

A Good Neighbor of Bad Governance: China's Energy and Mining Development in Southeast Asia

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SMA SPEAKER SESSION

APRIL 12, 2019

“一带一路”国际合作高峰论坛

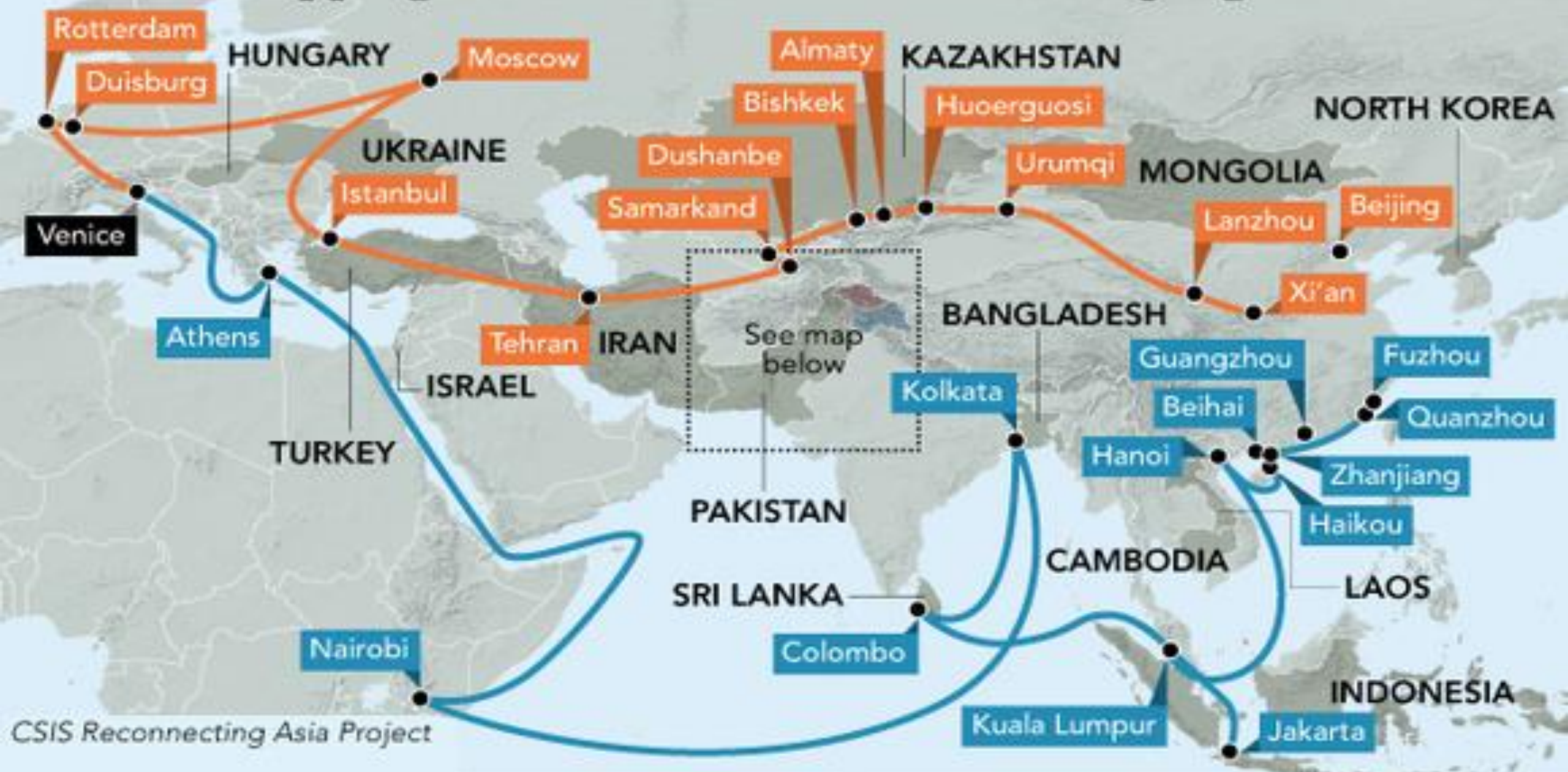
BELT AND ROAD FORUM FOR INTERNATIONAL COOPERATION

2017年5月14-15日 中国·北京

14-15 MAY 2017 BEIJING, CHINA



Mapping the Belt and Road Initiative's progress







Port of Hambantota

SRILANKA

PUZZLES

How has China's economic diplomacy been implemented?

What's Beijing's objectives?

What's Chinese firms' objectives?

Are they the same?

To promote diplomatic ties or debt traps?

Chinese energy & mining development in SEA

- Why are Chinese energy and mining firms important?
- Why is Southeast Asia important?
- Research approach
- Research scope
- Findings & arguments



The Going Out and Good Neighbor Policies

- Both began in the late 1990s and early 2000s
- Policy background
- Policy objectives
- Policy & institutional arrangements- 'the Chinese leviathan'
- The role of energy and mining state-owned enterprises (SOEs)



Challenges to Going Out & Good Neighbor

- Overseas expansion of distorted incentives and institutional shortfalls
- Chinese state capitalism: the principal-agent/moral hazard problem
- Bureaucratic problems in implementing the two policies
- Powerful SOEs and their vicious competition



Chinese Energy and Mining Development in SEA

- Investments reached \$13.4 billion; 28% of Chinese FDI to the region in 2014, rising from 9.5% a decade ago.
- Equity finance captured only a fraction of Chinese capital in this sector.
- Debt finance via Chinese foreign aid funds, export credit guarantees, buyer's credits, or direct loans to foreign governments.
- Yet, the value of the total debt-financed projects is difficult to estimate.

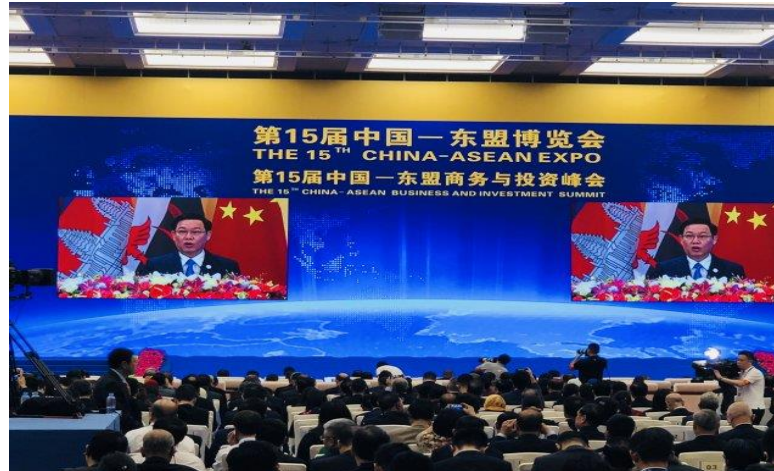
Table 1. Counts of Chinese Energy and Mining Projects in Southeast Asia (2000-2016)

	Oil & Gas	Hydropower	Coal-fired power	Mining
Brunei	1	1	0	0
Cambodia	2	8	3	0
Indonesia	18	3	36	11
Laos	0	30	0	5
Malaysia	1	14	1	3
Myanmar	11	48	3	10
Philippines	1	3	4	7
Singapore	1	0	0	0
Thailand	3	3	0	0
Vietnam	0	9	17	7
Total	42	119	64	43

Source: Collected by the author from multiple sources.

Regional Context Catalyzing the effect of Going Out and Good Neighbor

- Beating Diplomatic Drums, Seizing Risky Business Deals
- Turning Social Capital into Real Capital
- Leveraging Beijing's Support with Geographic Proximity



Problems

- Outward expanding of principal-agent & moral hazard problems
- Dilemma of 'doing business with friends'



Chinese Hydroelectric Development Race in Mainland SEA (Mekong Delta Area)

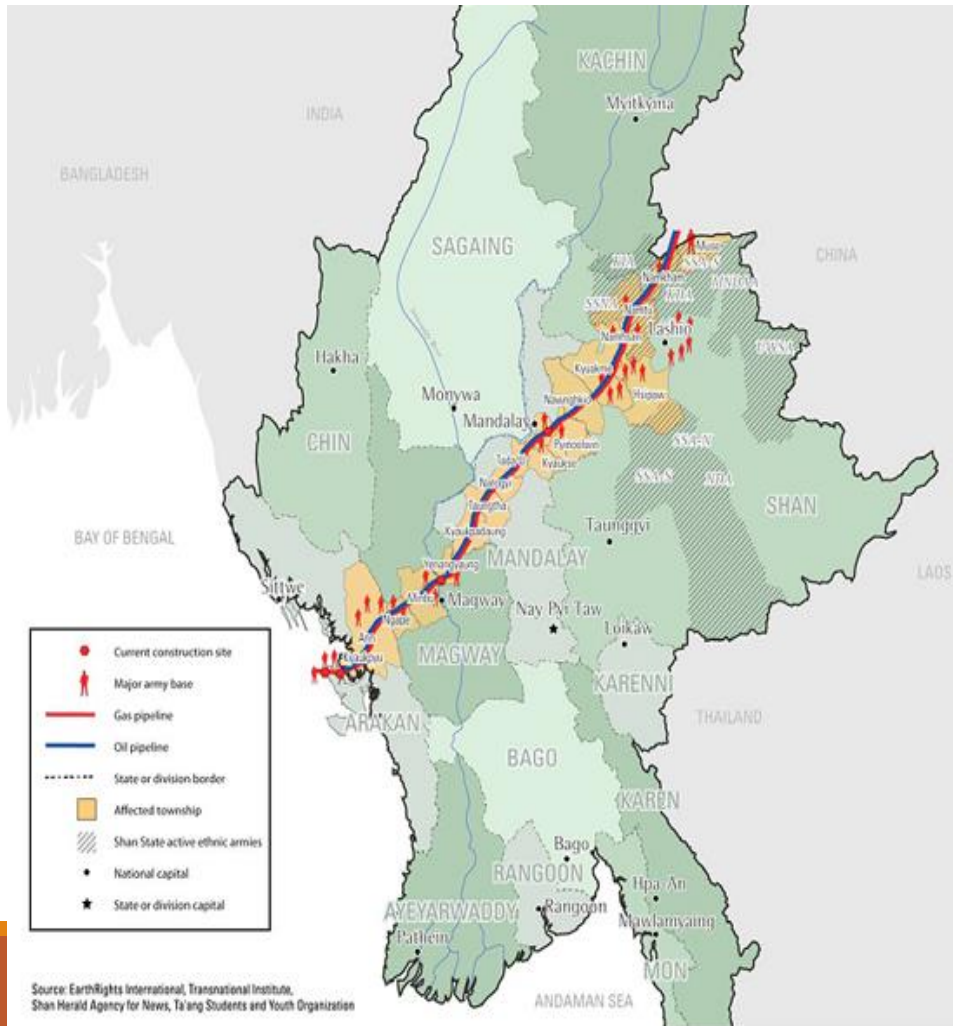


The China-Myanmar Oil & Gas Pipelines: A Gamble of Geopolitics

War on Terror &
The Malacca dilemma



The China-Myanmar Oil & Gas Pipelines: A Gamble of Geopolitics



Conclusion

- Rethink China's BRI
- Recent changes
- Policy implications