggested, for China, the “name of the game is all-out economic diplomacy to harness energy and industrial resources from developing countries”. This is the notion that has inspired the titles of such books as *Winner Take All: China’s Race for Resources and What It Means for Us* by development economist Dambisa Moyo and *By All Means Necessary: How China’s Resource Quest is Changing the World* by Elizabeth Economy and Michael Levi.<sup>5</sup> Nearly 80 per cent of China’s imports from Africa are minerals, where China has opened up twenty-one mining bureaus across the continent.<sup>6</sup> In Latin America, 24 per cent of Chinese FDI is concentrated in the extractive sector.<sup>7</sup> Springer, in this volume, notes that, according to the Chinese Ministry of Commerce, approximately 23 per cent of outbound Chinese investment has been for mining alone. China’s large State-Owned Enterprises (SOEs) for mineral and especially petroleum development are typically seen as primary vehicles for advancing Beijing’s political will.<sup>8</sup>

These views, however, have not been without their detractors. Deborah Brautigam, one of the most widely respected scholars on China's outgoing investment, has described them as "at best partial and misleading".<sup>9</sup> Brautigam rejects suggestions of *quid pro quo* exchanges of Chinese overseas assistance for resources (or that China gives more aid to countries with more resources) and challenges myths about the exploitative nature of Chinese "resource-secured" loans by comparing them with those of other countries.<sup>10</sup> Others, who recognize the preponderance of Chinese investments in resource production, suggest that it may characterize an early phase of development cooperation, where resource deals are "easy deals".<sup>11</sup> Later, these resource investments can act as springboards for economic diversification and investment in higher value sectors.<sup>12</sup> Sceptics further note that even where SOEs are leading the way, they are typically followed in droves by Chinese private companies.<sup>13</sup>

What these debates perhaps reflect most is one of the most salient messages to emerge from the scholarship on China abroad: China is not any monolithic entity. States consist of many diverse parts that are often fragmented and compete with one another.<sup>14</sup> For a state as large and diverse as China, the challenges of coordinating all of the actors involved with investing abroad would be, as Armony and Strauss suggest, "rife with principal-agent problems".<sup>15</sup> Brautigam and Ekman have suggested that rather than pursuing policy mandates from Beijing, Chinese corporations are "often rather reluctantly, investigating investment opportunities that are being eagerly put before them by African governments and potential private sector partners".<sup>16</sup> Even SOEs can have very different policy and business agendas, depending on whether they are owned at central or provincial levels, which sector they are investing in, and where. The oil industry, for example, where connections between government and China's largest and most successful SOEs would appear strongest, has developed "with little coordinated state control".<sup>17</sup>

Emphasizing complexity and diversity, however, should not be a reason for diffusing or obfuscating networks of accountability. Struggles to control its many parts should not provide Beijing or any other state a *carte blanche* to do as it wishes, much less to excuse dismissive comments of being no worse than the rest.

Rather, the purpose of emphasizing diversity and complexity is to understand with more clarity and precision the networks of wealth and power that come together around development cooperation. Ching Kwan Lee — whose own work has been exemplary in this regard — argues for more relational understandings of Chinese resource investments that examine how specific instances of Chinese investment combine in contingent ways with local labour relations, domestic politics and regional history.<sup>18</sup> In this regard, such an analysis is necessarily place-based, attentive to the nodes of transnational political and economic power that form in a particular place.

A resource lens can be helpful here in at least three ways. The first is in specifying the role of the state. Resource policy discussions tend towards state centrality. From dependency theory to the “resource course”, discussions on transnational resource cooperation typically define those engagements in terms of one state (or set of states) against another. Unsurprisingly, then, government responses to these dilemmas often come in one form or another of resource nationalism. Yet, whether trying to protect one’s own resources or using statecraft to acquire them from other nations, resource nationalism depends upon a state’s ability to exert exclusive sovereign control over those resources.<sup>19</sup>

This view of sovereign control over a fixed territorial boundary, however, is somewhat at odds with the global production networks and fluid boundaries over which resources are actually produced today. The production of resources today typically depends upon production chains that traverse multiple state boundaries and involve an array of actors from different states, including producers, financiers and regulators, especially in developing countries that lack necessary capital or technical know-how. The so-called resource-producing state depends upon these global networks to produce its “own” resources but has limited control over them.<sup>20</sup> Hence, the idea that a state can exert an absolute or even an end control over resources located within its sovereign territory reflects what political geographers refer to as a “territorial trap”.<sup>21</sup>

Critical perspectives of resource production urge for a more relational understanding of states and the networks of actors connected to resource production. The state is a vital node within those networks, but one whose ultimate authority or “sovereign control” over resources

are made possible by its relations with various extra-national actors. Hence, understanding the role of the Chinese or other states in Southeast Asian resource production demands tracing out networks of state relations with a wide range of local, national and transnational actors. In some places, these partnerships reinforce existing relations of power, in others they may create new opportunities for resistance and opposition, and in others still they may lead to surprising or uncertain outcomes.

A second area where a resource lens can be helpful is in understanding territory not simply as bounded geographical space encompassing people and resources, but rather as a set of social relations expressed through strategies of territorialization. As classically defined by Robert Sack, territoriality is an attempt to control people or things by “delimiting and asserting control over a geographic area”.<sup>22</sup> Resource projects are territorializing for the simple reason that they take up space, or even just aspire to take up space.<sup>23</sup> Their efforts to impose a new order on space — sometimes a radically new order — reshapes existing socio-ecological relations between land, resources and people.<sup>24</sup> Hence, resource struggles should not be seen simply as struggles over areas of land that hold resources, but rather as wider struggles over territorializing strategies and their attempts to impose a particular order on existing social relations.

A third area, closely related to the second, is that resource conflict is rarely just about resources. Whatever are the ostensible terms of conflict, resource conflicts have a tendency to spill over into many other issues. They are struggles over labour, livelihoods, cultural identity, inter-ethnic relations, historical struggles and many other possibilities. As a result, the actors implicated by resource conflicts are often diverse and wide-ranging, as are their forms and levels of engagement. Hence, our analyses of resource conflict should necessarily be multi-dimensional, multi-level and multi-sited.

At the same time, conflict should not be seen strictly as an indicator of problems. Conflict may also reflect new levels of recognition of those who were previously invisible, new forms of dialogue, or other emergent possibilities for politics. As Anthony Bebbington has argued, the push and pull of conflict, even when among highly asymmetric power relations, can co-produce alternative development

outcomes.<sup>25</sup> Hence, one of the challenges to understanding conflict is being able to excavate their messy social, cultural and historical lineages to understand how they might challenge or contest existing political and economic orders.

Either way, China's global investments in natural resources will continue. Since 2010, China has been the world's largest energy consumer, having been the world's second largest oil consumer since 2003.<sup>26</sup> China is also the largest global consumer of iron ore, coal, zinc, lead, tin, nickel, copper and aluminum.<sup>27</sup> It consumes more than 80 per cent of the world's zinc and tin, more than half of its iron ore and coal, and around 40 per cent of its copper, aluminum, lead and nickel, and nearly one third of its tungsten.<sup>28</sup> Both the global acquisition, as well as domestic production, of these resources have been vital to China's own "resource-led economic development strategies".<sup>29</sup> Hence, examining China's global investments and development cooperation from a resource lens is appropriate.

A resource lens urges us to employ more critical and relational understandings on China's rise in Southeast Asia. It requires us to trace contingent multi-level networks of uneven power relations, examine strategies of territorialization as key mechanisms of struggle within those networks, and conflict as an open terrain with multiple meanings and possibilities for a diverse set of actors. Not only does a resource lens provide critical insight into an important part of China's international development cooperation, it is also an approach to examining China's rise in a region that it has long characterized as its own backyard.

## **China's Return to Southeast Asia**

A new wave of Chinese investment has spread across Southeast Asia. The levels of investment have been as impressive as their implications have been wide-ranging. They have brought to Southeast Asia new economic opportunities, regional cooperation and development, but they have also included allegations of land grabbing, environmental degradation, cultural conflict, political bullying, and distrust. Furthermore, underlying these tensions are long intertwined histories characterized by both trust and



suspicion. A recent volume on China in the Mekong Region captures these sentiments in its descriptions of China as an awakening “imperial dragon ... seeking to reassemble the ‘Middle Kingdom’”.<sup>30</sup> To complicate matters further, the new wave of investments is happening against a backdrop of heightened geopolitical tensions surrounding China’s territorial claims in the South China Sea.

That China has become such an important investor in Southeast Asia is remarkable, recalling that a little more than three decades ago most countries in the region maintained distant, if not adversarial, relations with China. During the Cold War, the capitalist countries of Southeast Asia saw communist China as an existential threat. For communist Vietnam and, to a lesser degree, Laos, China fell on the wrong side of the Sino–Soviet split and its support of the Pol Pot regime led to the China–Vietnam border war in 1979.

Not until the 1990s, more than a decade after China had begun its transition to a market economy, did major powers in Southeast Asia begin to normalize relations with China, among them Singapore, Malaysia, Indonesia, Vietnam and the Philippines. However, China boosted its candidacy as a new regional leader for Southeast Asia during the Asian Financial Crisis of 1997 and 1998. As western capital took flight, China stepped in to provide much needed financial assistance and committed to maintaining its currency value for the sake of regional stability. These gestures of Chinese largesse helped pave the way for new political and economic agreements with the ten ASEAN member states, including agreements to remove tariffs in 2004 and create “the world’s largest free trade area by 2010”.<sup>31</sup>

Since then, China has established itself as the most important economic trading partner of nearly every Southeast Asian country. China is now the first or second most important trading partner for every major economy in Southeast Asia (see Table 1.1).<sup>32</sup> Chinese direct investment into the region has also grown rapidly from US\$120 million in 2003 to US\$6.3 billion in 2012, representing a twofold increase in China’s total FDI to the region from 4 to 8 per cent.<sup>33</sup> And even as 8 per cent might reflect a minor share of China’s total outgoing investments, it translates into a very big number for most Southeast Asian countries. For poorer countries, such as Cambodia and Laos, China is their number one foreign investor.<sup>34</sup>

**TABLE 1.1**  
**Chinese Two-Way Trade with Southeast Asia**

	Imports from China			Exports to China			Total Trade with China		
	Rank	Per Cent	US\$ Billion	Rank	Per Cent	US\$ Billion	Rank	Per Cent	US\$ Billion
Brunei	3rd	15%	0.6	—	—	—	—	—	—
Cambodia	2nd	22%	3.3	—	—	—	—	—	—
Timor-Leste	5th	10%	*0.0	—	—	—	—	—	—
Indonesia	1st	18%	32.5	2nd	11%	20.8	—	—	53.3
Lao PDR	2nd	26%	3.9	1st	45%	1.7	—	—	5.6
Malaysia	1st	18%	36.4	2nd	12%	32.6	—	—	69.0
Myanmar	1st	36%	4.3	1st	42%	8.8	—	—	13.1
Philippines	1st	24%	19	1st	17%	13.8	—	—	32.8
Singapore	1st	13%	44.3	**2nd	12%	33.2	—	—	77.5
Thailand	1st	18%	37.3	1st	12%	29.5	—	—	66.8
Vietnam	1st	30%	44.7	2nd	11%	17.5	—	—	62.2

Notes: \* Rounded from US\$15 million

\*\* First is ranked as Hong Kong (13%, 34.1B)

Source: Compiled by the author using economic data from <<http://atlas.media.mit.edu>>.

Where Chinese direct investment has been less significant, Chinese economic activity has found other channels for pouring into Southeast Asia. For example, Chinese contractors are believed to hold up to 90 per cent of Engineering, Procurement and Construction (EPC) contracts in Vietnam's thermal power sector.<sup>35</sup> By 2010, China held US\$10–15 billion worth in project contracts, making Vietnam China's largest project contracting market in Southeast Asia.

Along with trade and investment, Chinese aid to Southeast Asia has also grown. Through a mix of preferential credit, concessional loans and direct grants, China is now one of the most important sources of economic development assistance to the region. Between 2002 and 2007, China directed US\$7.4 billion worth of economic assistance to Southeast Asia, of which US\$7.1 billion were concessional loans.<sup>36</sup> Cambodia, Laos, Myanmar and Vietnam each received around US\$500 million in Chinese economic assistance between 2004 and 2008.<sup>37</sup> Cambodia alone received US\$9.17 billion between 1994 and 2012, mainly concentrated in hydropower and transport infrastructure.<sup>38</sup>

China has also been a major source of investment and infrastructural development, especially roads, in under-funded regions such as Laos.<sup>39</sup> Growing regional cooperation will only strengthen these trends through such initiatives as the China–ASEAN Investment Cooperation Fund announced in 2008 (to which China committed US\$15 billion in loans), the ADB's Greater Mekong Subregion Economic Cooperation Program, and, more recently, China's One Belt, One Road programme to support regional transport and communication infrastructure, including a "maritime silk road" in Southeast Asia, and the US\$100 billion Chinese-led Asian Infrastructure Investment Bank.

However, China's growing economic influence has also been accompanied by new waves of Chinese migration, cross-cultural conflicts, and geopolitical tensions. Increasing waves of Chinese traders, investors and workers moving into the region has had mixed effects on national and local businesses, communities and inter-ethnic relations, especially in the more volatile hinterland regions.<sup>40</sup> An expanding demographic presence has also given the Chinese government new reasons to sponsor Chinese cultural

developments, such as building Confucian Institutes across the region. Yet such initiatives have not always been appreciated by everyone and some have regarded them as “civilizing missions”.

Growing geopolitical tensions in the South China Sea has only heightened the potential for conflict on all of the above-mentioned issues. China claims up to 90 per cent of the South China Sea through its famously ambiguous ten-dashed line. The claimed area extends from the southern coast of Hainan Island along the entire eastern coast of Vietnam, the northern edge of Malaysian Borneo and Brunei, and the western islands of the Philippines. Over the past ten years, China has become increasingly bold in asserting its claims to the South China Sea and has engaged in ambitious efforts to reclaim land and build infrastructure, including military installations, which has sparked tensions both within and among Southeast Asian claimant countries.

The mix of economic development together with cross-cultural, socio-demographic and geopolitical challenges makes assessing the implications of China’s rise in Southeast Asia necessarily complex. Any final analysis that describes these developments as singularly, or even fundamentally, productive or destructive, cooperative or conflictive, beneficial or detrimental is necessarily limited. Such assessments will necessarily vary according to where developments are taking place, from whose perspective they are viewed, and on what specific issues they are being assessed. Identifying, recognizing and learning to work within these multiple and contradictory tendencies is the challenge that this volume puts out to its readers.

### **China’s Resource Investments in Southeast Asia**

An important part of China’s growing economic cooperation in Southeast Asia has been in the natural resource and energy sectors. Over the past two decades, Chinese FDI has expanded rapidly in the region’s resource rich countries. In the ten years between 2003 and 2012, Chinese FDI increased from US\$0.8 million to US\$809 million in Laos, from US\$12.8 million to US\$349 million in Vietnam, from US\$2.0 million to US\$199 million in Malaysia, from US\$26 million

to US\$592 million in Indonesia, and from US\$4.1 million (2004) to US\$749 million in Myanmar.<sup>41</sup> Chinese investment in Myanmar has been primarily in the natural resource and energy sectors, where all three of China's national oil companies are active.<sup>42</sup> No less than 99 per cent of China's total FDI in Indonesia went to the mining sector in 2014, which, together with India, has replaced Japan and Korea as Indonesia's main energy market (Zhao Hong and Sambodo, this volume). In all of Southeast Asia, the proportion of Chinese FDI in the mining sector increased from 9.7 per cent in 2008 to 28 per cent in 2012, which is similar to the proportion of China's mineral investments in Africa (i.e., 31 per cent). Even despite vagaries in global market prices for resource commodities, the sheer size of the Chinese economy ensures that its long-term demand for resources in global markets will continue.

This volume addresses China's growing interest in Southeast Asia's resources by bringing together diverse researchers and scholars from different disciplines, institutions and backgrounds. Among them are resource economists and policy analysts, international relations specialists, human geographers, political ecologists, a historian, a sociologist, and an anthropologist. The authors also hail from different countries and backgrounds in Southeast Asia, China and beyond. However, what each of us share in common is a deep and long-standing interest in Southeast Asia and its evolving relations with China. The volume also addresses the topic on multiple levels by professionally zooming in from a regional view and state perspectives through to multi-level country studies and ethnographies of conflict.

The first four chapters begin with the views of resource economists and policy analysts who demonstrate that, despite the challenges of coordinating state behaviour and the many actors involved, resource investments can be strategic at the highest levels. In their chapter on "Mixed Motivations, Mixed Blessings: Strategies and Motivations for Chinese Energy and Mineral Investments in Southeast Asia", Philip Andrews-Speed, Mingda Qiu and Christopher Len examine the different rationales and logics at work among the various Chinese and Southeast Asian actors engaged in "resource deals" in Southeast Asia. They note that Chinese resource companies currently have the largest footprint among all Asian energy and

resource investors in Southeast Asia. Over the past twenty years, they have committed tens of billions of dollars to resource and energy sector projects across the region. Where “traditional” or western multinational companies have been leaving the region for larger deposits or more attractive fiscal and regulatory regimes elsewhere, Chinese investors have been taking their place.

Andrews-Speed et al. further note that a dominant proportion of the new Chinese resource investments are through companies wholly or partly owned by the Chinese state. They may be owned at central or provincial levels, but almost invariably they arrive with “substantial workforces and access to generous financing” (p. 49). However, Andrews-Speed et al. present a complex picture of the mixed state and corporate motivations that drive these investments. They apply Dunning’s model of overseas investment to describe complex structures of motivations and investment strategy, as well as how they vary according to resource type. These authors reject the notion of any single narrative driving Chinese resource investments in the region. They demonstrate that resource investments serve multiple agendas among different actors, which affects how resources are extracted and produced and the types of contestation they may generate.

Yu Hongyuan’s chapter on “Mineral Resources in China’s ‘Periphery’ Diplomacy” also takes a regional view of Chinese resource investment strategies. However, it does so from a Chinese policy perspective on China’s political and economic relations with its “peripheral regions”, which is a policy designation for the countries and regions surrounding China. The Chinese government has identified forty-five “strategic mineral resources” as vital to the country’s development, of which twenty-seven are considered to be in short supply or without guarantee of adequate supply. More than half of them, however, are present in Southeast Asia and Australia. They include almost all of China’s nickel imports (Indonesia and the Philippines), more than 70 per cent of its aluminum ore (Indonesia), more than half of its tin (Myanmar until 2011), and 83 per cent of its coal (Indonesia, Australia, Vietnam, Mongolia and other neighbouring countries), and they have yet to reveal the potential importance of underexplored countries, such as Laos. These numbers underline the importance of Southeast Asia to China’s domestic development.

From a Chinese policy perspective, a key conundrum is how to secure long-term strategic resources amid diverse social, economic and political contexts, and a near complete range of diplomatic relations with China. In Southeast Asia, these concerns are compounded by existing geopolitical competition in the South China Sea, as well as China's concerns about the Malacca Straits "chokepoint" through which more than 80 per cent of its oil and gas imports.<sup>43</sup> Yu Hongyuan examines these dilemmas through the Chinese lens of "unbalanced development", spectres of resource nationalism, and the potential influence of major powers outside the region, most notably the United States. He shows that even as Chinese resource investments may be driven by profits, they cannot be neatly disentangled from Beijing's economic, political or geopolitical policy concerns.

The next two chapters offer complementary case studies of Chinese and Indonesian bilateral resource cooperation. Indonesia is China's largest resource trading partner and investment destination in Southeast Asia, largely due to the massive coal trade between the two countries. As Cecilia Springer describes, their bilateral coal trade was at one time sizable enough to influence global market prices, production levels, and production agendas for coal.

In her chapter on "Energy Entanglement: New Directions for the China-Indonesia Coal Relationship", Springer provides a close-up examination of China-Indonesia bilateral relationship through the lens of "old King coal". Taking us through three distinct phases of the relationship, she demonstrates how domestic patterns of energy consumption and transport logistics forced China to depend increasingly on Indonesian coal, despite China's own substantial coal production in its interior regions. After the 2008 Global Financial Crisis, the two countries effectively established a global duopoly on coal trade. However, trade began to diminish as China, on the one hand, increasingly dissociated itself from coal (reflecting wider global trends in the sector) and Indonesia, on the other, enacted policies to restrict the export of unprocessed mineral ores.

Yet even as coal trade has declined, new possibilities have emerged to reinforce bilateral relations, notably through Chinese investment in Indonesia's coal production infrastructure. While the

future of the Chinese–Indonesian coal relationship may still be an open question, especially as India rapidly emerges as an important coal supplying alternative for China, Springer’s analysis demonstrates how the strength of the bilateral coal trade has at times proven to be a bulwark against turbulent relations.

In the next chapter on “Indonesia–China Energy and Mineral Ties: The Rise and Fall of Resource Nationalism?”, Zhao Hong and Maxensius Tri Sambodo combine perspectives of a Chinese and an Indonesian resource policy analyst, respectively, to examine Indonesian resource policy in a “context of fraught political and economic relations” (p. 105). More specifically, these authors question a suite of Indonesian policy measures that aim to protect national resource industries — and, more poignantly, specific resource companies and well-worn networks of resource patronage. These authors point out that not only are such “resource nationalist” measures often ineffective as economic policy, they can increase conflict at local levels in contexts of weak governance and a lack of transparency.

Zhao Hong and Sambodo demonstrate that both China and host countries use the tools of statecraft to protect resource rents and supply, whether this is within the national territory, as in Indonesia’s case, or by acquiring resources from overseas, as in China’s case. These are merely different forms of resource nationalism, which are visible in varying degrees across the region. As such, these authors show how bilateral relations both shape and have been shaped by resource cooperation. They emphasize that states continue to occupy important nodes in transnational resource production, although the particular role played by any one government may vary according to local contexts.

The following six chapters provide more grounded views and multi-level country studies of Chinese resource investments in Southeast Asia. The first three examine what happens when resource policies and investment strategies conceived in one place (such as government offices, company headquarters, or policy research institutes) hit the ground in other, often very different, places. Alvin Camba’s chapter on “The Directions, Patterns, and Practices of Chinese Investments in Philippine Mining” challenges



popular notions of Chinese resources companies dominating by their sheer size and state-backed resources. In contrasting them with “traditional” multinational resource companies, notably Canadian and Australian mining companies, Camba provides a different picture of how Chinese companies pursue mining sector projects in the Philippines.

As Camba demonstrates, rather than pursuing large-scale mining investments through central level agencies, Chinese mining companies tend towards small-scale mining. Small-scale mining enables Chinese companies to avoid national regulators and negative limelight, which has been especially important in a context of open geopolitical conflicts with China’s encroachments in the South China Sea. Chinese companies also employ a wider range of methods for capital accumulation than “traditional” mining investors, which include labour-intensive extraction, household and community labour, and more flexible infrastructure. Being able to connect with diaspora networks further enables Chinese companies to work through local elites rather than national-level policymakers.

Camba emphasizes that these distinctions are not hard and fast, neither can they be strictly attributed to *Chinese* way of doing business. Rather they have historical roots in Japanese forms of non-hierarchical production overseas, where the foreign investing firm own the highest node of the production and then outsources the rest to local and regional actors. In this regard, Camba gives evidence of the important place-based differences that shape Chinese resource investment strategies and practices across the region.

In “Develop Cooperation with Chinese Characteristics: Opium Replacement and Chinese Rubber Investments in Northern Laos”, Juliet Lu’s study of the China–Laos Opium Replacement Program (ORP) examines a Chinese homegrown “model of development” as it travels to Laos. For Chinese investors, rubber is the “miracle crop” that developed and modernized the impoverished uplands of Yunnan, which borders with northern Laos. The topographic and ecological similarities of northern Laos to Yunnan, the low levels of socio-economic development among the Lao upland people (including several of the same ethnic groups as in the Yunnanese uplands), and global economic prospects of rubber appeared to set the

stage for another development miracle. Yet, unfortunately, that miracle has yet to appear for most Lao rubber farmers.

In trying to understand why Chinese development worked in one place but not another, Lu highlights key differences in the levels of state support to the Chinese rubber industry, which protected it from global market volatility, allocated tenure rights to smallholders, provided market access services to producers, and oversaw relations with agribusiness companies. In contrast, Chinese rubber investors in Laos were hit hard when prices plunged in 2011. For Lao rubber farmers, weak tenure arrangements and a lack of regulation over rubber investors resulted in their livelihoods becoming more vulnerable and uncertain. Lu illustrates how models for resource development are forged in geographically specific histories, which are not easily transported from one place to the next. In Laos, the application and rhetoric of a Chinese development model was, at best, simplistic and, at worst, a disingenuous way of enabling Chinese rent-seeking in the Lao uplands.

Chinese investment and development cooperation is arguably more important to Cambodia than any other Southeast Asian country. Recently, China's annual FDI in Cambodia has been more than double the next largest investing country. An important part of these investments has been in agricultural and resource sector projects. As Siem Pichnorak argues in his chapter on "The High Cost of Effective Sovereignty: Chinese Resource Access in Cambodia", Chinese companies have been the largest foreign holders of economic land concessions, mining licenses and hydropower construction projects. The development benefits of these investments are important, but they have also led to allegations of land grabbing, deforestation and human rights abuses. In turn, incidents and allegations related to these investments generated conflict and protests at local, national and international levels.

To make sense of these competing processes, Siem argues that Chinese resource cooperation helps to enhance Cambodia's "effective sovereignty", which refers to the state's ability to effectively claim control over and govern its national territory. In other words, by conceding certain territories to foreign investors, the Cambodian state is able to reinforce its claims to sovereignty through land administration and a rhetoric of development in outerlying areas.

However, in the process, these partnerships can exacerbate already weak systems of land and resource governance, as well as lead to devastating social and environmental consequences. Siem makes clear that these dilemmas of resource cooperation offer no simple solutions. Rather, Siem argues for complex understandings of Cambodian land and resource governance, and the state's capacity for enacting and enforcing its own regulations.

The next three chapters focus more specifically on conflict and contestation, emphasizing how struggles over resources are often embedded within geographically specific histories of conflict. Myanmar is a fitting place to begin, as massive protests led the Myanmar government to suspend the Chinese-backed Myitsone hydroelectric dam in 2011, sending shock waves through China–Myanmar relations, as recounted in Diane Tang-Lee's chapter on "Complex Contestation of Chinese Energy and Resource Investments in Myanmar". For decades, China had been Myanmar's most reliable political ally and its top foreign investor. To China, Myanmar was an important region for securing natural resource supplies, as well as offering a strategic overland route for oil and gas from the Middle East and Africa to shortcut the Malacca "chokepoint". Some of China's largest investments in Myanmar have been in the resource sector, including the Myitsone hydroelectric dam, the Letpadaung copper mine, and both Sino–Myanmar oil and gas pipelines. Yet domestic protests surrounding each of these projects shows that local and civil society concerns do matter, despite the best laid plans of states and corporations.

Through ethnographic research with Chinese companies and Myanmar civil society actors, Tang-Lee identifies a complex mix of factors that hinder more meaningful engagement between these two sets of actors. They include the restrictive legal and political context for civil society in Myanmar, organizational limitations, and dismissive attitudes by company representatives, often based on their past experiences with civil society organizations in China. Not only have these problems hindered the development of more formal and regular communications, they have also undermined the efforts of Chinese companies to build trust and reputation with the wider Myanmar public. Tang-Lee's analysis questions China's pretenses of "non-

interference” in a context where the central government has little support or trust among local or regional populations.

Vietnam has perhaps the longest history of political and economic cooperation with China among all Southeast Asian countries, as it has passed through nearly all variations of cooperative and conflictive relations.<sup>44</sup> Since the 1990s, however, Chinese trade and investment in Vietnam have been expanding rapidly. However, popular attitudes towards Chinese investment changed radically after the global financial crisis of 2008. In their chapter on “Anti-Chinese Protest in Vietnam: Complex Conjunctions of Resource Governance, Geo-politics and State-Society Deadlock”, Jason Morris-Jung and Pham Van Min trace this shift in domestic attitudes by providing an overview of Chinese economic activity and the popular concerns that have emerged around it. They then examine two case studies of anti-Chinese protest in relation to resource sector projects as complex conjunctions of domestic conflict and tension.

Morris-Jung and Pham Van Min demonstrate how protests over Chinese-backed resource projects have been used to express popular grievances towards the government in a context where open criticism of political leaders is personally risky and routinely suppressed. The controversy over Chinese involvement in bauxite mining exposed recurring problems in Vietnam’s land and resource governance, economic management, and government decision-making. However, these developments also reached a disturbing crescendo in 2014 when riots and violent attacks on Chinese workers at a steel factory in Central Vietnam broke out in response to Chinese encroachments in what Vietnam calls the Eastern Sea. Morris-Jung and Pham Van Min’s analyses of these events show how these conjunctions of China, resources and governance have also generated new openings and risks for political contestation in Vietnam.

The Philippines is another country where resource conflict has been deeply entangled with territorial conflicts on what the Philippines calls the West Philippine Sea. Continuing with Camba’s earlier discussion on Chinese involvement in small-scale mining, Menandro Abanes’ chapter on the “Complexities of Chinese Involvement in Mining in the Philippines” focuses on the local level conflicts

that have emerged around it. He begins with a paradox on why an injunction ordered by the Philippine Supreme Court on ninety-four small-scale mines in 2013 was popularly understood as an anti-China measure, rather than a pro-environment or even an anti-mining one.

After providing an overview of the Philippine mineral sector and its legal context, Abanes examines the complex local realities of mining conflict. In particular, he demonstrates the strong correlation between regional poverty incidence and mining sector activities, whose percentage rate, between 1988 and 2009, went from half to surpassing that of agriculture. Mining is the only sector where regional poverty rates have actually increased. While Abanes warns against deducing a clear causal relationship from statistics alone, he notes that they nonetheless challenge claims that mining reduces poverty. Amid the power asymmetries between transnational companies and local communities, Abanes highlights how enduring problems with resource governance, divided loyalties among local officials, historical conflicts with indigenous peoples, and challenges in regulating small-scale mining companies have combined with a broader malaise towards Chinese actors as a result of territorial disputes. In conclusion, Abanes suggests that Chinese companies' greater cognizance of national laws, responsiveness to local needs, and operations in more locally inclusive and transparent ways could improve the current situation.

The chapters in this volume disabuse us of notions that resource production is inherently cooperative or conflictive. Rather, they draw our attention to how one often presupposes the other, and how any assessment of resource production must be attuned to local history, geography and socio-economic conditions. As importantly, they show that shortcomings in Chinese companies' own resource, environmental or social management are also co-produced with a host of local and national level actors, including government regulators, partner companies, local leaders and local communities. That these conflicts are playing out against a backdrop of territorial conflict in the South China Sea adds further fuel to the fire. At the same time, such conflicts can also generate new channels for citizens and communities to express their grievances to their political

leaders. Examining China's return to Southeast Asia from a resource lens highlights the wide cross-section of actors involved, the many interrelated issues often at stake, and both the diversity and complexity of their outcomes.

## NOTES

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